

AVOCA PUBLIC SCHOOL DISTRICT NO. 37

WILMETTE, COOK COUNTY, ILLINOIS

AUDIT REPORT

JUNE 30, 2006

AVOCA PUBLIC SCHOOL DISTRICT NO. 37

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AVOCA PUBLIC SCHOOL DISTRICT NO. 37

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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 Avoca Public School District No. 37 as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. 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, 2006, 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 36-44 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 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. The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

MILBURN CAIN & CO.
Certified Public Accountants

Gurnee, Illinois
July 28, 2006

REQUIRED SUPPLEMENTARY INFORMATION

AVOCA PUBLIC SCHOOL DISTRICT NO. 37

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

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, 2006. 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 straight year expenses exceeded revenues, this time by \$629,000, or \$391,000 more than 2005 when the deficit was \$238,000. However, the District's financial position remains relatively strong.
- The District's reduced its long-term debt by \$679,000.
- Capital assets increased by \$333,000 without adding any 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 13-17 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 18 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 19-33 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 34-44 of this report.

Financial Analysis of the District as a Whole

Net Assets - Avoca Public School's net assets were \$.7 million smaller at June 30, 2006 than they were the year before, decreasing by a little more than 5% to \$13.1 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, 2006 and 2005

	Amount (In Millions)	
	2006	2005
Assets		
Current and Other Assets	\$ 15.7	\$ 16.3
Capital Assets (Net)	<u>11.5</u>	<u>11.7</u>
Total Assets	\$ <u>27.2</u>	\$ <u>28.0</u>
Liabilities		
Long-term Debt Outstanding	\$ 3.4	\$ 4.0
Other Liabilities	<u>10.7</u>	<u>10.2</u>
Total Liabilities	\$ <u>14.1</u>	\$ <u>14.2</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 7.4	\$ 7.1
Restricted	.5	.6
Unrestricted	<u>5.2</u>	<u>6.1</u>
Total Net Assets	\$ <u>13.1</u>	\$ <u>13.8</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 \$.7 million.
- Depreciation expense of \$.6 million was charged against income.

Changes in Net Assets - The District's total revenues for the fiscal year ended June 30, 2006 were \$11.0 million. The total cost of all programs and services were \$11.7 million. Expenses exceeded revenues, decreasing net assets by \$.7 million. The relatively good health of 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 \$1.4 million. The following table presents a summary of changes in net assets for the fiscal year ended June 30, 2006 and 2005:

Table 2
 Changes in Net Assets
 For the Fiscal Year Ended
 June 30, 2006 and 2005

	Governmental Activities (In Millions)	
	2006	2005
Revenue		
Program Revenues		
Charges for Services	\$.7	\$.8
Operating Grants and Contributions	.7	.9
General Revenue		
Taxes	9.0	8.8
Federal and State Aid - Formula Grants	.2	.1
Investment Earnings	<u>.4</u>	<u>.3</u>
Total Revenue (In Millions)	\$ <u>11.0</u>	\$ <u>10.9</u>
Expenses		
Instruction	\$ 5.4	\$ 5.3
Pupil and Instructional Services	1.9	1.7
Administration and Business	2.0	1.8
Maintenance and Operations	1.2	1.2
Transportation	.3	.3
Other and Non-programmed Services	.7	.6
Debt Service (Interest Only)	<u>.2</u>	<u>.2</u>
	\$ <u>11.7</u>	\$ <u>11.1</u>
Increase or (Decrease) From Operations	\$ (.7)	\$ (.2)
Net Assets		
July 1, 2005	<u>13.8</u>	<u>14.0</u>
June 30, 2006	\$ <u><u>13.1</u></u>	\$ <u><u>13.8</u></u>

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.

	<u>2006</u>		<u>2005</u>	
	<u>Total Cost</u>	<u>Net Cost</u>	<u>Total Cost</u>	<u>Net Cost</u>
Instruction	5.4	4.6	5.3	4.3
Pupil and Instructional Services	1.9	1.9	1.7	1.7
Administration and Business	2.0	1.8	1.8	1.7
Maintenance and Operations	1.2	.8	1.2	.8
Transportation	.3	.2	.3	.1
All Other	<u>.9</u>	<u>.9</u>	<u>.8</u>	<u>.8</u>
Total Cost (In Millions)	<u>11.7</u>	<u>10.2</u>	<u>11.1</u>	<u>9.4</u>

Summary and Highlights

- The cost of all governmental activities for the year was \$11.7 million.
- \$.7 million of the cost was paid for by users of the District's programs.
- Federal and state subsidies to specific programs totaled \$.7 million which includes \$.3 million in state on-behalf payments paid directly to TRS.
- Most of the costs (\$8.7 million) however, were paid by the District's taxpayers.
- Replacement taxes, investment earnings, and federal and state aid-formula grants totaled \$.8 million.

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 15 and 16 of this report. Total revenues were \$11.0 million which is \$.1 million more than the prior year. Total expenditures were \$12.0 million compared to \$13.8 million a year ago, decreasing by \$1.8 million, or 13%. This decrease is due to the higher building project costs in the previous year. Current year expenditures exceeded revenues by \$.9 million. The fund balance decrease of \$.9 million brought the total fund balance to \$5.7 million.

Educational Account (Pages 36-39) - Property taxes produced \$7.1 million in revenue for the Educational Account during fiscal 2006, or 80.6% of all of the fund's revenue. State sources accounted for 8.4% of revenue at \$.7 million, including \$.3 million in on-behalf pension payments. Without the on-behalf pension payments, state revenues were \$.4 million, accounting for 4.4% of total revenue. Federal sources provided \$.1 million, or less than 1.3% of total Educational Fund revenue. Fees, earnings on investments, and other local sources of revenue produced \$.9 million, or 9.7% of total revenue. Thus, property taxes and other local revenues combined accounted for \$8.0 million, or more than 90% of Educational Account revenues.

Total Educational Account expenditures were \$9.7 million compared to \$9.8 million a year ago -- a decrease of 1%. Of the \$9.7 million, \$5.1 million, or 52.6%, was used for direct instruction and teachers' pensions; \$3.9 million paid for instructional support services, administration, utilities, food service, legal and financial services, and liability insurance; and \$.7 million was used to pay for tuition paid to other school districts.

After taking into account the revenues of \$8.8 million, the expenditures of \$9.7 million, and other financing uses of \$.1 million, the Educational Account posted an excess of expenditures over revenues of \$1.0 million, thus resulting in a fund balance decrease for the year to \$3.5 million. See pages 35-38.

Operations and Maintenance Account (Page 40) - As with the Education Account, the Operations and Maintenance Account's largest source of revenue comes from property taxes which account for \$.5 million out of total fund revenues of \$.9 million, or 55.6% of total fund revenue. Other local revenue sources account for \$.4 million, or 44.4%. The total revenue of \$.9 million is \$.1 million less than the amount posted last year due to lower property tax revenues.

