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NIPPERSINK SCHOOL DISTRICT NO. 2

McHENRY COUNTY, ILLINOIS

AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NIPPERSINK SCHOOL DISTRICT NO. 2

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INDEPENDENT AUDITOR'S REPORT

Board of Education  
Nippersink School District No. 2  
Richmond, Illinois

We have audited the accompanying financial statements of the governmental activities and each major fund of

NIPPERSINK SCHOOL DISTRICT NO. 2

as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

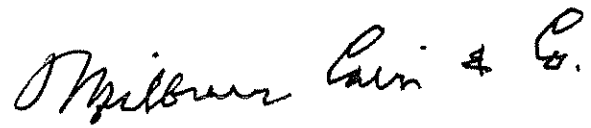
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements 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 Nippersink School District No. 2 as of June 30, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2010 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. See pages 56 and 57. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

The management's discussion and analysis, historical pension information, and budgetary comparison information on pages 3-11 and pages 37-50 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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 on pages 51-55 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.

A handwritten signature in cursive script that reads "Milburn Cain & Co.".

MILBURN CAIN & CO.  
Certified Public Accountants

Gurnee, Illinois  
August 23, 2010

**REQUIRED SUPPLEMENTARY INFORMATION**

NIPPERSINK SCHOOL DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

Management of Nippersink School District No. 2 (the District) presents this narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2010. 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**

- The District's net assets increased \$1,669,000 for the year.
- Nippersink reduced its long-term debt and contracts payable by \$67,000.
- The District's fund balances (as shown on the fund financial statements) were increased by \$1,614,000.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Nippersink 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 Nippersink 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 12 and 13 of this report.

## **Fund Financial Statements**

Nippersink'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.

Nippersink 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 14-18 of this report.

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

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



## Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and also the fund financial statements. The notes to financial statements can be found on pages 20-34 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 36-50 of this report.

### Financial Analysis of the District as a Whole

Net Assets - Nippersink's net assets were \$1.7 million larger at June 30, 2010 than they were the year before, increasing by 10.6% to \$17.7 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, 2010 and 2009

	Amount (In Millions)	
	2010	2009
Assets		
Current and Other Assets	\$ 19.4	\$ 17.6
Capital Assets (Net)	<u>10.9</u>	<u>10.9</u>
Total Assets	\$ <u>30.3</u>	\$ <u>28.5</u>
Liabilities		
Long-term Debt Outstanding	\$ .3	\$ .3
Other Liabilities	<u>12.3</u>	<u>12.2</u>
Total Liabilities	\$ <u>12.6</u>	\$ <u>12.5</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 10.6	\$ 10.6
Restricted	4.1	4.0
Unrestricted	<u>3.0</u>	<u>1.4</u>
Total Net Assets	\$ <u>17.7</u>	\$ <u>16.0</u>

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

- The District retired almost \$.1 million in debt.
- The District purchased a little under \$.4 million on new capital assets.
- Depreciation expense of almost \$.4 million was charged against income.
- The District had no tax warrants payable at year-end.

Changes in Net Assets - The District's total revenues for the fiscal year ended June 30, 2010 were \$16.6 million. The total cost of all programs and services were \$14.9 million. Revenues exceeded expenses, increasing net assets by \$1.7 million. Operating and capital grants and charges for governmental activities totaled \$4.1 million. The following table presents a summary of changes in net assets for the fiscal year ended June 30, 2010 and 2009:

Table 2  
Changes in Net Assets  
For the Fiscal Years Ended  
June 30, 2010 and 2009

	Governmental Activities (In Millions)	
	2010	2009
<b>Revenue</b>		
Program Revenues		
Charges for Services	\$ .6	\$ .7
Operating Grants and Contributions	3.4	2.8
Capital Grants and Contributions	.1	.1
General Revenue		
Taxes and Interest	11.5	10.8
Federal and State Aid - Formula Grants	1.0	1.2
Total Revenue (In Millions)	\$ 16.6	\$ 15.6
<b>Expenses</b>		
Instruction	\$ 8.4	\$ 7.9
Pupil and Instructional Services	1.1	1.0
Administration and Business	1.9	2.0
Central	.4	.2
Maintenance and Operations	1.2	1.0
Transportation	1.0	1.1
Facilities Acquisition and Construction	.2	.3
Other and Payments to Other Districts and Governments	.6	.8
Interest and Fees	.1	---
Total Expenses (In Millions)	\$ 14.9	\$ 14.3
Change in Net Assets	\$ 1.7	\$ 1.3
Net Assets		
July 1	16.0	14.7
June 30	\$ 17.7	\$ 16.0

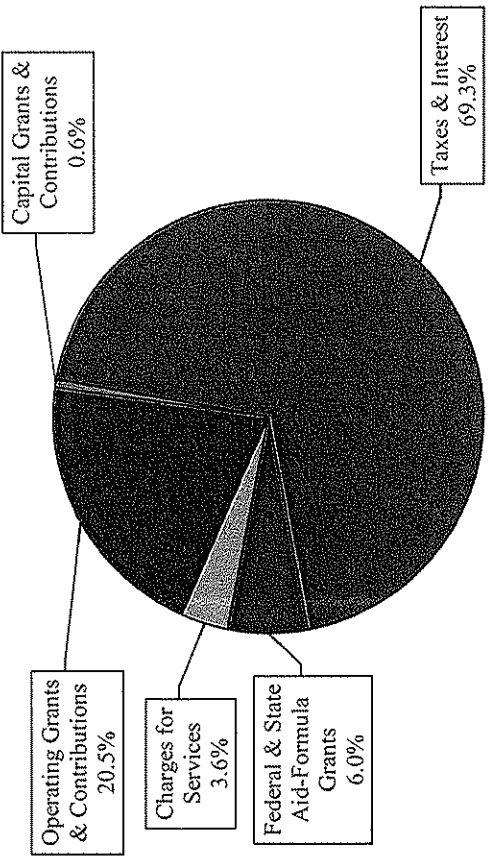
**Summary and Highlights**

- Total revenues increased \$1.0 million while total expense increased \$.6 million as compared to the previous year.
- Net assets increased \$1.7 million as compared to a \$1.3 million increase last year.

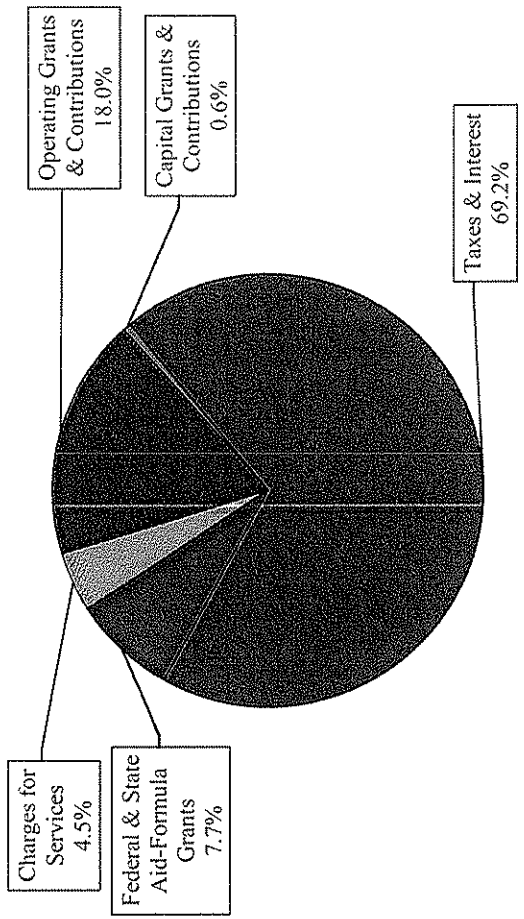
The charts which appear on the following page provide a comparative display of the composition of revenues and expenses as a percentage of the total for 2010 and 2009:

