

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

Financial Statements

Year Ended June 30, 2022

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FINANCIAL SECTION

MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Lyons Township School Treasurer
Countryside, Illinois

Report on the Audit of the Financial Statements

Opinion

We have audited the modified cash basis financial statements of the governmental activities, the major fund and the custodial fund of Lyons Township School Treasurer (the Treasurer), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Treasurer's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying modified cash basis financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the major fund and the custodial fund of the Treasurer, as of June 30, 2022, and the respective changes in cash basis financial position, for the year then ended in accordance with the modified cash basis of accounting described in Note A.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Treasurer, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of a Matter - Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.



Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note A; and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Treasurer's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Treasurer's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the management's discussion and analysis and the other supplementary information (as listed in the table of contents), but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

MILLER, COOPER & CO., LTD.



Certified Public Accountants

Deerfield, Illinois
January 30, 2023

**Lyons Township School Treasurer
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2022**

The discussion and analysis of the Lyons Township School Treasurer's (the Lyons Township Treasurer's Office) financial performance provides an overall review of the Treasurer's financial activities, for the year ended June 30, 2022. The management of the Lyons Township Treasurer's Office encourages readers to consider the information presented herein in conjunction with the basic modified cash basis financial statements to enhance their understanding of the Lyons Township Treasurer's Office financial performance. The modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Certain comparative information between the current year and prior year is required to be presented in the Management's Discussion and Analysis (the "MD&A").

Financial Highlights

- In total, the net deficit decreased by \$301,512.
- The expenditures of the Treasurer's Office services have been reduced by \$1,255,253.

Overview of the Financial Statements

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

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

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

Government-wide financial statements

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

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

The Statement of Activities – modified cash basis presents information showing how the Lyons Township Treasurer's Office net deficit changed during the fiscal year being reported. All changes in net deficit are reported when revenue is received and expenses are paid.

**Lyons Township School Treasurer
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2022**

Overview of the Financial Statements (Continued)

Government-wide financial statements (Continued)

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

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Lyons Township Treasurer's Office uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Lyons Township Treasurer Office can be divided into two categories: a governmental fund and a custodial fund (the Lyons Township Treasurer's Office 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 Township Treasurer's Office 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 fund statement of assets and liabilities arising from cash transactions and the governmental fund statement of revenues collected, expenditures paid, and changes in fund deficit provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Lyons Township Treasurer's Office maintains one individual governmental fund – General (Distributive) Fund. Information is presented in the governmental funds statement of assets and liabilities arising from cash transactions and in the governmental funds statement of revenues collected, expenditures paid, and changes in fund deficit for the General (Distributive) Fund.

The Fiduciary activities – Custodial Fund is used to account for the cash and investments held by the Trustees in custody for the township districts and cooperatives.

**Lyons Township School Treasurer
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2022**

Overview of the Financial Statements (Continued)

Notes to the financial statements

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

Other information

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

Government-Wide Financial Analysis

Table 1 Condensed Statement of Net Deficit		
	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 250	\$ 250
Capital assets	<u>296,911</u>	<u>42,518</u>
Total assets	<u>297,161</u>	<u>42,768</u>
Advances from Township Districts	3,394,019	3,725,430
Long-term liabilities	<u>284,292</u>	<u>-</u>
Total liabilities	<u>3,678,311</u>	<u>3,725,430</u>
Net position (deficit):		
Investment in capital assets	12,619	42,518
Unrestricted	<u>(3,393,769)</u>	<u>(3,725,180)</u>
Total net deficit	<u>\$(3,381,150)</u>	<u>\$(3,682,662)</u>

**Lyons Township School Treasurer
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2022**

Government-Wide Financial Analysis (Continued)

Table 2 Changes in Net Deficit		
	<u>2022</u>	<u>2021</u>
Revenues:		
Program revenues	\$1,440,520	\$2,128,042
Total revenues	<u>1,440,520</u>	<u>2,128,042</u>
Expenses:		
Treasurer's office Services	<u>1,139,008</u>	<u>2,394,261</u>
Total expenses	<u>1,139,008</u>	<u>2,394,261</u>
Change in net deficit	<u>\$301,512</u>	<u>(\$266,219)</u>

Financial Analysis of the Lyons Township Treasurer's Office Funds

As the Lyons Township Treasurer's Office completed the year, the government-wide (annual operational activities) net deficit was \$3,381,150. Annual operational revenues are generated from the pro-rata billing which are based on the prior year's (FY21) operational expenditures. The governmental fund expenditures are based on the current year (FY22) operational expenditures. In FY22 the government-wide deficit decreased by \$301,512.

The collective financial position of the Lyons Township School Treasurer is reflected in its governmental fund. The governmental fund deficit decreased to \$3,393,769 from the prior year deficit. Write-offs related to uncollected pro-rata revenue from Lyons Township High School District 204 from FY1999-FY2011 is the largest source of the governmental fund deficit.

The Custodial fund undistributed investment activity, which includes the unrealized gains/losses on investments, current year activity and prior year undistributed income (loss) decreased to (\$5,912,355) in FY22 from \$4,988,716 in FY21 mainly due to changes in market value of the investment portfolio. Governmental Accounting Standards Board Statement No. 72 Statement addresses the accounting and financial reporting related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement will adjust based on investment portfolio and market factors.

