

**CONSOLIDATED HIGH SCHOOL DISTRICT 230  
ORLAND PARK, ILLINOIS**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2006**

**Report issued by:  
Dr. Patrick McMahon  
Superintendent of Schools**



**CONSOLIDATED HIGH SCHOOL DISTRICT 230  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2006**

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## INTRODUCTORY SECTION

**CONSOLIDATED HIGH SCHOOL DISTRICT 230  
NAMES AND TITLES OF  
BOARD OF EDUCATION MEMBERS AND OFFICERS  
JUNE 30, 2006**

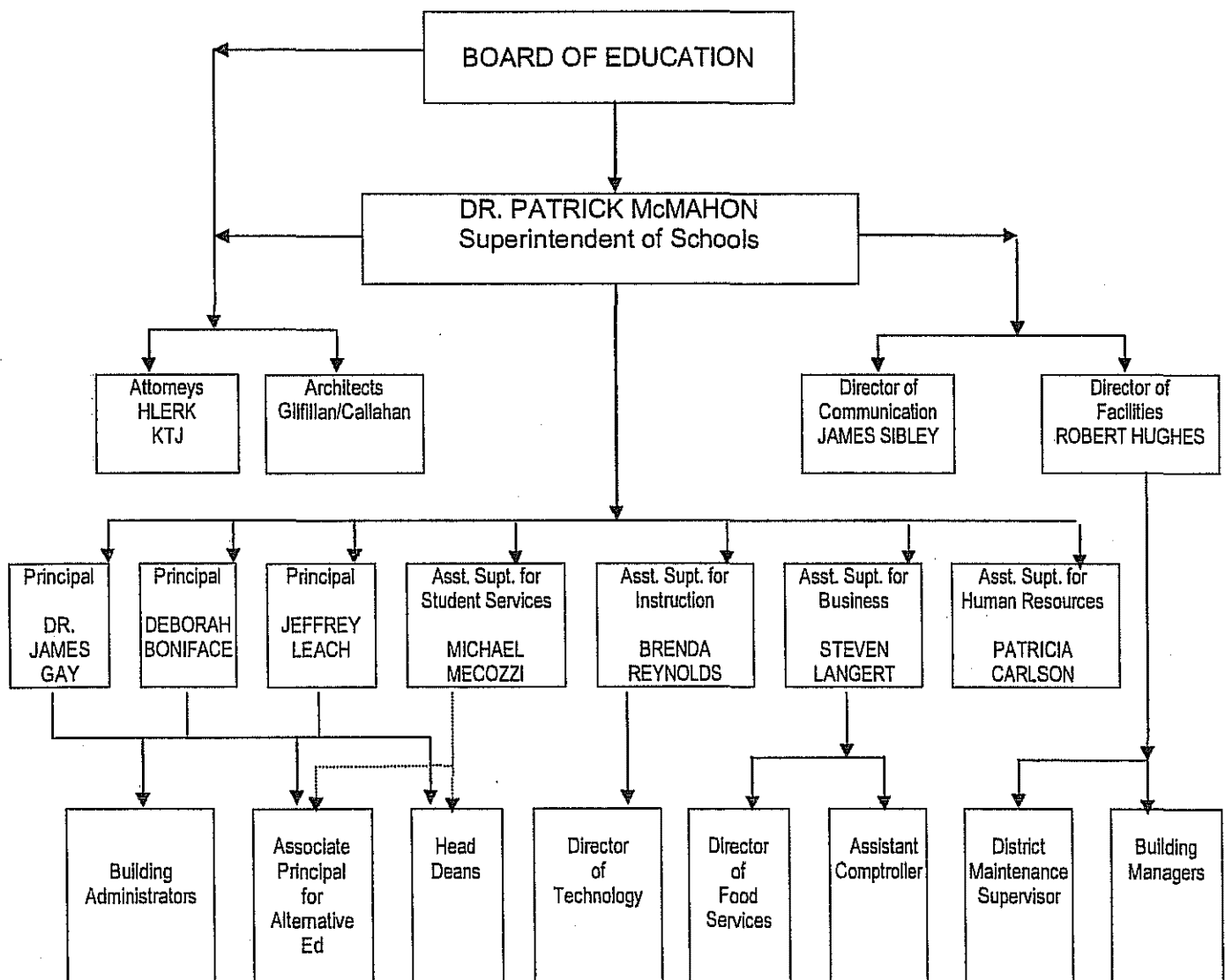
Dennis Cook	President
Francis Grabowski	Vice President
Kathleen Quilty	Secretary
Madoline Flanagan	Member
Gail Mulrooney	Member
Kathleen Murphy-Peterson	Member
Gloria Yakes	Member
Dr. Patrick McMahon	Superintendent
Steven Langert	Assistant Superintendent for Business Services
Patricia Carlson	Assistant Superintendent for Human Resources
Brenda Reynolds	Assistant Superintendent for Instruction
Michael Mecozzi	Assistant Superintendent for Student Services
James Sibley	Director of Communications
Darrell Walery	Director of Technology
Robert Hughes	Director of Facilities
Mary Morgan	Director of Food Services
Donna Cockrell	Director of Finance



## General School Administration

### Organizational Chart

#### CONSOLIDATED HIGH SCHOOL DISTRICT 230



DATED: April 2005

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## FINANCIAL SECTION

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Superintendent of Schools and Board of Education  
Consolidated High School District 230  
Orland Park, Illinois

## **INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Consolidated High School District 230 as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. We have also audited the combining and individual fund financial statements and schedules of the District as of and for the year ended June 30, 2006, and the individual fund financial statements as of and for the year ended June 30, 2005, presented in the table of contents as combining and individual fund financial statements and schedules. These financial statements and schedules are the responsibility of the District's Board of Education. Our responsibility is to express opinions on these financial statements and schedules based on our audits.

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

As described in Note I, these financial statements and schedules were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective assets, liabilities and net assets/fund balances of the governmental activities, each major fund, and the aggregate remaining fund information of Consolidated High School District 230 as of June 30, 2006, and the respective revenues, expenses/expenditures and changes in net assets/fund balances thereof for the year then ended in conformity with the cash basis of accounting described in Note I. Also, in our opinion, the combining and individual fund financial statements and schedules as of June 30, 2006, and for the year then ended and the individual fund financial statements as of June 30, 2005, and for the year then ended present fairly, in all material respects, the respective assets, liabilities and fund balances of each of the individual funds of the District as of June 30, 2006 and 2005, and the revenues, expenditures and changes in fund balances thereof for the years then ended in conformity with the cash basis of accounting described in Note I.