Nippersink School District #2

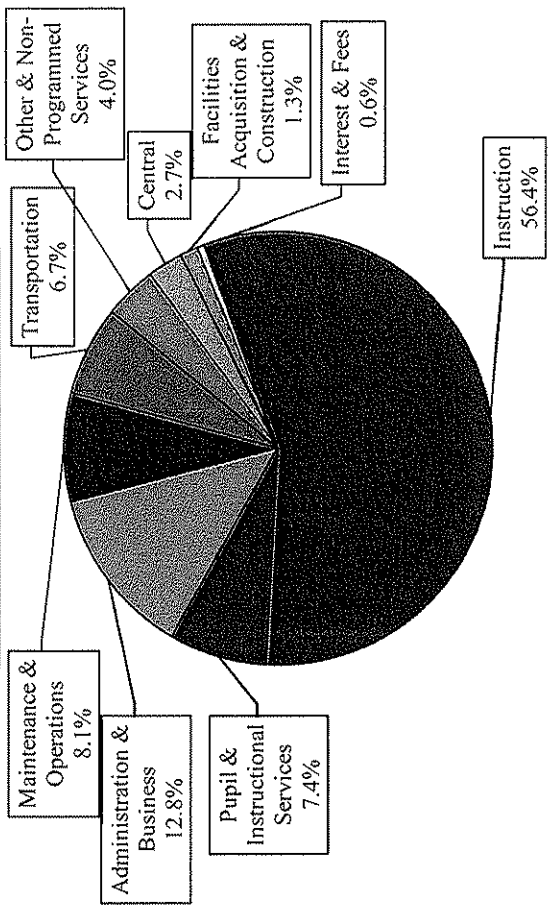
Revenue for Fiscal Year 2010



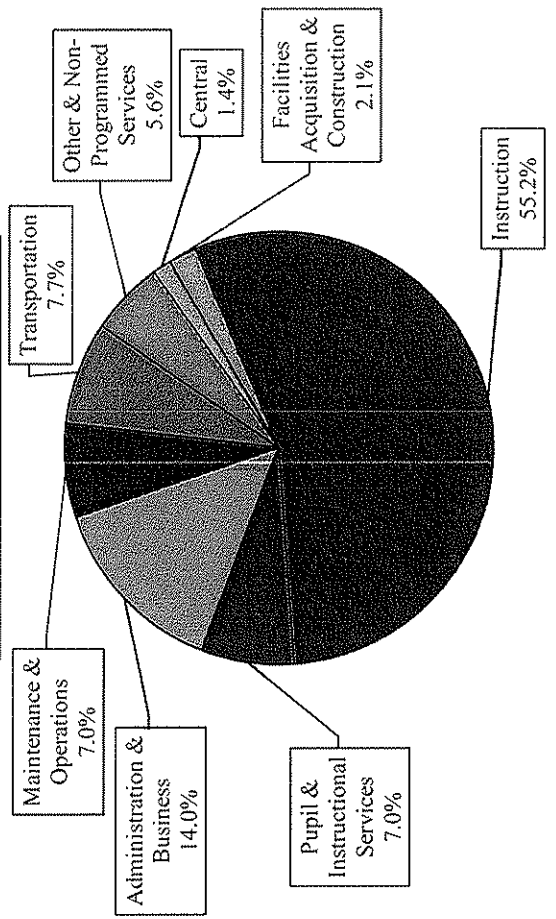
Revenue for Fiscal Year 2009



Expenses for Fiscal Year 2010



Expenses for Fiscal Year 2009



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 including depreciation and excluding capital outlay and debt service - principal only. 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.

	2010		2009	
	Total Cost	Net Cost	Total Cost	Net Cost
Instruction	8.4	5.8	7.9	5.8
Pupil and Instructional Services	1.1	.8	1.0	.7
Administration and Business	1.9	1.5	2.0	1.6
Maintenance and Operations	1.2	1.2	1.0	1.0
Transportation	1.0	.2	1.1	.4
All Other	<u>1.3</u>	<u>1.3</u>	<u>1.3</u>	<u>1.3</u>
Total Cost (In Millions)	<u>14.9</u>	<u>10.8</u>	<u>14.3</u>	<u>10.8</u>

**Summary and Highlights**

- The cost of all governmental activities for the year was \$14.9 million.
- \$.6 million of the cost was paid for by user fees for the District's programs.
- Federal and state subsidies to specific programs totaled \$3.4 million which includes \$1.6 million in state on-behalf payments paid directly to TRS.
- Most of the costs (\$11.3 million) however, were paid by the District's taxpayers.
- Replacement taxes, investment earnings, and federal and state aid-formula grants totaled \$1.1 million.

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

Nippersink School's financial performance is reflected in the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds appearing on pages 16 and 17 of this report. Total revenues were \$16.6, which is \$1.0 million more than the amount posted last year. Total expenditures were \$15.0 million compared to \$14.5 million a year ago, increasing by \$.5 million, or 3.5%. Current year revenues exceeded expenditures by \$1.6 million. The excess of revenue over expenditures of \$1.6 million brought the total fund balance for all funds combined to \$7.1 million at year-end.

Educational Account (Pages 37-41) - Property taxes produced \$8.8 million in revenue for the Educational Account during fiscal 2010, or 67% of all of the fund's revenue. State sources accounted for 22% of revenue at \$2.9 million, including \$1.6 million in on-behalf pension payments. Without the on-behalf pension payments, state revenues were \$1.3 million, accounting for 10% of total revenue. Federal sources provided \$.7 million, or 5.3% of total Educational Fund revenue. Fees, earnings on investments, and other local sources of revenue produced \$.8 million, or 6.1% of total revenue. Thus, property taxes and other local revenues combined accounted for \$9.6 million, or more than 73% of Educational Account revenues.

Total Educational Account expenditures were \$11.9 million, which is \$.6 million more than the amount posted last year. Of the \$11.9 million, \$8.2 million, or 69%, was used for direct instruction and teachers' pensions; \$3.1 million paid for instructional support services, administration, utilities, food service, legal and financial services, and liability insurance; and \$.6 million was used to pay for tuition paid to other school districts.

After taking into account the revenues of \$13.1 million, the expenditures of \$11.9 million, the Educational Account posted an excess of revenues over expenditures of \$1.2 million. The fund also transferred \$.1 million to the Debt Service Fund. The fund balance increased for the year to \$2.0 million.

Operations and Maintenance Account (Page 42) - As with the Educational Account, the Operations and Maintenance Account's largest source of revenue comes from property taxes which account for \$1,501,000 out of total fund revenues of \$1,534,000, or 97.8% of total fund revenue. Other local revenue sources account for \$25,000, or 1.6%. The total revenue of \$1,534,000 is \$123,000 more than the amount that was posted last year. The increase is due to higher property taxes.

Total expenditures of \$1,252,000 were \$62,000 less than prior year expenditures of \$1,314,000. The fund also transferred \$9,700 to the Debt Service Fund. Revenues exceeded expenditures and other financing sources by \$273,000, increasing the fund balance to \$358,000.

Transportation Fund (Page 43) - Revenues for transportation exceeded expenditures by \$109,000. Local sources accounted for \$300,000, or 28% of total revenue while state sources accounted for \$789,000, or 72%.

Total expenditures of \$980,000 for 2010 is \$62,000 lower than the 2009 total, primarily due to a decrease in purchased services.

The net result for the year is that the fund balance was increased by \$109,000 to \$441,000 at the end of 2010.

IMRF/Social Security Fund (Page 44) - IMRF/Social Security Fund revenues for 2010 were \$421,000 compared to \$407,000 in 2009. Expenditures of \$285,000 were \$12,000 more than the 2009 cost of \$273,000. The fund received \$136,000 more than it spent, increasing its fund balance to \$560,000 at June 30, 2010.

Debt Service - Bond and Interest Fund (Page 45) - 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 2010, the District's Bond and Interest Fund revenues totaled \$50, and there were \$136,000 in expenditures. The fund also received transfers of \$96,000. The net result for the year is the fund balance decreased to a deficit of \$1,800.

Site and Construction Account (Page 47) - Revenues of \$106,000 were comprised of investment earnings of \$15,000 and contributions and donations of \$91,000. Revenues were \$55,000 less than the previous year's total of \$161,000 due to a decrease in investment earnings.

Expenditures of \$327,000 were \$54,000 less than the previous year's total of \$381,000. The fund also transferred \$30,000 to the Debt Service Fund. Thus, the fund decreased its fund balance by \$251,000 to \$2,769,000.

Fire Prevention and Safety Account (Page 48) - The account had revenues of \$87,800, consisting of interest income of \$2,000 and property taxes of \$85,800, and had no expenditures, resulting in a fund balance increase of \$87,800 to \$383,100.

Tort Immunity Fund (Page 49) - Revenues totaled \$124,000, consisting mainly of property taxes. Total expenditures were \$113,000. At year-end, the fund balance deficit was reduced to \$34,700.