**Lyons Township School Treasurer
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2022**

Factors Bearing on Future

The following factors could bear on the future financial position:

- The Lyons Township School Treasurer was pursuing collection of unpaid pro-rata payments, recovery of over-paid interest income distribution and recovery of audit costs from Lyons Township High School District 204 (LTHS) through litigation. A judgement issued in May 2021 by the Cook County Circuit Court against LTHS which alleviated a portion of the fund deficit by \$764,789 for unpaid pro-rata payments from FY2012-FY2018. The remaining balance due from LTHS for unpaid pro-rata totaling \$2,524,459 will not be recovered from LTHS.
- The Lyons Township School Treasurer has begun to solicit Lyons Township municipalities to manage additional short-term investments to generate new revenues to pay-down unrecovered LTHS unpaid pro-rata totaling \$2,524,459. Any new revenues collected by the Lyons Township School Treasurer will be used to directly offset liabilities attributed to Lyons Township High School District 204.
- FY22 expenditures of \$1,108,314 are reported based on the Treasurer's internal expenditure report.

Requests for Information

This financial report is designed to provide the Lyons Township Treasurer's Office citizens, taxpayers, and creditors with a general overview of the Lyons Township Treasurer's Office finances and to demonstrate the accountability of the Lyons Township Treasurer's Office. If you have questions about this report, or need additional financial information, contact Mr. Kenneth T. Getty at:

Lyons Township School Treasurer
6438 Joliet Road, Unit 103
Countryside, IL 60525

BASIC FINANCIAL STATEMENTS

Lyons Township School Treasurer
STATEMENT OF NET DEFICIT - MODIFIED CASH BASIS
June 30, 2022

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 250
Capital Assets:	
Equipment, net of depreciation	12,563
Right to use leased assets, net of amortization	<u>284,348</u>
Total assets	<u>297,161</u>
LIABILITIES	
Advances from Township Districts	3,394,019
Lease liabilities:	
Due within one year	35,242
Due after one year	<u>249,050</u>
Total liabilities	<u>3,678,311</u>
NET DEFICIT	
Net investment in capital assets	12,619
Unrestricted	<u>(3,393,769)</u>
Total net deficit	<u>\$ (3,381,150)</u>

The accompanying notes are an integral part of this statement.

Lyons Township School Treasurer
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended June 30, 2022

Programs	Expenses	Program Revenues	Net Revenues and Change in Net Deficit
Governmental activities			
Treasurer's office services	\$ <u>1,139,008</u>	\$ <u>1,440,520</u>	\$ <u>301,512</u>
Net deficit - beginning of year			<u>(3,682,662)</u>
Net deficit - end of year			<u>\$ (3,381,150)</u>

The accompanying notes are an integral part of this statement.

Lyons Township School Treasurer

Governmental Fund

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS - MODIFIED CASH BASIS

June 30, 2022

	General (Distributive) Fund
ASSETS	
Cash	\$ 250
Total assets	<u>250</u>
LIABILITIES AND FUND DEFICIT	
Liabilities	
Advances from township districts	<u>3,394,019</u>
Total liabilities	<u>3,394,019</u>
Fund Deficit	
Unassigned	<u>(3,393,769)</u>
Total fund deficit	<u>(3,393,769)</u>
Total liabilities and fund deficit	<u>\$ 250</u>

The accompanying notes are an integral part of this statement.

Lyons Township School Treasurer
RECONCILIATION OF THE STATEMENT OF ASSETS AND LIABILITIES ARISING FROM
CASH TRANSACTIONS OF THE GOVERNMENTAL FUND TO THE STATEMENT OF
NET DEFICIT - MODIFIED CASH BASIS
June 30, 2022

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

Total fund deficit - governmental fund	\$ (3,393,769)
Net capital assets used in governmental activities and included in the statement of net deficit do not require the expenditure of financial resources and, therefore, are not reported in the governmental fund balance sheet.	296,911
Lease liabilities included in the statement of net deficit are not due and payable in the current period and, accordingly, are not reported in the governmental funds.	<u>(284,292)</u>
Net deficit - governmental activities	<u><u>\$ (3,381,150)</u></u>

The accompanying notes are an integral part of this statement.

Lyons Township School Treasurer
 Governmental Fund
 STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID,
 AND CHANGE IN FUND DEFICIT
For the Year Ended June 30, 2022

	<u>General (Distributive) Fund</u>
Revenues collected	
Pro-rata billings	\$ 1,440,078
Refund of prior year expenditures	442
Total revenues collected	<u>1,440,520</u>
Expenditures paid	
Salaries	540,782
Benefits	169,180
Purchased services	371,942
Supplies and materials	18,951
Capital outlay	4,521
Other objects	3,733
Total expenditures paid	<u>1,109,109</u>
Excess of revenues over expenditures	331,411
Other financing sources	
Lease liability issuance	<u>-</u>
Net change in fund deficit	331,411
Fund deficit	
Beginning of year	<u>(3,725,180)</u>
End of year	<u><u>\$ (3,393,769)</u></u>

The accompanying notes are an integral part of this statement.