In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2006 on our consideration of Consolidated High School District 230's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and required supplementary information listed on pages vi through xii and 28 through 30, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements and on the combining and individual fund financial statements and schedules. The introductory section, supplementary information and other information section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic, combining and individual fund financial statements and schedules of the District. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic, combining and individual financial statements and schedules, and, in our opinion, is fairly presented in all material respects in relation to the basic, combining and individual fund financial statements and schedules taken as a whole. The introductory and other information sections have not been subjected to the auditing procedures applied in the audits of the basic, combining and individual fund financial statements and schedules and, accordingly, we express no opinion on them.

*Mulcahy, Pauritsch, Salvendy & Co., Ltd.*





Certified Public Accountants/  
Business and Personal Consultants

Superintendent of Schools and Board of Education  
Consolidated High School District 230  
Orland Park, Illinois

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Consolidated High School District 230 as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements. We have also audited the combining and individual fund financial statements and schedules of the District as of and for the year ended June 30, 2006, and have issued our report thereon dated August 14, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the District, the Illinois State Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mulcahy, Pauritsch, Salvador & Co., Ltd.*

August 14, 2006  
Orland Park, Illinois





## MANAGEMENT'S DISCUSSION AND ANALYSIS

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## **CONSOLIDATED HIGH SCHOOL DISTRICT NO. 230**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS as of and for the fiscal year ended June 30, 2006**

As management of the Consolidated High School District No. 230 (the District), we offer readers of the District's Annual Financial Report this narrative and analysis of the financial activities of the District for the fiscal year ended June 30, 2006.

#### **Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$70,522,007 (net assets).
- The total net assets of the District increased by \$9,483,739 during fiscal year 2006 from \$61,038,268 in fiscal year 2005. The increase came from both revenues exceeding expenditures by \$6,149,746 and the repayment of long-term debt exceeding net depreciation in excess of capital outlay by \$3,333,993.
- The combined restricted and unrestricted net assets increased \$8,562,159 to \$38,117,254 from \$29,555,095.
- Fund balance of the District's governmental funds increased by \$8,335,012 resulting in an ending fund balance of \$45,890,107.
- During the current fiscal year, the fund balance in the District's General Fund increased by \$11,274,947 through the combination of revenues exceeding expenditures by \$2,589,681 and other sources of funds totaling \$8,685,266.
- The District's long-term obligations decreased by \$6,773,800 to \$105,100,000 from \$111,873,800.

#### **Overview of the Financial Statements**

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements presented on pages 1-27 are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to financial statements. This report also contains combining and individual fund financial statements and schedules and other supplementary information in addition to the basic financial statements themselves.

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader of the District's Annual Financial Report a broad overview of the financial activities in a manner similar to a private sector business. The government-wide financial statements include the statement of net assets arising from cash transactions and the statement of activities arising from cash transactions.

The statement of net assets arising from cash transactions presents information about all of the District's assets and liabilities as reported using the cash basis of accounting. The difference between assets and liabilities is reported as net assets. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities arising from cash transactions presents information showing how the net assets of the District changed during the current fiscal year. Changes in net assets are recorded in the statement of activities using the cash basis of accounting. The cash basis of accounting is described in the notes to the financial statements.

Both of the government-wide financial statements differentiate functions of the District that are supported from taxes and intergovernmental revenues (governmental activities). Governmental activities consolidate governmental funds including general, special revenue, debt service and capital projects funds. The government-wide financial statements can be found on pages 1-2 of this report.

### **Fund Financial Statements**

Fund financial statements are designed to demonstrate compliance with finance-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. Fund financial statements for the District include governmental funds and fiduciary funds.

Governmental fund financial statements account for essentially the same information reported in the governmental activities of the government-wide financial statements. However, unlike the government-wide statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the financing requirements in the near term.

Since the governmental funds and the governmental activities statements report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The District maintains eleven different governmental funds and subfunds. The major funds are the General Fund, Transportation Fund, Bond and Interest Fund, and Working Cash Fund. The General Fund compiles six funds and subfunds: Education, Tort, Substance Abuse, Special Tax, Operations and Maintenance, and Fire Prevention and Safety. Individual fund information for the nonmajor funds is presented in the combining and individual fund financial statements and schedules section of this report.

The District adopts an annual budget for each of the governmental funds. Budgetary comparison schedules for the General Fund and other major funds are included in the required supplementary information section of this report to demonstrate compliance with the adopted budget. The remaining governmental funds budgetary comparisons are reported in the combining and individual fund financial statements and schedules section of this report. The basic governmental fund financial statements can be found on pages 3-9 of this report.

### **Notes to Financial Statements**

The notes to financial statements provide additional information that is essential for a full understanding of the data provided in the basic financial statements. The notes can be found on pages 10-27 of this report.

## Government-wide Financial Analysis

The assets of the District are classified as cash, investments and capital assets. Cash and investments are current assets. These assets are available to provide resources for the near-term operations of the District. Capital assets are used in the operations of the District. These are land, improvements, buildings, and equipment. Capital assets are discussed in greater detail in the section entitled, Capital Assets and Debt Administration, elsewhere in this analysis.

Current and long-term liabilities are classified based on anticipated retirement in the near-term or in the future. Current liabilities include short-term debt obligations to be retired in the 2006-2007 fiscal year. Long-term liabilities such as long-term debt obligations will be retired from resources that will become available after fiscal year 2007.

The assets of the District's activities exceed liabilities by \$70,522,007 with a net investment of \$32,404,753 in land, improvements, buildings, and equipment to provide the services to the District's public school students, which represents 46 percent of the District's net assets. Net assets of \$6,281,500, accumulated due to bonded debt property tax levy assessments, have been restricted to provide resources to retire the current general obligation bond principal and related interest payments. Net assets of \$16,791,898 accumulated for working cash purposes are restricted for short-term loans or permanent transfers to other governmental funds.

Current assets	\$ 46,197,453	\$ 37,745,318	22.39%
Capital assets	131,906,900	135,356,973	-2.55%
Total assets	178,104,353	173,102,291	2.89%
Liabilities:			
Current liabilities	2,482,346	190,223	1204.97%
Noncurrent liabilities	105,100,000	111,873,800	-6.05%
Total liabilities	107,582,346	112,064,023	-4.00%
Net assets:			
Invested in capital assets, net of related debt	32,404,753	31,483,173	2.93%
Restricted	27,652,401	26,188,589	5.59%
Unrestricted	10,464,853	3,366,506	210.85%
Total net assets	\$ 70,522,007	\$ 61,038,268	15.54%

## Government-wide Activities

Governmental activities increased the net assets of the District by \$9,483,739 thereby accounting for all of the total increase in the net assets of the District.