Working Cash Fund (Page 50) - The Working Cash Fund revenues totaled \$105,000. There were no expenditures so its fund balance increased \$105,000 to \$656,000.

General Fund Budgetary Highlights (Page 37-42) - The District budgeted general fund expenditures to total \$12.9 million. Net results of operations were expected to result in a general fund increase in fund balance of \$.7 million. Actual results for the year produced a fund balance increase of \$1.5 million.

Total actual revenues of \$14.7 million were \$1.1 million more than the total budgeted revenues of \$13.6 million. Actual revenues exceeded budgeted revenues mainly because state aid was higher than expected. Total expenditures for the General Fund of \$13.2 million were \$.3 million higher than budgeted expenditures due to higher than expected charges for on-behalf payments.

### **Capital Asset and Debt Administration**

Capital Assets - At June 30, 2010, Nippersink's net capital assets totaled \$10,891,000 in a broad range of capital assets. These assets, which are listed in Note 3 of the notes to financial statements according to five categories (land, buildings, improvements other than buildings, equipment, and food service equipment) include the District's land and buildings, lab facilities, computer and audio-visual equipment, furniture and other classroom, and administrative equipment.

During the year, the District invested \$370,000 in additions to its capital assets. The following schedule presents capital asset balances net of depreciation at June 30, 2010 rounded to the nearest \$1,000:

Land	\$ 792,000
Buildings	9,578,000
Improvements Other Than Buildings	22,000
Equipment	499,000
Food Service Equipment	<u>---</u>
Totals	\$ <u>10,891,000</u>

Long-term Debt - At year-end, Nippersink School's long-term debt obligations consisted of the following amounts:

Debt Certificates	\$ 270,000
Contracts Payable	<u>856</u>
Total	\$ <u>270,856</u>

### **Summary and Highlights**

- Concerted efforts by management to control costs and an increase in revenues resulted in a current year increase of \$1.7 million in net assets.
- Property taxes continue to be the District's largest single source of revenues at \$11.3 million with locally generated fees, charges and interest earnings generating \$.7 million. Contributions and donations account for \$.1 million in revenues. State and federal aid provided \$4.4 million in revenue which included \$1.6 million in State on-behalf payments. Thus, almost 74% of revenue comes from local sources.
- The District added \$370,000 in capital assets.
- The District reduced its long-term debt and contracts payable by \$66,598.

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

Nippersink's population has increased over the last several years due to substantial home construction activity in the Richmond and Spring Grove areas. This has placed increasing demands on the District's educational facilities and programs as student enrollments have increased with the growth in the population.

Despite the recent economic downturn, the District expects student enrollments to flatten briefly, then to grow, creating demand for additional classroom space and educational staff.

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

This financial report is designed to provide the District's citizens, taxpayers, investors, and creditors with an accurate overview of Nippersink School's finances and to demonstrate its accountability for the money it receives. Readers who have questions about this report or need additional financial information should contact the District's Business Manager at 10006 Main St., Richmond, Illinois 60071.

## **BASIC FINANCIAL STATEMENTS**



NIPPERSINK SCHOOL DISTRICT NO. 2  
DISTRICT-WIDE FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS

JUNE 30, 2010

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 12,402,266
Receivables	
Property Taxes	6,035,044
Due From Other Governments	951,817
Interest	13,122
Other	50,944
Capital Assets	
Land	791,988
Depreciable Buildings, Property and Equipment, Net	<u>10,099,173</u>
Total Assets	<u>\$ 30,344,354</u>
<b>Liabilities</b>	
Accounts Payable	\$ 82,746
Salaries and Wages Payable	765,193
Deferred Revenue	11,508,238
Non-current Liabilities	
Due Within One Year	60,856
Due in More Than One Year	<u>210,000</u>
Total Liabilities	<u>\$ 12,627,033</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	\$ 10,620,305
Restricted	
Transportation	560,436
IMRF and Social Security	440,658
Capital Projects	3,152,101
Unreserved - Undesignated	<u>2,943,821</u>
Total Net Assets	<u>\$ 17,717,321</u>

See Accompanying Notes to Financial Statements.

NIPPERSINK SCHOOL DISTRICT NO. 2  
DISTRICT-WIDE FINANCIAL STATEMENTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

		Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Instruction					
Regular Programs	\$ 5,654,068	\$ 123,581	\$ 43,975	\$ ---	\$ (5,486,512)
Special Education Programs	1,062,507	---	797,904	---	(264,603)
Other Instructional Programs	143,806	79,005	---	---	(64,801)
State Retirement Contributions	1,558,089	---	1,558,089	---	---
Support Services					
Pupils	615,317	---	174,515	---	(440,802)
Instructional Staff	450,399	---	64,628	---	(385,771)
General Administration	452,673	2,638	---	---	(450,035)
School Administration	850,886	---	---	---	(850,886)
Business	589,911	408,966	---	---	(180,945)
Central	363,823	---	---	---	(363,823)
Transportation	979,788	1,930	788,569	---	(189,289)
Operations and Maintenance	1,241,885	22,861	7,481	---	(1,211,543)
Facilities Acquisition and Construction	230,632	---	---	90,536	(140,096)
Other	27,211	---	---	---	(27,211)
Non-Programmed Charges	645,055	---	---	---	(645,055)
Interest and Fees	<u>71,151</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>(71,151)</u>
Total Governmental Activities	\$ <u>14,937,201</u>	\$ <u>638,981</u>	\$ <u>3,435,161</u>	\$ <u>90,536</u>	\$ <u>(10,772,523)</u>
<b>General Revenues</b>					
Taxes					
Real Estate Taxes, Levied for General Purposes					\$ 11,327,451
Personal Property Replacement Taxes					99,407
State and Federal Aid - Formula Grants					965,367
Investment Earnings					<u>49,270</u>
					\$ <u>12,441,495</u>
Change in Net Assets					\$ 1,668,972
Net Assets - July 1, 2009					<u>16,048,349</u>
Net Assets - June 30, 2010					\$ <u>17,717,321</u>

See Accompanying Notes to Financial Statements.

NIPPERSINK SCHOOL DISTRICT NO. 2  
 FUND FINANCIAL STATEMENTS  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 JUNE 30, 2010

	General	Transportation	IMRF/Social Security	Debt Service	Capital Projects	Working Cash	Tort Immunity	Total
<b>Assets</b>								
Cash and Cash Equivalents	\$ 7,691,609	\$ 61,724	\$ 739,860	\$ ---	\$ 3,185,472	\$ 684,258	\$ 39,343	\$ 12,402,266
Receivables								
Property Taxes	5,524,983	153,486	198,387	---	44,158	32,444	81,586	6,035,044
Due From Other Governments	398,382	553,435	---	---	---	---	---	951,817
Interest	2,573	---	472	---	9,249	828	---	13,122
Other	50,925	---	19	---	---	---	---	50,944
Due From Other Funds	<u>1,801</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>1,801</u>
Total Assets	<u>\$ 13,670,273</u>	<u>\$ 768,645</u>	<u>\$ 938,738</u>	<u>\$ ---</u>	<u>\$ 3,238,879</u>	<u>\$ 717,530</u>	<u>\$ 120,929</u>	<u>\$ 19,454,994</u>

**Liabilities and Fund Balances**

<b>Liabilities</b>								
Accounts Payable	\$ 44,866	\$ 35,307	\$ ---	\$ ---	\$ 2,573	\$ ---	\$ ---	\$ 82,746
Accrued Salaries	765,193	---	---	---	---	---	---	765,193
Deferred Revenue	10,535,605	292,680	378,302	---	84,205	61,868	155,578	11,508,238
Due To Other Funds	<u>---</u>	<u>---</u>	<u>---</u>	<u>1,801</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>1,801</u>
Total Liabilities	<u>\$ 11,345,664</u>	<u>\$ 327,987</u>	<u>\$ 378,302</u>	<u>\$ 1,801</u>	<u>\$ 86,778</u>	<u>\$ 61,868</u>	<u>\$ 155,578</u>	<u>\$ 12,357,978</u>

**Fund Balances**

Fund Balance								
Reserved								
For Transportation	\$ ---	\$ 440,658	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 440,658
For IMRF and Social Security	---	---	560,436	---	---	---	---	560,436
For Capital Projects	---	---	---	---	3,152,101	---	---	3,152,101
Undesignated	<u>2,324,609</u>	<u>---</u>	<u>---</u>	<u>(1,801)</u>	<u>---</u>	<u>---</u>	<u>(34,649)</u>	<u>2,943,821</u>
Total Fund Balances	<u>\$ 2,324,609</u>	<u>\$ 440,658</u>	<u>\$ 560,436</u>	<u>\$ (1,801)</u>	<u>\$ 3,152,101</u>	<u>\$ 655,662</u>	<u>\$ (34,649)</u>	<u>\$ 7,097,016</u>
Total Liabilities and Fund Balances	<u>\$ 13,670,273</u>	<u>\$ 768,645</u>	<u>\$ 938,738</u>	<u>\$ ---</u>	<u>\$ 3,238,879</u>	<u>\$ 717,530</u>	<u>\$ 120,929</u>	<u>\$ 19,454,994</u>

See Accompanying Notes to Financial Statements.