Lyons Township School Treasurer
 RECONCILIATION OF THE STATEMENT OF REVENUES COLLECTED,
 EXPENDITURES PAID AND CHANGE IN FUND DEFICIT OF GOVERNMENTAL FUND TO
 THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended June 30, 2022

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

Net change in fund deficit - governmental fund	\$	331,411
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The governmental fund reports 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 and amortization expense. This is the amount by which capital outlay exceeds depreciation and amortization and loss on disposals in the current period.

Capital outlay	\$	291,284	
Depreciation and amortization expense		(34,169)	
Loss on disposals		<u>(2,722)</u>	254,393

The issuance of long-term liabilities provides current financial resources to governmental funds, while the repayment of the principal of long-term liabilities consumes current financial resources of governmental funds.

Lease liability issuance	\$	(291,284)	
Principal payments - lease liabilities		<u>6,992</u>	<u>(284,292)</u>
Change in net deficit - governmental activities	\$		<u><u>301,512</u></u>

The accompanying notes are an integral part of this statement.

Lyons Township School Treasurer
Custodial Fund
STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
June 30, 2022

Assets	
Pooled cash and investments	\$ 201,018,885
Advances to Township School Treasurer	<u>3,394,019</u>
Total assets	<u>\$ 204,412,904</u>
Net Position	
Due to Township Districts:	
Cook County School District 101	\$ 8,572,597
Elementary School District 102	15,296,520
Lyons Elementary School District 103	25,253,026
Cook County School District 104	19,957,243
Cook County School District 105	19,473,671
LaGrange Highlands School District 106	17,034,483
Pleasantdale School District 107	15,317,395
Cook County School District 108	6,235,686
Indian Springs School District 109	39,129,282
Argo Community High School District 217	35,895,016
LaGrange Area Department of Special Education	2,387,753
Cook County Intermediate Service Center #2 (West 40)	5,772,587
Undistributed investment activity - See Note C	<u>(5,912,355)</u>
Total net position	<u>\$ 204,412,904</u>

The accompanying notes are an integral part of this statement.

Lyons Township School Treasurer
Custodial Fund
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
June 30, 2022

Additions	
Property taxes	\$ 196,657,588
Corporate personal property replacement taxes	22,009,590
State and federal grants	124,843,940
Interest income allocations	3,281,832
Tuition	21,849,679
Other local sources	37,048,914
	<hr/>
Total additions	405,691,543
Deductions	
Payments made on behalf of school districts and joint agreements	386,693,604
Payments made to Lyons Township High School District 204 - See Note K	47,855,367
Net depreciation in market value and undistributed investment activity	10,901,071
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Total deductions	445,450,042
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Net decrease in fiduciary net position	(39,758,499)
Net Position	
July 1, 2021	244,171,403
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June 30, 2022	\$ 204,412,904
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The accompanying notes are an integral part of this statement.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Lyons Township School Treasurer (the Treasurer) have been prepared in conformity with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (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, and two educational cooperatives (collectively, the Township Districts) through the activities of the assistant school treasurer at each Township District. In this capacity, funds received by the Treasurer from various sources are distributed to the Township Districts on a current basis to meet operating needs. Excess funds are invested by the Treasurer, per the Investment Policy. The Treasurer and each Township District are located within the Township of Lyons in Cook County, Illinois.

2. **New Accounting Pronouncement**

The GASB has issued Statement No. 87, *Leases*, which was implemented by the Treasurer for the year ended June 30, 2022. This statement requires a lessee to recognize a lease liability and an intangible right to use asset, and a lessor to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Specific changes to the Treasurer's financial statements relate to the recording of right to use assets and lease liabilities on the statement of net position. The effect of implementation was recorded on July 1, 2021, as a current year transaction. See Notes A-9, F and G.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fund Accounting

The accounts of the Treasurer are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets and liabilities, fund balances, revenues, and expenditures. 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 collected consists primarily of pro-rata billings to Township Districts.

b. Fiduciary Activities

The Custodial fund is used to account for the cash and investments held by the Trustees in custody for the Township Districts.

4. Fund Balance

The 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.
- 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. As of June 30, 2022, the Treasurer had no restricted fund balances.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Fund Balance (Continued)

c. *Committed* - refers to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Treasurer's highest level of decision-making authority (the Board of Trustees). The Board of Trustees commits fund balances by passing a resolution. Amounts committed cannot be used for any purpose unless the Board removes or changes the specific use by taking the same type of formal action it employed to previously commit those funds. As of June 30, 2022, 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, 2022, the Treasurer had no assigned fund balances.

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

5. Government-Wide and Fund Financial Statements

The government-wide modified cash basis financial statements (i.e., the statement of net deficit - modified cash basis and the statement of activities - modified cash basis) report information on all of the nonfiduciary assets and liabilities arising out of cash transactions 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 - modified cash basis demonstrates the degree to which the direct expenses of a given function are offset by program revenues. The Treasurer's expenses are those that are clearly identifiable with a specific function. Program revenues include charges to Township Districts who use or directly benefit from the goods, services, or privileges provided by a given function.