### Change in Net Assets Governmental Activities

Revenues:	June 30, 2006	June 30, 2005	% Change
Program revenues			
Charges for services	\$ 5,752,058	\$ 5,143,719	11.83%
Operating grants and contributions	11,289,044	13,285,033	-15.02%
General revenues			
Property taxes	89,515,657	86,659,960	3.30%
In lieu of taxes	2,046,832	831,506	146.16%
General state aid	8,215,557	6,311,200	30.17%
Earnings on investment	1,558,825	467,963	233.11%
Other income	962,781	1,332,212	-27.73%
Total Revenues	119,340,754	114,031,593	4.66%
Expenses:			
Governmental activities			
Instructional	63,844,934	61,643,958	3.57%
Pupil support	7,332,492	6,841,935	7.17%
Other support	25,758,520	22,579,986	14.08%
Transportation	5,891,911	6,008,451	-1.94%
Administration	2,023,023	2,107,939	-4.03%
Interest expense	5,006,135	5,282,589	-5.23%
Total expenses	109,857,015	104,464,858	5.16%
Increase in net assets	9,483,739	9,566,735	-0.87%
Net assets	\$ 70,522,007	\$ 61,038,268	15.54%

The key element of the increase in net assets has been the District's expenditure controls to match its growth in revenue with both revenue and expenses growing at the 5% range.



## **Financial Analysis of the District's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's ability to meet its financial obligations for future years.

As of the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$45,890,107, an increase of \$8,335,012 from the prior year.

## **General Fund and Major Special Revenue Funds Budgetary Highlights**

### **Revenue**

1. Property taxes exceeded the budget by \$733,000 due to what we now know was a tax scavenger sale made in error by Cook County. The sale was corrected with a refund in the fiscal year ending June 30, 2007.
2. Corporate Personal Property Taxes, which fluctuates as corporate profits rise and fall, had a \$247,000 positive variance.
3. Payments in lieu of taxes from surplus TIF district distributions were credited to the Construction Fund for the first time causing a \$1 million positive variance. This money will be used to fund renovations to Carl Sandburg High School.
4. The State, due to its cash flow problems, shorted the District on many of its fourth quarter payments resulting in a \$500,000 negative variance in grants-in-aid.
5. With rapidly rising investment rates throughout the year, investment income exceeded the budget by \$427,000. Short-term investment rates, which the District primarily invests in, are at historical highs.

### **Expense**

1. In general, the District under spent the combined operating funds budget (excluding on behalf payments) by \$45,000 falling within 99.9% of the budget.
2. The District experienced a \$675,000 negative variance in tuition for the public and private placement of special education students. Recently costs have risen greater than the historical average which caused the District to under budget.

## **Capital Assets and Debt Administration**

The District's investment in capital assets for its governmental activities as of June 30, 2006 amounted to \$131,906,900 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was \$3,450,073 from \$135,356,973.

**Capital Assets**  
Net of accumulated depreciation

	June 30, 2006	June 30, 2005	% Change
Land	\$ 1,637,802	\$ 1,637,802	0.00%
Land improvements	3,322,364	3,576,987	-7.12%
Buildings	124,633,167	127,665,393	-2.38%
Equipment	2,313,567	2,476,791	-6.59%
Total capital assets	\$ 131,906,900	\$ 135,356,973	-2.55%

Total long-term debt for the District decreased \$6,773,800 during the current fiscal year due to repayment of both Construction and Working Cash bond principal. At June 30, 2006, the District had total bonded debt outstanding of \$103,340,000 backed by the full faith and credit of the District. Additionally, the District had two other types of long-term debt obligations totaling \$1,760,000 also backed by the full faith and credit of the District. The District continues to maintain an A+ rating with the Standard and Poor's rating agency. Additional information regarding the District's capital assets and debt can be found in the notes to the financial statements.

### **Economic Factors and Next Year's Budget**

Over the past four years, the District has substantially improved its financial condition. When the State created a new financial profile to monitor the financial health of the public schools four years ago, District 230 was given the lowest rating termed "Financial Watch." The District had been deficit spending causing fund balances to decline greatly.

As this financial report shows, the District improved its fund balances by operating with a surplus (revenues exceeded expenditures). The District has also budgeted for a surplus in fiscal year 2007 due to both projected strong revenue growth and continued focus on controlling expenditures. This will be the 4<sup>th</sup> consecutive year operating with a surplus. With this financial turnaround, the District now annually achieves the State's highest financial profile rating - Financial Recognition.

Although the District is financially sound through 2007, there are concerns for the future.

1. The District continues to budget under stringent property tax caps, set at the Consumer Price Index (CPI); whereas, the budget is approximately 80% salary and benefits related that often face increases much greater than the CPI. For example, Medical insurance premiums increased 24% over the last two years.
2. After years of moderate and steady student enrollment increases, enrollment is projected to level out and then decline slightly. If the projection holds true, there will be a substantial decline in General State Aid revenue, which is based on a per student foundation level.
3. The tuition rates for the private and public placement of special education students is growing 2-3 times the rate of inflation with little additional funding from either the State or Federal government.
4. The District's second major source of revenue comes from the State of Illinois who annually has difficulty finding the resources to adequately fund education.

## **Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Superintendent  
CONSOLIDATED HIGH SCHOOL DISTRICT NO. 230  
15100 South 94<sup>th</sup> Avenue  
Orland Park, IL 60462

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## **BASIC FINANCIAL STATEMENTS**

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## GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CONSOLIDATED HIGH SCHOOL DISTRICT 230**  
**STATEMENT OF NET ASSETS**  
**ARISING FROM CASH TRANSACTIONS -**  
**GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2006**

**ASSETS**

Equity in pooled cash and investments	\$ 46,192,226
Other receivables	5,227
Capital assets not being depreciated:	
Land	1,637,802
Capital assets net of accumulated depreciation:	
Land improvements	3,322,364
Buildings	124,633,167
Equipment	<u>2,313,567</u>
Total assets	<u>178,104,353</u>

**LIABILITIES**

Payroll withholdings payable	307,346
Short-term debt	2,175,000
Noncurrent liabilities:	
Due within one year	7,135,000
Due in more than one year	<u>97,965,000</u>
Total liabilities	<u>107,582,346</u>

**NET ASSETS**

Invested in capital assets, net of related debt	32,404,753
Restricted for:	
Tort immunity	534,067
Tax amnesty	971,453
Fire prevention and safety	1,879,196
Working cash	16,791,898
Debt service	6,281,500
Capital projects	1,194,287
Unrestricted	<u>10,464,853</u>
Total net assets	<u>\$ 70,522,007</u>

See notes to financial statements.



