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AVOCA PUBLIC SCHOOL DISTRICT NO. 37  
WILMETTE, COOK COUNTY, ILLINOIS  
AUDIT REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

AVOCA PUBLIC SCHOOL DISTRICT NO. 37

TABLE OF CONTENTS

JUNE 30, 2011

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
<b>REQUIRED SUPPLEMENTAL INFORMATION:</b>	
Management's Discussion and Analysis (M D & A)	2-10
<b>BASIC FINANCIAL STATEMENTS:</b>	
District-Wide Financial Statements	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet - Government Funds	13-14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16-17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	18
Statement of Fiduciary Net Assets - Fiduciary Funds	19
Notes to Financial Statements	20-39
<b>REQUIRED SUPPLEMENTARY INFORMATION - HISTORICAL PENSION INFORMATION:</b>	
Illinois Municipal Retirement Fund - Analysis of Employer Contributions and Funding Progress (Unaudited)	40
<b>REQUIRED SUPPLEMENTARY INFORMATION - COMBINING STATEMENTS AND INDIVIDUAL FUND SCHEDULES:</b>	
<b>General Fund</b>	
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	41

AVOCA PUBLIC SCHOOL DISTRICT NO. 37

TABLE OF CONTENTS

JUNE 30, 2011

	PAGE
<b>REQUIRED SUPPLEMENTARY INFORMATION - COMBINING STATEMENTS AND INDIVIDUAL FUND SCHEDULES:</b>	
<b>Educational Account</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	42
Schedule of Revenues - Budget and Actual	43
Schedule of Expenditures - Budget and Actual	44-45
<b>Operations and Maintenance Account - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual</b>	46
<b>Transportation Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual</b>	47
<b>IMRF Fund/Social Security - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual</b>	48
<b>Bond and Interest Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual</b>	49
<b>Tort Immunity Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual</b>	50
<b>Working Cash Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual</b>	51
<b>SUPPLEMENTARY SCHEDULES:</b>	
Student Activity Funds - Summary of Cash Receipts and Disbursements	52
Bonds and Interest Payable	53
Computation of Per Capita Tuition Charge	54

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INDEPENDENT AUDITOR'S REPORT

Board of Education  
Avoca Public School District No. 37  
Wilmette, Illinois

We have audited the accompanying financial statements of the governmental activities and each major fund of Avoca Public School District No. 37 as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility Avoca Public School District No. 37's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Avoca Public School District No. 37 as of June 30, 2011, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, historical pension information, and budgetary comparison information on pages 2-10 and pages 40 and 41-51 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary schedules and statistical tables on pages 52-54 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



MILBURN CAIN & CO.  
Certified Public Accountants

Gurnee, Illinois  
September 30, 2011

**REQUIRED SUPPLEMENTAL INFORMATION**

AVOCA PUBLIC SCHOOL DISTRICT NO. 37  
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

Management of Avoca Public School District No. 37 (the District) presents this narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2011. The information presented here should be considered in conjunction with the financial statements presented elsewhere in this report.

This discussion and analysis is designed to:

1. Assist the reader in focusing on significant financial issues,
2. Provide an overview of the District's financial activity,
3. Identify changes in the District's financial position (its ability to cope with the next and subsequent year challenges),
4. Identify any material deviations from the financial plan (the approved budgets), and
5. Identify individual fund issues or concerns.

Since Management's Discussion and Analysis (M D & A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the District's financial statements beginning on page 11.

**Financial Highlights**

- For the second year in a row, revenues exceeded expenses. Net assets increased \$366,000 compared to a \$661,000 increase in the previous year.
- During the year, Avoca retired \$595,000 of its outstanding debt.
- On July 24, 2010, the District entered into a capital lease agreement for the use of a bus with Sovereign Leasing.
- The District purchased \$785,000 in capital assets while only incurring \$40,000 in new debt.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Avoca Public School's basic financial statements. The District's basic financial statements consist of three components:

1. District-wide financial statements,
2. Fund financial statements and,
3. Notes to financial statements.

In addition, this report also includes other supplementary information which is presented after the notes to financial statements.

### **District-Wide Financial Statements**

The district-wide financial statements are designed to provide readers with a broad overview of Avoca Public School's finances presented in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the asset total and the liabilities total reported as the District's net assets. Over time, increases or decreases 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 presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g., earned but unused vacation or sick pay).

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). Governmental activities include instruction, support services, operation and maintenance of plant, student transportation, and certain other activities and expenses such as non-programmed charges, interest and fees, and unallocated depreciation.

The district-wide financial statements can be found on pages 11 and 12 of this report.

### **Fund Financial Statements**

Avoca Public School's fund financial statements provide additional detail about the District's funds, focusing on its "major" funds -- not the District as a whole. For purposes of this report, the District considers all of its governmental funds as major funds. Funds are accounting devices used to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law, by Board covenants, or by contractual agreements. Still other funds are established to control and manage money for particular purposes (such as repaying its long-term debt) or to show that it is properly using certain revenues for their intended purposes.

Avoca Public School has two categories of funds:

- **Governmental Funds** - Most of the District's basic services are included in governmental funds. These funds generally focus on (1) how cash and other financial assets that can readily be converted to cash flows in and out of the District and (2) the balances which are left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future for District purposes. Because the information contained in the fund financial statements does not encompass the additional long-term focus of the district-wide statements, a reconciliation statement follows the governmental funds financial statements to explain the relationship (or differences) between them.

The basic fund financial statements can be found at pages 13-18 of this report.

- **Fiduciary Funds** - Avoca Public School is the trustee, or fiduciary, for assets that belong to others, such as the student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and only by those to whom the assets belong. The assets are excluded from the district-wide financial statements because the District cannot use these assets to finance operations.

The basic fiduciary fund financial statements can be found on page 19 of this report.

## Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and also the fund financial statements. The notes to financial statements can be found on pages 20-39 of this report.

## Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain Required Supplementary Information. A budgetary comparison statement has been provided for each fund as required supplementary information. This information can be found on pages 41-51 of this report.

### Financial Analysis of the District as a Whole

Net Assets - Avoca Public School's net assets were \$.4 million higher at June 30, 2011 than they were the year before, increasing by a little more than 3% to \$12.8 million. The following table presents a summary of the District's net assets at year-end:

Table 1  
Statement of Net Assets  
As of June 30, 2011 and 2010

	Amount (In Millions)	
	2011	2010
Assets		
Current and Other Assets	\$ 16.3	\$ 16.4
Capital Assets (Net)	<u>13.1</u>	<u>13.1</u>
Total Assets	\$ <u>29.4</u>	\$ <u>29.5</u>
Liabilities		
Long-term Debt Outstanding	\$ 3.7	\$ 4.2
Other Liabilities	<u>12.9</u>	<u>12.9</u>
Total Liabilities	\$ <u>16.6</u>	\$ <u>17.1</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 9.5	\$ 8.9
Restricted	.9	.4
Unrestricted	<u>2.4</u>	<u>3.1</u>
Total Net Assets	\$ <u><u>12.8</u></u>	\$ <u><u>12.4</u></u>

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- The District reduced its debt by \$.5 million.
- Depreciation expense of \$.8 million was charged against income.

Changes in Net Assets - The District's total revenues for the fiscal year ended June 30, 2011 were \$15.2 million. The total cost of all programs and services were \$14.8 million. Revenues exceeded expenses, increasing net assets by \$.4 million. The District's financial position can be credited to a strong real estate tax base and budgetary controls. Operating grants and charges for governmental activities totaled \$3.2 million. The following table presents a summary of changes in net assets for the fiscal year ended June 30, 2011 and 2010:

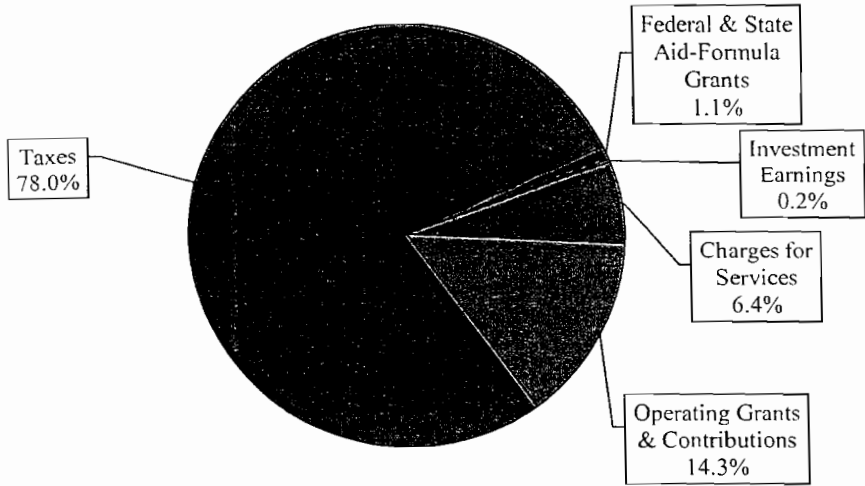
Table 2  
 Changes in Net Assets  
 For the Fiscal Year Ended  
 June 30, 2011 and 2010

	Governmental Activities	
	(In Millions)	
	2011	2010
<b>Revenue</b>		
Program Revenues		
Charges for Services	\$ 1.0	\$ 1.0
Operating Grants and Contributions	2.2	2.4
General Revenue		
Taxes	11.8	11.6
Federal and State Aid - Formula Grants	.2	.1
Investment Earnings	.0	.1
Total Revenue (In Millions)	\$ 15.2	\$ 15.2
<b>Expenses</b>		
Instruction	\$ 8.1	\$ 7.9
Pupil and Instructional Services	2.5	2.5
Administration and Business	2.2	2.1
Maintenance and Operations	1.2	1.3
Transportation	.3	.3
Payments to Other Districts and Governmental Units	.3	.3
Debt Service (Interest Only)	.2	.2
	\$ 14.8	\$ 14.6
Change in Net Assets	\$ .4	\$ .6
Net Assets		
July 1	12.4	11.8
June 30	\$ 12.8	\$ 12.4

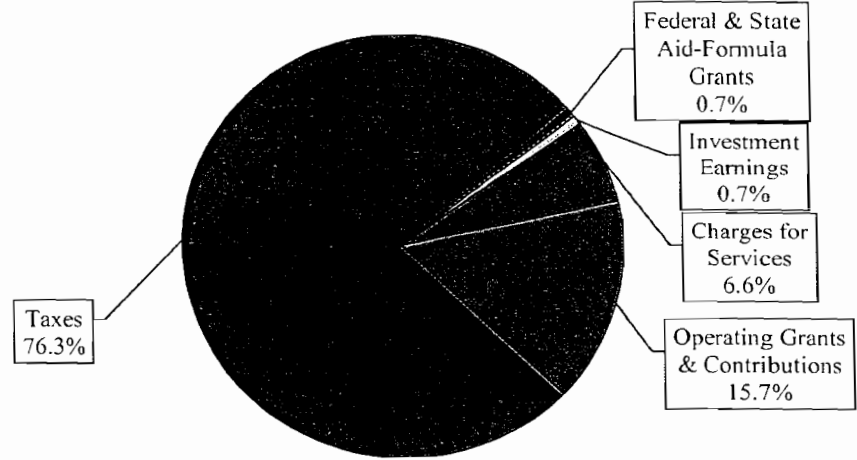
The graphs on the following page represent the percent of revenues and expenses by source and function in relation to the total revenues and total expenses for 2011 compared with 2010.