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

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The government-wide financial statements are reported using the economic resources measurement focus and the modified cash basis of accounting.

A Governmental fund is used to account for the Treasurer's general governmental activities. The governmental fund financial statements are prepared using the modified-cash basis of accounting. The modified cash basis of accounting omits recognition of certain revenues and the related assets, such as taxes receivable, until received rather than earned. Also, certain expenditures and the related liabilities, such as accounts payable, accrued items, pension liabilities, and other postemployment benefits are recognized when paid rather than when the obligation is incurred. The financial statements reflect assets and liabilities arising from cash transactions, revenues collected, and expenditures paid. The modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America.

Custodial funds are custodial in nature and do not present results of operations or have a measurement focus. Custodial funds are accounted for using the modified cash basis of accounting.

7. Investments

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

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Fair Value Measurements

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

Level 1 Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the Treasurer has the ability to access.

Level 2 Inputs to the valuation methodology include the following:

- * Quoted prices for similar assets or liabilities in active markets;
- * Quoted prices for identical or similar assets or liabilities in inactive markets;
- * Inputs other than quoted prices that are observable for the asset or liability;
- * Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Fair Value Measurements (Continued)

The following is a description of the valuation methodologies used for the Treasurer's investments measured at fair value. There have been no changes in the methodologies used at June 30, 2022 and June 30, 2021.

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

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

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

Negotiable Certificates of Deposit: Valued at the closing price of similar instruments with comparable durations reported on the inactive market on which the individual securities are traded.

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

9. Capital Assets and Right to Use Assets

Capital assets, which consists of equipment and a right to use asset, 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 or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. **Capital Assets and Right to Use Assets** (Continued)

The Treasurer has recorded right to use assets as a result of implementing GASB 87. The Treasurer's right to use assets were initially recorded at an amount equal to the related lease liability (Note G). The right to use assets are amortized on a straight-line basis over the remaining term of the related lease.

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 and amortization of right to use leased assets is provided using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment	4 - 15
Right to use asset - building	7

NOTE B - TRANSACTIONS WITH TOWNSHIP DISTRICTS

The Lyons Township School Treasurer collects pro-rata billings 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, 2022, are not calculated and billed until the following fiscal year. Prior year billings were billed in a similar manner.

NOTE C - UNDISTRIBUTED INVESTMENT ACTIVITY

At June 30, 2022, the balance in the undistributed investment activity account within the custodial fund was (\$5,912,355). The balance consists of prior year undistributed income, current year activity and the unrealized gain (loss) on the investment portfolio at June 30, 2022. Additionally, the fair market value adjustment recorded at June 30, 2022 for unrealized losses related to investments totaled \$7,200,859. The amount of the unrealized gain (loss) will fluctuate each year and the amount of the unrealized gain (loss) is not available to be distributed to each Township District.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE D - DEFICIT FUND BALANCE

The General (Distributive) Fund has a deficit fund balance of \$3,393,769 as of June 30, 2022. This deficit is anticipated to be funded by future receipts from Township Districts.

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. 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, 2022, the Treasurer's cash and investments consisted of the following:

	<u>Governmental</u>	<u>Fiduciary</u>	<u>Total</u>
Cash and investments	\$ <u>250</u>	\$ <u>201,018,885</u>	\$ <u>201,019,135</u>

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE E - DEPOSITS AND INVESTMENTS (Continued)

For disclosure purposes, this amount is segregated into the following components, at June 30, 2022:

Cash on hand	\$	250
Deposits with financial institutions*		64,329,382
Illinois Funds		450
Other investments		<u>136,689,053</u>
Total	\$	<u><u>201,019,135</u></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. Carrying value approximates fair value due to the short term nature of these deposits.

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.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE E - DEPOSITS AND INVESTMENTS (Continued)

At June 30, 2022, other investments consisted of the following fixed income holdings:

Investment Type	Fair Value	Investment Maturity			
		Less Than One Year	One to Five Years	Six to Ten Years	Greater than Ten Years
Debt Securities					
Freddie Mac	\$ 2,724,294	\$ -	\$ 1,158,329	\$ 1,007,521	\$ 558,444
FHLMC	11,337,515	2,408,280	6,639,631	564,719	1,724,885
FHMS	1,814,005	-	1,814,005	-	-
FNMA	55,907,922	2,883,815	24,619,530	6,117,800	22,286,777
GNMA	772,618	-	-	-	772,618
Corporate Bonds	5,110,483	-	5,110,483	-	-
Municipal Bonds	47,778,032	8,396,957	24,504,558	13,796,344	1,080,173
US Treasury Bonds	9,744,353	-	4,487,683	5,256,670	-
Negotiable Certificates of					
Deposit	1,499,831	750,422	749,409	-	-
	<u>\$ 136,689,053</u>	<u>\$ 14,439,474</u>	<u>\$ 69,083,628</u>	<u>\$ 26,743,054</u>	<u>\$ 26,422,897</u>

The following investment is measured at net asset value (NAV):

		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Illinois Funds	\$ 450	n/a	Daily	1 day

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE E - DEPOSITS AND INVESTMENTS (Continued)

Credit Risk

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

Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company. Investments in Illinois Funds are rated AAAM and are valued at Illinois Funds' share price, which is the price for which the investment could be sold.