**CONSOLIDATED HIGH SCHOOL DISTRICT 230**  
**STATEMENT OF ACTIVITIES**  
**ARISING FROM CASH TRANSACTIONS**  
**YEAR ENDED JUNE 30, 2006**

	<u>Program Revenues</u>			<u>Net (Expense)</u>
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Assets</u>
Functions/programs:				
Governmental activities:				
Instructional	\$ 63,844,934	\$ 2,942,812	\$ 7,923,581	\$ (52,978,541)
Pupil support	7,332,492	-	-	(7,332,492)
Other support	25,758,520	2,809,246	339,787	(22,609,487)
Transportation	5,891,911	-	3,025,676	(2,866,235)
Administration	2,023,023	-	-	(2,023,023)
Interest expense	5,006,135	-	-	(5,006,135)
Total governmental activities	<u>\$ 109,857,015</u>	<u>\$ 5,752,058</u>	<u>\$ 11,289,044</u>	<u>(92,815,913)</u>
General revenues:				
Taxes:				
Property				89,515,657
Personal property replacement				1,067,572
Payments in lieu of taxes				979,260
General state aid				8,215,557
Earnings on investments				1,558,825
Other income				962,781
Total general revenues				<u>102,299,652</u>
Change in net assets				9,483,739
Net assets at beginning of year				<u>61,038,268</u>
Net assets at end of year				<u>\$ 70,522,007</u>

See notes to financial statements.

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**FUND FINANCIAL STATEMENTS**

**CONSOLIDATED HIGH SCHOOL DISTRICT 230**  
**STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES**  
**ARISING FROM CASH TRANSACTIONS - GOVERNMENTAL FUNDS**  
**JUNE 30, 2006**

		<u>Special Revenue</u>	
	<u>General</u>	<u>Transportation</u>	<u>Working Cash</u>
<b>ASSETS</b>			
Equity in pooled cash and investments	\$ 17,754,953	\$ 2,413,050	\$ 16,791,898
Other receivables	<u>5,227</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 17,760,180</u>	<u>\$ 2,413,050</u>	<u>\$ 16,791,898</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Payroll withholdings payable	<u>\$ 307,346</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:			
Reserved for:			
Tort immunity	534,067	-	-
Tax amnesty	971,453	-	-
Fire prevention and safety	1,879,196	-	-
Working cash	-	-	16,791,898
Debt service	-	-	-
Capital projects	-	-	-
Unreserved, reported in:			
General Fund	14,068,118	-	-
Special revenue funds	<u>-</u>	<u>2,413,050</u>	<u>-</u>
Total fund balances	<u>17,452,834</u>	<u>2,413,050</u>	<u>16,791,898</u>
Total liabilities and fund balances	<u>\$ 17,760,180</u>	<u>\$ 2,413,050</u>	<u>\$ 16,791,898</u>

See notes to financial statements.

<u>Debt Service Bond and Interest</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 6,281,500	\$ 2,950,825	\$ 46,192,226
<u>-</u>	<u>-</u>	<u>5,227</u>
<u>\$ 6,281,500</u>	<u>\$ 2,950,825</u>	<u>\$ 46,197,453</u>

<u>\$ -</u>	<u>\$ -</u>	<u>\$ 307,346</u>
-------------	-------------	-------------------

-	-	534,067
-	-	971,453
-	-	1,879,196
-	-	16,791,898
6,281,500	-	6,281,500
-	1,194,287	1,194,287
-	-	14,068,118
<u>-</u>	<u>1,756,538</u>	<u>4,169,588</u>
<u>6,281,500</u>	<u>2,950,825</u>	<u>45,890,107</u>
<u>\$ 6,281,500</u>	<u>\$ 2,950,825</u>	<u>\$ 46,197,453</u>

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**CONSOLIDATED HIGH SCHOOL DISTRICT 230**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF ASSETS,**  
**LIABILITIES AND FUND BALANCES ARISING FROM CASH TRANSACTIONS TO THE**  
**STATEMENT OF NET ASSETS ARISING FROM CASH TRANSACTIONS**  
**JUNE 30, 2006**

Total fund balances - governmental funds	\$ 45,890,107
Amounts reported for governmental activities in the statement of net assets arising from cash transactions are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	131,906,900
Short-term debt issued for life safety renovation purposes is not reported as a liability in the governmental funds.	(2,175,000)
Long-term liabilities, including bonds payable, are not due and payable in the current year and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bonds payable	\$ 103,340,000
General obligation debt certificates	<u>1,760,000</u>
Total	<u>(105,100,000)</u>
Total net assets - governmental activities	<u>\$ 70,522,007</u>

See notes to financial statements.

**CONSOLIDATED HIGH SCHOOL DISTRICT 230**  
**STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID AND CHANGES IN FUND**  
**BALANCES ARISING FROM CASH TRANSACTIONS - GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2006**

		<u>Special Revenue</u>		<u>Debt Service</u>
	<u>General</u>	<u>Transportation</u>	<u>Working Cash</u>	<u>Bond and Interest</u>
Revenues:				
Local sources:				
Property taxes	\$ 71,683,242	\$ 3,555,464	\$ 572,729	\$ 12,093,552
Personal property replacement taxes	969,891	-	-	-
Payments in lieu of taxes	-	-	-	-
Investment income	1,088,250	53,955	278,171	103,626
Pupil activities	1,888,346	-	-	-
Food service	2,809,246	-	-	-
Textbooks	813,502	-	-	-
Other	1,203,745	-	-	-
Total local sources	<u>80,456,222</u>	<u>3,609,419</u>	<u>850,900</u>	<u>12,197,178</u>
State sources:				
General state aid	8,215,557	-	-	-
Grants-in-aid	<u>2,548,130</u>	<u>3,025,676</u>	<u>-</u>	<u>-</u>
Total state sources	<u>10,763,687</u>	<u>3,025,676</u>	<u>-</u>	<u>-</u>
Federal sources:				
Grants-in-aid	<u>2,269,414</u>	<u>-</u>	<u>-</u>	<u>-</u>
On behalf revenues	<u>3,445,824</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>96,935,147</u>	<u>6,635,095</u>	<u>850,900</u>	<u>12,197,178</u>
Expenditures:				
Current:				
Instruction	54,120,454	-	-	-
Support services	32,809,359	5,915,495	-	-
Community services	1,022,224	-	-	-
Nonprogrammed charges	2,280,718	-	-	-
On behalf expenditures	3,445,824	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	583,800	-	-	6,190,000
Interest	77,237	-	-	4,933,314
Bond issuance costs	<u>5,850</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>94,345,466</u>	<u>5,915,495</u>	<u>-</u>	<u>11,123,314</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,589,681</u>	<u>719,600</u>	<u>850,900</u>	<u>1,073,864</u>
Other financing sources (uses):				
Proceeds from bonds	2,175,000	-	-	-
Premium on bonds	10,266	-	-	-
Transfers in	6,500,000	-	-	-
Transfers out	<u>-</u>	<u>(3,500,000)</u>	<u>(3,000,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>8,685,266</u>	<u>(3,500,000)</u>	<u>(3,000,000)</u>	<u>-</u>
Net change in fund balances	11,274,947	(2,780,400)	(2,149,100)	1,073,864
Fund balances at beginning of year	<u>6,177,887</u>	<u>5,193,450</u>	<u>18,940,998</u>	<u>5,207,636</u>
Fund balances at end of year	<u>\$ 17,452,834</u>	<u>\$ 2,413,050</u>	<u>\$ 16,791,898</u>	<u>\$ 6,281,500</u>

See notes to financial statements.