Avoca School District #37

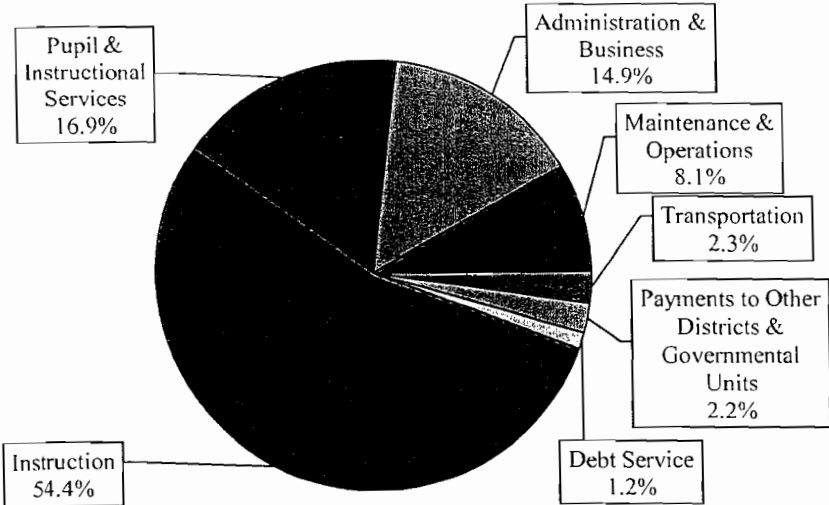
Revenue for Fiscal Year 2011



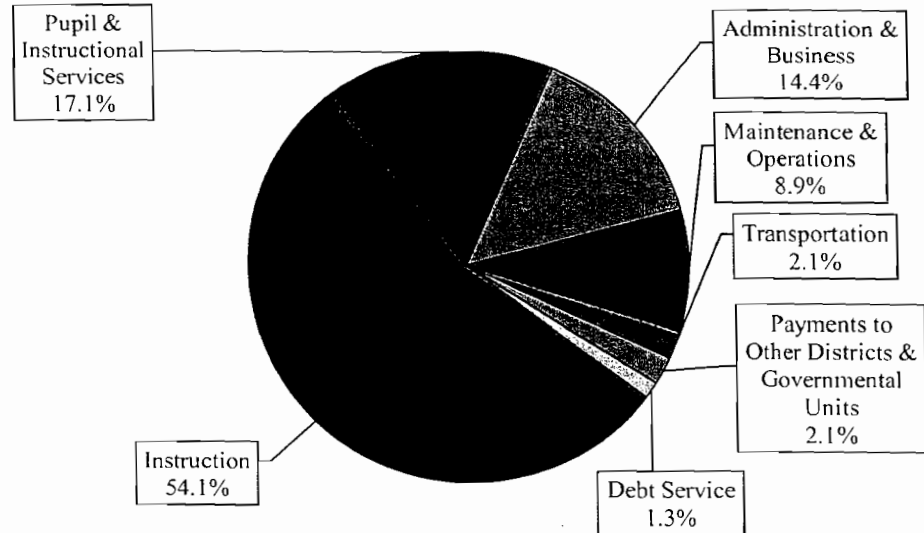
Revenue for Fiscal Year 2010



Expenses for Fiscal Year 2011



Expenses for Fiscal Year 2010



Net Cost of Governmental Activities - The following schedule presents the cost of five major and all other District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation and all other costs and excluding capital outlay and debt service - principal only - (page 12). This schedule also shows each activity's net cost; i.e., total cost less fees and intergovernmental aid allocable to each activity. The net is equivalent to the financial burden borne by the District's taxpayers to support each of these functions.

	2011		2010	
	Total Cost	Net Cost	Total Cost	Net Cost
Instruction	8.1	5.7	7.9	5.3
Pupil and Instructional Services	2.5	2.5	2.5	2.4
Administration and Business	2.2	2.0	2.1	1.9
Maintenance and Operations	1.2	.8	1.3	.8
Transportation	.3	.2	.3	.2
All Other	<u>.5</u>	<u>.5</u>	<u>.5</u>	<u>.5</u>
Total Cost (In Millions)	<u>14.8</u>	<u>11.7</u>	<u>14.6</u>	<u>11.1</u>

### Summary and Highlights

- The cost of all governmental activities for the year was \$14.8 million.
- \$1.0 million of the cost was paid for by users of the District's programs.
- Federal and state subsidies to specific programs and donations totaled \$2.2 million which includes \$1.7 million in state on-behalf payments paid directly to TRS.
- Replacement taxes, investment earnings, and federal and state aid-formula grants totaled \$.5 million.
- Most of the costs (\$11.5 million) however, were paid by the District's taxpayers.

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

Avoca Public School's financial performance is reflected in the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds appearing on pages 16 and 17 of this report. Total revenues were \$15.2 million which is the same as the prior year. Total expenditures were \$15.3 million compared to \$15.1 million a year ago, increasing by \$.2 million, or 1.3%. Current year expenditures exceeded revenues by \$.2 million. The fund balance was decreased by \$.2 million which brought the total fund balance to \$3.4 million.

Educational Account (Pages 42-45) - Property taxes produced \$9.4 million in revenue for the Educational Account during fiscal 2011, or 75.5% of all of the fund's revenue. State sources accounted for 16.7% of revenue at \$2.1 million, including \$1.7 million in on-behalf pension payments. Without the on-behalf pension payments, state revenues were \$.4 million, accounting for 3.4% of total revenue. Federal sources provided \$.2 million, or 1.4% of total Educational Fund revenue. Fees, earnings on investments, and other local sources of revenue produced \$.8 million, or 6.4% of total revenue. Thus, property taxes and other local revenues combined accounted for \$10.2 million, or more than 81.9% of Educational Account revenues.

Total Educational Account expenditures were \$12.5 million compared to \$12.4 million a year ago -- an increase of .8%. Of the \$12.5 million, \$7.6 million, or 61.1%, was used for direct instruction and teachers' and administrators' pensions; \$4.5 million paid for instructional support services, administration, utilities, food service, legal and financial services, and liability insurance; and \$.3 million was used to pay for tuition paid to other school districts.

After taking into account the revenues of \$12.5 million, and the expenditures of \$12.5 million, the Educational Account fund balance remained the same at \$2.0 million. See pages 42-45.

Operations and Maintenance Account (Page 46) - Property taxes are a major source of revenues in the Operations and Maintenance Account. They account for \$.8 million out of total fund revenues of \$1.3 million, or 61.5% of total fund revenue. Other local revenue sources account for \$.5 million, or 38.5%. The total revenue of \$1.3 million is \$.5 million more than the amount posted last year due to higher property tax income. Rental income increased by 2.3% resulting from annual CPI increases in existing rental contracts.

Total expenditures of \$1.4 million is \$.5 million more than last year due to higher capital outlay in the current year. The Fund received transfers of \$1,700 from other funds. Expenditures exceeded revenues and other financing sources by \$.1 million. The fund balance decreased to \$.5 million.

Transportation Fund (Page 47) - The Transportation Fund's largest source of revenue comes from property taxes, which account for \$269,000 out of the total fund revenues of \$384,000, or 70% of total fund revenue. Other local sources accounted for \$70,000, or 18.2% of total revenue while state sources accounted for \$45,000, or 11.8%.

Total expenditures of \$384,000 for 2011 is \$81,000 lower than the 2010 total. The District received \$3,000 from the sale of some of its buses and had capital lease proceeds of \$40,300.

The net result for the year is that the fund balance increased by \$44,000 to \$183,000 at the end of 2011.

IMRF/Social Security Fund (Page 48) - IMRF/Social Security Fund revenues for 2011 were \$226,000 compared to \$173,000 in 2010. Expenditures of \$327,000 were \$41,000 more than the 2010 cost of \$286,000. The fund spent \$101,000 more than it received, decreasing its fund balance to a deficit of \$78,000 at June 30, 2011.

Debt Service - Bond and Interest Fund (Page 49) - Debt service funds are intended to be self-liquidating. This means that over time, revenues received from taxes should equal required expenditures. Except for timing differences where taxes are collected prior to required disbursements, the theory says there should be no accumulation of fund balances. However, accumulations do often occur when tax collections are higher than expected or when interest earnings are retained in the fund. Because of the revenue timing differences, however, analysis of annual operating results is generally not useful for the reader.

For 2011, the District's Bond and Interest Fund revenues totaled \$743,000. Expenditures totaled \$731,000. The Fund transferred \$1,700 of accumulated interest earnings to the Operations and Maintenance Account. The fund balance increased \$10,000 to \$259,000.

Tort Immunity Fund (Page 50) - The Tort Immunity Fund revenues totaled \$65,000, consisting of property taxes of \$58,000 and interest and other revenues of \$7,000. Total expenditures were \$122,000. The District's liability, workmans' compensation, and unemployment insurance expenditures are paid from the Tort Immunity Fund. At year-end, the fund balance was \$23,000.

Working Cash Fund (Page 51) - The Working Cash Fund revenues totaled \$1,200. The Fund transferred \$1,500 in interest earnings to the Education Account. The fund balance decreased by \$300 to \$402,300.

General Fund Budgetary Highlights (Page 42-46) - The District budgeted general fund expenditures and other financing sources and uses to total \$14.5 million. Net results of operations were expected to result in a general fund decrease in fund balance of \$327,000. Actual results for the year produced a \$100,000 decrease in fund balance.

Total actual revenues of \$13.7 million were \$.5 million less than total budgeted revenues.

### Capital Asset and Debt Administration

Capital Assets - At June 30, 2011, Avoca Public School's net capital assets totaled \$13,145,000 in a broad range of capital assets. These assets, which are listed in Note 4 on page 29 of the notes to financial statements according to six categories (land, buildings, improvements other than buildings, equipment, food service equipment, and transportation equipment) include the District's land and buildings, lab facilities, computer and audio-visual equipment and network infrastructure, furniture and other classroom, and administrative equipment. Total depreciation expense of \$769,000 for the year was charged and allocated on the Statement of Activities.

During the year, the District invested \$785,455 in additions to its capital assets. The following schedule presents capital asset balances net of depreciation at June 30, 2011:

Land	\$ 385,000
Buildings	11,251,000
Improvements Other Than Buildings	124,000
Equipment	1,208,000
Transportation Equipment	134,000
Food Service Equipment	<u>43,000</u>
 Totals	 \$ <u>13,145,000</u>

Long-term Debt - At year-end, Avoca Public School's long-term debt obligations consisted of general obligation bonds, capital leases, and other post-employment benefits as listed below.

General Obligation Capital Appreciation Bonds -- 05-11-04	\$ 973,953
General Obligation Capital Appreciation Bonds -- 04-25-07	2,612,133
Capital Leases -- 04-23-10	64,161
Capital Leases -- 07-24-10	30,500
Other Post-Employment Benefits	<u>4,979</u>
 Total	 \$ <u>3,685,726</u>

#### Factors Bearing on the District's Future

The audited State of Illinois enrollment figures in terms of average daily attendance (ADA) for the past several years are as follows:

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
ADA	650	665	670	655	658	654	663	661	655	654	659	619

The average daily attendance decreased 4.8% for the period 2000 to 2011. Avoca's enrollment is projected to remain steady over the next ten years. During the same period, the audited State of Illinois net operating expense per student (NOE/S) calculations increased. The net operating expense per student calculations for the past several years are as follows:

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
NOE/S	\$11,291	\$11,755	\$12,135	\$13,123	\$13,389	\$14,214	\$14,872	\$15,663	\$16,801	\$17,662	\$17,833	\$19,285

The net operating expense increased 70.8% for the period 2000 to 2011, or an average annual increase of 5.9%.

Avoca Public School has been subject to the property tax extension limitation act since 1995. The tax cap limits the increase in annual tax extensions by the lesser of 5% or CPI.

Despite budget cuts, 15 years under the tax cap have taken a toll on District reserves.

### **Summary and Highlights**

- Property taxes continue to be the District's largest single source of revenues at \$11.5 million. Locally generated fees and charges and interest earnings and replacement taxes generated \$1.3 million. State and federal aid provided \$2.3 million in revenue which included \$1.7 million in State on-behalf payments. Almost 83.4% of revenue comes from local sources. When excluding the \$1.7 million in State on-behalf payments that is paid directly to the pension system, local sources account for 94.8% of the District's revenues.
- Total expenditures for all funds increased by \$.3 million over the previous year, or 2.0%.
- Concerted efforts by management to control costs and increased tax revenue resulted in a current year increase in net assets of \$.4 million.
- The District has experienced positive changes in net assets this year and last year. Prior to that, it experienced five straight years of deficits. The Avoca Board of Education recognizes its responsibility in maintaining good fiscal policy for the District. The Board will closely monitor each yearly budget and continually evaluate whether additional budget reductions can be achieved.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, investors, and creditors with a general overview of Avoca Public School's finances and to demonstrate its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Manager at 2921 Illinois Rd., Wilmette, Illinois 60091.

## **BASIC FINANCIAL STATEMENTS**

AVOCA PUBLIC SCHOOL DISTRICT NO. 37  
DISTRICT-WIDE FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS

JUNE 30, 2011

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 10,180,662
Receivables	
Property Taxes	5,819,900
Due From Other Governments	178,561
Accrued Interest	8,659
Prepaid Expenses	78,731
Capital Assets	
Land	384,683
Depreciable Buildings, Property and Equipment, Net	<u>12,760,199</u>
Total Assets	<u>\$ 29,411,395</u>
<b>Liabilities</b>	
Accounts Payable	\$ 34,023
Salaries and Wages Payable	837,250
Accrued Compensated Absences	125,165
Security Deposits	24,296
Deferred Revenue	11,890,061
Non-current Liabilities	
Due Within One Year	568,434
Due in More Than One Year	<u>3,117,292</u>
Total Liabilities	<u>\$ 16,596,521</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	\$ 9,464,135
Restricted	
Operations and Maintenance	520,103
Transportation	183,174
Bond and Interest	259,480
Unrestricted	<u>2,387,982</u>
Total Net Assets	<u>\$ 12,814,874</u>

See Accompanying Notes to Financial Statements.