Total expenditures of \$1.0 million were \$1.9 million less than last year due to building project expenditures being higher last year. The Fund had other financing sources of \$.1 million. Revenues exceeded expenditures and other financing sources by \$.1 million. The fund balance increased to \$1.3 million.

Transportation Fund (Page 41) - Expenditures for transportation exceeded revenues by \$78,000. Local sources accounted for \$225,000, or 84.3% of total revenue while state sources accounted for \$42,000, or 15.7%.

Total expenditures of \$345,000 for 2006 is \$93,000 higher than the 2005 total, mainly due to the purchase of a school bus.

The net result for the year is that the fund balance was decreased by \$78,000 to \$85,000 at the end of 2006.

IMRF/Social Security Fund (Page 42) - IMRF/Social Security Fund revenues for 2006 were \$214,000 compared to \$203,000 in 2005. Expenditures of \$269,000 were \$30,000 more than the 2005 cost of \$239,000. The fund spent \$55,000 more than it received, decreasing its fund balance to \$120,000 at June 30, 2006.

Debt Service - Bond and Interest Fund (Page 43) - 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 2006, the District's Bond and Interest Fund revenues totaled \$767,000. Expenditures totaled \$717,000. The fund balance increased \$50,000 to \$278,000.

Working Cash Fund (Page 44) - The Working Cash Fund revenues totaled \$14,700. The Fund transferred \$11,500 in interest earnings to the Educational Account. The end result is the Fund increased its fund balance by \$3,200 to \$409,600.

General Fund Budgetary Highlights (Page 36-40) - The District budgeted general fund expenditures and other financing sources and uses to total \$10.1 million. Net results of operations were expected to result in a general fund decrease in fund balance of \$1.0 million. Actual results for the year produced a fund balance decrease of \$.9 million.

Total actual revenues of \$8.9 million were \$.1 million less than the total budgeted revenues.

Capital Asset and Debt Administration

Capital Assets - At June 30, 2006, Avoca Public School's net capital assets totaled \$11,508,000 in a broad range of capital assets. These assets, which are listed in Note 4 of the notes to financial statements according to five categories (land, buildings, improvements other than buildings, equipment, and transportation equipment) include the District's land and buildings, lab facilities, computer and audio-visual equipment, furniture and other classroom, and administrative equipment. Total depreciation expense of \$586,000 for the year was charged and allocated on the Statement of Activities.

During the year, the District invested \$363,000 in additions to its capital assets. The following schedule presents capital asset balances net of depreciation at June 30, 2006:

Land	\$ 385,000
Buildings	9,617,000
Improvements Other Than Buildings	104,000
Equipment	1,353,000
Transportation Equipment	<u>49,000</u>
Totals	\$ <u>11,508,000</u>

Long-term Debt - At year-end, Avoca Public School's long-term debt obligations consisted of general obligation bonds as listed below.

General Obligation Refunding Bonds	\$ 705,000
General Obligation Capital Appreciation Bonds	<u>3,180,768</u>
Total	\$ <u>3,885,768</u>

Summary and Highlights

- Concerted efforts by management to control costs resulted in a current year decrease in net assets of only \$.7 million.
- Property taxes continue to be the District's largest single source of revenues at \$8.7 million. Locally generated fees and charges and interest earnings and replacement taxes generated \$1.4 million. State and federal aid provided \$.9 million in revenue which included \$.3 million in State on-behalf payments. Almost 92% of revenue comes from local sources.
- Total expenditures for all funds decreased by \$1.8 million over the previous year, or 13%. The majority of this decrease is due to higher building project costs in the previous year.

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:

	2000	2001	2002	2003	2004	2005	2006
ADA	650	665	670	655	658	654	663

The average daily attendance increased 2% for the period 2000 to 2006. 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>
NOE/S	\$ 11,291	\$ 11,755	\$ 12,135	\$ 13,123	\$ 13,389	\$ 14,214	\$ 14,872

The net operating expense increased 32% for the period 2000 to 2006, or an average annual increase of 4.57%.

Avoca Public School has been subject to the property tax extension limitation act since 1993. At that time, the District was levying less than its maximum allowed tax rates because it did not need more.

While Avoca Public School's financial position remains relatively strong, deficits can be expected if revenues cannot be increased to offset expenditures. The District has experienced negative changes in net assets for both June 30, 2006 and 2005.

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, 2006

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$ 10,589,230
Receivables	
Property Taxes	4,769,587
Due From Other Governments	74,192
Accrued Interest	202,174
Prepaid Expenses	51,052
Capital Assets	
Land	384,683
Depreciable Buildings, Property and Equipment, Net	<u>11,122,928</u>
Total Assets	\$ <u>27,193,846</u>
Liabilities	
Accounts Payable	\$ 48,249
Salaries and Wages Payable	612,301
Accrued Compensated Absences	142,192
Security Deposit	23,046
Deferred Revenue	9,141,056
Non-current Liabilities	
Due Within One Year	705,000
Due in More Than One Year	<u>3,423,286</u>
Total Liabilities	\$ <u>14,095,130</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	\$ 7,379,325
Restricted	
IMRF/Social Security	120,382
Transportation	85,184
Bond and Interest	278,114
Liability Insurance	11,488
Unrestricted	<u>5,224,223</u>
Total Net Assets	\$ <u>13,098,716</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, 2006

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenue and Changes in Net Assets Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
Instruction					
Regular Programs	\$ 4,416,372	\$ 124,923	\$ ---	\$ ---	\$ (4,291,449)
Special Education Programs	315,014	---	244,266	---	(70,748)
Other Instructional Programs	336,053	17,646	58,879	---	(259,528)
State Retirement Contributions	353,382	---	353,382	---	---
Support Services					
Pupils	866,168	---	36,838	---	(829,330)
Instructional Staff	1,051,321	---	11,117	---	(1,040,204)
General Administration	589,149	---	---	---	(589,149)
School Administration	488,644	---	---	---	(488,644)
Business	849,579	180,549	---	---	(669,030)
Transportation	329,804	72,067	42,007	---	(215,730)
Operations and Maintenance	1,173,340	347,595	---	---	(825,745)
Other	1,656	---	---	---	(1,656)
Non-Programmed Charges	743,933	---	---	---	(743,933)
Interest and Fees	<u>157,994</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>(157,994)</u>
 Total Governmental Activities	 \$ <u>11,672,409</u>	 \$ <u>742,780</u>	 \$ <u>746,489</u>	 \$ <u>---</u>	 \$ <u>(10,183,140)</u>
General Revenues					
Taxes					
Real Estate Taxes, Levied for General Purposes					\$ 7,997,996
Real Estate Taxes, Levied for Debt Service					749,388
Personal Property Replacement Taxes					282,278
State and Federal Aid - Formula Grants					153,091
Investment Earnings					<u>371,849</u>
					\$ <u>9,554,602</u>
 Change in Net Assets					 \$ (628,538)
 Net Assets - July 1, 2005					 <u>13,727,254</u>
 Net Assets - June 30, 2006					 \$ <u>13,098,716</u>

See Accompanying Notes to Financial Statements.