<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,610,670	\$ 89,515,657
97,681	1,067,572
979,260	979,260
34,823	1,558,825
-	1,888,346
-	2,809,246
-	813,502
-	<u>1,203,745</u>
<u>2,722,434</u>	<u>99,836,153</u>
-	8,215,557
-	<u>5,573,806</u>
-	<u>13,789,363</u>
-	<u>2,269,414</u>
-	<u>3,445,824</u>
<u>2,722,434</u>	<u>119,340,754</u>
704,313	54,824,767
998,716	39,723,570
33,664	1,055,888
-	2,280,718
-	3,445,824
70,040	70,040
-	6,773,800
-	5,010,551
-	<u>5,850</u>
<u>1,806,733</u>	<u>113,191,008</u>
<u>915,701</u>	<u>6,149,746</u>
-	2,175,000
-	10,266
-	6,500,000
-	<u>(6,500,000)</u>
-	<u>2,185,266</u>
915,701	8,335,012
<u>2,035,124</u>	<u>37,555,095</u>
<u>\$ 2,950,825</u>	<u>\$ 45,890,107</u>

**CONSOLIDATED HIGH SCHOOL DISTRICT 230  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT  
OF REVENUES RECEIVED, EXPENDITURES PAID AND CHANGES IN FUND  
BALANCES ARISING FROM CASH TRANSACTIONS TO THE STATEMENT OF  
ACTIVITIES ARISING FROM CASH TRANSACTIONS  
YEAR ENDED JUNE 30, 2006**

Total net change in fund balances - governmental funds	\$ 8,335,012
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Amounts reported for governmental activities in the statement of activities arising from cash transactions are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities arising from cash transactions the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(3,450,073)
--	-------------

Proceeds from short-term debt issued for life safety renovation purposes are an other financing source in the governmental funds but increase short-term liabilities in the statement of net assets arising from cash transactions	(2,175,000)
--	-------------

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets arising from cash transactions.	<div style="border-top: 1px solid black; display: inline-block; width: 100%;">6,773,800</div>
---	---

Change in net assets of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">\$ 9,483,739</div>
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See notes to financial statements.

**CONSOLIDATED HIGH SCHOOL DISTRICT 230  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES ARISING  
FROM CASH TRANSACTIONS - STUDENT ACTIVITY AGENCY FUND  
JUNE 30, 2006**

**ASSETS**

Cash	<u>\$ 804.991</u>
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**LIABILITIES**

Due to student activity fund organizations	<u>\$ 804.991</u>
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See notes to financial statements.

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## NOTES TO FINANCIAL STATEMENTS

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**CONSOLIDATED HIGH SCHOOL DISTRICT 230**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Consolidated High School District No. 230 was created on May 5, 1952. The District is governed by the Board of Education and provides secondary education, transportation, cafeteria, building maintenance and general administrative services.

As required by U.S. generally accepted accounting principles, these financial statements include the District and its component units, entities for which the District is considered to be financially accountable. At June 30, 2006, no entities were considered component units of the District.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets arising from cash transactions and the statement of activities arising from cash transactions) report information on all of the nonfiduciary activities of the District. *Governmental activities* are those that are primarily supported by taxes and intergovernmental revenues.

The statement of activities arising from cash transactions demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the cash basis of accounting, as are the fiduciary fund financial statements. Under that basis, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. That basis differs from U.S. generally accepted accounting principles primarily because the District has not recognized receivables from revenues such as property taxes, entitlements and investment income, and payables to personnel and vendors and their related effects on operations of the District in the accompanying financial statements.

Governmental fund financial statements are reported using the cash basis of accounting under guidelines prescribed by the Illinois State Board of Education. Accordingly, revenue is recognized and recorded when cash is received. In the same manner expenditures are recognized and recorded upon the disbursement of cash. Assets of a fund are only recorded when a right to receive cash exists arising from a previous cash transaction. In a similar manner, liabilities are recorded from previous cash transactions.

**CONSOLIDATED HIGH SCHOOL DISTRICT 230**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It is comprised of six subfunds divided into two separate categories - educational funds and operations and maintenance funds. The educational funds include the Educational, Tort Immunity, Substance Abuse and Special Tax funds. The operations and maintenance funds include the Building and Fire Prevention and Safety funds. These funds account for activities that are not specifically accounted for in another fund.

The Transportation Fund accounts for the transportation of pupils.

The Working Cash Fund accounts for resources held by the District to be used for temporary interfund loans to the Educational Fund, the Operations and Maintenance Fund and the Transportation Fund.

The Bond and Interest Fund accounts for the accumulation of resources for and the payment of long-term debt principal, interest and related costs.

Additionally, the District reports the following fiduciary fund type:

The Student Activity Fund (an agency fund) accounts for assets held by the District as an agent for the students and teachers. The fund is custodial in nature and does not involve the measurement of results of operations. The amounts due to the activity fund organizations are equal to the assets.

As general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to students for goods or services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Net Assets or Equity**

**1. Deposits and Investments**

The Illinois statutes authorize the District to invest in U.S. Government, State of Illinois and municipal securities; certificates of deposit or time savings deposits insured by the FDIC; mortgage notes, bonds or debentures issued by the Federal Housing Administration; bonds and other obligations of the Federal National Mortgage Association; and certain short-term obligations of U.S. corporations.



**CONSOLIDATED HIGH SCHOOL DISTRICT 230**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

Cash and investments of the District are pooled into a common pooled account in order to maximize investment opportunities. Each fund whose monies are deposited into the pooled account has equity herein, and interest earned on the investment of these monies is allocated based upon relative equity at month end. An individual fund's equity in the pooled account is available upon demand and is considered to be a cash equivalent when preparing these financial statements. Each fund's portion of the pool is displayed on its respective statement of assets and fund balance arising from cash transactions as "equity in pooled cash and investments." In addition, non-pooled cash and investments are separately held and reflected in the respective funds as "cash" and "investments."

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Cash deposits are reported at carrying amount which reasonably estimates fair value. The reported value of the Illinois Liquid Asset Funds is the same as the fair value of the Fund's shares.

**2. Capital Assets**

Capital assets, which include land, buildings and equipment, reported in the government-wide financial statements are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings	50
Equipment	5-20

**CONSOLIDATED HIGH SCHOOL DISTRICT 230  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2006**

**3. Long-Term Obligations**

All long-term debt obligations to be repaid from governmental resources are reported as liabilities in the government-wide statements. Long-term debt includes bonds payable, installment payment contract certificates, general obligation debt certificates, and purchase agreements.

In the government-wide financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. Bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**4. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**5. Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses/expenditures. Actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

The budget is prepared on the cash basis of accounting for all governmental funds which is an acceptable method as prescribed by the Illinois State Board of Education and is the same basis that is used for financial reporting. This allows for comparability between budget and actual amounts.