At June 30, 2022, the Treasurer's investments subject to credit risk were rated as followed:

Investment	Moody's Investor Service	Standard & Poor's
Freddie Mac - U.S. Agency explicitly guaranteed	Aaa	AAA
Federal Home Loan Mortgage Corporation (FHLMC) - U.S. Agency explicitly guaranteed	Aaa	AAA
Federal National Mortgage Association (FNMA) - U.S. Agency explicitly guaranteed	Aaa	AAA
Freddie Mac Offered Guaranteed Certificates Series (FHMS) - U.S. Agency explicitly guaranteed	Not available	Not available
Federal Farm Credit Banks (FFCB) - US Agency implicitly guaranteed	Aaa	Not available
Government National Mortgage Association (GNMA) - U.S. Agency explicitly guaranteed	Not available	Not available
Corporate Bonds	A1 - A2	A+ - BBB+
Municipal Bonds *	Aaa - A3	A+ - AA+
US Treasury Bonds	Aaa	Not available

*Credit risk ratings were not available for certain Municipal bonds

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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.

Custodial Credit Risk

With respect to deposits, custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Treasurer's investment policy limits the exposure to deposit custodial credit risk by requiring all deposits in excess of FDIC insurable limits to be secured by collateral in the event of default or failure of the financial institution holding the funds. At June 30, 2022, the bank balance of the Treasurer's deposits with financial institutions totaled \$78,598,342, all of which was insured or collateralized at June 30, 2022.

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.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE E - DEPOSITS AND INVESTMENTS (Continued)

Fair Value Measurement of Investments

The Treasurer categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Treasurer has the following recurring fair value measurements as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Debt Securities				
Freddie Mac	\$ -	\$ 2,724,294	\$ -	\$ 2,724,294
FHLMC	-	11,337,515	-	11,337,515
FHMS	-	1,814,005	-	1,814,005
FNMA	-	55,907,922	-	55,907,922
GNMA	-	772,618	-	772,618
Corporate Bonds	5,110,483	-	-	5,110,483
Municipal Bonds	-	47,778,032	-	47,778,032
US Treasury Bonds	-	9,744,353	-	9,744,353
Negotiable Certificates of Deposit	-	1,499,831	-	1,499,831
Investments, at fair value	<u>\$ 5,110,483</u>	<u>\$ 131,578,570</u>	<u>\$ -</u>	<u>\$ 136,689,053</u>

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE F - CAPITAL ASSETS

Capital asset and right to use asset activity for the year ended June 30, 2022 was as follows:

	<u>Balance</u> <u>July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2022</u>
Capital assets being depreciated				
Equipment	\$ 267,823	\$ -	\$ 83,378	\$ 184,445
Total capital assets being depreciated	<u>267,823</u>	<u>-</u>	<u>83,378</u>	<u>184,445</u>
Less accumulated depreciation for:				
Equipment	<u>225,305</u>	<u>27,233</u>	<u>80,656</u>	<u>171,882</u>
Total accumulated depreciation	<u>225,305</u>	<u>27,233</u>	<u>80,656</u>	<u>171,882</u>
Total capital assets, being depreciated, net	<u>42,518</u>	<u>(27,233)</u>	<u>2,722</u>	<u>12,563</u>
Right to use assets				
Leased building	<u>-</u>	<u>291,284</u>	<u>-</u>	<u>291,284</u>
Total right to use assets	<u>-</u>	<u>291,284</u>	<u>-</u>	<u>291,284</u>
Less accumulated amortization for				
Leased building	<u>-</u>	<u>6,936</u>	<u>-</u>	<u>6,936</u>
Total accumulated amortization	<u>-</u>	<u>6,936</u>	<u>-</u>	<u>6,936</u>
Total right to use assets, net	<u>-</u>	<u>284,348</u>	<u>-</u>	<u>284,348</u>
Governmental activities capital assets, net	<u>\$ 42,518</u>	<u>\$ 257,115</u>	<u>\$ 2,722</u>	<u>\$ 296,911</u>

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE G - LEASE LIABILITIES

The Treasurer currently has a lease agreement for the Treasurer's office space which began in May 2022. This lease agreement qualifies as other than short-term leases under GASB 87 and, therefore, has been recorded at the present value of the future minimum lease payments in accordance with GASB 87, totaling \$291,284. The lease requires monthly payments ranging from \$4,000 to \$4,400 until April 2029.

The lease liability is measured at an incremental borrowing rate of 5.50%. The Treasurer's total lease obligations paid during the year June 30, 2022, totaled \$8,333, which included principal of \$6,992 and interest of \$1,341. As a result of the lease, the Treasurer has recorded right to use assets (Note A-9) with a net book value of \$284,348 as of June 30, 2022 (Note F). The obligations for these leases will be repaid from the General (Distributive) Fund.