AVOCA PUBLIC SCHOOL DISTRICT NO. 37

DISTRICT-WIDE FINANCIAL STATEMENTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Governmental Activities:</b>					
Instruction					
Regular Programs	\$ 5,482,242	\$ 122,685	\$ 29,385	\$ ---	\$ (5,330,172)
Special Education Programs	361,330	---	351,943	---	(9,387)
Other Instructional Programs	541,414	128,621	70,373	---	(342,420)
State Retirement Contributions	1,662,412	---	1,662,412	---	---
Support Services					
Pupils	1,424,758	---	---	---	(1,424,758)
Instructional Staff	1,078,477	---	10,221	---	(1,068,256)
General Administration	699,789	---	---	---	(699,789)
School Administration	606,045	---	---	---	(606,045)
Business	899,107	227,455	---	---	(671,652)
Transportation	344,762	61,263	45,434	---	(238,065)
Operations and Maintenance	1,194,002	432,228	---	---	(761,774)
Non-programmed Charges	323,352	---	---	---	(323,352)
Interest and Fees	169,116	---	---	---	(169,116)
Total Governmental Activities	\$ <u>14,786,806</u>	\$ <u>972,252</u>	\$ <u>2,169,768</u>	\$ <u>---</u>	\$ <u>(11,644,786)</u>
<b>General Revenues</b>					
Taxes					
Real Estate Taxes, Levied for General Purposes					\$ 10,760,722
Real Estate Taxes, Levied for Debt Service					741,536
Personal Property Replacement Taxes					310,547
State and Federal Aid - Formula Grants					169,205
Interest Earned					25,892
Gain on Sale of Capital Assets					<u>3,157</u>
					\$ <u>12,011,059</u>
Change in Net Assets					\$ 366,273
Net Assets - July 1, 2010					<u>12,448,601</u>
Net Assets - June 30, 2011					\$ <u>12,814,874</u>

See Accompanying Notes to Financial Statements.

AVOCA PUBLIC SCHOOL DISTRICT NO. 37

FUND FINANCIAL STATEMENTS

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2011

	<u>General</u>	<u>Operations and Maintenance</u>	<u>Transportation</u>	<u>IMRF/Social Security</u>	<u>Debt Service</u>	<u>Working Cash</u>	<u>Tort Immunity</u>	<u>Total</u>
<b>Assets</b>								
Cash and Cash Equivalents	\$ 7,727,796	\$ 918,018	\$ 315,696	\$ 102,268	\$ 638,694	\$ 401,898	\$ 76,292	\$ 10,180,662
Receivables								
Property Taxes	4,760,689	338,511	120,681	173,277	375,334	---	51,408	5,819,900
Due From Other Governments	156,507	---	22,054	---	---	---	---	178,561
Accrued Interest	6,684	703	297	76	455	405	39	8,659
Prepaid Expenses	<u>76,472</u>	<u>1,720</u>	<u>539</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>78,731</u>
Total Assets	\$ <u>12,728,148</u>	\$ <u>1,258,952</u>	\$ <u>459,267</u>	\$ <u>275,621</u>	\$ <u>1,014,483</u>	\$ <u>402,303</u>	\$ <u>127,739</u>	\$ <u>16,266,513</u>

See Accompanying Notes to Financial Statements.

AVOCA PUBLIC SCHOOL DISTRICT NO. 37

FUND FINANCIAL STATEMENTS

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2011

	<u>General</u>	<u>Operations and Maintenance</u>	<u>Transportation</u>	<u>IMRF/Social Security</u>	<u>Debt Service</u>	<u>Working Cash</u>	<u>Tort Immunity</u>	<u>Total</u>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities</b>								
Accounts Payable	\$ 27,847	\$ 4,129	\$ 2,047	\$ ---	\$ ---	\$ ---	\$ ---	\$ 34,023
Accrued Salaries	831,460	3,984	1,806	---	---	---	---	837,250
Accrued Compensated Absences	104,181	15,186	5,798	---	---	---	---	125,165
Security Deposits	---	24,296	---	---	---	---	---	24,296
Deferred Revenue	<u>9,718,680</u>	<u>691,254</u>	<u>266,442</u>	<u>353,555</u>	<u>755,003</u>	<u>---</u>	<u>105,127</u>	<u>11,890,061</u>
Total Liabilities	\$ <u>10,682,168</u>	\$ <u>738,849</u>	\$ <u>276,093</u>	\$ <u>353,555</u>	\$ <u>755,003</u>	\$ <u>---</u>	\$ <u>105,127</u>	\$ <u>12,910,795</u>
<b>Fund Balances</b>								
Fund Balance								
Non-Spendable								
Prepaid Expenses	\$ 76,472	\$ 1,720	\$ 539	\$ ---	\$ ---	\$ ---	\$ ---	\$ 78,731
Restricted								
Operations and Maintenance	---	82,819	---	---	---	---	---	82,819
For Transportation	---	---	181,618	---	---	---	---	181,618
Assigned								
Operations and Maintenance	---	435,564	---	---	---	---	---	435,564
For Transportation	---	---	1,017	---	---	---	---	1,017
For IMRF/Social Security	---	---	---	80	---	---	---	80
For Debt Service	---	---	---	---	259,480	---	---	259,480
Undesignated	<u>1,969,508</u>	<u>---</u>	<u>---</u>	<u>(78,014)</u>	<u>---</u>	<u>402,303</u>	<u>22,612</u>	<u>2,316,409</u>
Total Fund Balances	\$ <u>2,045,980</u>	\$ <u>520,103</u>	\$ <u>183,174</u>	\$ <u>(77,934)</u>	\$ <u>259,480</u>	\$ <u>402,303</u>	\$ <u>22,612</u>	\$ <u>3,355,718</u>
Total Liabilities and Fund Balances	\$ <u>12,728,148</u>	\$ <u>1,258,952</u>	\$ <u>459,267</u>	\$ <u>275,621</u>	\$ <u>1,014,483</u>	\$ <u>402,303</u>	\$ <u>127,739</u>	\$ <u>16,266,513</u>

See Accompanying Notes to Financial Statements.

AVOCA PUBLIC SCHOOL DISTRICT NO. 37

FUND FINANCIAL STATEMENTS

RECONCILIATION OF THE GOVERNMENTAL FUNDS

BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2011

Total Fund Balances - Governmental Funds \$ 3,355,718

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

The cost of capital assets (land, buildings, furniture, and  
equipment) purchased or constructed is reported as an  
expenditure in governmental funds. The Statement of Net  
Assets includes those capital assets among the assets of  
the School Board as a whole.

Cost of Capital Assets	\$ 22,862,322	
Depreciation Expense to Date	<u>(9,717,440)</u>	13,144,882

Long-term liabilities applicable to the School Board's governmental  
activities are not due and payable in the current period and  
accordingly are not reported as fund liabilities. All liabilities -- both  
current and long-term -- are reported in the Statement of Net Assets.

Balances at June 30, 2011 are:

Bonds, Leases and OPEB Payable	\$ (3,031,250)	
Accreted Interest Payable	<u>(654,476)</u>	<u>(3,685,726)</u>

Net Assets of Governmental Activities \$ 12,814,874

AVOCA PUBLIC SCHOOL DISTRICT NO. 37  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2011

	General	Operations and Maintenance	Transportation	IMRF/Social Security	Debt Service	Working Cash	Tort Immunity	Total
<b>Revenues</b>								
Property Taxes	\$ 9,411,476	\$ 804,397	\$ 268,601	\$ 218,407	\$ 741,536	\$ ---	\$ 57,841	\$ 11,502,258
Replacement Taxes	270,729	23,228	7,729	7,203	---	---	1,658	310,547
Other Local Sources	503,023	432,228	61,263	---	---	---	5,123	1,001,637
State Aid	2,086,012	---	45,434	---	---	---	---	2,131,446
Federal Aid	178,142	---	---	---	---	---	---	178,142
Interest	20,526	1,671	997	79	1,362	1,209	48	25,892
Total Revenues	<u>\$ 12,469,908</u>	<u>\$ 1,261,524</u>	<u>\$ 384,024</u>	<u>\$ 225,689</u>	<u>\$ 742,898</u>	<u>\$ 1,209</u>	<u>\$ 64,670</u>	<u>\$ 15,149,922</u>
<b>Expenditures</b>								
Current								
Instruction								
Regular Programs	\$ 5,068,943	\$ ---	\$ ---	\$ 66,432	\$ ---	\$ ---	\$ ---	\$ 5,135,375
Special Programs	347,358	---	---	34,215	---	---	---	381,573
Other Instructional Programs	530,910	---	---	10,504	---	---	---	541,414
State Retirement Contributions	1,662,412	---	---	---	---	---	---	1,662,412
Support Services								
Pupils	1,389,644	---	---	36,596	---	---	---	1,426,240
Instructional Staff	1,201,709	---	---	25,409	---	---	---	1,227,118
General Administration	560,963	---	---	16,810	---	---	122,016	699,789
School Administration	571,827	---	---	34,218	---	---	---	606,045
Business	807,903	---	---	103,053	---	---	---	910,956
Transportation	---	---	346,051	---	---	---	---	346,051
Operations and Maintenance	---	1,369,217	---	---	---	---	---	1,369,217
Payments to Other Districts and Governmental Units	323,352	---	---	---	---	---	---	323,352
Debt Service								
Principal	---	---	29,457	---	565,582	---	---	595,039
Interest and Other	---	---	8,250	---	165,218	---	---	173,468
Total Expenditures	<u>\$ 12,465,021</u>	<u>\$ 1,369,217</u>	<u>\$ 383,758</u>	<u>\$ 327,237</u>	<u>\$ 730,800</u>	<u>\$ ---</u>	<u>\$ 122,016</u>	<u>\$ 15,398,049</u>

See Accompanying Notes to Financial Statements.

AVOCA PUBLIC SCHOOL DISTRICT NO. 37  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2011  
 (continued)

	General	Operations and Maintenance	Transportation	IMRF/Social Security	Debt Service	Working Cash	Tort Immunity	Total
Excess or (Deficiency) of Revenues Over Expenditures	\$ <u>4,887</u>	\$ <u>(107,693)</u>	\$ <u>266</u>	\$ <u>(101,548)</u>	\$ <u>12,098</u>	\$ <u>1,209</u>	\$ <u>(57,346)</u>	\$ <u>(248,127)</u>
<b>Other Financing Sources (Uses)</b>								
Permanent Transfers In	\$ 1,480	\$ 1,665	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 3,145
Permanent Transfers (Out)	---	---	---	---	(1,665)	(1,480)	---	(3,145)
Proceeds From the Sale of Capital Assets	157	---	3,000	---	---	---	---	3,157
Proceeds From Capital Lease	---	---	40,328	---	---	---	---	40,328
Total Financing Sources (Uses)	\$ <u>1,637</u>	\$ <u>1,665</u>	\$ <u>43,328</u>	\$ <u>---</u>	\$ <u>(1,665)</u>	\$ <u>(1,480)</u>	\$ <u>---</u>	\$ <u>43,485</u>
Excess or (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	\$ 6,524	\$ (106,028)	\$ 43,594	\$ (101,548)	\$ 10,433	\$ (271)	\$ (57,346)	\$ (204,642)
Fund Balances - July 1, 2010	<u>2,039,456</u>	<u>626,131</u>	<u>139,580</u>	<u>23,614</u>	<u>249,047</u>	<u>402,574</u>	<u>79,958</u>	<u>3,560,360</u>
Fund Balances - June 30, 2011	<u><u>2,045,980</u></u>	<u><u>520,103</u></u>	<u><u>183,174</u></u>	<u><u>(77,934)</u></u>	<u><u>259,480</u></u>	<u><u>402,303</u></u>	<u><u>22,612</u></u>	<u><u>3,355,718</u></u>

See Accompanying Notes to Financial Statements.

AVOCA PUBLIC SCHOOL DISTRICT NO. 37

FUND FINANCIAL STATEMENTS

RECONCILIATION OF THE GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$ (204,642)

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.

Depreciation Expense	\$ (768,614)	
Capital Outlay	<u>785,445</u>	16,831

Accreted interest during the year on certain of the District's bond issues which was not charged to expenses on the fund financial statements.

Accreted Interest Paid	\$ 164,418	
Accreted Interest Charged	<u>(160,066)</u>	4,352

Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 595,039

Proceeds from lease/purchase contracts received during the year which were recorded as other financing sources on the Statement of Revenues, Expenditures and Changes in Fund Balance which were not reported as revenue on the Statement of Activities.

Proceeds From Capital Lease		(40,328)
-----------------------------	--	----------

Changes in other post-employment benefits are reported in the Statement of Activities and not charged to expenses on the Fund Financial Statements.		<u>(4,979)</u>
---	--	----------------

Change in Net Assets of Governmental Activities		\$ <u>366,273</u>
---	--	-------------------

See Accompanying Notes to Financial Statements.