**CONSOLIDATED HIGH SCHOOL DISTRICT 230**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

The budget appropriations lapse at the end of each fiscal year. The District utilizes an encumbrance system. The District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The administration submits to the Board of Education a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted and the proposed budget is available for inspection to obtain taxpayer comments.
3. Prior to September 30, the budget is legally adopted through passage of a resolution. Prior to the last Tuesday in December, a tax levy resolution is filed with the County Clerk to obtain tax revenues.
4. The Superintendent is authorized to transfer up to 10% of the total budget between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year.
6. The Board of Education may amend the budget (in other ways) by the same procedures required of its original adoption.

**B. Excess of Expenditures over Budget**

The following funds had an excess of actual expenditures over the budgeted amounts for the year ended June 30, 2006:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General subfund:			
Operations and Maintenance Fund	<u>\$ 12,625,316</u>	<u>\$ 12,662,456</u>	<u>\$ 37,140</u>
Special revenue funds:			
Transportation Fund	<u>\$ 5,717,172</u>	<u>\$ 5,915,495</u>	<u>\$ 198,323</u>
FICA, Medicare/IMRF Fund	<u>\$ 1,694,895</u>	<u>\$ 1,736,693</u>	<u>\$ 41,798</u>

The overexpenditure in the Operations and Maintenance Fund was funded with available fund balance. The overexpenditure in the Transportation Fund was funded by greater than anticipated revenues and available fund balance. The overexpenditure in the FICA, Medicare/IMRF Fund was funded by greater than anticipated revenues.

**CONSOLIDATED HIGH SCHOOL DISTRICT 230**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

**Deposits**

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a deposit policy for custodial credit risk. As of June 30, 2006, \$709,893 of the District's bank balances of \$909,893 was exposed to custodial credit risk as follows:

Uninsured and collateralized with securities held by pledging financial institutions	<u>\$ 709,893</u>
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**Investments**

As of June 30, 2006, the District had the following investments:

Type of Investments	Fair Value/ Carrying Amount	Average Credit Quality/ Ratings (1)	Weighted Average Days to Maturity (2)
Pooled investments (3):			
Money market funds:			
Illinois School District Liquid Asset Fund - Liquid Class	\$ 2,418,807	AAAm	21 days
Illinois School District Liquid Asset Fund - Max Class	3,645,368	AAAm	21 days
The Illinois Funds	986	AAAm	N/A
Certificates of deposit	26,387,694	N/A	153 days
Federal agency notes	<u>13,937,371</u>	Not available	47 days
Total pooled investments	<u>\$ 46,390,226</u>		

(1) Ratings are provided where applicable to indicate associated *Credit Risk*. N/A indicates not applicable.

(2) *Interest Rate Risk* is estimated using weighted average days to maturity.

(3) Pooled cash and investments are reported as *equity in pooled cash and investments*. Investments in the pool are not separately reported in the financial statements as ownership of investments cannot be assigned to individual funds including fiduciary funds. Therefore, total investments will not agree to the financial statements.

**CONSOLIDATED HIGH SCHOOL DISTRICT 230**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

**Investment Policies**

The District's investments are subject to the following risks:

*Concentration of credit risk* is the risk of loss attributed to the magnitude of the District's investment in a single issuer.

*Credit risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

*Interest rate risk* is the risk that changes in interest rates will adversely affect the fair value of an investment.

The District does not have an investment policy for the above risks.

**B. Property Taxes**

Property taxes are levied as of January 1 on property values assessed on the same date. The tax levy is divided into two billings: The first billing (mailed on or about February 1) is an estimate of the current year's levy based on the prior year's taxes; and the second billing (mailed on or about August 1) reflects adjustments to the current year's actual levy. The billings are considered past due 30 days after the respective tax billing date at which time the applicable property is subject to lien and penalties and interest are assessed. The District receives significant distributions of property taxes in the month following the due date.

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	<u>\$ 1,637,802</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,637,802</u>
Capital assets, being depreciated:				
Land improvements	6,173,516	15,045	-	6,188,561
Buildings	157,711,717	89,915	-	157,801,632
Equipment	<u>4,501,889</u>	<u>209,085</u>	<u>-</u>	<u>4,710,974</u>
Total capital assets, being depreciated	<u>168,387,122</u>	<u>314,045</u>	<u>-</u>	<u>168,701,167</u>

**CONSOLIDATED HIGH SCHOOL DISTRICT 230**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Land improvements	(2,596,529)	(269,668)	-	(2,866,197)
Buildings	(30,046,324)	(3,122,141)	-	(33,168,465)
Equipment	<u>(2,025,098)</u>	<u>(372,309)</u>	<u>-</u>	<u>(2,397,407)</u>
Total accumulated depreciation	<u>(34,667,951)</u>	<u>(3,764,118)</u>	<u>-</u>	<u>(38,432,069)</u>
Total capital assets, being depreciated, net	<u>133,719,171</u>	<u>(3,450,073)</u>	<u>-</u>	<u>130,269,098</u>
Governmental activities capital assets, net	<u>\$ 135,356,973</u>	<u>\$ (3,450,073)</u>	<u>\$ -</u>	<u>\$ 131,906,900</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
Instructional	\$ 3,361,074
Pupil support	166,625
Other support	189,377
Administration	<u>47,042</u>
Total depreciation expense - governmental activities	<u>\$ 3,764,118</u>

**D. Short-Term Debt**

The District issued \$2,175,000 of General Obligation Limited School Bonds, Series 2006 for purposes of financing life safety renovation work. The full amount of the principal is due on February 1, 2007. Interest will accrue at a rate of 4.0% and will be paid at maturity.

Short-term debt activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bond payable	<u>\$ -</u>	<u>\$ 2,175,000</u>	<u>\$ -</u>	<u>\$ 2,175,000</u>

**CONSOLIDATED HIGH SCHOOL DISTRICT 230**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

**E. Long-Term Debt**

Schedules of debt outstanding at June 30, 2006 are as follows:

General Obligation School Building Bonds  
Issued December 1, 1998

<u>Year Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Due</u>
2007	\$ -	\$ 471,025	\$ 471,025
2008	-	471,025	471,025
2009	-	471,025	471,025
2010	-	471,025	471,025
2011	-	471,025	471,025
2012	-	471,025	471,025
2013	-	471,025	471,025
2014	-	471,025	471,025
2015	-	471,025	471,025
2016	2,495,000	414,887	2,909,887
2017	2,500,000	296,250	2,796,250
2018	2,500,000	175,625	2,675,625
2019	<u>2,500,000</u>	<u>58,750</u>	<u>2,558,750</u>
Total	<u>\$ 9,995,000</u>	<u>\$ 5,184,737</u>	<u>\$ 15,179,737</u>