During the year ended June 30, 2022, the following is the lease liability activity for the Treasurer:

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2022</u>
Lease liabilities - governmental activities	\$ -	\$ 291,284	\$ 6,992	\$ 284,292

At June 30, 2022, amounts due within one year on the outstanding lease liabilities were as follows:

Lease liabilities	\$ <u>35,242</u>
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Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE G - LEASE LIABILITIES (Continued)

At June 30, 2022, the Treasurer's future cash flow requirements for retirement of lease principal and interest were as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 35,242	\$ 14,758	\$ 50,000
2024	37,195	12,805	50,000
2025	39,326	10,674	50,000
2026	41,548	8,452	50,000
2027	43,889	6,111	50,000
2028	46,355	3,645	50,000
2029	40,737	930	41,667
Total	\$ <u>284,292</u>	\$ <u>57,375</u>	\$ <u>341,667</u>

NOTE H - 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 during 2022 compared to prior years. 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, 2022

NOTE I - PENSION LIABILITY - ILLINOIS MUNICIPAL RETIREMENT FUND

The following information related to total pension liability, deferred outflows of resources, and deferred inflows of resources, is included for disclosure purposes only. The Treasurer's financial statements, which are reported on a cash basis, do not include these items.

Plan Description

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

Benefits Provided

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

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

Lyons Township School Treasurer
 NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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

Benefits Provided (Continued)

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

Employees Covered by Benefit Terms

As of December 31, 2021, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	15
Inactive plan members entitled to but not yet receiving benefits	6
Active plan members	6
Total	27

Contributions

As set by statute, the Treasurer’s Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Treasurer’s annual required contribution rate for calendar year 2021 was 6.61%. For the fiscal year ended June 30, 2022, the Treasurer contributed \$25,712 to the plan. The Treasurer also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF’s Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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

Net Pension Asset

The Treasurer's net pension asset was measured as of December 31, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2021:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Price Inflation	2.25%
Salary Increases	2.85% to 13.75%
Investment Rate of Return	7.25%
Retirement Age	Experience-based table of rates, specific to the type of eligibility condition. Last updated for the 2020 valuation pursuant to an experience study of the period 2017 to 2019.
Mortality	For non-disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 106%) and Female (adjusted 105%) tables, and future mortality improvements projected using scale MP-2020. For disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020. For active members, the Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.

Lyons Township School Treasurer
 NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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

Actuarial Assumptions (Continued)

Long-term
 Expected Rate of

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2021:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic equities	39%	1.90%
International equities	15%	3.15%
Fixed income	25%	(0.60)%
Real estate	10%	3.30%
Alternative investments	10%	1.70% - 5.50%
Cash equivalents	1%	(0.90)%
Total	100%	

Other information:

Notes

There were no benefit changes during the year.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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

Single Discount Rate

A Single Discount Rate of 7.25% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

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

For the purpose of the most recent valuation, the expected rate of return on pension plan investments is 7.25%, the municipal bond rate is 1.84% (based on the daily rate closest to but not later than the measurement date of the "20-Year Municipal GO AA index"), and the resulting single discount rate is 7.25%.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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

Changes in Net Pension Asset

The following table shows the components of the change in the Treasurer's net pension asset for the calendar year ended December 31, 2021:

	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Asset (A) - (B)</u>
Balances at December 31, 2020	\$ 2,160,448	\$ 2,415,124	\$ (254,676)
Changes for the year:			
Service cost	46,580	-	46,580
Interest on the total pension liability	154,089	-	154,089
Difference between expected and actual experience of the total pension liability	32,182	-	32,182
Changes of assumptions	-	-	-
Contributions - employer	-	31,493	(31,493)
Contributions - employees	-	21,440	(21,440)
Net investment income	-	425,141	(425,141)
Benefit payments, including refunds of employee contributions	(116,733)	(116,733)	-
Other (net transfer)	-	(5,799)	5,799
Net changes	<u>116,118</u>	<u>355,542</u>	<u>(239,424)</u>
Balances at December 31, 2021	<u>\$ 2,276,566</u>	<u>\$ 2,770,666</u>	<u>\$ (494,100)</u>

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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

Sensitivity of the Net Pension Asset to Changes in the Discount Rate

The following presents the plan's net pension asset, calculated using a Single Discount Rate of 7.25%, as well as what the plan's net pension asset would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher than the current rate:

	1% Lower (6.25%)	Current Discount Rate (7.25%)	1% Higher (8.25%)
Net pension asset	\$ <u>(226,249)</u>	\$ <u>(494,100)</u>	\$ <u>(703,398)</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Illinois Municipal Retirement Fund Pension

For the year ended June 30, 2022, the Treasurer reported pension income of \$107,218. At June 30, 2022, the Treasurer reported deferred outflows of resources and deferred inflows of resources related to the IMRF pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Amounts to be Recognized in Pension Expense in Future Periods		
Differences between expected and actual experience	\$ 13,301	\$ -
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>341,623</u>
Total deferred amounts to be recognized in pension expense in the future periods	<u>13,301</u>	<u>341,623</u>
Pension contributions made subsequent to the measurement date	<u>11,540</u>	<u>-</u>
Total deferred amounts related to pensions	<u>\$ 24,841</u>	<u>\$ 341,623</u>

Lyons Township School Treasurer
 NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Illinois Municipal Retirement Fund Pension (Continued)