AVOCA PUBLIC SCHOOL DISTRICT NO. 37
 FUND FINANCIAL STATEMENTS
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2006

	<u>General</u>	<u>Transportation</u>	<u>IMRF/Social Security</u>	<u>Debt Service</u>	<u>Working Cash</u>	<u>Total</u>
Assets						
Cash and Cash Equivalents	\$ 9,128,653	\$ 183,757	\$ 246,467	\$ 628,455	\$ 401,898	\$ 10,589,230
Receivables						
Property Taxes	4,153,151	77,463	143,824	395,149	---	4,769,587
Due From Other Governments	63,692	10,500	---	---	---	74,192
Accrued Interest	176,645	3,904	4,771	9,176	7,678	202,174
Prepaid Expenses	50,495	557	---	---	---	51,052
 Total Assets	 \$ <u>13,572,636</u>	 \$ <u>276,181</u>	 \$ <u>395,062</u>	 \$ <u>1,032,780</u>	 \$ <u>409,576</u>	 \$ <u>15,686,235</u>
 Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$ 43,048	\$ 5,201	\$ ---	\$ ---	\$ ---	\$ 48,249
Accrued Salaries	611,397	904	---	---	---	612,301
Accrued Compensated Absences	137,199	4,993	---	---	---	142,192
Security Deposits	23,046	---	---	---	---	23,046
Deferred Revenue	7,931,811	179,899	274,680	754,666	---	9,141,056
Total Liabilities	\$ <u>8,746,501</u>	\$ <u>190,997</u>	\$ <u>274,680</u>	\$ <u>754,666</u>	\$ ---	\$ <u>9,966,844</u>
 Fund Balances						
Fund Balance						
Reserved						
For Liability Insurance	\$ 11,488	\$ ---	\$ ---	\$ ---	\$ ---	\$ 11,488
For Transportation	---	85,184	---	---	---	85,184
For IMRF	---	---	120,382	---	---	120,382
For Debt Service	---	---	---	278,114	---	278,114
Undesignated	4,814,647	---	---	---	409,576	5,224,223
Total Fund Balances	\$ <u>4,826,135</u>	\$ <u>85,184</u>	\$ <u>120,382</u>	\$ <u>278,114</u>	\$ <u>409,576</u>	\$ <u>5,719,391</u>
 Total Liabilities and Fund Balances	 \$ <u>13,572,636</u>	 \$ <u>276,181</u>	 \$ <u>395,062</u>	 \$ <u>1,032,780</u>	 \$ <u>409,576</u>	 \$ <u>15,686,235</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, 2006

Total Fund Balances - Governmental Funds		\$ 5,719,391
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	\$ 18,891,867	
Depreciation Expense to Date	<u>(7,384,256)</u>	11,507,611
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, 2006 are:		
Bonds Payable	\$ (3,885,768)	
Accreted Interest Payable	<u>(242,518)</u>	<u>(4,128,286)</u>
Net Assets of Governmental Activities		\$ <u>13,098,716</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, 2006

	<u>General</u>	<u>Transportation</u>	<u>IMRF/Social Security</u>	<u>Debt Service</u>	<u>Working Cash</u>	<u>Total</u>
Revenues						
Property Taxes	\$ 7,662,071	\$ 141,208	\$ 194,717	\$ 749,388	\$ ---	\$ 8,747,384
Replacement Taxes	267,169	4,983	10,126	---	---	282,278
Other Local Sources	670,713	72,067	---	---	---	742,780
State Aid	745,110	42,007	---	---	---	787,117
Federal Aid	112,463	---	---	---	---	112,463
Interest	323,416	6,820	8,740	18,194	14,679	371,849
Total Revenues	<u>\$ 9,780,942</u>	<u>\$ 267,085</u>	<u>\$ 213,583</u>	<u>\$ 767,582</u>	<u>\$ 14,679</u>	<u>\$ 11,043,871</u>
Expenditures						
Current						
Instruction						
Regular Programs	\$ 4,152,340	\$ ---	\$ 55,996	\$ ---	\$ ---	\$ 4,208,336
Special Programs	292,954	---	22,060	---	---	315,014
Other Instructional Programs	327,423	---	8,630	---	---	336,053
State Retirement Contributions	353,382	---	---	---	---	353,382
Support Services						
Pupils	830,296	---	35,872	---	---	866,168
Instructional Staff	1,192,509	---	31,264	---	---	1,223,773
General Administration	577,752	---	11,397	---	---	589,149
School Administration	465,941	---	24,390	---	---	490,331
Business	772,597	---	79,506	---	---	852,103
Transportation	---	345,377	---	---	---	345,377
Operations and Maintenance	966,368	---	---	---	---	966,368
Other	1,656	---	---	---	---	1,656
Non-Programmed Charges	743,933	---	---	---	---	743,933
Debt Service						
Principal	---	---	---	679,212	---	679,212
Interest and Other	---	---	---	37,898	---	37,898
Total Expenditures	<u>\$ 10,677,151</u>	<u>\$ 345,377</u>	<u>\$ 269,115</u>	<u>\$ 717,110</u>	<u>\$ ---</u>	<u>\$ 12,008,753</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, 2006

	<u>General</u>	<u>Transportation</u>	<u>IMRF/Social Security</u>	<u>Debt Service</u>	<u>Working Cash</u>	<u>Total</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ <u>(896,209)</u>	\$ <u>(78,292)</u>	\$ <u>(55,532)</u>	\$ <u>50,472</u>	\$ <u>14,679</u>	\$ <u>(964,882)</u>
Other Financing Sources (Uses)						
Permanent Transfers In	\$ 11,547	\$ ---	\$ ---	\$ ---	\$ ---	\$ 11,547
Permanent Transfers (Out)	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>(11,547)</u>	<u>(11,547)</u>
Total Financing Sources (Uses)	\$ <u>11,547</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>(11,547)</u>	\$ <u>---</u>
Excess or (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	\$ (884,662)	\$ (78,292)	\$ (55,532)	\$ 50,472	\$ 3,132	\$ (964,882)
Fund Balances - July 1, 2005	<u>5,710,797</u>	<u>163,476</u>	<u>175,914</u>	<u>227,642</u>	<u>406,444</u>	<u>6,684,273</u>
Fund Balances - June 30, 2006	\$ <u>4,826,135</u>	\$ <u>85,184</u>	\$ <u>120,382</u>	\$ <u>278,114</u>	\$ <u>409,576</u>	\$ <u>5,719,391</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, 2006

Net Change in Fund Balances - Total Governmental Funds \$ (964,882)

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
depreciation exceeds capital outlay in the current period.