NIPPERSINK SCHOOL DISTRICT NO. 2

FUND FINANCIAL STATEMENTS

RECONCILIATION OF THE GOVERNMENTAL FUNDS

BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2010

Total Fund Balances - Governmental Funds \$ 7,097,016

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 expenditures in governmental funds. The Statement of Net Assets includes those capital assets among the assets of the District as a whole.

Cost of Capital Assets	\$ 16,020,730	
Depreciation Expense to Date	<u>(5,129,569)</u>	10,891,161

Long-term liabilities applicable to the District'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, 2010 are:

Debt Certificates Payable	\$ (270,000)	
Contracts Payable	<u>(856)</u>	<u>(270,856)</u>

Net Assets of Governmental Activities \$ 17,717,321

See Accompanying Notes to Financial Statements.

NIPPERSINK SCHOOL DISTRICT NO. 2  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010

	General	Transportation	IMRF/Social Security	Debt Service	Capital Projects	Working Cash	Tort Immunity	Total
<b>Revenues</b>								
Property Taxes	\$ 10,330,579	\$ 297,017	\$ 389,664	\$ ---	\$ 85,840	\$ 103,091	\$ 121,260	\$ 11,327,451
Replacement Taxes	70,201	---	29,206	---	---	---	---	99,407
Interest	26,074	1,372	2,518	54	17,019	2,225	8	49,270
Other Local Sources	654,685	1,930	---	---	90,536	---	2,638	749,789
State Aid	2,936,090	788,569	---	---	---	---	---	3,724,659
Federal Aid	655,597	---	---	---	---	---	---	655,597
Total Revenues	\$ 14,673,226	\$ 1,088,888	\$ 421,388	\$ 54	\$ 193,395	\$ 105,316	\$ 123,906	\$ 16,606,173
<b>Expenditures</b>								
Current								
Instruction								
Regular Programs	\$ 5,516,367	---	\$ 66,528	---	---	---	---	\$ 5,582,895
Special Programs	1,014,253	---	48,254	---	---	---	---	1,062,507
Other Instructional Programs	141,347	---	2,459	---	---	---	---	143,806
State Retirement Contributions	1,558,089	---	---	---	---	---	---	1,558,089
Support Services								
Pupils	586,089	---	29,228	---	---	---	---	615,317
Instructional Staff	438,663	---	11,736	---	---	---	---	450,399
General Administration	348,865	---	11,149	---	---	---	113,410	473,424
School Administration	821,289	---	34,583	---	---	---	---	855,872
Business	517,243	---	70,856	---	---	---	---	588,099
Central	360,450	---	10,439	---	---	---	---	370,889
Transportation	---	979,788	---	---	---	---	---	979,788
Operations and Maintenance	972,632	---	---	---	---	---	---	972,632
Facilities Acquisition and Construction	230,632	---	---	---	299,327	---	---	529,959
Other	---	---	---	---	27,211	---	---	27,211
Non-Programmed Charges	645,055	---	---	---	---	---	---	645,055
Debt Service								
Principal	---	---	---	65,000	---	---	---	65,000
Interest and Other	---	---	---	71,151	---	---	---	71,151
Total Expenditures	\$ 13,150,974	\$ 979,788	\$ 285,232	\$ 136,151	\$ 326,538	\$ ---	\$ 113,410	\$ 14,992,093

See Accompanying Notes to Financial Statements.

NIPPERSINK SCHOOL DISTRICT NO. 2  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010  
 (continued)

	General	Transportation	IMRF/Social Security	Debt Service	Capital Projects	Working Cash	Tort Immunity	Total
Excess or (Deficiency) of Revenues Over Expenditures	\$ 1,522,252	\$ 109,100	\$ 136,156	\$ (136,097)	\$ (133,143)	\$ 105,316	\$ 10,496	\$ 1,614,080
<b>Other Financing Sources (Uses)</b>								
Net Transfers From/(To) Other Funds	<u>(66,877)</u>	<u>---</u>	<u>---</u>	<u>96,151</u>	<u>(29,274)</u>	<u>---</u>	<u>---</u>	<u>---</u>
Excess or (Deficiency) of Revenues and Other Financing Sources and Expenditures and Other (Uses)	\$ 1,455,375	\$ 109,100	\$ 136,156	\$ (39,946)	\$ (162,417)	\$ 105,316	\$ 10,496	\$ 1,614,080
Fund Balances - July 1, 2009	<u>869,234</u>	<u>331,558</u>	<u>424,080</u>	<u>38,145</u>	<u>3,314,518</u>	<u>550,346</u>	<u>(45,145)</u>	<u>5,482,936</u>
Fund Balances - June 30, 2010	<u>2,324,609</u>	<u>440,658</u>	<u>560,436</u>	<u>(1,801)</u>	<u>3,152,101</u>	<u>655,662</u>	<u>(34,649)</u>	<u>7,097,016</u>

See Accompanying Notes to Financial Statements.

NIPPERSINK SCHOOL DISTRICT NO. 2

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, 2010

Net Change in Fund Balances - Total Governmental Funds \$ 1,614,080

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	\$ (381,422)	
Capital Outlays	<u>369,716</u>	(11,706)

Repayment of bonds, debt certificates, and capital lease principal is an expenditure  
in the governmental funds, but the repayment reduces long-term liabilities in the  
Statement of Net Assets. 66,598

Change in Net Assets of Governmental Activities \$ 1,668,972

See Accompanying Notes to Financial Statements.

NIPPERSINK SCHOOL DISTRICT NO. 2

FUND FINANCIAL STATEMENTS

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

FIDUCIARY FUNDS

JUNE 30, 2010

	<u>Student Activity Fund</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ <u>119,817</u>
<b>Liabilities</b>	
Due to Student Groups and PTO's	\$ <u>119,817</u>

See Accompanying Notes to Financial Statements.



NIPPERSINK SCHOOL DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Nippersink School District No. 2 (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 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 district-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.

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

**Working Cash Fund** - This fund accounts for financial resources held by the District to be used as temporary interfund loans for working capital requirements to the General Fund and the Special Revenue Fund's Transportation Fund. Money loaned by the Working Cash Fund to other funds must be repaid. 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 and capital lease obligations of the District. The primary revenue source is local property taxes levied specifically for debt service.

Capital Projects Fund

**Site and Construction Account** - For financial resources to be used for the acquisition or construction of major capital facilities. Subdivider's land cash ordinance payments are accounted for in this fund.

**Fire Prevention and Safety Account** - For this fund, the use of the revenue is restricted to approved Life Safety projects.

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.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting (continued)

**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:

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 2009-10 was adopted on September 29, 2009, and was amended on June 22, 2010.

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 Funds and the Imprest Account, Nippersink maintains common bank accounts benefiting all of its funds. Accordingly, investments affecting all funds are made from the common accounts.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Investments (continued)

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.

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 2008 levy was passed by the Board on December 16, 2008. The 2009 levy was passed by the Board on December 15, 2009. 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 of the following year. 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	
		2009 Levy	2008 Levy
Educational	2.500	1.9926	1.9872
Tort Immunity	As Needed	.0352	.0277
Special Education	As Needed	.0362	.0287
Operations and Maintenance	.3750	.3587	.3428
Transportation	.1200	.0663	.0678
Fire Prevention/Safety	As Needed	.0191	.0196
Working Cash	.0500	.0140	.0235
Municipal Retirement	As Needed	.0447	.0470
Social Security	As Needed	.0410	.0420
Totals		<u>2.6078</u>	<u>2.5863</u>

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)

In addition to the tax rate limitations shown above, the District is subject to "Tax Cap" limitations affecting the five collar counties surrounding Cook County, Illinois. 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.