The Treasurer reported \$11,540 as deferred outflows of resources related to pensions resulting from Treasurer contributions subsequent to the measurement date which will be recognized as an increase to the net pension asset in the reporting year ended June 30, 2023. Other amounts reported as net deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Net Deferred Inflows of Resources</u>
2023	\$ 61,519
2024	132,169
2025	84,119
2026	50,515
2027	-
Thereafter	<u>-</u>
Total	<u>\$ 328,322</u>

NOTE J - SOCIAL SECURITY/MEDICARE

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

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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 pursued uncollected pro-rata billings, unreimbursed audit costs, and interest income allocations for a total of approximately \$4,700,000. On June 29, 2018, the Lyons Township School Treasurer filed additional litigation against Lyons Township High School District 204. The second claim pursued additional uncollected pro-rata billings for fiscal years 1999 to 2018, for a total of approximately \$3,265,000.

A ruling was issued on May 21, 2021. The ruling instructed the Treasurer to transfer funds held on behalf of Lyons Township High School District 204 to the Treasurer of approximately \$765,000, to satisfy payment on uncollected pro-rata billings for the fiscal years 2012 to 2018. The remaining amount of the uncollected pro-rata billings and unreimbursed audit costs were written-off against the Treasurer's allowance for doubtful accounts, as the related amounts owed were fully reserved against in prior audit periods. Due to this ruling, Lyons Township High School District 204 exited the pool and the Treasurer transferred the District's proportionate share of the pool during FY2022. The amount transferred is reported on the Statement of Changes in Fiduciary Net Position at June 30, 2022.

An additional lawsuit was originally filed by Lyons Township High School District 204, on September 22, 2021, and an amended complaint was filed on February 28, 2022. The claim in the amended complaint is that plaintiff is seeking a declaration that the Township Trustees must transfer \$1,263,220, plus "any asset rightfully belonging to the plaintiff". The Township Trustees have filed a motion to dismiss the amended complaint that remains pending. The Township Trustees deny liability to plaintiff. With regard to this matter, the eventual outcome and related liability, if any are not determinable at this time.

On July 15, 2022, the Illinois Counties Risk Management Trust ("ICRMT"), which provides liability insurance for the Trustees filed a litigation against the Trustees of Lyons Township School Treasurer. The claim seeks a declaratory judgment that it does not have an obligation under the policies of insurance it issued to the Trustees, to defend or indemnify the Trustees with respect to the lawsuit filed by Lyons Township High School District 204, or its obligation to the Township Trustees is limited to reimbursement of certain expenses. The Township Trustees dispute ICRMT's allegations and filed an answer denying that there is no insurance coverage for District 204. With regard to this matter, the outcome and related liability, if any are not determinable at this time. The judge has delayed any action until the lawsuit with Lyons Township High School District 204 has been closed.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE L - SUBSEQUENT EVENTS

Subsequent to June 30, 2022, the Treasurer entered into a lease for copiers and printers. The lease term is 3 years, with monthly rent payments of \$467. The lease is also subject to certain variable charges based on usage.

Management has evaluated subsequent events through January 30, 2023, the date that these financial statements were available to be issued. Management has determined that no events or transactions, other than described, have occurred subsequent to the statement of net deficit date that require disclosure in the financial statements.

OTHER SUPPLEMENTARY INFORMATION
(Unaudited)

Lyons Township School Treasurer
MULTIYEAR SCHEDULES OF CHANGES IN NET PENSION (ASSET) LIABILITY
AND RELATED RATIOS
Illinois Municipal Retirement Fund (IMRF)
Eight Most Recent Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total pension liability				
Service cost	\$ 46,580	\$ 44,669	\$ 42,532	\$ 35,742
Interest on the total pension liability	154,089	147,635	150,057	141,959
Difference between expected and actual experience of total pension liability	32,182	23,314	(112,138)	57,792
Assumption changes	-	(12,107)	-	58,187
Benefit payments and refunds	<u>(116,733)</u>	<u>(114,137)</u>	<u>(115,736)</u>	<u>(124,476)</u>
Net change in total pension liability	116,118	89,374	(35,285)	169,204
Total pension liability, beginning	<u>2,160,448</u>	<u>2,071,074</u>	<u>2,106,359</u>	<u>1,937,155</u>
Total pension liability, ending	<u>\$ 2,276,566</u>	<u>\$ 2,160,448</u>	<u>\$ 2,071,074</u>	<u>\$ 2,106,359</u>
Plan fiduciary net position				
Contributions, employer	\$ 31,493	\$ 31,879	\$ 26,652	\$ 32,397
Contributions, employee	21,440	20,671	19,007	17,233
Net investment income	425,141	321,653	371,205	(137,376)
Benefit payments, including refunds of employee contributions	(116,733)	(114,137)	(115,736)	(124,476)
Other (net transfer)	<u>(5,799)</u>	<u>10,442</u>	<u>4,724</u>	<u>43,716</u>
Net change in plan fiduciary net position	355,542	270,508	305,852	(168,506)
Plan fiduciary net position, beginning	<u>2,415,124</u>	<u>2,144,616</u>	<u>1,838,764</u>	<u>2,007,270</u>
Plan fiduciary net position, ending	<u>\$ 2,770,666</u>	<u>\$ 2,415,124</u>	<u>\$ 2,144,616</u>	<u>\$ 1,838,764</u>
Net pension liability (asset)	<u>\$ (494,100)</u>	<u>\$ (254,676)</u>	<u>\$ (73,542)</u>	<u>\$ 267,595</u>
Plan fiduciary net position as a percentage of the total pension liability	121.70%	111.79%	103.55%	87.30%
Covered Valuation Payroll	\$ 476,445	\$ 459,349	\$ 422,387	\$ 393,705
Net pension liability (asset) as a percentage of covered valuation payroll	(103.71)%	(55.44)%	(17.41)%	67.97%

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

Note: Actuary valuations are as of December 31, which is six months prior to the end of the fiscal year.