Depreciation Expense	\$ (585,579)	
Capital Outlays	<u>362,807</u>	(222,772)

Accreted interest during the year on certain of the District's bond issues which
was not charged to expenses on the fund financial statements. (120,096)

Repayment of bond principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the Statement of Net Assets. 679,212

Change in Net Assets of Governmental Activities \$ (628,538)

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, 2006

	<u>Student Activity Fund</u>
Assets	
Cash and Investments	\$ <u> 5,589</u>
Liabilities	
Due to Student Groups	\$ <u> 5,589</u>

See Accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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.

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 state government aid and local property taxes.

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 and state reimbursement grants.

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.

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 one year. 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.

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.

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 full compliance with the following procedures:

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets and Budgetary Accounting (continued)

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 July 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 2005-06 was adopted on September 15, 2005, 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.

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.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 2004 levy was passed by the Board on December 14, 2004. The 2005 levy was passed by the Board on December 14, 2005. Property taxes attach as an enforceable lien on property as of January 1 and are payable in two installments early in March and early in September. 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	Actual	
		2005 Levy	2004 Levy
Educational	2.500	1.5572	1.5980
Tort Immunity	As Needed	.0270	.0232
Operations and Maintenance	.3750	.0993	.1220
Transportation	.1200	.0314	.0322
Municipal Retirement	As Needed	.0197	.0024
Social Security	As Needed	.0386	.0419
Bond and Interest	As Needed	<u>.1602</u>	<u>.1705</u>
Totals		<u>1.9334</u>	<u>1.9902</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	2005		2004	
Assessed Valuation	\$ 478,325,022		\$ 448,166,837	
	<u>Extensions</u>	<u>Collections</u>	<u>Extensions</u>	<u>Collections</u>
Purpose				
Educational	\$ 7,448,477	\$ 3,495,177	\$ 7,161,706	\$ 7,001,107
Tort Immunity	129,147	60,602	103,974	101,655
Operations and Maintenance	474,976	222,881	546,763	534,502
Transportation	150,194	70,478	144,309	141,077
Municipal Retirement	94,230	44,217	10,756	10,532
Social Security	184,633	86,639	187,781	183,558
Bond and Interest	<u>766,159</u>	<u>359,518</u>	<u>764,164</u>	<u>747,012</u>
Totals	\$ <u>9,247,816</u>	\$ <u>4,339,512</u>	\$ <u>8,919,453</u>	\$ <u>8,719,443</u>
Percentage of Extensions Collected	46.92%		97.76%	

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 Educational Fund. A portion, \$11,488, of 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 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.

Restricted Net Assets

For the district-wide financial statements, net assets are reported as restricted when constraints placed on net asset use are either: (1) Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, reservations of fund balance represent amounts that are not available for other appropriations, or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

A. Deposits and Investments (continued)

Deposits

At June 30, 2006, the District's cash deposits, excluding a petty cash fund of \$200, are summarized as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Checking Accounts		
Imprest Fund	\$ 6,800	\$ 7,242
Student Activity	5,589	6,089
Flex Spending	16,500	20,715
Checking and Savings Accounts Held by Treasurer		
Deposited with Illinois School District Liquid Asset Fund	1,004	1,004
Deposited with The Illinois Fund	58	58
Deposited With Local Banks	<u>466,718</u>	<u>633,662</u>
	<u>\$ 496,669</u>	<u>\$ 668,770</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, 2006, amounted to \$10,097,950. This amount consisted of investments through the Illinois School District Liquid Asset Fund (ISDLAF) in certificates of deposit of \$7,099,000 issued by forty-one different financial institutions and two agency discount note of \$798,950. Typically, the certificates of deposit are \$100,000 each and thus are covered by FDIC insurance. There are a few certificates for more than \$100,000. Such are fully insured by another organization. Avoca also holds six certificates of deposit issued by Harris Trust totaling \$2,200,000. 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	\$ 200
Deposits	496,669
Investments	<u>10,097,950</u>
Total Cash	<u>\$ 10,594,819</u>

The cash position is comprised of the following:

Governmental Activities	\$ 10,589,230
Fiduciary Activities	<u>5,589</u>
	<u>\$ 10,594,819</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 2 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments (continued)

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.

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 \$74,192.

The District has accrued interest receivable on its investments of \$202,176.

NOTE 4 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2006</u>
Capital Assets Not Being Depreciated:				
Land	\$ 384,683	\$ ---	\$ ---	\$ 384,683
Capital Assets Being Depreciated:				
Buildings	\$ 15,269,991	\$ 96,942	\$ ---	\$ 15,366,933
Improvements Other Than Buildings	164,128	---	---	164,128
Equipment	2,311,699	220,825	30,068	2,502,456
Transportation Equipment	428,627	45,040	---	473,667
Total Capital Assets Being Depreciated	\$ 18,174,445	\$ 362,807	\$ 30,068	\$ 18,507,184
Less: Accumulated Depreciation For:				
Buildings	\$ 5,442,527	\$ 307,339	\$ ---	\$ 5,749,866
Improvements Other Than Buildings	52,439	7,953	---	60,392
Equipment	938,960	240,820	30,068	1,149,712
Transportation Equipment	394,819	29,467	---	424,286
Total Accumulated Depreciation	\$ 6,828,745	\$ 585,579	\$ 30,068	\$ 7,384,256
Net Capital Assets After Depreciation	\$ 11,345,700	\$ (222,772)	\$ ---	\$ 11,122,928
Net Governmental Activities Capital Assets	\$ 11,730,383	\$ (222,772)	\$ ---	\$ 11,507,611

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

Regular Programs	\$ 240,820
Transportation	29,467
Operations and Maintenance	<u>315,292</u>
	<u>\$ 585,579</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 5 - CHANGES IN GENERAL LONG-TERM DEBT

Type of Debt	Balance July 1, 2005	Additions	Payments	Balance June 30, 2006
General Obligation Refunding Bonds	\$ 1,365,000	\$ ---	\$ 660,000	\$ 705,000
General Obligation Capital Appreciation Bonds Dated: 05-11-04	3,199,980	---	19,212	3,180,768
Accreted Interest on Capital Appreciation Bonds	<u>122,422</u>	<u>120,096</u>	---	<u>242,518</u>
	<u>\$ 4,687,402</u>	<u>\$ 120,096</u>	<u>\$ 679,212</u>	<u>\$ 4,128,286</u>

At June 30, 2006, the details of the District's debt issues are:

General Obligation Refunding bonds dated March 1, 2002, due in annual installments ranging from \$620,000 to \$705,000 on December 1, 2003 through 2006 at interest rates ranging from 3.00% to 3.50%. \$ 705,000

The annual debt service requirements for bond principal and interest on the Series 2002 bonds is:

Year Ending June 30	Principal	Interest	Total
2007	\$ <u>705,000</u>	\$ <u>12,338</u>	\$ <u>717,338</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, 2006, the annual debt service requirements to service this bonded debt were:

Year Ending June 30	Principal	Interest	Total
2007	\$ ---	\$ ---	\$ ---
2008	657,796	72,204	730,000
2009	627,449	102,551	730,000
2010	596,753	133,247	730,000
2011	565,582	164,418	730,000
2012	540,806	189,194	730,000
2013	<u>192,382</u>	<u>82,618</u>	<u>275,000</u>
	<u>\$ 3,180,768</u>	<u>\$ 744,232</u>	<u>\$ 3,925,000</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, 2006 were:

2007	\$ 34,555
2008	32,873
2009	31,542
2010	14,936
2011	12,191
2012	<u>3,048</u>
	<u>\$ 129,145</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 7 - USES OF BOND PROCEEDS

As of June 30, 2006, the District had spent all \$3.2 million in bond proceeds arising from the 2004 Capital Appreciation Bonds.