Denomination	\$5,000
Bonds due each year	December 1st
Interest dates	December 1st and June 1st
Interest rates	4.5 to 5.0%
Total issue	\$9,995,000
Paying agent	Harris Trust and Savings Bank Chicago, Illinois

**CONSOLIDATED HIGH SCHOOL DISTRICT 230**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

General Obligation School Building Bonds  
Issued February 1, 1999

<u>Year Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Due</u>
2007	\$ 4,535,000	\$ 4,099,130	\$ 8,634,130
2008	4,905,000	3,871,275	8,776,275
2009	5,365,000	3,622,381	8,987,381
2010	5,780,000	3,349,425	9,129,425
2011	6,295,000	3,051,985	9,346,985
2012	6,770,000	2,761,170	9,531,170
2013	7,280,000	2,441,405	9,721,405
2014	7,820,000	2,090,195	9,910,195
2015	8,400,000	1,704,825	10,104,825
2016	6,525,000	1,343,363	7,868,363
2017	7,170,000	1,004,250	8,174,250
2018	7,880,000	628,000	8,508,000
2019	<u>8,620,000</u>	<u>215,500</u>	<u>8,835,500</u>
Total	<u>\$ 87,345,000</u>	<u>\$ 30,182,904</u>	<u>\$ 117,527,904</u>

Denomination	\$5,000
Bonds due each year	December 1st
Interest dates	December 1st and June 1st
Interest rates	3.05 to 5.5%
Total issue	\$108,005,000
Paying agent	Harris Trust and Savings Bank Chicago, Illinois



**CONSOLIDATED HIGH SCHOOL DISTRICT 230**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

General Obligation Limited School Bonds  
Issued September 1, 2003

<u>Year Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Due</u>
2007	\$ 2,000,000	\$ 140,000	\$ 2,140,000
2008	2,000,000	87,500	2,087,500
2009	<u>2,000,000</u>	<u>30,000</u>	<u>2,030,000</u>
Total	<u>\$ 6,000,000</u>	<u>\$ 257,500</u>	<u>\$ 6,257,500</u>

Denomination \$5,000  
 Bonds due each year December 1st  
 Interest dates December 1st and June 1st  
 Interest rates 2.0 to 3.0%  
 Total issue \$10,000,000  
 Paying agent BNY Midwest Trust Company  
 Chicago, Illinois

At June 30, 2006, \$6,283,514 is available in the Bond and Interest Fund to service the above listed bond issues.

The District is obligated under general obligation debt certificates as follows:

General Obligation Debt Certificates  
Issued September 1, 2001

<u>Year Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Due</u>
2007	\$ 600,000	\$ 56,658	\$ 656,658
2008	215,000	42,180	257,180
2009	225,000	33,871	258,871
2010	230,000	24,940	254,940
2011	240,000	15,420	255,420
2012	<u>250,000</u>	<u>5,250</u>	<u>255,250</u>
Total	<u>\$ 1,760,000</u>	<u>\$ 178,319</u>	<u>\$ 1,938,319</u>

Denomination \$5,000  
 Certificates due each year December 1st  
 Interest dates December 1st and June 1st  
 Interest rates 3.0 to 4.2%  
 Total issue \$4,625,000  
 Paying agent First Bank of Missouri  
 Mission, Kansas

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The debt service of the aforementioned general obligation debt certificates will be paid from the Building Fund, which is a subfund of the General Fund. At June 30, 2006, no funds were specifically designated for the future retirement of debt.

Total annual debt service requirements to maturity for all debt outstanding are as follows:

<u>Year Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Due</u>
2007	\$ 7,135,000	\$ 4,766,813	\$ 11,901,813
2008	7,120,000	4,471,980	11,591,980
2009	7,590,000	4,157,277	11,747,277
2010	6,010,000	3,845,390	9,855,390
2011	6,535,000	3,538,430	10,073,430
2012	7,020,000	3,237,445	10,257,445
2013	7,280,000	2,912,430	10,192,430
2014	7,820,000	2,561,220	10,381,220
2015	8,400,000	2,175,850	10,575,850
2016	9,020,000	1,758,250	10,778,250
2017	9,670,000	1,300,500	10,970,500
2018	10,380,000	803,625	11,183,625
2019	<u>11,120,000</u>	<u>274,250</u>	<u>11,394,250</u>
Total	<u>\$ 105,100,000</u>	<u>\$ 35,803,460</u>	<u>\$ 140,903,460</u>

Long-term liability activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable	\$ 109,530,000	\$ -	\$ 6,190,000	\$ 103,340,000	\$ 6,535,000
General obligation debt certificates	2,340,000	-	580,000	1,760,000	600,000
Purchase agreements	<u>3,800</u>	<u>-</u>	<u>3,800</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 111,873,800</u>	<u>\$ -</u>	<u>\$ 6,773,800</u>	<u>\$ 105,100,000</u>	<u>\$ 7,135,000</u>

**G. Interfund Transfers**

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
Transportation Fund	General subfund: Educational Fund	\$ 3,500,000
Working Cash Fund	General subfund: Operations and Maintenance Fund	<u>3,000,000</u>
Total		<u>\$ 6,500,000</u>

**CONSOLIDATED HIGH SCHOOL DISTRICT 230**  
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Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Transfers are also used to move unrestricted revenues collected in the Transportation Fund and Working Cash Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**H. Reconciliation of Unreserved Fund Balance to Unrestricted Net Assets**

Unreserved fund balance at June 30, 2006, as reflected in the Statement of Assets, Liabilities and Fund Balances Arising from Cash Transactions - Governmental Funds:

General Fund	\$ 14,068,118
Special revenue funds	<u>4,169,588</u>
Total	18,237,706
Debt outstanding at June 30, 2006 that is unrelated to capital assets	<u>(7,772,853)</u>
Unrestricted net assets at June 30, 2006 as reflected in the Statement of Net Assets Arising from Cash Transactions - Governmental Activities	<u>\$ 10,464,853</u>

**IV. OTHER INFORMATION**

**A. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injury to employees; and natural disasters. In order to protect against such losses, the District has purchased insurance from private insurance companies and has also joined an insurance cooperative. The cooperative currently operates as a common risk management and insurance program for local governmental entities in the State of Illinois. The District pays annual premiums to the cooperative for its general insurance coverage. The agreement for formation of the cooperative provides that it will be self-sustaining through member premiums and will reinsure through commercial companies for losses in excess of various limits established for each type of coverage. The amount of coverage has not decreased nor have the amount of settlements exceeded coverage in the current year or any of the past three years.

**B. Employee Retirement Systems and Plans**

**1. Teachers' Retirement System of the State of Illinois**

The District (employer) participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the City of Chicago.

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The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The State of Illinois maintains primary responsibility for the funding of the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the system's administration.

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate through June 30, 2006 was 9.4 percent of their creditable earnings. These contributions, which may be paid on behalf of employees by their employer, are submitted to TRS by the employer.