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

Tax Year	2009			2008
<b>Assessed Valuation</b>	\$ 443,945,732			\$ 438,894,311
	<u>Extensions</u>	<u>Collections</u>	<u>Extensions</u>	<u>Collections</u>
<b>Purpose</b>				
Educational	\$ 8,845,898	\$ 4,181,778	\$ 8,721,804	\$ 8,703,357
Tort Immunity	156,518	73,992	121,517	121,260
Special Education	161,072	76,143	126,072	125,803
Operations and Maintenance	1,592,229	752,701	1,504,609	1,501,419
Transportation	294,447	139,194	297,645	297,017
Fire Prevention/Safety	84,714	40,047	86,019	85,839
Working Cash	62,241	29,424	103,311	103,091
Municipal Retirement	198,479	93,827	206,171	205,729
Social Security	<u>182,107</u>	<u>86,088</u>	<u>184,322</u>	<u>183,935</u>
Totals	\$ <u>11,577,705</u>	\$ <u>5,473,194</u>	\$ <u>11,351,470</u>	\$ <u>11,327,450</u>
<b>Percentage of Extensions Collected</b>	47.27%			99.79%

**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 - Prior to July 1, 2008, cash receipts and the related cash disbursements of this restricted tax levy were accounted for in the Educational Fund. All receipts generated with this levy were spent for tort immunity purposes. Accordingly, there was no restriction of the Education Account for this purpose.

Beginning July 1, 2008, a separate tort immunity fund was established. All tort immunity expenditures are now charged to this separate fund.

**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.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

**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.

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. Currently, the District has no unamortized deferred charges, discounts or premiums.

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 may have been eliminated or reclassified.

NOTES TO FINANCIAL STATEMENTS (continued)

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 235/1 through 235/7; and Chapter 105 of the *Illinois Compiled Statutes*.

Deposits

At June 30, 2010, the carrying amount of the District's deposits was \$5,954,409 and the bank balance was \$6,286,195.

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Checking Accounts		
Imprest Fund	\$ 3,000	\$ 907
Deposited With Local Banks	104,385	103,899
Deposited with Illinois School District Liquid Asset Fund	5,727,207	6,056,230
Student Activity and PTO Accounts	<u>119,817</u>	<u>125,159</u>
	<u>\$ 5,954,409</u>	<u>\$ 6,286,195</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, 2010, amounted to \$6,567,674. This amount consisted of investments through the Illinois School District Liquid Asset Fund (ISDLAF) in certificates of deposit of \$6,567,674 issued by 18 different financial institutions. Typically, the certificates of deposit are from \$100,000 to \$250,000 each and thus are covered by FDIC insurance. There is one certificate for more than \$250,000. This is insured by another organization.

The following table summarizes the District's cash position:

Deposits	\$ 5,954,409
Investments	<u>6,567,674</u>
Total Cash	<u>\$ 12,522,083</u>

The cash position is comprised of the following:

Governmental Activities	\$ 12,402,266
Fiduciary Activities	<u>119,817</u>
	<u>\$ 12,522,083</u>

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

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



NOTES TO FINANCIAL STATEMENTS (continued)

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

A. Deposits and Investments (continued)

Investments (continued)

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

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the District for the year ended June 30, 2010 was as follows:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Capital Assets Not Being Depreciated:				
Land	\$ 791,988	\$ ---	\$ ---	\$ 791,988
Capital Assets Being Depreciated:				
Buildings	\$ 12,367,834	\$ 299,327	\$ ---	\$ 12,667,161
Improvements Other Than Buildings	114,723	---	---	114,723
Equipment	2,586,231	70,389	238,785	2,417,835
Food Service Equipment	29,023	---	---	29,023
Total Capital Assets Being Depreciated	\$ 15,097,811	\$ 369,716	\$ 238,785	\$ 15,228,742
Less: Accumulated Depreciation For:				
Buildings	\$ 2,835,621	\$ 253,343	\$ ---	\$ 3,088,964
Improvements Other Than Buildings	86,538	5,736	---	92,274
Equipment	2,038,449	119,644	238,785	1,919,308
Food Service Equipment	26,324	2,699	---	29,023
Total Accumulated Depreciation	\$ 4,986,932	\$ 381,422	\$ 238,785	\$ 5,129,569
Net Capital Assets Being Depreciated	\$ 10,110,879	\$ (11,706)	\$ ---	\$ 10,099,173
Net Governmental Activities Capital Assets	\$ 10,902,867	\$ (11,706)	\$ ---	\$ 10,891,161

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

Regular Programs	\$ 106,798
Business	3,814
Operations and Maintenance	270,810

NOTE 4 - CHANGES IN GENERAL LONG-TERM DEBT

A summary of changes in long-term debt shows:

<u>Type of Debt</u>	Balance July 1, 2009	Additions	Payments	Balance June 30, 2010
Debt Certificates:				
2002 Land Purchase	\$ 210,000	\$ ---	\$ 25,000	\$ 185,000
2002 Roof	125,000	---	40,000	85,000
Totals	\$ 335,000	\$ ---	\$ 65,000	\$ 270,000

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 4 - CHANGES IN GENERAL LONG-TERM DEBT (continued)

On January 1, 2002, Nippersink issued \$720,000 in debt certificates. These debt certificates were split into two parts. One part totaling \$345,000 was designated for the purchase of land and is being retired over 15 years in annual installments ranging between \$15,000 and \$30,000 on December 1 of each year.

The other part, totaling \$375,000, was to be used for roof repairs and is being retired over 10 years in annual installments ranging from \$30,000 to \$45,000 on December 1 of each year.

Interest is payable semi-annually on June 1 and December 1 at rates which range from 2% to 4.80%, depending on maturities.

Payments on these debt certificates are made from the Operations and Maintenance Fund.

The annual debt service to retire the outstanding debt certificates is:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 60,000	\$ 11,221	\$ 71,221
2012	70,000	8,160	78,160
2013	25,000	5,880	30,880
2014	25,000	4,680	29,680
2015	30,000	3,480	33,480
2016 and thereafter	<u>60,000</u>	<u>2,880</u>	<u>62,880</u>
	\$ <u>270,000</u>	\$ <u>36,301</u>	\$ <u>306,301</u>

Contracts Payable

The District entered into three capital lease agreements during 2006-07 for the purchase of copier equipment. The annual payments to retire these contracts are:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ <u>856</u>	\$ <u>41</u>	\$ <u>897</u>

Operating Leases

The District has an operating lease agreement for the rental of copier equipment. The annual payments to retire the lease are:

<u>Year Ending June 30</u>	
2011	\$ 67,215
2012	67,215
2013	67,215
2014	67,215
2015	<u>28,006</u>
	\$ <u>296,866</u>

## NOTES TO FINANCIAL STATEMENTS (continued)

### NOTE 5 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of a public entity risk pool, Collective Liability Insurance Cooperative (CLIC). CLIC provides worker's compensation, casualty, property, and liability protection to member school districts.

CLIC was 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. To date, the Board of Directors has never required a supplementary payment.

Complete financial statements for CLIC can be obtained from its administrator, 624 Kenilworth, Grayslake, IL 60030.

### NOTE 6 - 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

Nippersink 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, 2010 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. The rate was also 9.4% for the years ended June 30, 2009 and 2008.

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

- On-Behalf Contributions - The State of Illinois makes employer pension contributions on behalf of the District. For the year ended June 30, 2010, State of Illinois contributions were based on 23.38% of creditable earnings not paid from federal funds, and the District recognized revenue and expenditures of \$1,558,089 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2009 and June 30, 2008, the State of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 17.08% (\$1,056,063) and 13.11% (\$798,512), respectively.

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

NOTE 6 - RETIREMENT FUND COMMITMENTS (continued)

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

- 2.2 Formula Contributions - Employers contribute .58% of total creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ending June 30, 2010 were \$37,626. Contributions for the years ended June 30, 2009 and June 30, 2008 were \$36,185 and \$35,327, 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 special trust funds will be the same as the state contribution rate to TRS.