AVOCA PUBLIC SCHOOL DISTRICT NO. 37

FUND FINANCIAL STATEMENTS

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

FIDUCIARY FUNDS

JUNE 30, 2011

	Student Activity Fund
<b>Assets</b>	
Cash and Investments	\$ <u>8,261</u>
<b>Liabilities</b>	
Due to Student Groups	\$ <u>8,261</u>

See Accompanying Notes to Financial Statements.

AVOCA PUBLIC SCHOOL DISTRICT NO. 37

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Avoca Public School District No. 37 (District) conform to generally accepted accounting principles as applicable to local educational agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

A. Reporting Entity

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The definition of a component unit is a legally separate organization for which the District is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. The District also may be financially accountable if an organization is fiscally dependent on the District regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government or (3) a jointly appointed board. There are no component units, as defined by GASB, which are included in the District's reporting entity. Even though there are local government agencies within the geographic area served by the District, these agencies have been excluded from the report because they are legally separate and the District is not financially accountable for them.

Also, the District is not included as a component unit in any other governmental reporting entity, as defined by GASB pronouncements.

B. Basis of Presentation

**District-wide and Fund Financial Statements**

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. The effect of interfund activity has been removed from these statements. The governmental activities column reports activities that are normally supported by taxes and intergovernmental revenues.

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

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

**Fund Financial Statements**

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

Separate financial statements are provided for all governmental funds and fiduciary funds even though the fiduciary funds are excluded from the government-wide financial statements.

C. Measurement Focus and Basis of Accounting

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental funds are used to account for the District's general government activities. Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they are both "measurable and available." "Measurable" means that the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Also, in accordance with GASB No. 24, on-behalf payments (payments made by a third party for the benefit of the district, such as payments made by the state to the Teachers' Retirement System) have been recognized in the financial statements.

Property taxes, replacement taxes, certain state and federal aid, and interest on investments are susceptible to accrual. Other receipts become measurable and available when cash is received by the District and are recognized as revenue at that time.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and accordingly, when such funds are received they are recorded as deferred revenues until earned.

Governmental funds include the following major funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund consists of the following:

**Educational Account** - This account is used for most of the instructional and administrative aspects of the District's operations. The revenue consists primarily of local property taxes, state government aid, and school fees.

**Operations and Maintenance Account** - This account is used for expenditures made for repair and maintenance of District property. Revenue consists primarily of local property taxes and rental income.

## NOTES TO FINANCIAL STATEMENTS (continued)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### C. Measurement Focus and Basis of Accounting (continued)

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than those accounted for in the Debt Service Fund, Capital Projects Funds, or Fiduciary Funds) that are legally restricted to expenditures for specified purposes.

Each of the District's Special Revenue Funds has been established as a separate fund in accordance with the fund structure required by the State of Illinois for local educational agencies. These funds account for local property taxes restricted to specific purposes. A brief description of the District's Special Revenue Funds follows:

**Transportation Fund** - This fund accounts for all revenue and expenditures made for student transportation. Revenue is derived primarily from local property taxes, state reimbursement grants, and bus fees.

**IMRF/Social Security Fund** - This fund accounts for the District's portion of pension contributions to the Illinois Municipal Retirement Fund, payments to Medicare for certified employees, and payments to the Social Security System for non-certified employees. Revenue to finance the contributions is derived primarily from local property taxes and personal property replacement taxes.

**Tort Immunity Fund** - This fund accounts for the District's insurance and risk management activities. Revenue is derived primarily from property taxes.

**Working Cash Fund** - This fund accounts for financial resources held by the District to be used as temporary interfund loans for working capital requirements to the General Fund and the Special Revenue Fund's Transportation Fund. Money loaned by the Working Cash Fund to other funds must be repaid within two years. As allowed by the School Code of Illinois, this fund may be permanently abolished and become a part of the Educational Account within the General Fund or it may be partially abated to the General Fund, Special Revenue Funds and Debt Service Funds.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. A brief description of the District's Debt Service Fund is as follows:

**Bond and Interest Fund** - This fund accounts for the periodic principal and interest payments on the bond issues of the District. The primary revenue source is local property taxes levied specifically for debt service. It also utilizes transfers from other funds to retire the District's capital lease obligations except for capital leases incurred by the Transportation Fund.

Fiduciary Fund Types (Trust and Agency Funds) - Fiduciary Funds (Trust and Agency Funds) are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds.

**Agency Funds** - The Agency Funds includes Student Activity Funds, Convenience Accounts and Other Agency Funds. These funds are custodial in nature and do not involve the measurement of the results of operations. Although the Board of Education has the ultimate responsibility for Activity Funds, they are not local education agency funds. Student Activity Funds account for assets held by the District which are owned, operated and managed generally by the student body, under the guidance and direction of adults or a staff member, for educational, recreational or cultural purposes. Convenience Accounts account for assets that are normally maintained by a local education agency as a convenience for its faculty, staff, etc.

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

## NOTES TO FINANCIAL STATEMENTS (continued)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### D. Budgets and Budgetary Accounting

The District follows procedures mandated by Illinois State law and District Board policy to establish the budgetary data reflected in its financial statements. The modified accrual basis budgeted amounts in this report are the result of compliance with the following procedures:

For each fund, total fund expenditures disbursed may not legally exceed the budgeted amounts. The budget lapses at the end of each fiscal year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to August 1, the Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing on that date. The operating budget includes proposed expenditures disbursed and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally adopted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year.
5. The Board of Education may not legally spend more than budgeted expenditures by fund. However, it may make transfers between the various items in any fund not exceeding in the aggregate 10% of the total of such fund as set forth in the budget.
6. The Board of Education may amend the budget (in other ways) by the same procedures required of its original adoption.

The budget for 2010-11 was adopted on September 23, 2010, and was not amended.

#### E. Assets, Liabilities and Net Assets or Equity

##### Investments

Investments are stated at cost which approximates fair value. Gains or losses are recognized when the investments either mature or are sold. Except for the Student Activity Fund, the Imprest Account and Petty Cash, Avoca maintains common bank accounts benefiting all of its funds. Accordingly, investments affecting all funds are made from the common accounts.

Generally accepted accounting principles and the concept that each fund is a separate entity require the allocation of interest earnings on investments to the fund owning the investment. Because of the common bank accounts, the District has not attempted to identify the fund owning the investment; however, it does allocate all interest earnings to participating funds on a pro-rata basis. A historical moving average of beginning monthly fund balances is used as the basis for allocating the interest.

Occasionally a fund participating in the common cash accounts will experience a cash deficit. When this occurs, another fund which has a positive cash balance necessarily covers the shortage. This deficit coverage constitutes an interfund loan between the funds involved. If this situation occurs at the end of any monthly accounting period, it is the Administration's policy to request approval of the Board of Education for the unplanned loan before or in connection with the approval of the issuance of checks to vendors.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Net Assets or Equity (continued)

**Inventories**

It is the District's policy to charge all purchases of items for resale or supplies to expenditures when purchased. No inventory accounts are maintained to reflect the values of resale or supply items on hand.

**Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." These amounts are eliminated in the governmental activities column in the statement of net assets.

**Property Tax Revenues**

The District's property tax is levied each year on all taxable real property located in the District on or before the last Tuesday in December. The 2010 levy was passed by the Board on December 15, 2010. The 2009 levy was passed by the Board on December 17, 2009. Property taxes attach as an enforceable lien on property as of January 1 and are payable in two installments early in Spring and Fall. The District receives significant distributions of tax receipts on each due date and for about ninety days thereafter.

The following are the tax rate limits permitted by the School Code and by local referendum and the actual rates levied per \$100 of assessed valuation:

Purpose	Limit	2010 Levy	2009 Levy
Educational	2.500	1.6548	1.3871
Tort Immunity	As Needed	.0179	.0085
Operations and Maintenance	.3750	.1177	.1190
Transportation	.1200	.0420	.0396
Municipal Retirement	As Needed	.0245	.0082
Social Security	As Needed	.0357	.0241
Bond and Interest	As Needed	<u>.1286</u>	<u>.1112</u>
Totals		<u>2.0212</u>	<u>1.6977</u>

In addition to the tax rate limitations shown above, the District is subject to "Tax Cap" limitations affecting Cook County and the five collar counties surrounding it. Under the "Tax Cap" the total of the District's tax levies not including bond levies may not increase by more than the lesser of 5% of the prior year total or the prior year percentage of increase in the Consumer Price Index. However, levies may increase beyond these limitations to the extent that any increase in assessed valuation is represented by annexations or new building.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Net Assets or Equity (continued)

Property Tax Revenues (continued)

A summary of the past two years assessed valuations, extensions and collections follows:

Tax Year	2010		2009	
<b>Assessed Valuation</b>	\$ 596,246,090		\$ 689,222,672	
	<u>Extensions</u>	<u>Collections</u>	<u>Extensions</u>	<u>Collections</u>
<b>Purpose</b>				
Educational	\$ 9,866,680	\$ 4,957,991	\$ 9,560,207	\$ 9,342,339
Tort Immunity	106,728	53,719	58,583	57,089
Operations and Maintenance	701,781	352,743	820,174	801,724
Transportation	250,423	125,986	272,932	266,714
Municipal Retirement	146,080	73,392	56,516	55,072
Social Security	212,859	106,886	166,102	162,149
Bond and Interest	<u>766,500</u>	<u>379,668</u>	<u>766,500</u>	<u>736,181</u>
Totals	\$ <u>12,051,051</u>	\$ <u>6,050,385</u>	\$ <u>11,701,014</u>	\$ <u>11,421,268</u>
<b>Percentage of Extensions Collected</b>	50.21%		97.61%	

Personal Property Replacement Taxes

Personal property replacement taxes are first allocated to funds where taxes were automatically abated by the county clerk and to the Municipal Retirement/Social Security Fund, with the balance allocated to the remaining funds at the discretion of the District.

Special Tax Levies and Restricted Equity

Tort Immunity - Cash receipts and the related cash disbursements of this restricted tax levy are accounted for in the Tort Immunity Fund. This fund's equity represents the excess of cumulative receipts over cumulative disbursements which is restricted for future tort immunity disbursements in accordance with Chapter 745, *Illinois Compiled Statutes*, Section 10/9-101 through 10/9-107.

Prepaid Items

Certain payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets

Capital assets, which include land, land improvements, building, building improvements, vehicles, machinery, equipment, and construction in progress are reported in the district-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$500 and an estimated useful life of five years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

## NOTES TO FINANCIAL STATEMENTS (continued)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### E. Assets, Liabilities and Net Assets or Equity (continued)

##### Capital Assets (continued)

Depreciation of capital assets is provided using the straight-line method over the following estimated useful lives as established by the Illinois State Board of Education. The District chose to use the same useful lives as the Illinois State Board of Education.

<u>Assets</u>	<u>Years</u>
Buildings	50
Improvements	20
Equipment	10
Vehicles	5

##### Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. 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.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. 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.

At June 30, 2011, Avoca has no unamortized bond issuance costs, bond premiums, or discount.

##### Government-Wide Fund Net Assets

Government-wide fund net assets are divided into three components:

- Invested in capital assets, net of related debt -- consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net assets -- consist of net assets that are restricted by the District's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted -- all other net assets are reported in this category.

##### Governmental Fund Balances

Governmental fund balances are divided between non-spendable and spendable.

Non-spendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

The spendable fund balances are arranged in a hierarchy based on spending constraints:

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Net Assets or Equity (continued)

**Governmental Fund Balances** (continued)

- Restricted -- Restricted fund balances are restricted when constraints are placed on the use by either (a) external creditors, grantors, contributors, or laws or regulations of other governments or (b) law through constitutional provisions or enabling legislation.
- Committed -- Committed fund balances are amounts that can only be used for specific purposes as a result of constraints of the Board of Education. Committed amounts cannot be used for any other purpose unless the Board of Education removes those constraints by taking the same type of action (e.g., legislation, resolution, ordinance). Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
- Assigned -- Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by an appointed body (e.g., a budget or finance committee) or official to which the Board of Education has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

Assigned fund balances also include (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue, capital projects, or debt service fund, are assigned for purposes in accordance with the nature of their fund type. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the District itself.

- Unassigned -- Unassigned fund balance is the residual classification for the General Fund. This classification represents the General Fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund. Unassigned fund balance in the General Fund also includes amounts levied and/or borrowed for working cash.

The District permits funds to be expended in the following order: Restricted, Committed, Assigned, and Unassigned.

**Eliminations and Reclassifications**

In the process of aggregating data for the district-wide financial statements, some amounts reported as interfund activity and balances were eliminated or reclassified.