NOTE 8 - TRANSFERS

The following transfers were made for the year ended June 30, 2006:

1. The Working Cash Fund transferred interest earnings of \$11,547 to the Educational Account.
2. The Educational Account transferred \$147,414 to the Operations and Maintenance Account.

NOTE 9 - 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.

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, 624 Kenilworth, Grayslake, IL 60030.

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, 2006, 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.

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

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 10 - LEASES

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

A. Avoca East Building and Parking Lot Easement

This building is leased to Lutheran General Hospital and Arlyn Day School, Inc. Both lessees are using the premises to provide services to children.

The lease with Lutheran General Hospital is for five years and terminates on August 1, 2010. It requires a base monthly rent of \$14,412. The lease with Arlyn Day School, Inc. is for 10 years and terminates on August 31, 2015. It requires a base monthly rent of \$13,664. 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.

Both 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 August 1 and September 1, 2005, monthly rents increased 3.3%. The lessees pay all operating costs.

The District also receives \$1,033 per month in rents from the Hunter House.

Rental income for fiscal 2006 for all leasing activity was \$347,495.

NOTE 11 - 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

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

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

TRS members include all active 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, 2006 was 9.4% of creditable earnings. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer.

In addition, virtually all employers and members pay a contribution to the Teachers' Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not a part of this retirement plan. The employer THIS Fund contribution was .6% during the year ended June 30, 2006, and the member THIS Fund health insurance contribution was .80%.

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

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 11 - RETIREMENT FUND COMMITMENTS (continued)

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

- On-Behalf Contributions - The State of Illinois makes employer pension contributions on behalf of the District. For the year ended June 30, 2006, State of Illinois contributions were based on 7.06% of creditable earnings, and the District recognized revenue and expenditures of \$353,382 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2005 and June 30, 2004, the State of Illinois contribution rates as percentages of creditable earnings were 11.76% (\$549,879) and 13.98% (\$636,412), respectively.

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

- 2.2 Formula Contributions - Employers contribute .58% of creditable earnings for the 2.2 formula change. Contributions for the year ending June 30, 2006 were \$29,031. Contributions for the years ended June 30, 2005 and June 30, 2004 were \$27,120 and \$26,403, respectively.
- Federal and Trust Fund Contributions - When TRS members are paid from federal and trust funds administered by the District, there is a statutory requirement for the District to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective in the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and trust funds will be the same as the state contribution rate to TRS.

For the year ended June 30, 2006, the employer pension contribution was 7.06% of salaries paid from federal and trust funds. For the two years ended June 30, 2005, the employer pension contribution was 10.5% of salaries paid from those funds. For the year ended June 30, 2006, salaries totaling \$31,840 were paid from federal and trust funds that required employer contributions of \$2,248. For the years ended June 30, 2005 and June 30, 2004, required district contributions were \$3,188 and \$3,060, respectively.

- 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 and under which ERO program the member retires.

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

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

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

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

For the year ended June 30, 2006, the District paid nothing to TRS for employer contributions under the Pipeline ERO and Modified ERO programs. For the years ended June 30, 2005 and June 30, 2004, the District paid nothing in employer ERO contributions.

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

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 11 - RETIREMENT FUND COMMITMENTS (continued)

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

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

B. District No. 37 Plan

Employees who are members of the Avoca School District No. 37 Teachers' Association may, upon filing a timely election with the District, receive a salary enhancement of 35% of their scheduled salary paid over their final year or final two years of employment prior to retirement. If amounts are owed to TRS by the employees under the aforementioned early retirement option, then the District pays the employee amount and deducts the amount owed from the salary enhancement. During fiscal 2005, the District incurred \$44,024 of additional salary costs under this plan due to retirements.

C. Illinois Municipal Retirement Fund

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

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

Employees participating in IMRF are required to contribute 4.5% of their annual covered salary. The member rate is established by state statute. The District is required to contribute an actuarially determined rate. The district rate for calendar year 2005 was 5.65% of payroll. The district contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The amortization period at December 31, 2005, was 27 years.

For December 31, 2005, the District's annual pension cost of \$81,656 was equal to the District's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses), (b) projected salary increases of 4% a year, attributable to inflation, (c) additional projected salary increases ranging from .4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increase of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2005 actuarial valuation were based on the 2002-2004 experience study.

D. 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 \$177,557 the total required contribution for the current fiscal year.

NOTES TO FINANCIAL STATEMENTS (continued)

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, 2006, the District's accrued compensated absences totaled \$142,192.

**REQUIRED SUPPLEMENTARY INFORMATION -
HISTORICAL PENSION INFORMATION**

AVOCA PUBLIC SCHOOL DISTRICT NO. 37

ILLINOIS MUNICIPAL RETIREMENT FUND

ANALYSIS OF EMPLOYEE CONTRIBUTIONS
AND FUNDING PROGRESS (UNAUDITED)

JUNE 30, 2006

TREND INFORMATION

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/05	\$ 81,656	100%	\$ ---
12/31/04	52,825	100%	---
12/31/03	46,891	100%	---
12/31/02	69,505	100%	---
12/31/01	74,462	100%	---
12/31/00	98,632	100%	---
12/31/99	116,108	100%	---
12/31/98	117,174	100%	---
12/31/97	117,242	100%	---
12/31/96	121,692	100%	---

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Entry Age (AAL) (B)</u>	<u>Actuarial Accrued Liability Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
12/31/05	\$ 3,562,710	\$ 2,972,906	\$ (589,804)	119.84%	\$ 1,445,245	.00%
12/31/04	3,270,250	2,772,565	(497,685)	117.95%	1,340,734	.00%
12/31/03	3,136,909	2,427,871	(709,038)	129.20%	1,552,672	.00%
12/31/02	2,982,431	2,262,340	(720,091)	131.83%	1,594,157	.00%
12/31/01	2,796,705	2,009,443	(787,262)	139.18%	1,498,229	.00%
12/31/00	2,407,386	1,827,580	(579,806)	131.73%	1,409,033	.00%
12/31/99	2,097,326	1,681,639	(415,687)	124.72%	1,323,931	.00%
12/31/98	1,548,060	1,414,678	(133,382)	109.43%	1,215,502	.00%
12/31/97	1,235,457	1,376,568	141,111	89.75%	1,230,544	11.47%
12/31/96	1,014,965	1,258,501	243,536	80.65%	1,096,321	22.21%

On a market value basis, the actuarial value of assets as of December 31, 2005 is \$3,612,494. On a market basis, the funded ratio would be 121.51%.