For the year ended June 30, 2010, the employer pension contribution was 23.38% of salaries paid from federal and special trust funds. For the years ended June 30, 2009 and 2008, the employer contribution was 17.08% and 13.11% of salaries paid from federal and special trust funds, respectively. For the year ended June 30, 2010, salaries totaling \$56,141 were paid from federal and special trust funds that required employer contributions of \$13,126. For the years ended June 30, 2009 and June 30, 2008, required District contributions were \$9,524 and \$6,166, 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.

Public Act 94-0004 made changes in the ERO program that were in effect for all ERO retirements in fiscal years 2008 through 2010. The Act increased member and employer contributions and eliminated the waiver of member and employer ERO contributions that had been in effect for members with 34 years of service. Under the current ERO, the maximum employer contribution is 117.5% and applies when the member is age 55 at retirement.

For the year ended June 30, 2010, the District paid nothing to TRS for employer contributions under the ERO program. For the years ended June 30, 2009 and June 30, 2008, the District paid nothing in employer ERO contributions.

- Salary Increases Over 6% and Excess Sick Leave - Public Act 94-0004 added two new employer contributions to TRS.

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

For the year ended June 30, 2010, the District paid nothing to TRS for employer contributions due on salary increases in excess of 6%. For the year ended June 30, 2009 and June 30, 2008, the District paid nothing in employer contributions due on salary increases in excess of 6%.

If an employer grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary used to calculate final average salary, and the TRS total normal cost rate (18.55% of salary during the year ended June 30, 2010).

For the year ended June 30, 2010, the District paid nothing to TRS for sick leave days granted in the excess of the normal annual allotment. For the years ended June 30, 2009 and June 30, 2008, the District paid nothing in employer contributions granted for sick leave days.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 6 - RETIREMENT FUND COMMITMENTS (continued)

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

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, 2009. The report for the year ended June 30, 2010 is expected to be available in late 2010.

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](http://trs.illinois.gov).

B. THIS Fund

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

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

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

- On-Behalf Contributions to THIS Fund - The State of Illinois makes employer retiree health insurance contributions on behalf of the District. State contributions are intended to match contributions to THIS Fund from active members which were .84% of pay during the year ended June 30, 2010. State of Illinois contributions were \$54,493 and the District recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2009 and June 30, 2008 were also .84% of pay. For June 30, 2009 and June 30, 2008, State contributions on behalf of District employees were \$52,406 and \$51,163, respectively.

- Employer Contributions to THIS Fund - The District also makes contributions to the THIS Fund. The District THIS contribution was .63% during the year ended June 30, 2010 was \$40,870. For the years ended June 30, 2009 and June 30, 2008, the District paid \$39,304 and \$38,372, respectively, which was 100% of the required contribution.

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

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 6 - RETIREMENT FUND COMMITMENTS (continued)

C. Illinois Municipal Retirement Fund

The District's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), is an agent-multiple-employer public employee retirement system which provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The employer is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly-available financial report that includes financial statements and required supplementary information. That report may be obtained online at [www.imrf.org](http://www.imrf.org).

As set by statute, the District's regular plan members are required to contribute 4.50% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2009 was 9.12% of annual covered payroll. The District also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

For fiscal year ending December 31, 2009, the District's annual pension cost of \$102,867 for the regular plan was equal to the District's required and actual contributions.

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/09	\$ 102,867	100%	\$ ---
12/31/08	109,694	100%	---
12/31/07	99,764	100%	---

The required contribution for 2009 was determined as part of the December 31, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2007 included: (a) 7.5% investment rate of return (net of administrative and direct investment expenses); (b) projected salary increases of 4.00% a year, attributable to inflation; (c) additional projected salary increases ranging from 0.4% to 10.0% per year depending on age and service, attributable to seniority/merit; and (d) post-retirement benefit increases of 3% annually. The actuarial value of the District's plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor between the actuarial and market value of assets. The District's regular plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2007 valuation was 23 years.

As of December 31, 2009, the most recent actuarial valuation date, the regular plan was 79.53% funded. The actuarial accrued liability for benefits was \$1,679,344 and the actuarial value of assets was \$1,335,584, resulting in an underfunded actuarial accrued liability (UAAL) of \$343,760. The covered payroll (annual payroll of active employees covered by the plan) was \$1,127,933 and the ratio of the UAAL to the covered payroll was 30%. In conjunction with the December 2009 actuarial valuation, the market value of investments was determined using techniques that spread the effect of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. In 2010, the unfunded actuarial accrued liability is being amortized on a level percentage of projected payroll on an open 30-year basis.

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

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 6 - RETIREMENT FUND COMMITMENTS (continued)

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 \$174,348 the total required contribution for the current fiscal year.

NOTE 7 - ACTIVITY FUNDS RESTRICTION

Cash and investments of the Student Activity Funds belong to individual organizations which are entities legally separate from the Board of Education. The school district holds the cash and investment balances in a custodial capacity only. Consequently, the assets of the Student Activity Fund are not available for expenditure by the school district.

NOTE 8 - OVEREXPENDITURES OF BUDGET

The Education Fund overexpended its budget due to on-behalf payments being \$761,963 more than budgeted. An offsetting revenue amount is recorded to cover this on-behalf payment.

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
Education Fund	\$ 11,547,816	\$ 11,899,361	\$ 351,545

NOTE 9 - DEFICIT FUND BALANCES

The following funds had a fund balance deficit as of June 30, 2010:

Debt Service	\$ 1,801
Tort Immunity	\$ 34,649

NOTE 10 - TRANSFERS

The Education Fund transferred \$57,167, the Operations and Maintenance Fund transferred \$44,710, and the Capital Projects Fund transferred \$29,274 to the Debt Service Fund to pay for debt certificate and capital lease debt service. The Debt Service Fund transferred \$35,000 to the Operations and Maintenance Fund to cover shortages in the Fund.

NOTE 11 - POST-EMPLOYMENT BENEFIT COMMITMENTS

A. Retiree Paid Insurance

Plan Overview - The District provides post-employment benefits other than pensions ("OPEB") to employees who meet certain criteria. The Plan, a single-employer defined benefit plan, provides medical, dental and vision benefits to retirees and their covered eligible dependents. All active employees who retire directly from the District and meet the eligibility criteria may participate. The District reimburses up to \$2,000 of retirees health insurance premiums until the age of 65 for those who choose to be covered. The cost to the District for the 2009-10 fiscal year was \$4,000.

**REQUIRED SUPPLEMENTARY INFORMATION -  
HISTORICAL PENSION INFORMATION**



NIPPERSINK SCHOOL DISTRICT NO. 2  
 ILLINOIS MUNICIPAL RETIREMENT FUND  
 ANALYSIS OF EMPLOYER CONTRIBUTIONS  
 AND FUNDING PROGRESS (UNAUDITED)

JUNE 30, 2010

REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
12/31/09	\$ 1,335,584	\$ 1,679,344	\$ 343,760	79.53%	\$ 1,127,933	30.48%
12/31/08	1,194,145	1,502,505	308,360	79.48%	1,095,845	28.14%
12/31/07	1,125,291	1,264,911	139,620	88.96%	1,001,649	13.94%

On a market value basis, the actuarial value of assets as of December 31, 2009 is \$1,296,530. On a market basis, the funded ratio would be 77.20%.

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

NIPPERSINK SCHOOL DISTRICT NO. 2

GENERAL FUND

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Educational</u>	Operations and <u>Maintenance</u>	<u>Total</u>
<b>Revenues</b>			
Local Sources	\$ 9,555,098	\$ 1,526,442	\$ 11,081,540
State Sources	1,370,520	7,481	1,378,001
Federal Sources	<u>655,597</u>	---	<u>655,597</u>
Total Direct Revenues	\$ 11,581,215	\$ 1,533,923	\$ 13,115,138
Revenue For On-Behalf Payments	<u>1,558,089</u>	---	<u>1,558,089</u>
Total Revenues	\$ <u>13,139,304</u>	\$ <u>1,533,923</u>	\$ <u>14,673,227</u>
<b>Expenditures</b>			
Instruction	\$ 6,671,967	\$ ---	\$ 6,671,967
Support Services	3,072,599	1,203,265	4,275,864
Non-Programmed Charges	<u>596,706</u>	<u>48,349</u>	<u>645,055</u>
Total Direct Expenditures	\$ 10,341,272	\$ 1,251,614	\$ 11,592,886
Expenditures For On-Behalf Payments	<u>1,558,089</u>	---	<u>1,558,089</u>
Total Expenditures	\$ <u>11,899,361</u>	\$ <u>1,251,614</u>	\$ <u>13,150,975</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ <u>1,239,943</u>	\$ <u>282,309</u>	\$ <u>1,522,252</u>
<b>Other Financing Sources (Uses)</b>			
Transfers To Other Funds	\$ (57,167)	\$ (44,710)	\$ (101,877)
Transfers From Other Funds	<u>---</u>	<u>35,000</u>	<u>35,000</u>
Total Other Financing Sources (Uses)	\$ <u>(57,167)</u>	\$ <u>(9,710)</u>	\$ <u>(66,877)</u>
Excess or (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	\$ 1,182,776	\$ 272,599	\$ 1,455,375
Fund Balances - July 1, 2009	<u>783,824</u>	<u>85,410</u>	<u>869,234</u>
Fund Balances - June 30, 2010	\$ <u>1,966,600</u>	\$ <u>358,009</u>	\$ <u>2,324,609</u>