NOTE 2 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The District is allowed to invest in securities as authorized by Chapter 30, Sections 235/2 of the *Illinois Compiled Statutes*.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 2 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

A. Deposits and Investments (continued)

Deposits

At June 30, 2011, the District's cash deposits, excluding a petty cash fund of \$100, are summarized as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Checking Accounts		
Imprest Fund	\$ 6,900	\$ 6,900
Student Activity	8,261	8,261
Flex Spending	16,500	24,469
Checking and Savings Accounts Held by Treasurer		
Deposited With Local Banks	<u>(14,698)</u>	<u>303,809</u>
	<u>\$ 16,963</u>	<u>\$ 343,439</u>

Each of the checking accounts is fully insured under U. S. Government insurance programs. The District's depository has pledged collateral held in the District's name consisting of U. S. Government securities to secure the local bank accounts.

Investments

The District is allowed to invest in securities as authorized by the *School Code of Illinois*, Chapter 85, Sections 902 and 906; and Chapter 122, Section 8-7.

The District's total investments at June 30, 2011, amounted to \$10,171,860. This amount consisted of investments through the Illinois School District Liquid Asset Fund (ISDLAF) in certificates of deposit of \$3,847,069 issued by 18 different financial institutions, and savings and money market accounts totaling \$6,324,791. Typically, the certificates of deposit are from \$50,000 to \$250,000 each and thus are covered by FDIC insurance. The investments through ISDLAF are fully insured under U.S. Government insurance programs. The local bank has deposited collateral consisting of U.S. Government securities with the Chicago Federal Reserve System who is acting as agent for the District and is holding the collateral in the District's name.

The following table summarizes the District's cash position:

Petty Cash	\$ 100
Deposits	16,963
Investments	<u>10,171,860</u>
Total Cash	<u>\$ 10,188,923</u>

The cash position is comprised of the following:

Governmental Activities	\$ 10,180,662
Fiduciary Activities	<u>8,261</u>
	<u>\$ 10,188,923</u>

Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State law limits investments to specific types of investment instruments.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 2 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

A. Deposits and Investments (continued)

**Investments** (continued)

Concentration of Credit Risk - The District places no limit on the amount the District may invest in any one investment instrument. All the District's deposits and investments are covered by FDIC Insurance or collateral consisting of U.S. Government securities or U.S. Government insurance programs.

NOTE 3 - OTHER RECEIVABLES

The District has state and federal aid receivable of \$178,561.

The District has accrued interest receivable on its investments of \$8,659.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>
Capital Assets Not Being Depreciated:				
Land	\$ <u>384,683</u>	\$ ---	\$ ---	\$ <u>384,683</u>
Capital Assets Being Depreciated:				
Buildings	\$ 18,202,812	\$ 480,864	\$ 335,500	\$ 18,348,176
Improvements Other Than Buildings	196,677	35,958	---	232,635
Equipment	3,231,578	207,910	16,929	3,422,559
Transportation Equipment	366,675	40,328	---	407,003
Food Service Equipment	<u>46,881</u>	<u>20,385</u>	<u>---</u>	<u>67,266</u>
Total Capital Assets Being Depreciated	\$ <u>22,044,623</u>	\$ <u>785,445</u>	\$ <u>352,429</u>	\$ <u>22,477,639</u>
Less: Accumulated Depreciation For:				
Buildings	\$ 7,062,316	\$ 370,828	\$ 335,500	\$ 7,097,644
Improvements Other Than Buildings	97,224	11,122	---	108,346
Equipment	1,890,907	340,262	16,929	2,214,240
Transportation Equipment	234,362	39,039	---	273,401
Food Service Equipment	<u>16,446</u>	<u>7,363</u>	<u>---</u>	<u>23,809</u>
Total Accumulated Depreciation	\$ <u>9,301,255</u>	\$ <u>768,614</u>	\$ <u>352,429</u>	\$ <u>9,717,440</u>
Net Capital Assets After Depreciation	\$ <u>12,743,368</u>	\$ <u>16,831</u>	\$ ---	\$ <u>12,760,199</u>
Net Governmental Activities Capital Assets	\$ <u>13,128,051</u>	\$ <u>16,831</u>	\$ ---	\$ <u>13,144,882</u>

Depreciation expense was charged to functions of the District as follows:

Regular Programs	\$ 347,625
Transportation	39,039
Operations and Maintenance	<u>381,950</u>
	\$ <u>768,614</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 5 - CHANGES IN GENERAL LONG-TERM DEBT

Type of Debt	Balance July 1, 2010	Additions	Payments	Balance June 30, 2011
General Obligation Capital Appreciation Bonds Dated: 05-11-04	\$ 1,298,770	\$ ---	\$ 565,582	\$ 733,188
Accreted Interest on Capital Appreciation Bonds	352,690	52,493	164,418	240,765
General Obligation Capital Appreciation Bonds Dated: 04-25-07	2,198,422	---	---	2,198,422
Accreted Interest on Capital Appreciation Bonds	306,138	107,573	---	413,711
Capital Bus Leases Dated: 04-23-10	83,790	---	19,629	64,161
Dated: 07-24-10	---	40,328	9,828	30,500
Other Post-Employment Benefits	---	4,979	---	4,979
	<u>\$ 4,239,810</u>	<u>\$ 205,373</u>	<u>\$ 759,457</u>	<u>\$ 3,685,726</u>

On May 11, 2004, the District issued \$3,199,980 in capital appreciation bonds with interest rates ranging from 2.25% to 4.22%. The proceeds from this bond issue were used for additions and upgrades to District buildings and technology programs.

At June 30, 2011, the annual debt service requirements to service this bonded debt were:

Year Ending June 30	Principal	Interest	Total
2012	\$ 540,806	\$ 189,194	\$ 730,000
2013	<u>192,382</u>	<u>82,618</u>	<u>275,000</u>
	<u>\$ 733,188</u>	<u>\$ 271,812</u>	<u>\$ 1,005,000</u>

On April 25, 2007, the District issued \$2,198,422 in capital appreciation working cash bonds with interest rates of 4.25%. The proceeds from this bond issue were transferred by partial abatement of the Working Cash Fund to Avoca's Operations and Maintenance Fund to be used for upgrades to District buildings.

At June 30, 2011, the annual debt service requirements to service this bonded debt were:

Year Ending June 30	Principal	Interest	Total
2013	\$ 359,527	\$ 95,473	\$ 455,000
2014	553,063	176,937	730,000
2015	530,287	199,713	730,000
2016	508,452	221,548	730,000
2017	<u>247,093</u>	<u>122,907</u>	<u>370,000</u>
	<u>\$ 2,198,422</u>	<u>\$ 816,578</u>	<u>\$ 3,015,000</u>

On April 23, 2010, the District entered into a capital lease agreement for the use of three buses with Sovereign Leasing. Terms of the lease call for yearly payments of \$27,879, including interest at 4.35%.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 5 - CHANGES IN GENERAL LONG-TERM DEBT (continued)

At June 30, 2011, the annual debt service requirements to service this capital lease were:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 20,483	\$ 7,396	\$ 27,879
2013	21,374	6,505	27,879
2014	<u>22,304</u>	<u>5,575</u>	<u>27,879</u>
	\$ <u>64,161</u>	\$ <u>19,476</u>	\$ <u>83,637</u>

On July 24, 2010, the District entered into a capital lease agreement for the use of a bus with Sovereign Leasing. Terms of the lease call for yearly payments of \$9,828, including interest at 4.35%.

At June 30, 2011, the annual debt service requirements to service this capital lease were:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 7,145	\$ 2,683	\$ 9,828
2013	7,456	2,372	9,828
2014	7,780	2,048	9,828
2015	<u>8,119</u>	<u>1,709</u>	<u>9,828</u>
	\$ <u>30,500</u>	\$ <u>8,812</u>	\$ <u>39,312</u>

NOTE 6 - OPERATING LEASES

The District has several operating leases for the use of copier equipment. The annual lease payments due at June 30, 2011 were:

2012	\$ 18,160
2013	13,598
2014	12,966
2015	<u>4,269</u>
	\$ <u>48,993</u>

NOTE 7 - TRANSFERS

The following transfers were made for the year ended June 30, 2011:

1. The Working Cash Fund transferred interest earnings of \$1,480 to the Education Account.
2. The Debt Service Fund transferred interest earnings of \$1,665 to the Operations and Maintenance Account.

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to damage to, theft of, and destruction of assets; torts; errors and omissions; injuries to employees; and natural disasters. To help minimize the potential losses from such risks, Avoca has purchased insurance from risk pools which are described below. Premiums paid to the pools are charged as expenditures to the applicable funds. Over the past several years, there have been no settlements which have exceeded insurance coverage.

## NOTES TO FINANCIAL STATEMENTS (continued)

### NOTE 8 - RISK MANAGEMENT (continued)

Avoca is a member of several cooperatives formed by various local education entities to enable the members to self-insure for employees health plans, workmen's compensation insurance, and property and general liability insurance. Each cooperative has established a separate trust. Members pay into the trusts certain specific amounts (including amounts collected from employees) established by the trusts' insurance consultants. The trusts pay all claims and maintain reserves for claims incurred but not submitted. The trusts also carry excess claims insurance. Consequently, the District's administration believes there is little likelihood that additional amounts for past policy years would be required under these self-insurance arrangements. The District has no equity interest in these joint ventures.

Avoca is also a member of CLIC, which has been formed to provide casualty, property, and liability protections and to administer some or all insurance coverages and protection other than health, life, and accident coverages procured by the member districts. It is intended, by the creation of CLIC, to allow a member district to equalize annual fluctuations in insurance costs by establishing a program whereby reserves may be created and temporary deficits of individual districts covered and to ultimately equalize the risks and stabilize the costs of providing casualty, property, and liability protections. If, during any fiscal year, the funds on hand in the account of CLIC are not sufficient to pay expenses of administration, the Board of Directors shall require supplementary payment from all members. Such payment shall be made in the same proportion as prior payments during that year to CLIC.

Complete financial statements for CLIC can be obtained from its administrator, Two Pierce Place, Itasca, IL 60143.

With respect to the Special Education District, Avoca School District No. 37 made payments to NSSSED in the early 1970's to fund construction of the building used as administrative offices. The NSSSED articles of agreement provide for the decrease in each members' equity interest in the building at 5% per year to recognize depreciation. Consequently, at June 30, 2011, the District has not recorded an equity interest in the building. Because of State of Illinois mandates regarding the providing of special education services, it is considered unlikely that NSSSED would terminate and, accordingly, no attempt has been made to identify an individual members' equity interest in fund balances of the various NSSSED programs. As of July 1, 2008, Avoca withdrew from NSSSED. Avoca's equity interest was calculated as of June 30, 2008 and will be used if NSSSED ever dissolves.

Financial statements are obtained by the District from each of these entities and are available generally after November 1 following each fiscal year.

### NOTE 9 - LEASES

The District leases property it owns to other organizations. Each lease is accounted for as an operating lease. Details of the leases are:

The Avoca East building is leased to One Hope United, Inc. and Arlyn Day School, Inc. Both lessees are using the premises to provide services to children.

The lease with One Hope United, Inc. is for five years and terminates on July 31, 2015. It requires a base monthly rent of \$16,347. The lease with Arlyn Day School, Inc. is for 10 years and terminates on August 31, 2015. It requires a base monthly rent of \$15,499. The lessee has an option to extend the lease for an additional 20 years subject to the lessor's right under certain circumstances to terminate the lease.

One Hope United, Inc. also leases space in the Avoca West School for after-school and summer programs. It requires a base monthly rent of \$2,538.

All leases provide for annual adjustments to the base monthly rent based upon the CPI for the Chicago Metropolitan Area for the preceding calendar year published by the Bureau of Labor Statistics. As of September 1, 2010, monthly rents increased 2.7%.

The District also receives \$1,172 per month in rents for a house it owns in Glenview known as the "Hunter House".

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 9 - LEASES (continued)

Rental income for fiscal 2011 for all leasing activity was \$432,228.

NOTE 10 - RETIREMENT FUND COMMITMENTS

The District participates in two retirement systems; the Teachers Retirement System of the State of Illinois (TRS) and the Illinois Municipal Retirement Fund (IMRF).

A. Teachers' Retirement System of the State of Illinois

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.

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 the 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 non-annuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate for the year ended June 30, 2011 was 9.4% of creditable earnings. The same contribution rate applies to members whose first contributing services is on or after January 1, 2011, the effective date of the benefit changes contained in Public Act 96-0889. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. The active member contribution rate was also 9.4% for the years ended June 30, 2010 and 2009.

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, 2011, State of Illinois contributions were based on 23.10% of creditable earnings not paid from federal funds, and the District recognized revenue and expenditures of \$1,600,987 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2010 and June 30, 2009, the State of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 23.38% (\$1,542,682) and 17.08% (\$1,114,978), respectively.

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

- 2.2 Formula Contributions - Employers contribute .58% of total creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ending June 30, 2011 were \$40,485. Contributions for the years ended June 30, 2010 and June 30, 2009 were \$38,675 and \$38,126, respectively.
- Federal and Trust Fund Contributions - When TRS members are paid from federal and special 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 special trust funds will be the same as the state contribution rate to TRS.