In addition, virtually all employers and members pay a contribution to the Teachers' Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not a part of this retirement plan. The employer THIS Fund contribution was 0.6 percent during the year ended June 30, 2006, and the member THIS Fund health insurance contribution was 0.80 percent.

The State of Illinois makes contributions directly to TRS on behalf of the District's TRS-covered employees.

**On-behalf contributions.** The State of Illinois makes employer pension contributions on behalf of the District. For the year ended June 30, 2006, State of Illinois contributions were based on 7.06 percent of creditable earnings, and the District recognized revenue and expenditures of \$3,445,824 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2005 and June 30, 2004, the State of Illinois contribution rates as percentages of creditable earnings were 11.76 percent (\$5,523,876) and 13.98 percent (\$6,246,631), respectively.

The District makes other types of employer contributions directly to TRS.

**2.2 formula contributions.** Employers contribute 0.58 percent of creditable earnings for the 2.2 formula change. Contributions for the year ended June 30, 2006 were \$283,030. Contributions for the years ended June 30, 2005, and June 30, 2004, were \$273,220 and \$259,829, respectively.

**Federal and trust fund contributions.** When TRS members are paid from federal and trust funds administered by the District, there is a statutory requirement for the District to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective in the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and trust funds will be the same as the state contribution rate to TRS.

For the year ended June 30, 2006, the employer pension contribution was 7.06 percent of salaries paid from federal and trust funds. For the two years ended June 30, 2005, the employer pension contribution was 10.5 percent of salaries paid from those funds. For the year ended June 30, 2006, salaries totaling \$1,155,397 were paid from federal and trust funds that required employer contributions of \$81,571. For the years ended June 30, 2005 and June 30, 2004, required District contributions were \$105,156 and \$113,283, respectively.

**CONSOLIDATED HIGH SCHOOL DISTRICT 230**  
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**Early Retirement Option.** The District is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the age and salary of the member and under which ERO program the member retires.

Under Public Act 94-0004, a "Pipeline ERO" program is provided for members to retire under the same terms as the ERO program that expired June 30, 2005, provided they meet certain conditions and retire on or before July 1, 2007. If members do not meet these conditions, they can retire under the "Modified ERO" program which requires higher member and employer contributions to TRS. Also, under the Modified ERO, Public Act 94-0004 eliminates the waiver of member and employer contributions that had been in effect for members with 34 years of service (unless the member qualifies for the Pipeline ERO).

Under the ERO program that expired on June 30, 2005 and the Pipeline ERO, the maximum employer contribution is 100 percent of the member's highest salary used in the final average salary calculation.

Under the Modified ERO, the maximum employer contribution is 117.5 percent.

Both the 100 percent and 117.5 percent maximums apply when the member is age 55 at retirement.

For the year ended June 30, 2006, the District paid \$616,996 to TRS for employer contributions under the Pipeline ERO and Modified ERO programs. For the years ended June 30, 2005 and June 30, 2004, the District paid \$552,372 in employer ERO contributions.

TRS financial information, an explanation of TRS benefits, and descriptions of member, employer and State funding requirements can be found in the TRS *Comprehensive Annual Financial Report* for the year ended June 30, 2005. The report for the year ended June 30, 2006 is expected to be available in late 2006.

The reports may be obtained by writing to the Teachers' Retirement System of the State of Illinois, P.O. Box 19253, 2815 West Washington Street, Springfield, IL 62794-9253. The most current report is also available on the TRS Web site at [trs.illinois.gov](http://trs.illinois.gov).

## **2. Illinois Municipal Retirement Fund**

The District's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly.

IMRF issues a financial report that includes financial statements and required supplementary information. That report may be obtained at [www.imrf.org/pubs/pubs\\_homepage.htm](http://www.imrf.org/pubs/pubs_homepage.htm) or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

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Employees participating in IMRF are required to contribute 4.5 percent of their annual covered salary. The member rate is established by State statute. The District is required to contribute at an actuarially determined rate. The employer rate for calendar year 2005 was 9.55 percent of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The amortization period at December 31, 2005 was 27 years.

For December 31, 2005, the District's annual pension cost of \$657,067 was equal to the District's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses), (b) projected salary increases of 4% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority / merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2005 actuarial valuation were based on the 2002-2004 experience study.

**TREND INFORMATION**

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/05	\$ 657,067	100%	\$ 0
12/31/04	540,774	100%	0
12/31/03	801,140	100%	0

**3. Social Security**

Employees not qualifying for coverage under the Teachers' Retirement System or the Illinois Municipal Retirement System are considered "nonparticipating employees". These employees and those qualifying for coverage under the Illinois Municipal Retirement System are covered under Social Security. The District paid \$450,995, the total required contribution for the current year.

**CONSOLIDATED HIGH SCHOOL DISTRICT 230**  
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**C. Construction Commitments**

As of June 30, 2006, the District had the following commitments with respect to unfinished capital projects:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>
Bathroom renovation project	\$ 375,616
Track resurfacing	69,383
Roof recoating	844,511
Interior door	236,931
Theatre project	<u>84,411</u>
Total	<u>\$ 1,610,852</u>

**D. Jointly Governed Organization**

The District, in conjunction with eleven other area school districts, has created the Southwest Cook County Cooperative Association for Special Education (SWCASE). The SWCASE's board of directors is composed of one member from each of the eleven participating school districts. The SWCASE charged the District \$2,204,000 for special education tuition and other related expenditures during the year ended June 30, 2006.

**E. Tort Immunity Expenditures**

Tort immunity expenditures for the year ended June 30, 2006 are summarized as follows:

Risk management	\$ 467,461
Liability insurance	49,592
Claim settlements	205,977
Workers' compensation	<u>39,072</u>
Total	<u>\$ 762,102</u>

**F. Contingencies**

The District was self-insured for dental insurance provided to its employees during the year ended June 30, 2006. The District has no unfunded obligation for known future claims at June 30, 2006.

The District is a party to several property tax appeals pending before the Property Tax Appeal Board. The District intends to defend its position vigorously. No estimate can be made of the amount, if any, that will have to be refunded or of the effects on future revenue.

The District was partially self-insured up to \$300,000 for worker's compensation claims. The District faces possible exposure to loss relating to several pending workers' compensation claims. The range of potential loss is between \$280,000 and \$300,000.

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The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of District's attorneys, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

**G. Concentrations**

Substantially all of the District's nonmanagement employees are covered under one of three collective bargaining agreement that expires between June, 2007 and June 2010.

**H. Lease Commitments**

The District leases office equipment under lease agreements that expire through 2008. Rent expense under these leases for the year ended June 30, 2006 was \$91,030. Future minimum lease payments required under these leases in years ending June 30 are as follows:

2007	\$ 151,285
2008	<u>12,607</u>
Total	<u>\$ 163,892</u>