* Digest of Changes

The actuarial assumptions used to determine the actuarial accrued liability for 2005 were based on the 2002-2004 Experience Study. The principal changes were:

- Fewer members are expected to take refunds early in their career.
- For Regular members, fewer normal and early retirements are expected to occur.

**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, 2006

	<u>Educational</u>	<u>Operations and Maintenance</u>	<u>Total</u>
Revenues			
Local Sources	\$ 7,981,235	\$ 942,134	\$ 8,923,369
State Sources	391,728	---	391,728
Federal Sources	<u>112,463</u>	<u>---</u>	<u>112,463</u>
Total Direct Revenues	\$ 8,485,426	\$ 942,134	\$ 9,427,560
Revenue For On-Behalf Payments	<u>353,382</u>	<u>---</u>	<u>353,382</u>
Total Revenues	\$ <u>8,838,808</u>	\$ <u>942,134</u>	\$ <u>9,780,942</u>
Expenditures			
Instruction	\$ 4,772,717	\$ ---	\$ 4,772,717
Support Services	3,840,751	966,368	4,807,119
Non-Programmed Charges	<u>743,933</u>	<u>---</u>	<u>743,933</u>
Total Direct Expenditures	\$ 9,357,401	\$ 966,368	\$ 10,323,769
Expenditures For On-Behalf Payments	<u>353,382</u>	<u>---</u>	<u>353,382</u>
Total Expenditures	\$ <u>9,710,783</u>	\$ <u>966,368</u>	\$ <u>10,677,151</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ <u>(871,975)</u>	\$ <u>(24,234)</u>	\$ <u>(896,209)</u>
Other Financing Sources (Uses)			
Permanent Transfer From Working Cash Fund	\$ 11,547	\$ ---	\$ 11,547
Permanent Transfer To Operations and Maintenance Account	<u>(147,414)</u>	<u>147,414</u>	<u>---</u>
Total Other Financing Sources (Uses)	\$ <u>(135,867)</u>	\$ <u>147,414</u>	\$ <u>11,547</u>
Excess or (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	\$ (1,007,842)	\$ 123,180	\$ (884,662)
Fund Balances - July 1, 2005	<u>4,491,429</u>	<u>1,219,368</u>	<u>5,710,797</u>
Fund Balances - June 30, 2006	\$ <u>3,483,587</u>	\$ <u>1,342,548</u>	\$ <u>4,826,135</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, 2006

	<u>Original and Final Budget</u>	<u>Actual</u>
Revenues (Page 37)		
Local Sources	\$ 8,129,961	\$ 7,981,235
State Sources	367,035	391,728
Federal Sources	<u>109,832</u>	<u>112,463</u>
Total Direct Revenues	\$ 8,606,828	\$ 8,485,426
Revenue For On-Behalf Payments	<u>358,528</u>	<u>353,382</u>
Total Revenues	\$ <u>8,965,356</u>	\$ <u>8,838,808</u>
Expenditures (Pages 38-40)		
Instruction	\$ 4,854,874	\$ 4,772,717
Support Services	3,910,468	3,840,751
Non-Programmed Charges	<u>833,000</u>	<u>743,933</u>
Total Direct Expenditures	\$ 9,598,342	\$ 9,357,401
Expenditures For On-Behalf Payments	<u>358,528</u>	<u>353,382</u>
Total Expenditures	\$ <u>9,956,870</u>	\$ <u>9,710,783</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ <u>(991,514)</u>	\$ <u>(871,975)</u>
Other Financing Sources (Uses)		
Interest Transfers From Working Cash Fund	\$ 10,595	\$ 11,547
Permanent Transfer To Operations and Maintenance Account	<u>(143,000)</u>	<u>(147,414)</u>
Total Other Financing Sources (Uses)	\$ <u>(132,405)</u>	\$ <u>(135,867)</u>
Excess or (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	\$ <u>(1,123,919)</u>	\$ (1,007,842)
Fund Balances - July 1, 2005		<u>4,491,429</u>
Fund Balances - June 30, 2006		\$ <u>3,483,587</u>

AVOCA PUBLIC SCHOOL DISTRICT NO. 37
EDUCATIONAL ACCOUNT
SCHEDULE OF REVENUES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Original and Final Budget</u>	<u>Actual</u>
Revenues		
Local Sources		
Property Taxes		
General Levies	\$ 7,246,248	\$ 7,023,769
Tort Immunity Levies	104,847	101,744
Corporate Personal Property Replacement Taxes	236,921	251,410
Tuition	4,350	4,570
Earnings on Investments	221,132	281,194
Food Services	185,000	180,549
Pupil Activities	73,244	73,087
Textbooks	52,219	53,787
Refund of Prior Years' Expenditures	5,000	10,681
Other	<u>1,000</u>	<u>444</u>
	\$ <u>8,129,961</u>	\$ <u>7,981,235</u>
State Sources		
General State Aid	\$ 148,702	\$ 148,702
Other Unrestricted State Aid	---	832
Special Education - Private Facility Tuition	1,911	4,945
Special Education - Extraordinary	49,101	49,101
Special Education - Personnel	110,200	129,041
Bilingual - TPI	4,003	5,650
Vocational Education	643	643
National Board Certification	3,000	2,896
Reading Improvement Program	26,245	26,589
ADA Safety Grant	22,607	22,611
State Library	490	490
State Free Lunch	<u>133</u>	<u>228</u>
	\$ <u>367,035</u>	\$ <u>391,728</u>
Federal Sources		
Title V	\$ 1,809	\$ 1,809
Special Milk	11,858	10,757
Title IV - Drug-Free Schools	1,941	1,748
IDEA Flow-Through	53,626	53,757
IDEA - Room and Board	781	781
Medicaid Matching	5,000	6,641
Title III	2,178	---
Title II	11,117	11,117
Title I	20,869	25,383
Technology Grant	<u>653</u>	<u>470</u>
	\$ <u>109,832</u>	\$ <u>112,463</u>
 Total Direct Revenues	 \$ 8,606,828	 \$ 8,485,426
 Revenue For On-Behalf Payments	 <u>358,528</u>	 <u>353,382</u>
 Total Revenues	 \$ <u>8,965,356</u>	 \$ <u>8,838,808</u>