For the year ended June 30, 2011, the employer pension contribution was 23.10% of salaries paid from federal and special trust funds. For the years ended June 30, 2010 and 2009, the employer contribution was 23.38% and 17.08% of salaries paid from federal and special trust funds, respectively. For the year ended June 30, 2011, salaries totaling \$49,455 were paid from federal and special trust funds that required employer contributions of \$11,424. For the years ended June 30, 2010 and June 30, 2009, required District contributions were \$16,301 and \$7,777, respectively.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 10 - RETIREMENT FUND COMMITMENTS (continued)

A. Teachers' Retirement System of the State of Illinois (continued)

- Early Retirement Option (ERO) - 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.

The maximum employer ERO contribution is 117.5% and applies when the member is age 55 at retirement.

For the year ended June 30, 2011, the District paid nothing to TRS for employer contributions under the ERO programs. For the years ended June 30, 2010 and June 30, 2009, the District paid nothing and \$25,546, respectively, in employer ERO contributions.

- Salary Increases Over 6% and Excess Sick Leave - If an employer grants salary increases over 6% and those salaries are used to calculate a retiree's final average salary, the employer makes a contribution to TRS. The contribution will cover the difference in actuarial cost of the benefit based on actual salary increases and the benefit based on salary increases of up to 6%.

For the year ended June 30, 2011, the District paid nothing to TRS for employer contributions due on salary increases in excess of 6%. For the years ended June 30, 2010 and June 30, 2009, the District paid nothing in employer contributions due on salary increases in excess of 6%.

If an employer grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary used to calculate final average salary, and the TRS total normal cost rate (18.03% of salary during the year ended June 30, 2011, as recertified pursuant to Public Act 96-1511)).

For the year ended June 30, 2011, the District paid nothing to TRS for sick leave days granted in the excess of the normal annual allotment. For the years ended June 30, 2010 and June 30, 2009, the District paid nothing in employer contributions granted for sick leave days.

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, 2010. The report for the year ended June 30, 2011 is expected to be available in late 2011.

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

B. THIS Fund

The District participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit post-retirement healthcare plan that was established by the Illinois legislature for the benefit of Illinois public school teachers employed outside the City of Chicago. The THIS Fund provides medical, prescription and behavioral health benefits, but does not provide vision, dental or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants may participate in the state-administered participating provider option plan or choose from several managed care options.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 10 - RETIREMENT FUND COMMITMENTS (continued)

B. THIS Fund (continued)

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. The Illinois Department of Healthcare and Family Services (HFS) and the Illinois Department of Central Management Services (CMS) administer the plan with the cooperation of TRS. The director of HFS determines the rates and premiums for annuitants and dependent beneficiaries and establishes the cost-sharing parameters. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to the TRS who are not employees of the State make a contribution to THIS Fund.

The percentage of employer-required contributions in the future will be determined by the director of HFS and will not exceed 105% of the percentage of salary actually required to be paid in the previous fiscal year.

- On-Behalf Contributions to THIS Fund - The State of Illinois makes employer retiree health insurance contributions on behalf of the District. State contributions are intended to match contributions to THIS Fund from active members which were .88% of pay during the year ended June 30, 2011. State of Illinois contributions were \$61,425 and the District recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2010 and June 30, 2009 were also .84% of pay. State contributions on behalf of District employees were \$56,011 and \$55,217, respectively.

- Employer Contributions to THIS Fund - The District also makes contributions to the THIS Fund. The District THIS contribution was .66% during the years ended June 30, 2011, and .63% during the years ended June 30, 2010, and June 30, 2009. For the year ended June 30, 2011, the District paid \$46,069 to the THIS Fund. For the years ended June 30, 2010 and June 30, 2009, the District paid \$42,009 and \$41,413, respectively, which was 100% of the required contribution.

The publicly available financial report of the THIS Fund may be obtained by writing to the Department of Healthcare and Family Services, 201 S. Grand Ave., Springfield, IL 62763-3838.

C. District No. 37 Plans

Under the 2006-2010 Avoca School District No. 37 Teachers' Association contract, teachers may, upon filing a timely election with the District, receive a 6% increase over their prior year's creditable earnings for their last 5 years of employment prior to their retirement date. Any amounts owed to TRS are the responsibility of the employee.

D. Illinois Municipal Retirement Fund

Avoca Public School District No. 37's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The employer plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly-available financial report that includes financial statements and required supplementary information. That report may be obtained online at [www.imrf.org](http://www.imrf.org).

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 10 - RETIREMENT FUND COMMITMENTS (continued)

D. Illinois Municipal Retirement Fund (continued)

As set by statute, the District'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 employer annual required contribution rate for calendar year 2010 was 8.58%. The District also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

The required contribution for calendar year 2010 was \$115,158.

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/10	\$ 115,158	100%	\$ ---
12/31/09	62,691	100%	---
12/31/08	82,346	100%	---

The required contribution for 2010 was determined as part of the December 31, 2008 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2008 included: (a) 7.5% investment rate of return (net of administrative and direct investment expenses); (b) projected salary increases of 4.00% a year, attributable to inflation; (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit; and (d) post-retirement benefit increases of 3% annually. The actuarial value of the District's regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The District's regular plan's unfunded actuarial accrued liability at December 31, 2008 is being amortized as a level percentage of projected payroll on an open 30-year basis.

As of December 31, 2010, the most recent actuarial valuation date, the regular plan was 95.46% funded. The actuarial accrued liability for benefits was \$3,769,597 and the actuarial value of assets was \$3,598,523, resulting in an underfunded actuarial accrued liability (UAAL) of \$171,074. The covered payroll for calendar year 2010 (annual payroll of active employees covered by the plan) was \$1,342,172 and the ratio of the UAAL to the covered payroll was 13%.

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

E. Social Security

Employees not qualifying for coverage under the Illinois Teachers' Retirement System or the Illinois Municipal Retirement Fund are considered "non-participating employees". These employees and those qualifying for coverage under the Illinois Municipal Retirement Fund are covered under Social Security. The District paid \$78,652, the total required contribution for the current fiscal year.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 11 - POST-EMPLOYMENT BENEFIT COMMITMENTS

A. Retiree Paid Insurance

Plan Overview - The District provides post-employment benefits other than pensions ("OPEB") to employees who meet certain criteria. The Plan, a single-employer defined benefit plan, provides medical, dental and vision benefits to retirees and their covered eligible dependents. All active employees who retire directly from the District and meet the eligibility criteria may participate, but at their own cost.

The District is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees, whether the premiums are paid by the District or the retiree. Consequently, participating retirees are considered to receive a benefit known as an "implicit rate subsidy." This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the District's younger and statistically healthier active employees.

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements.

C. Annual OPEB Cost and Net OPEB Obligation

The District retained Grant Thornton to perform a valuation of its post-retirement welfare benefit plans for the purpose of determining its annual cost in accordance with GASB Statement No. 45.

The District's annual OPEB cost (expense) is calculated based on annual required contribution (ARC) of the District, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement No. 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period of 30 years. The following shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation to the plan:

Annual Required Contribution	\$ 18,140
Interest on Net OPEB Obligation	24
Adjustments to Annual Required Contribution	<u>(31)</u>
Annual OPEB Cost (Expense)	\$ 18,133
Estimated Contributions Made	<u>(13,631)</u>
Increase in Net OPEB Obligation	\$ 4,502
Net OPEB Obligation - Beginning of Year	<u>477</u>
Net OPEB Obligation - End of Year	\$ <u>4,979</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/11	\$ 18,133	\$ 13,631	75%	\$ 4,979
06/30/10	17,659	17,182	97%	477

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 11 - POST-EMPLOYMENT BENEFIT COMMITMENTS (continued)

D. Funding Status and Funding Progress

This schedule of funding progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits:

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability Unit Credit (B)	Unfunded Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/10	\$ ---	\$ 146,641	\$ 146,641	.00%	N/A	N/A
07/01/09	---	144,633	144,633	.00%	N/A	N/A

E. Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The Actuarial Accrued Liability was determined using a 5% discount rate. Research suggests an 11% long-term average increase for all Healthcare Benefits, trending down to 5% increases in 2015 and later years. Mortality assumptions were based on the RP-2000 Combined Healthy table projected to 2015 using projection scale AA. The Unit Credit cost method was used to value liabilities. It is assumed that 10% of IMRF employees will enroll in post employment insurance and will select coverage consistent with their current coverage. The Unfunded Actuarial Accrued Liability (UAAL) is being amortized on a closed, level dollar method. The remaining amortization period at July 1, 2010 was 30 years.

NOTE 12 - ACCRUED COMPENSATED ABSENCES

Accrued compensated absences represent vacation earned but not taken. Employees earn 10-25 vacation days annually depending on their position and length of service in the district. At June 30, 2011, the District's accrued compensated absences totaled \$125,165.

NOTE 13 - LEGAL DEBT MARGIN INFORMATION

	2011	2010
Debt Limit	\$ 41,140,980	\$ 47,556,364
Total Net Debt Applicable to Limit	<u>3,680,747</u>	<u>4,239,810</u>
Legal Debt Margin	\$ <u>37,460,233</u>	\$ <u>43,316,554</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	<u>9.0%</u>	<u>8.9%</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 13 - LEGAL DEBT MARGIN INFORMATION (continued)

Legal debt margin calculation for fiscal year ended June 30, 2011:

Assessed Valuation of Taxable Properties for the Tax Year 2010	\$ 596,246,090
Rate	<u>6.9%</u>
Bonded Debt Limit	\$ 41,140,980
Net Debt Outstanding Subject to Limitation	<u>3,680,747</u>
Legal Bonded Debt Margin at June 30, 2011	\$ <u><u>37,460,233</u></u>

NOTE 14 - CONTINGENCIES

The District is involved in litigation with various taxpayers who have filed an appeal with the Property Tax Appeal Board concerning their tax assessment. Although the outcome of this litigation is not presently determinable, it is the opinion of the District that the resolution of these matters will not have a material adverse effect on the financial condition of the District in the years in which they are resolved.

NOTE 15 - EXCESS OF EXPENDITURES OVER BUDGET

For the year ended June 30, 2011, expenditures exceeded budget in the following funds:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
Transportation Fund	\$ 372,619	\$ 383,758	\$ 11,139*

\*The Transportation Fund over-expenditure results from the inclusion in expenditures of \$40,328 in unbudgeted capital outlay for new buses; this expenditure is covered by an offsetting revenue amount.

NOTE 16 - SUBSEQUENT EVENTS

The District has evaluated subsequent events through September 30, 2011, the date on which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION -  
HISTORICAL PENSION INFORMATION**

AVOCA PUBLIC SCHOOL DISTRICT NO. 37

ILLINOIS MUNICIPAL RETIREMENT FUND

ANALYSIS OF EMPLOYER CONTRIBUTIONS  
AND FUNDING PROGRESS (UNAUDITED)

JUNE 30, 2011

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial (AAL) Entry Age (B)	Actuarial Accrued Liability Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
12/31/10	\$ 3,598,523	\$ 3,769,597	\$ 171,074	95.46%	\$ 1,342,172	12.75%
12/31/09	3,449,761	3,665,876	216,115	94.10%	1,362,854	15.86%
12/31/08	3,632,906	3,518,045	(114,861)	103.26%	1,486,384	.00%

On a market value basis, the actuarial value of assets as of December 31, 2010 is \$3,869,616. On a market basis, the funded ratio would be 102.65%.