NIPPERSINK SCHOOL DISTRICT NO. 2

EDUCATIONAL ACCOUNT

SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues (Page 38)</b>			
Local Sources	\$ 9,684,216	\$ 9,611,739	\$ 9,555,098
State Sources	1,317,063	1,014,852	1,370,520
Federal Sources	<u>990,346</u>	<u>674,168</u>	<u>655,597</u>
Total Direct Revenues	\$ 11,991,625	\$ 11,300,759	\$ 11,581,215
Revenue For On-Behalf Payments	<u>796,126</u>	<u>796,126</u>	<u>1,558,089</u>
Total Revenues	\$ <u>12,787,751</u>	\$ <u>12,096,885</u>	\$ <u>13,139,304</u>
<b>Expenditures (Pages 39-41)</b>			
Instruction	\$ 6,790,952	\$ 6,769,605	\$ 6,671,967
Support Services	3,137,881	3,233,985	3,072,599
Non-Programmed Charges	<u>1,545,876</u>	<u>748,100</u>	<u>596,706</u>
Total Direct Expenditures	\$ 11,474,709	\$ 10,751,690	\$ 10,341,272
Expenditures For On-Behalf Payments	<u>796,126</u>	<u>796,126</u>	<u>1,558,089</u>
Total Expenditures	\$ <u>12,270,835</u>	\$ <u>11,547,816</u>	\$ <u>11,899,361</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ 516,916	\$ 549,069	\$ 1,239,943
<b>Other Financing Sources (Uses)</b>			
Transfer To Other Funds	<u>---</u>	<u>---</u>	<u>(57,167)</u>
Excess or (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	\$ <u>516,916</u>	\$ <u>549,069</u>	\$ 1,182,776
Fund Balances - July 1, 2009			<u>783,824</u>
Fund Balances - June 30, 2010			\$ <u>1,966,600</u>

NIPPERSINK SCHOOL DISTRICT NO. 2

EDUCATIONAL ACCOUNT

SCHEDULE OF REVENUES

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues</b>			
Local Sources			
Property Taxes			
General Levies	\$ 8,721,813	\$ 8,745,452	\$ 8,703,357
Special Education Levies	126,069	140,737	125,803
Corporate Personal Property Replacement Taxes	65,000	55,000	70,201
Tuition	41,000	41,000	4,030
Earnings on Investments	80,000	20,000	23,912
Food Services	327,000	321,500	313,979
Pupil Activities	85,100	71,400	79,005
Textbooks	150,000	120,000	119,551
Other	88,234	96,650	115,260
	<u>\$ 9,684,216</u>	<u>\$ 9,611,739</u>	<u>\$ 9,555,098</u>
State Sources			
General State Aid	\$ 741,915	\$ 714,486	\$ 787,389
Special Education - Private Facility Tuition	25,000	36,815	52,911
Special Education - Extraordinary	211,046	152,199	204,649
Special Education - Personnel	211,716	105,716	254,508
Special Education - Summer School	3,500	3,636	3,636
Reading Improvement Block Grant	50,886	---	50,886
School Safety and Educational Grant	25,000	---	13,742
State Library Grant	45,000	---	---
State Free Lunch	3,000	2,000	2,799
	<u>\$ 1,317,063</u>	<u>\$ 1,014,852</u>	<u>\$ 1,370,520</u>
Federal Sources			
National School Lunch	\$ 65,000	\$ 64,874	\$ 93,493
Special Milk	1,900	900	1,276
ARRA - General State Aid	218,210	218,210	131,256
Other ARRA Funds	---	43,642	43,642
Title I - Low Income	40,594	22,669	45,346
Title IV - Drug-Free Schools	3,080	---	3,080
IDEA Flow-Through	608,777	286,658	282,200
Title II - Teacher Quality	31,215	16,215	31,215
Technology - Literary Challenge	---	---	386
Medicaid Matching	21,000	21,000	23,703
Other Sources	570	---	---
	<u>\$ 990,346</u>	<u>\$ 674,168</u>	<u>\$ 655,597</u>
Total Direct Revenues	\$ 11,991,625	\$ 11,300,759	\$ 11,581,215
Revenue For On-Behalf Payments	<u>796,126</u>	<u>796,126</u>	<u>1,558,089</u>
Total Revenues	<u>\$ 12,787,751</u>	<u>\$ 12,096,885</u>	<u>\$ 13,139,304</u>

NIPPERSINK SCHOOL DISTRICT NO. 2

EDUCATIONAL ACCOUNT

SCHEDULE OF EXPENDITURES

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2010

Expenditures	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Instruction			
Regular Programs			
Salaries	\$ 3,975,004	\$ 3,939,740	\$ 3,965,464
Employee Benefits	1,338,330	1,335,458	1,318,142
Purchased Services	31,049	32,405	24,138
Supplies and Materials	209,599	231,299	172,573
Capital Outlay	<u>20,211</u>	<u>21,611</u>	<u>36,053</u>
	<u>\$ 5,574,193</u>	<u>\$ 5,560,513</u>	<u>\$ 5,516,370</u>
Special Education Programs			
Salaries	\$ 904,889	\$ 902,954	\$ 880,725
Employee Benefits	100,796	100,196	90,399
Purchased Services	19,950	19,950	14,138
Supplies and Materials	16,000	17,355	16,777
Capital Outlay	8,000	13,000	12,213
Other Objects	<u>2,000</u>	<u>2,000</u>	<u>---</u>
	<u>\$ 1,051,635</u>	<u>\$ 1,055,455</u>	<u>\$ 1,014,252</u>
Interscholastic			
Salaries	\$ 34,200	\$ 36,625	\$ 36,675
Employee Benefits	5,200	5,538	4,713
Purchased Services	6,300	6,300	5,024
Supplies and Materials	2,000	2,000	1,056
Capital Outlay	500	500	---
Other Objects	<u>600</u>	<u>600</u>	<u>875</u>
	<u>\$ 48,800</u>	<u>\$ 51,563</u>	<u>\$ 48,343</u>
Summer School			
Salaries	\$ 26,400	\$ 27,100	\$ 33,626
Employee Benefits	<u>3,000</u>	<u>3,000</u>	<u>4,470</u>
	<u>\$ 29,400</u>	<u>\$ 30,100</u>	<u>\$ 38,096</u>
Gifted			
Salaries	\$ 73,648	\$ 60,848	\$ 47,481
Employee Benefits	9,008	6,758	6,364
Purchased Services	2,500	2,500	---
Supplies and Materials	1,568	1,668	1,061
Other Objects	<u>200</u>	<u>200</u>	<u>---</u>
	<u>\$ 86,924</u>	<u>\$ 71,974</u>	<u>\$ 54,906</u>
Total Instruction	<u>\$ 6,790,952</u>	<u>\$ 6,769,605</u>	<u>\$ 6,671,967</u>