AVOCA PUBLIC SCHOOL DISTRICT NO. 37
EDUCATIONAL ACCOUNT
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Original and Final Budget</u>	<u>Actual</u>
Expenditures		
Instruction		
Regular Programs		
Salaries	\$ 3,430,375	\$ 3,390,369
Employee Benefits	353,216	346,408
Purchased Services	51,471	46,325
Supplies and Materials	345,770	336,454
Capital Outlay	<u>56,500</u>	<u>32,784</u>
	\$ <u>4,237,332</u>	\$ <u>4,152,340</u>
Special Education Programs		
Salaries	\$ 154,552	\$ 150,009
Employee Benefits	35,710	44,011
Supplies and Materials	<u>1,200</u>	<u>681</u>
	\$ <u>191,462</u>	\$ <u>194,701</u>
Educationally Deprived/Remedial Programs		
Salaries	\$ 88,227	\$ 88,227
Employee Benefits	<u>9,989</u>	<u>10,026</u>
	\$ <u>98,216</u>	\$ <u>98,253</u>
Vocational Programs		
Supplies and Materials	\$ <u>643</u>	\$ <u>645</u>
Gifted		
Salaries	\$ 74,163	\$ 74,163
Employee Benefits	7,119	8,552
Supplies and Materials	<u>1,500</u>	<u>1,097</u>
	\$ <u>82,782</u>	\$ <u>83,812</u>
Bilingual Programs		
Salaries	\$ 109,924	\$ 106,347
Employee Benefits	13,795	13,738
Supplies and Materials	<u>1,600</u>	<u>1,435</u>
	\$ <u>125,319</u>	\$ <u>121,520</u>
Truant Alternative and Optional Programs		
Salaries	\$ 118,000	\$ 120,435
Employee Benefits	<u>1,120</u>	<u>1,011</u>
	\$ <u>119,120</u>	\$ <u>121,446</u>
Total Instruction	\$ <u>4,854,874</u>	\$ <u>4,772,717</u>
Support Services		
Pupils		
Salaries	\$ 707,403	\$ 707,458
Employee Benefits	74,984	72,520
Purchased Services	16,508	12,666
Supplies and Materials	39,300	37,652
Other Objects	<u>200</u>	<u>---</u>
	\$ <u>838,395</u>	\$ <u>830,296</u>

AVOCA PUBLIC SCHOOL DISTRICT NO. 37
EDUCATIONAL ACCOUNT
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Original and Final Budget</u>	<u>Actual</u>
Expenditures (continued)		
Support Services (continued)		
Instructional Staff		
Salaries	\$ 510,679	\$ 509,220
Employee Benefits	90,160	83,973
Purchased Services	330,528	335,374
Supplies and Materials	130,849	91,490
Capital Outlay	<u>163,700</u>	<u>172,452</u>
	\$ <u>1,225,916</u>	\$ <u>1,192,509</u>
General Administration		
Salaries	\$ 273,116	\$ 271,914
Employee Benefits	26,970	26,479
Purchased Services	251,702	233,638
Supplies and Materials	31,600	31,927
Other Objects	<u>13,000</u>	<u>13,794</u>
	\$ <u>596,388</u>	\$ <u>577,752</u>
School Administration		
Salaries	\$ 420,009	\$ 426,423
Employee Benefits	26,631	26,522
Purchased Services	6,200	3,305
Supplies and Materials	7,700	6,188
Capital Outlay	3,000	1,687
Other Objects	<u>2,000</u>	<u>1,816</u>
	\$ <u>465,540</u>	\$ <u>465,941</u>
Business		
Salaries	\$ 237,326	\$ 241,456
Employee Benefits	10,453	9,915
Purchased Services	263,900	256,794
Supplies and Materials	269,900	242,380
Capital Outlay	---	21,162
Other Objects	<u>1,100</u>	<u>890</u>
	\$ <u>782,679</u>	\$ <u>772,597</u>
Other		
Purchased Services	\$ <u>1,550</u>	\$ <u>1,656</u>
Total Support Services	\$ <u>3,910,468</u>	\$ <u>3,840,751</u>
Non-Programmed Charges		
Payments For Programs		
Purchased Services	\$ 214,000	\$ 217,877
Tuition	<u>619,000</u>	<u>526,056</u>
	\$ <u>833,000</u>	\$ <u>743,933</u>
Total Direct Expenditures	\$ 9,598,342	\$ 9,357,401
Expenditures For On-Behalf Payments	<u>358,528</u>	<u>353,382</u>
Total Expenditures	\$ <u>9,956,870</u>	\$ <u>9,710,783</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, 2006

	<u>Original and Final Budget</u>	<u>Actual</u>
Revenues		
Local Sources		
Property Taxes	\$ 553,823	\$ 536,558
Corporate Personal Property Replacement Tax	17,840	15,759
Earnings on Investments	56,380	42,222
Rentals	347,495	347,595
Other	<u>1,000</u>	<u>---</u>
Total Revenues	\$ <u>976,538</u>	\$ <u>942,134</u>
Expenditures		
Support Services		
Facilities Acquisition and Construction Services		
Purchase Services	\$ 10,000	\$ 10,995
Operation and Maintenance of Plant		
Salaries	334,209	329,644
Employee Benefits	12,974	13,450
Purchased Services	482,758	475,115
Supplies and Materials	35,300	34,579
Capital Outlay	100,740	102,442
Other Objects	<u>695</u>	<u>143</u>
Total Expenditures	\$ <u>976,676</u>	\$ <u>966,368</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ (138)	\$ (24,234)
Other Financing Sources (Uses)		
Permanent Transfer From Education Fund	<u>143,000</u>	<u>147,414</u>
Excess or (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	\$ <u><u>142,862</u></u>	\$ 123,180
Fund Balances - July 1, 2005		<u>1,219,368</u>
Fund Balances - June 30, 2006		\$ <u><u>1,342,548</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, 2006

	<u>Original and Final Budget</u>	<u>Actual</u>
Revenues		
Local Sources		
Property Taxes	\$ 145,658	\$ 141,208
Corporate Personal Property Replacement Tax	4,702	4,983
Earnings on Investments	6,888	6,820
Transportation Fees	84,135	71,938
Other	---	129
Total Local Sources	\$ <u>241,383</u>	\$ <u>225,078</u>
State Sources		
Regular	\$ 3,182	\$ 3,159
Special Education	38,848	38,848
Total State Sources	\$ <u>42,030</u>	\$ <u>42,007</u>
Total Revenues	\$ <u>283,413</u>	\$ <u>267,085</u>
Expenditures		
Support Services		
Pupil Transportation		
Salaries	\$ 135,689	\$ 137,973
Employee Benefits	5,879	6,005
Purchased Services	127,812	115,755
Supplies and Materials	35,500	40,604
Capital Outlay	45,040	45,040
Total Expenditures	\$ <u>349,920</u>	\$ <u>345,377</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ <u>(66,507)</u>	\$ (78,292)
Fund Balances - July 1, 2005		<u>163,476</u>
Fund Balances - June 30, 2006		\$ <u>85,184</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, 2006