**REQUIRED SUPPLEMENTARY INFORMATION -  
COMBINING STATEMENTS AND  
INDIVIDUAL FUND SCHEDULES**

AVOCA PUBLIC SCHOOL DISTRICT NO. 37

GENERAL FUND

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Educational</u>	<u>Operations and Maintenance</u>	<u>Total</u>
<b>Revenues</b>			
Local Sources	\$ 10,205,754	\$ 1,261,524	\$ 11,467,278
State Sources	423,600	---	423,600
Federal Sources	<u>178,142</u>	<u>---</u>	<u>178,142</u>
Total Direct Revenues	\$ 10,807,496	\$ 1,261,524	\$ 12,069,020
Revenue For On-Behalf Payments	<u>1,662,412</u>	<u>---</u>	<u>1,662,412</u>
Total Revenues	\$ <u>12,469,908</u>	\$ <u>1,261,524</u>	\$ <u>13,731,432</u>
<b>Expenditures</b>			
Instruction	\$ 5,947,211	\$ ---	\$ 5,947,211
Support Services	4,532,046	1,369,217	5,901,263
Payments to Other Districts and Governmental Units	<u>323,352</u>	<u>---</u>	<u>323,352</u>
Total Direct Expenditures	\$ 10,802,609	\$ 1,369,217	\$ 12,171,826
Expenditures For On-Behalf Payments	<u>1,662,412</u>	<u>---</u>	<u>1,662,412</u>
Total Expenditures	\$ <u>12,465,021</u>	\$ <u>1,369,217</u>	\$ <u>13,834,238</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ <u>4,887</u>	\$ <u>(107,693)</u>	\$ <u>(102,806)</u>
<b>Other Financing Sources (Uses)</b>			
Interest Transfers From Working Cash Fund	\$ 1,480	\$ ---	\$ 1,480
Permanent Transfers	---	1,665	1,665
Proceeds From the Sale of Capital Assets	<u>157</u>	<u>---</u>	<u>157</u>
Total Other Financing Sources (Uses)	\$ <u>1,637</u>	\$ <u>1,665</u>	\$ <u>3,302</u>
Excess or (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	\$ 6,524	\$ (106,028)	\$ (99,504)
Fund Balances - July 1, 2010	<u>2,039,456</u>	<u>626,131</u>	<u>2,665,587</u>
Fund Balances - June 30, 2011	\$ <u>2,045,980</u>	\$ <u>520,103</u>	\$ <u>2,566,083</u>

AVOCA PUBLIC SCHOOL DISTRICT NO. 37

EDUCATIONAL ACCOUNT

SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues (Page 43)</b>			
Local Sources	\$ 10,454,577	\$ 10,454,577	\$ 10,205,754
State Sources	428,473	428,473	423,600
Federal Sources	<u>254,950</u>	<u>254,950</u>	<u>178,142</u>
Total Direct Revenues	\$ 11,138,000	\$ 11,138,000	\$ 10,807,496
Revenue For On-Behalf Payments	<u>1,771,008</u>	<u>1,771,008</u>	<u>1,662,412</u>
Total Revenues	\$ <u>12,909,008</u>	\$ <u>12,909,008</u>	\$ <u>12,469,908</u>
<b>Expenditures (Pages 44-45)</b>			
Instruction	\$ 6,236,809	\$ 6,236,809	\$ 5,947,211
Support Services	4,587,988	4,587,988	4,532,046
Non-Programmed Charges	<u>317,000</u>	<u>317,000</u>	<u>323,352</u>
Total Direct Expenditures	\$ 11,141,797	\$ 11,141,797	\$ 10,802,609
Expenditures For On-Behalf Payments	<u>1,771,008</u>	<u>1,771,008</u>	<u>1,662,412</u>
Total Expenditures	\$ <u>12,912,805</u>	\$ <u>12,912,805</u>	\$ <u>12,465,021</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ <u>(3,797)</u>	\$ <u>(3,797)</u>	\$ <u>4,887</u>
<b>Other Financing Sources (Uses)</b>			
Interest Transfers From Working Cash Fund	\$ 3,514	\$ 3,514	\$ 1,480
Proceeds From the Sale of Capital Assets	<u>1,000</u>	<u>1,000</u>	<u>157</u>
Total Other Financing Sources (Uses)	\$ <u>4,514</u>	\$ <u>4,514</u>	\$ <u>1,637</u>
Excess or (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	\$ <u><u>717</u></u>	\$ <u><u>717</u></u>	\$ 6,524
Fund Balances - July 1, 2010			<u>2,039,456</u>
Fund Balances - June 30, 2011			\$ <u>2,045,980</u>

AVOCA PUBLIC SCHOOL DISTRICT NO. 37

EDUCATIONAL ACCOUNT

SCHEDULE OF REVENUES

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues</b>			
Local Sources			
Property Taxes			
General Levies	\$ 9,615,984	\$ 9,615,984	\$ 9,411,476
Corporate Personal Property Replacement Taxes	266,570	266,570	270,729
Tuition	90,615	90,615	98,509
Earnings on Investments	55,426	55,426	20,526
Food Services	255,323	255,323	227,455
District/School Activities	86,347	86,347	76,827
Textbooks	63,812	63,812	57,071
Contributions and Donations	8,000	8,000	29,385
Refund of Prior Years' Expenditures	12,000	12,000	10,782
Other	500	500	2,994
	<u>\$ 10,454,577</u>	<u>\$ 10,454,577</u>	<u>\$ 10,205,754</u>
State Sources			
General State Aid	\$ 169,215	\$ 169,215	\$ 169,205
Special Education - Private Facility Tuition	25,236	25,236	21,775
Special Education - Extraordinary	89,526	89,526	90,927
Special Education - Personnel	133,500	133,500	134,750
Bilingual - TPI	7,257	7,257	4,097
Vocational Education	642	642	637
National Board Certification	1,760	1,760	1,479
Other State Aid	500	500	---
State Free Lunch	837	837	730
	<u>\$ 428,473</u>	<u>\$ 428,473</u>	<u>\$ 423,600</u>
Federal Sources			
Special Milk	\$ 6,896	\$ 6,896	\$ 7,002
Title I	42,044	42,044	38,533
IDEA Pre-School Flow-Through	2,489	2,489	2,489
Title I - ARRA	6,542	6,542	---
ARRA - IDEA - Preschool	4,756	4,756	---
IDEA Flow-Through ARRA	45,535	45,535	---
ARRA - Education Jobs	15,406	15,406	15,406
IDEA Flow-Through	118,929	118,929	104,491
Title II - Teacher Quality	12,353	12,353	10,221
	<u>\$ 254,950</u>	<u>\$ 254,950</u>	<u>\$ 178,142</u>
 Total Direct Revenues	 \$ 11,138,000	 \$ 11,138,000	 \$ 10,807,496
Revenue For On-Behalf Payments	<u>1,771,008</u>	<u>1,771,008</u>	<u>1,662,412</u>
 Total Revenues	 \$ <u>12,909,008</u>	 \$ <u>12,909,008</u>	 \$ <u>12,469,908</u>

AVOCA PUBLIC SCHOOL DISTRICT NO. 37  
EDUCATIONAL ACCOUNT  
SCHEDULE OF EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Expenditures</b>			
Instruction			
Regular Programs			
Salaries	\$ 4,361,702	\$ 4,361,702	\$ 4,334,784
Employee Benefits	525,775	525,775	517,078
Purchased Services	41,837	41,837	37,973
Supplies and Materials	348,159	348,159	164,579
Capital Outlay	<u>36,925</u>	<u>36,925</u>	<u>14,529</u>
	\$ <u>5,314,398</u>	\$ <u>5,314,398</u>	\$ <u>5,068,943</u>
Pre-K Programs			
Salaries	\$ 39,196	\$ 39,196	\$ 40,228
Employee Benefits	6,730	6,730	5,881
Supplies and Materials	5,305	5,305	4,186
Capital Outlay	<u>15,400</u>	<u>15,400</u>	<u>12,426</u>
	\$ <u>66,631</u>	\$ <u>66,631</u>	\$ <u>62,721</u>
Special Education Programs			
Salaries	\$ 224,352	\$ 224,352	\$ 207,228
Employee Benefits	61,350	61,350	55,077
Supplies and Materials	3,000	3,000	3,154
Purchased Services	<u>1,600</u>	<u>1,600</u>	<u>935</u>
	\$ <u>290,302</u>	\$ <u>290,302</u>	\$ <u>266,394</u>
Special Education Programs - Pre-K			
Salaries	\$ 11,708	\$ 11,708	\$ 11,708
Employee Benefits	2,011	2,011	1,601
Supplies and Materials	1,584	1,584	1,222
Capital Outlay	<u>4,600</u>	<u>4,600</u>	<u>3,712</u>
	\$ <u>19,903</u>	\$ <u>19,903</u>	\$ <u>18,243</u>
CTE Programs			
Supplies and Materials	\$ <u>642</u>	\$ <u>642</u>	\$ <u>656</u>
Gifted			
Salaries	\$ 112,485	\$ 112,485	\$ 112,486
Employee Benefits	10,579	10,579	10,137
Supplies and Materials	<u>1,100</u>	<u>1,100</u>	<u>655</u>
	\$ <u>124,164</u>	\$ <u>124,164</u>	\$ <u>123,278</u>
Bilingual Programs			
Salaries	\$ 211,103	\$ 211,103	\$ 211,103
Employee Benefits	23,008	23,008	23,569
Supplies and Materials	<u>1,300</u>	<u>1,300</u>	<u>73</u>
	\$ <u>235,411</u>	\$ <u>235,411</u>	\$ <u>234,745</u>
Interscholastic Programs			
Salaries	\$ 153,000	\$ 153,000	\$ 140,691
Employee Benefits	<u>1,482</u>	<u>1,482</u>	<u>1,221</u>
	\$ <u>154,482</u>	\$ <u>154,482</u>	\$ <u>141,912</u>
Summer School Programs			
Salaries	\$ 30,590	\$ 30,590	\$ 29,952
Employee Benefits	<u>286</u>	<u>286</u>	<u>367</u>
	\$ <u>30,876</u>	\$ <u>30,876</u>	\$ <u>30,319</u>
Total Instruction	\$ <u>6,236,809</u>	\$ <u>6,236,809</u>	\$ <u>5,947,211</u>

AVOCA PUBLIC SCHOOL DISTRICT NO. 37  
EDUCATIONAL ACCOUNT  
SCHEDULE OF EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Expenditures (continued)</b>			
Support Services			
Pupils			
Salaries	\$ 1,152,785	\$ 1,152,785	\$ 1,198,259
Employee Benefits	132,018	132,018	136,680
Purchased Services	29,895	29,895	20,756
Supplies and Materials	39,000	39,000	32,280
Capital Outlay	3,000	3,000	1,482
Other Objects	<u>300</u>	<u>300</u>	<u>187</u>
	\$ <u>1,356,998</u>	\$ <u>1,356,998</u>	\$ <u>1,389,644</u>
Instructional Staff			
Salaries	\$ 602,054	\$ 602,054	\$ 583,431
Employee Benefits	118,288	118,288	109,178
Purchased Services	360,660	360,660	288,550
Supplies and Materials	85,117	85,117	76,594
Capital Outlay	<u>125,803</u>	<u>125,803</u>	<u>143,956</u>
	\$ <u>1,291,922</u>	\$ <u>1,291,922</u>	\$ <u>1,201,709</u>
General Administration			
Salaries	\$ 360,633	\$ 360,633	\$ 374,110
Employee Benefits	32,330	32,330	31,317
Purchased Services	140,800	140,800	126,545
Supplies and Materials	24,000	24,000	22,232
Capital Outlay	500	500	---
Other Objects	<u>13,600</u>	<u>13,600</u>	<u>6,759</u>
	\$ <u>571,863</u>	\$ <u>571,863</u>	\$ <u>560,963</u>
School Administration			
Salaries	\$ 498,608	\$ 498,608	\$ 506,559
Employee Benefits	55,497	55,497	55,291
Purchased Services	5,000	5,000	2,613
Supplies and Materials	6,100	6,100	6,095
Other Objects	<u>2,000</u>	<u>2,000</u>	<u>1,269</u>
	\$ <u>567,205</u>	\$ <u>567,205</u>	\$ <u>571,827</u>
Business			
Salaries	\$ 303,391	\$ 303,391	\$ 309,763
Employee Benefits	23,113	23,113	21,570
Purchased Services	292,070	292,070	286,282
Supplies and Materials	168,426	168,426	177,416
Capital Outlay	12,000	12,000	11,848
Other Objects	<u>1,000</u>	<u>1,000</u>	<u>1,024</u>
	\$ <u>800,000</u>	\$ <u>800,000</u>	\$ <u>807,903</u>
Total Support Services	\$ <u>4,587,988</u>	\$ <u>4,587,988</u>	\$ <u>4,532,046</u>
Payments to Other Districts and Governmental Units			
Payments For Programs			
Other Objects	\$ <u>317,000</u>	\$ <u>317,000</u>	\$ <u>323,352</u>
Total Direct Expenditures	\$ 11,141,797	\$ 11,141,797	\$ 10,802,609
Expenditures For On-Behalf Payments	<u>1,771,008</u>	<u>1,771,008</u>	<u>1,662,412</u>
Total Expenditures	\$ <u>12,912,805</u>	\$ <u>12,912,805</u>	\$ <u>12,465,021</u>