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$	33,883	\$ 30,542	\$ 49,307	\$ 52,146
	144,210	128,202	174,722	180,410
	(23,607)	177,700	(732,476)	(253,535)
	(58,299)	-	(8,158)	77,015
	<u>(129,788)</u>	<u>(119,567)</u>	<u>(93,957)</u>	<u>(180,772)</u>
	(33,601)	216,877	(610,562)	(124,736)
	<u>1,970,756</u>	<u>1,753,879</u>	<u>2,364,441</u>	<u>2,489,177</u>
\$	<u><u>1,937,155</u></u>	<u><u>1,970,756</u></u>	<u><u>1,753,879</u></u>	<u><u>2,364,441</u></u>
\$	33,092	\$ 101,157	\$ 64,311	\$ 36,449
	16,657	16,008	21,624	4,302
	351,757	172,717	9,825	118,742
	(129,788)	(119,567)	(93,957)	(180,772)
	<u>(77,030)</u>	<u>(18,488)</u>	<u>(310,038)</u>	<u>(26,335)</u>
	194,688	151,827	(308,235)	(47,614)
	<u>1,812,582</u>	<u>1,660,755</u>	<u>1,968,990</u>	<u>2,016,604</u>
\$	<u><u>2,007,270</u></u>	<u><u>1,812,582</u></u>	<u><u>1,660,755</u></u>	<u><u>1,968,990</u></u>
\$	<u><u>(70,115)</u></u>	<u><u>158,174</u></u>	<u><u>93,124</u></u>	<u><u>395,451</u></u>
	103.62%	91.97%	94.69%	83.28%
\$	370,163	\$ 351,246	\$ 399,695	\$ 423,552
	(18.94)%	45.03%	23.30%	93.37%

Lyons Township School Treasurer
MULTIYEAR SCHEDULE OF CONTRIBUTIONS
 Illinois Municipal Retirement Fund (IMRF)
Eight Most Recent Fiscal Years

Year	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
2022	\$ 31,493 *	\$ 31,493	\$ -	\$ 476,445	6.61 %
2021	49,977	31,879	18,098	459,349	6.94
2020	26,653	26,652	1	422,387	6.31
2019	69,686	32,397	37,289	393,705	8.23
2018	33,093	33,092	1	370,163	8.94
2017	60,730	101,157	(40,427)	351,246	28.80
2016	64,311	64,311	-	399,695	16.09
2015	105,276	36,449	68,827	423,522	8.61

* Estimated based on contribution rate of 6.61% and covered valuation payroll of \$476,445.

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

Lyons Township School Treasurer
NOTES TO OTHER SUPPLEMENTARY INFORMATION
June 30, 2022

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS USED IN THE CALCULATION OF THE 2021 IMRF CONTRIBUTION RATE*

Valuation Date:

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

Methods and Assumptions Used to Determine the 2021 Contribution Rate:

Actuarial Cost Method	Aggregate Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Non-Taxing bodies: 10-year rolling period. Taxing bodies (Regular, SLEP, and ECO groups): 22-year closed period. Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 17 years for most employers (five employers were financed over 18 years; one employer was financed over 19 years; two employers were financed over 20 years; three employers were financed over 26 years; four employers were financed over 27 years and one was financed over 28 years).
Asset Valuation Method	5-year smoothed market; 20% corridor
Wage Growth	3.25%
Price Inflation	2.50%
Salary Increases	3.35% to 14.25%, including inflation
Investment Rate of Return	7.25%

Lyons Township School Treasurer
NOTES TO OTHER SUPPLEMENTARY INFORMATION
June 30, 2022

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS USED IN THE CALCULATION OF THE 2021 IMRF CONTRIBUTION RATE*

Retirement Age Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2014-2016.

Mortality For non-disabled retirees, an IMRF specific mortality rates were used with fully generational projections scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Healthy Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, IMRF specific mortality rates were used with fully generational projections scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for non-disabled lives. For active members, IMRF specific mortality rates were used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information:

Notes There were no benefit changes during the year.

* Based on Valuation Assumptions used in the December 31, 2019 actuarial valuation.

Change in Assumption:

For the 2021, 2020, 2019 and 2018 measurement years, the assumed investment rate of return was 7.25 percent, including an inflation rate of 2.50 percent and a real return of 4.75 percent.

For the 2017, 2016, 2015 and 2014 measurement years, the assumed investment rate of return was 7.50 percent, including an inflation rate of 2.50 percent and a real return of 5.00 percent.