	<u>Original and Final Budget</u>	<u>Actual</u>
Revenues		
Local Sources		
Property Taxes	\$ 11,005	\$ 10,566
Social Security/Medicare Taxes	189,957	184,151
Corporate Personal Property Replacement Taxes	7,123	10,126
Earnings on Investments	<u>7,474</u>	<u>8,740</u>
Total Revenues	\$ <u>215,559</u>	\$ <u>213,583</u>
Expenditures		
Instruction		
Regular Programs	\$ 93,788	\$ 86,686
Support Services	<u>187,759</u>	<u>182,429</u>
Total Expenditures	\$ <u>281,547</u>	\$ <u>269,115</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ <u><u>(65,988)</u></u>	\$ (55,532)
Fund Balances - July 1, 2005		<u>175,914</u>
Fund Balances - June 30, 2006		\$ <u><u>120,382</u></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, 2006

	<u>Original and Final Budget</u>	<u>Actual</u>
Revenues		
Local Sources		
Property Taxes	\$ 795,793	\$ 749,388
Earnings on Investments	<u>11,137</u>	<u>18,194</u>
Total Revenues	\$ <u>806,930</u>	\$ <u>767,582</u>
Expenditures		
Debt Service		
Interest	\$ 37,013	\$ 37,013
Principal	679,212	679,212
Other	<u>1,500</u>	<u>885</u>
Total Expenditures	\$ <u>717,725</u>	\$ <u>717,110</u>
Excess or (Deficiency) of Cash		
Revenues Over Cash Expenditures	\$ <u><u>89,205</u></u>	\$ 50,472
Fund Balances - July 1, 2005		<u>227,642</u>
Fund Balances - June 30, 2006		\$ <u><u>278,114</u></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, 2006

	<u>Original and Final Budget</u>	<u>Actual</u>
Revenues		
Local Sources		
Earnings on Investments	\$ <u>10,595</u>	\$ <u>14,679</u>
Expenditures	\$ <u>---</u>	\$ <u>---</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ 10,595	\$ 14,679
Other Financing Sources (Uses)		
Permanent Transfers of Interest To Education Fund	<u>(10,595)</u>	<u>(11,547)</u>
Excess or (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	\$ <u>---</u>	\$ 3,132
Fund Balances - July 1, 2005		<u>406,444</u>
Fund Balances - June 30, 2006		\$ <u>409,576</u>

SUPPLEMENTARY SCHEDULES

AVOCA PUBLIC SCHOOL DISTRICT NO. 37

STUDENT ACTIVITY FUNDS

SUMMARY OF CASH RECEIPTS AND DISBURSEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Balance</u> <u>July 1, 2005</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2006</u>
Student Councils:				
Marie Murphy	\$ 4,454	\$ 5,566	\$ 4,925	\$ 5,095
Avoca West	<u>759</u>	<u>834</u>	<u>1,099</u>	<u>494</u>
	\$ <u>5,213</u>	\$ <u>6,400</u>	\$ <u>6,024</u>	\$ <u>5,589</u>

Represented By:

Cash in Bank				
Chase - Checking				\$ 494
Harris Bank - Checking				<u>5,095</u>
				\$ <u>5,589</u>

AVOCA PUBLIC SCHOOL DISTRICT NO. 37

BONDS AND INTEREST PAYABLE

FOR THE YEAR ENDED JUNE 30, 2006

	May 11, 2004 Capital Appreciation <u>Bonds</u>	March 1, 2002 Refunding <u>Bonds</u>	<u>Total</u>
Bond Principal			
2007	\$ ---	\$ 705,000	\$ 705,000
2008	657,796	---	657,796
2009	627,449	---	627,449
2010	596,753	---	596,753
2011	565,582	---	565,582
2012	540,806	---	540,806
2013	<u>192,382</u>	<u>---</u>	<u>192,382</u>
Total Bond Principal	\$ <u>3,180,768</u>	\$ <u>705,000</u>	\$ <u>3,885,768</u>
Interest Payments			
2007	\$ ---	\$ 12,338	\$ 12,338
2008	72,204	---	72,204
2009	102,551	---	102,551
2010	133,247	---	133,247
2011	164,418	---	164,418
2012	189,194	---	189,194
2013	<u>82,618</u>	<u>---</u>	<u>82,618</u>
Total Bond Principal	\$ <u>744,232</u>	\$ <u>12,338</u>	\$ <u>756,570</u>
Summary of Bond Debt			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Balances at July 1, 2005	\$ 4,564,980	\$ 793,583	\$ 5,358,563
Retired During the Year	<u>(679,212)</u>	<u>(37,013)</u>	<u>(716,225)</u>
Balances at June 30, 2006	\$ <u>3,885,768</u>	\$ <u>756,570</u>	\$ <u>4,642,338</u>

AVOCA PUBLIC SCHOOL DISTRICT NO. 37
 COMPUTATION OF PER CAPITA TUITION CHARGE
 FOR THE YEAR ENDED JUNE 30, 2006

Total Expenditures		
Educational Fund	\$ 9,357,401	
Operations and Maintenance Fund	966,368	
Bond and Interest Fund	717,110	
Transportation Fund	345,377	
Municipal Retirement Fund	<u>269,115</u>	\$ 11,655,371
Less: Expenditures Not Applicable To Operating Expense of Regular Term		
Capital Outlay (Education, Building, and Transportation Funds)	\$ 375,567	
Bond Principal Retired	679,212	
Tuition	526,056	
Non-Programmed Charges	217,877	
Transportation Fees	<u>2,390</u>	<u>1,801,102</u>
Operating Expense of Regular Program		\$ 9,854,269
Average Daily Attendance	662.60	
Net Operating Expense Per Pupil	\$ <u>14.872</u>	
Deductions For Computation of Tuition Charges		
(Revenue Offsetting Expense of a Special Activity)		
State Transportation Aid	\$ 42,007	
Special Education	183,087	
Transportation Fees	69,548	
Pupil Activities	73,087	
Food Services	180,549	
Textbooks	53,787	
Rentals	347,595	
Vocational Education	643	
Bilingual Education	5,650	
Title II - Teacher Quality	11,117	
Reading/Comprehensive Arts	26,589	
State Free Lunch & Breakfast	228	
School Safety and Educational Improvement Grant	22,611	
Library Grant	490	
Other State Grants-in-Aid	2,896	
Food Service	10,757	
Title I	25,383	
Other Federal Grants-in-Aid	470	
Federal Special Education	54,538	
Medicaid Matching Funds	6,641	
Title IV	1,748	
Title V - Innovative Programs	<u>1,809</u>	<u>1,121,230</u>
Net Operating Expenses For Tuition Computation		\$ 8,773,039
Add: Total Depreciation Allowance		<u>585,579</u>
Total Allowance For Tuition Computation		\$ <u>9,318,618</u>
Average Daily Attendance	662.60	
Per Capita Tuition Charge	\$ <u>14.064</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.