AVOCA PUBLIC SCHOOL DISTRICT NO. 37  
OPERATIONS AND MAINTENANCE ACCOUNT

SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues</b>			
Local Sources			
Property Taxes	\$ 824,904	\$ 824,904	\$ 804,397
Corporate Personal Property Replacement Tax	22,882	22,882	23,228
Earnings on Investments	8,013	8,013	1,671
Rentals	<u>431,923</u>	<u>431,923</u>	<u>432,228</u>
Total Revenues	\$ <u>1,287,722</u>	\$ <u>1,287,722</u>	\$ <u>1,261,524</u>
<b>Expenditures</b>			
Support Services			
Facilities Acquisition and Construction Services			
Purchased Services	\$ <u>15,000</u>	\$ <u>15,000</u>	\$ <u>3,353</u>
Operation and Maintenance of Plant			
Salaries	\$ 274,895	\$ 274,895	\$ 276,844
Employee Benefits	24,392	24,392	22,834
Purchased Services	571,883	571,883	397,837
Supplies and Materials	80,484	80,484	86,871
Capital Outlay	652,000	652,000	557,165
Other Objects	<u>610</u>	<u>610</u>	<u>---</u>
	\$ <u>1,604,264</u>	\$ <u>1,604,264</u>	\$ <u>1,341,551</u>
Other Support Services			
Purchased Services	\$ <u>---</u>	\$ <u>---</u>	\$ <u>24,313</u>
Total Expenditures	\$ <u>1,619,264</u>	\$ <u>1,619,264</u>	\$ <u>1,369,217</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ (331,542)	\$ (331,542)	\$ (107,693)
<b>Other Financing Sources (Uses)</b>			
Permanent Transfers	<u>3,927</u>	<u>3,927</u>	<u>1,665</u>
Excess or (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	\$ <u>(327,615)</u>	\$ <u>(327,615)</u>	\$ (106,028)
Fund Balances - July 1, 2010			<u>626,131</u>
Fund Balances - June 30, 2011			\$ <u><u>520,103</u></u>

AVOCA PUBLIC SCHOOL DISTRICT NO. 37  
TRANSPORTATION FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues</b>			
Local Sources			
Property Taxes	\$ 269,918	\$ 269,918	\$ 268,601
Corporate Personal Property Replacement Tax	7,610	7,610	7,729
Earnings on Investments	2,004	2,004	997
Transportation Fees	64,559	64,559	61,245
Refund of Prior Year Expenditures	<u>25</u>	<u>25</u>	<u>18</u>
	\$ <u>344,116</u>	\$ <u>344,116</u>	\$ <u>338,590</u>
State Sources			
Regular	\$ 3,785	\$ 3,785	\$ 2,687
Special Education	<u>42,747</u>	<u>42,747</u>	<u>42,747</u>
	\$ <u>46,532</u>	\$ <u>46,532</u>	\$ <u>45,434</u>
Total Revenues	\$ <u>390,648</u>	\$ <u>390,648</u>	\$ <u>384,024</u>
<b>Expenditures</b>			
Support Services			
Pupil Transportation			
Salaries	\$ 180,988	\$ 180,988	\$ 184,746
Employee Benefits	13,859	13,859	9,661
Purchased Services	134,715	134,715	91,274
Supplies and Materials	43,057	43,057	20,042
Capital Outlay	<u>---</u>	<u>---</u>	<u>40,328</u>
	\$ <u>372,619</u>	\$ <u>372,619</u>	\$ <u>346,051</u>
Debt Service			
Interest	\$ ---	\$ ---	\$ 8,250
Principal	<u>---</u>	<u>---</u>	<u>29,457</u>
	\$ <u>---</u>	\$ <u>---</u>	\$ <u>37,707</u>
Total Expenditures	\$ <u>372,619</u>	\$ <u>372,619</u>	\$ <u>383,758</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ <u>18,029</u>	\$ <u>18,029</u>	\$ <u>266</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds From the Sale of Capital Assets	\$ 3,000	\$ 3,000	\$ 3,000
Proceeds From Capital Lease	<u>---</u>	<u>---</u>	<u>40,328</u>
Total Other Financing Sources (Uses)	\$ <u>---</u>	\$ <u>---</u>	\$ <u>43,328</u>
Excess or (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	\$ <u>21,029</u>	\$ <u>21,029</u>	\$ 43,594
Fund Balances - July 1, 2010			<u>139,580</u>
Fund Balances - June 30, 2011			\$ <u>183,174</u>

AVOCA PUBLIC SCHOOL DISTRICT NO. 37

IMRF/SOCIAL SECURITY FUND

SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues</b>			
Local Sources			
Property Taxes	\$ 71,083	\$ 71,083	\$ 55,335
Social Security/Medicare Taxes	166,254	166,254	163,072
Corporate Personal Property Replacement Taxes	7,122	7,122	7,203
Earnings on Investments	<u>1,432</u>	<u>1,432</u>	<u>79</u>
Total Revenues	\$ <u>245,891</u>	\$ <u>245,891</u>	\$ <u>225,689</u>
<b>Expenditures</b>			
Instruction			
Regular Programs	\$ 68,529	\$ 68,529	\$ 66,432
Pre-K Programs	557	557	570
Special Programs	36,265	36,265	33,475
Special Education Programs - Pre-K	166	166	170
Other Instructional Programs	10,888	10,888	10,504
Support Services			
Pupils	37,654	37,654	36,596
Instructional Staff	29,277	29,277	25,409
General Administration	16,449	16,449	16,810
School Administration	34,057	34,057	34,218
Business	<u>100,719</u>	<u>100,719</u>	<u>103,053</u>
Total Expenditures	\$ <u>334,561</u>	\$ <u>334,561</u>	\$ <u>327,237</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ <u>(88,670)</u>	\$ <u>(88,670)</u>	\$ (101,548)
Fund Balances - July 1, 2010			<u>23,614</u>
Fund Balances - June 30, 2011			\$ <u>(77,934)</u>

AVOCA PUBLIC SCHOOL DISTRICT NO. 37

DEBT SERVICE FUND

BOND AND INTEREST FUND

SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

BUDGET AND ACUTAL

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues</b>			
Local Sources			
Property Taxes	\$ 778,287	\$ 778,287	\$ 741,536
Earnings on Investments	<u>3,927</u>	<u>3,927</u>	<u>1,362</u>
Total Revenues	\$ <u>782,214</u>	\$ <u>782,214</u>	\$ <u>742,898</u>
<b>Expenditures</b>			
Debt Service			
Interest	\$ 164,418	\$ 164,418	\$ 164,418
Principal	565,582	565,582	565,582
Other	<u>1,000</u>	<u>1,000</u>	<u>800</u>
Total Expenditures	\$ <u>731,000</u>	\$ <u>731,000</u>	\$ <u>730,800</u>
Excess or (Deficiency) of Cash Revenues Over Cash Expenditures	\$ 51,214	\$ 51,214	\$ 12,098
<b>Other Financing Sources (Uses)</b>			
Permanent Transfers	<u>(3,927)</u>	<u>(3,927)</u>	<u>(1,665)</u>
Excess or (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	\$ <u>47,287</u>	\$ <u>47,287</u>	\$ 10,433
Fund Balances - July 1, 2010			<u>249,047</u>
Fund Balances - June 30, 2011			\$ <u>259,480</u>

AVOCA PUBLIC SCHOOL DISTRICT NO. 37

TORT IMMUNITY FUND

SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

BUDGET AND ACUTAL

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues</b>			
Local Sources			
Property Taxes	\$ 48,411	\$ 48,411	\$ 57,841
Corporate Personal Property Replacement Tax	1,625	1,625	1,658
Refund of Prior Year Expenditures	5,123	5,123	5,123
Earnings on Investments	<u>683</u>	<u>683</u>	<u>48</u>
Total Revenues	\$ <u>55,842</u>	\$ <u>55,842</u>	\$ <u>64,670</u>
<b>Expenditures</b>			
Support Services			
General Administration			
Purchased Services	\$ <u>112,987</u>	\$ <u>112,987</u>	\$ <u>122,016</u>
Excess or (Deficiency) of Cash			
Revenues Over Cash Expenditures	\$ <u>(57,145)</u>	\$ <u>(57,145)</u>	\$ (57,346)
Fund Balances - July 1, 2010			<u>79,958</u>
Fund Balances - June 30, 2011			\$ <u>22,612</u>

AVOCA PUBLIC SCHOOL DISTRICT NO. 37

WORKING CASH FUND

SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues</b>			
Local Sources			
Earnings on Investments	\$ 3,514	\$ 3,514	\$ 1,209
<b>Expenditures</b>	\$ ---	\$ ---	\$ ---
Excess or (Deficiency) of Revenues Over Expenditures	\$ 3,514	\$ 3,514	\$ 1,209
<b>Other Financing Sources (Uses)</b>			
Permanent Transfers	(3,514)	(3,514)	(1,480)
Excess or (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	\$ ---	\$ ---	\$ (271)
Fund Balances - July 1, 2010			<u>402,574</u>
Fund Balances - June 30, 2011			\$ <u>402,303</u>

**SUPPLEMENTARY SCHEDULES**

AVOCA PUBLIC SCHOOL DISTRICT NO. 37

STUDENT ACTIVITY FUNDS

SUMMARY OF CASH RECEIPTS AND DISBURSEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

	Balance <u>July 1, 2010</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance <u>June 30, 2011</u>
Student Councils:				
Marie Murphy	\$ 4,536	\$ 4,327	\$ 4,688	\$ 4,175
Avoca West	1,209	2,098	1,273	2,034
Parent and Teacher Council	<u>2,641</u>	<u>17</u>	<u>606</u>	<u>2,052</u>
	\$ <u>8,386</u>	\$ <u>6,442</u>	\$ <u>6,567</u>	\$ <u>8,261</u>

**Represented By:**

Cash in Bank	
Chase - Checking	\$ 2,034
Harris Bank - Checking	4,175
Parkway Bank Checking	<u>2,052</u>
	\$ <u>8,261</u>

AVOCA PUBLIC SCHOOL DISTRICT NO. 37

BONDS AND INTEREST PAYABLE

FOR THE YEAR ENDED JUNE 30, 2011

	May 11, 2004 Capital Appreciation Bonds	April 25, 2007 Capital Appreciation Bonds	Total
<b>Bond Principal</b>			
2012	\$ 540,806	\$ ---	\$ 540,806
2013	192,382	359,527	551,909
2014	---	553,063	553,063
2015	---	530,287	530,287
2016	---	508,452	508,452
2017	---	247,093	247,093
Total Bond Principal	\$ <u>733,188</u>	\$ <u>2,198,422</u>	\$ <u>2,931,610</u>
<b>Interest Payments</b>			
2012	\$ 189,194	\$ ---	\$ 189,194
2013	82,618	95,473	178,091
2014	---	176,937	176,937
2015	---	199,713	199,713
2016	---	221,548	221,548
2017	---	122,907	122,907
Total Bond Principal	\$ <u>271,812</u>	\$ <u>816,578</u>	\$ <u>1,088,390</u>
<b>Summary of Bond Debt</b>			
Balances at July 1, 2010	\$ 3,497,192	\$ 1,252,808	\$ 4,750,000
Retired During the Year	<u>(565,582)</u>	<u>(164,418)</u>	<u>(730,000)</u>
Balances at June 30, 2011	\$ <u>2,931,610</u>	\$ <u>1,088,390</u>	\$ <u>4,020,000</u>

AVOCA PUBLIC SCHOOL DISTRICT NO. 37  
 COMPUTATION OF PER CAPITA TUITION CHARGE  
 FOR THE YEAR ENDED JUNE 30, 2011

<b>Total Expenditures</b>		
Educational Fund	\$ 10,802,609	
Operations and Maintenance Fund	1,369,217	
Bond and Interest Fund	730,800	
Transportation Fund	383,758	
Municipal Retirement Fund	327,237	
Tort Immunity Fund	<u>122,016</u>	\$ 13,735,637
<b>Less: Expenditures Not Applicable To Operating Expense of Regular Term</b>		
Capital Outlay (Education, Building, and Transportation Funds)	\$ 785,446	
Bond and Lease Principal Retired	595,039	
Payments to Other Districts and Governmental Units	323,352	
Summer School	34,302	
Pre-K Programs	65,566	
Transportation Fees	<u>2,420</u>	<u>1,806,125</u>
Operating Expense of Regular Program		\$ 11,929,512
Average Daily Attendance	618.58	
Net Operating Expense Per Pupil	\$ <u>19,285</u>	
<b>Deductions For Computation of Tuition Charges</b>		
<b>(Revenue Offsetting Expense of a Special Activity)</b>		
State Transportation Aid	\$ 45,434	
Special Education	247,452	
Transportation Fees	55,263	
District/School Activities Fees	76,827	
Food Services Fees	227,455	
Textbooks Fees	57,071	
Rentals	432,228	
Bilingual Education	4,097	
Career and Technical Ed	637	
State Free Lunch & Breakfast	730	
Other State Grants-in-Aid	1,479	
Food Service	7,002	
Title I	38,533	
Federal Special Education	104,491	
Title II Teacher Quality	10,221	
ARRA Programs	<u>15,406</u>	<u>1,324,326</u>
Net Operating Expenses For Tuition Computation		\$ 10,605,186
Add: Total Depreciation Allowance		<u>768,614</u>
Total Allowance For Tuition Computation		\$ <u>11,373,800</u>
Average Daily Attendance	618.58	
Per Capita Tuition Charge	\$ <u>18,387</u>	

Note: These computations are prepared from the District's Annual Financial Report which it files with the Illinois State Board of Education on a regulatory basis of accounting. The regulatory basis is different than the basis of accounting used in this report.