NIPPERSINK SCHOOL DISTRICT NO. 2

EDUCATIONAL ACCOUNT

SCHEDULE OF EXPENDITURES

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Expenditures (continued)</b>			
Support Services			
Pupils			
Salaries	\$ 489,855	\$ 489,905	\$ 509,907
Employee Benefits	52,436	49,739	52,097
Purchased Services	10,500	17,500	10,176
Supplies and Materials	<u>17,250</u>	<u>18,145</u>	<u>13,909</u>
	\$ <u>570,041</u>	\$ <u>575,289</u>	\$ <u>586,089</u>
Instructional Staff			
Salaries	\$ 270,799	\$ 347,029	\$ 345,225
Employee Benefits	48,338	57,238	49,327
Purchased Services	12,400	21,400	21,297
Supplies and Materials	27,200	27,200	22,476
Capital Outlay	<u>30,400</u>	<u>400</u>	<u>338</u>
	\$ <u>389,137</u>	\$ <u>453,267</u>	\$ <u>438,663</u>
General Administration			
Salaries	\$ 165,933	\$ 165,933	\$ 165,514
Employee Benefits	15,600	15,600	15,361
Purchased Services	218,400	213,900	145,639
Supplies and Materials	2,000	2,000	1,565
Capital Outlay	500	500	19,153
Other Objects	<u>4,650</u>	<u>4,650</u>	<u>1,633</u>
	\$ <u>407,083</u>	\$ <u>402,583</u>	\$ <u>348,865</u>
School Administration			
Salaries	\$ 712,107	\$ 722,357	\$ 693,909
Employee Benefits	70,600	71,100	65,082
Purchased Services	6,000	6,144	2,892
Supplies and Materials	58,130	58,130	49,135
Capital Outlay	3,400	3,400	5,641
Other Objects	<u>5,700</u>	<u>5,700</u>	<u>4,630</u>
	\$ <u>855,937</u>	\$ <u>866,831</u>	\$ <u>821,289</u>
Business			
Salaries	\$ 286,988	\$ 287,038	\$ 280,928
Employee Benefits	28,400	28,400	28,006
Purchased Services	189,900	192,700	201,219
Supplies and Materials	5,500	5,500	3,870
Capital Outlay	4,000	6,222	2,884
Other Objects	<u>2,500</u>	<u>2,500</u>	<u>336</u>
	\$ <u>517,288</u>	\$ <u>522,360</u>	\$ <u>517,243</u>

NIPPERSINK SCHOOL DISTRICT NO. 2

EDUCATIONAL ACCOUNT

SCHEDULE OF EXPENDITURES

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Expenditures (continued)</b>			
Support Services (continued)			
Central			
Salaries	\$ 56,225	\$ 61,225	\$ 58,223
Employee Benefits	2,530	2,790	2,744
Purchased Services	203,040	203,040	175,779
Supplies and Materials	20,500	20,500	11,597
Capital Outlay	<u>116,100</u>	<u>126,100</u>	<u>112,107</u>
	\$ <u>398,395</u>	\$ <u>413,655</u>	\$ <u>360,450</u>
Total Support Services	\$ <u>3,137,881</u>	\$ <u>3,233,985</u>	\$ <u>3,072,599</u>
Non-Programmed Charges			
Payments For Programs			
Purchased Services	\$ 255,250	\$ 255,600	\$ 244,188
Other Objects	<u>1,290,626</u>	<u>492,500</u>	<u>352,518</u>
	\$ <u>1,545,876</u>	\$ <u>748,100</u>	\$ <u>596,706</u>
Total Direct Expenditures	\$ 11,474,709	\$ 10,751,690	\$ 10,341,272
Expenditures For On-Behalf Payments	<u>796,126</u>	<u>796,126</u>	<u>1,558,089</u>
Total Expenditures	\$ <u>12,270,835</u>	\$ <u>11,547,816</u>	\$ <u>11,899,361</u>



NIPPERSINK SCHOOL DISTRICT NO. 2  
 OPERATIONS AND MAINTENANCE ACCOUNT  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues</b>			
Local Sources			
Property Taxes	\$ 1,504,604	\$ 1,510,890	\$ 1,501,419
Earnings on Investments	15,000	5,500	2,162
Rentals	4,000	4,025	---
Other	---	---	22,861
Total Local Sources	<u>\$ 1,523,604</u>	<u>\$ 1,520,415</u>	<u>\$ 1,526,442</u>
State Sources			
Grants	\$ ---	\$ ---	\$ 7,481
Total Revenues	<u>\$ 1,523,604</u>	<u>\$ 1,520,415</u>	<u>\$ 1,533,923</u>
<b>Expenditures</b>			
Support Services			
Facilities Acquisition			
Purchased Services	\$ 230,556	\$ 230,556	\$ 230,632
Operation and Maintenance of Plant			
Salaries	175,013	179,013	180,028
Employee Benefits	27,300	27,300	26,598
Purchased Services	235,860	372,610	304,201
Supplies and Materials	436,450	416,650	443,362
Capital Outlay	38,000	8,000	18,444
Other Objects	44,710	44,710	---
Payments to Other Governments			
Purchased Services	55,000	55,000	48,349
Total Expenditures	<u>\$ 1,242,889</u>	<u>\$ 1,333,839</u>	<u>\$ 1,251,614</u>
Excess or (Deficiency) of Revenues Over Expenditures	<u>\$ 280,715</u>	<u>\$ 186,576</u>	<u>\$ 282,309</u>
<b>Other Financing Sources (Uses)</b>			
Transfer From Other Funds	\$ 35,000	\$ 35,000	\$ 35,000
Transfer To Other Funds	---	---	(44,710)
Total Other Financing Sources (Uses)	<u>\$ 35,000</u>	<u>\$ 35,000</u>	<u>\$ (9,710)</u>
Excess or (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	<u>\$ 315,715</u>	<u>\$ 221,576</u>	<u>\$ 272,599</u>
Fund Balances - July 1, 2009			<u>85,410</u>
Fund Balances - June 30, 2010			<u>\$ 358,009</u>

NIPPERSINK SCHOOL DISTRICT NO. 2

TRANSPORTATION FUND

SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues</b>			
Local Sources			
Property Taxes	\$ 297,647	\$ 293,983	\$ 297,017
Earnings on Investments	10,450	1,600	1,372
Other Local Fees	---	5	---
Transportation Fees	<u>5,500</u>	<u>3,000</u>	<u>1,930</u>
Total Local Sources	\$ <u>313,597</u>	\$ <u>298,588</u>	\$ <u>300,319</u>
State Sources			
Regular	\$ 496,840	\$ 372,595	\$ 636,601
Special Education	<u>200,000</u>	<u>137,370</u>	<u>151,968</u>
Total State Sources	\$ <u>696,840</u>	\$ <u>509,965</u>	\$ <u>788,569</u>
Total Revenues	\$ <u>1,010,437</u>	\$ <u>808,553</u>	\$ <u>1,088,888</u>
<b>Expenditures</b>			
Support Services			
Pupil Transportation			
Salaries	\$ 1,028,472	\$ 1,028,472	\$ 975,188
Purchased Services	<u>4,200</u>	<u>4,600</u>	<u>4,600</u>
Total Expenditures	\$ <u>1,032,672</u>	\$ <u>1,033,072</u>	\$ <u>979,788</u>
Excess or (Deficiency) of			
Revenues Over Expenditures	\$ <u>(22,235)</u>	\$ <u>(224,519)</u>	\$ 109,100
Fund Balances - July 1, 2009			<u>331,558</u>
Fund Balances - June 30, 2010			\$ <u>440,658</u>

NIPPERSINK SCHOOL DISTRICT NO. 2

IMRF/SOCIAL SECURITY FUND

SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues</b>			
Local Sources			
Property Taxes	\$ 390,491	\$ 385,086	\$ 205,729
Social Security/Medicare Taxes	---	---	183,935
Corporate Personal Property Replacement Taxes	35,174	35,174	29,206
Other Local Fees	---	6	---
Earnings on Investments	<u>10,000</u>	<u>3,000</u>	<u>2,518</u>
Total Revenues	\$ <u>435,665</u>	\$ <u>423,266</u>	\$ <u>421,388</u>
<b>Expenditures</b>			
Instruction			
Regular Programs	\$ 68,122	\$ 68,491	\$ 66,528
Special Education	44,900	48,100	48,254
Interscholastic	1,330	1,405	874
Summer School	700	700	1,585
Gifted	1,050	950	---
Support Services			
Pupils	23,215	26,165	29,228
Instructional Staff	12,153	13,353	11,736
General Administration	11,750	11,750	11,149
School Administration	37,300	37,000	34,583
Business	73,975	73,975	70,856
Central	<u>10,700</u>	<u>10,700</u>	<u>10,439</u>
Total Expenditures	\$ <u>285,195</u>	\$ <u>292,589</u>	\$ <u>285,232</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ <u>150,470</u>	\$ <u>130,677</u>	\$ 136,156
Fund Balances - July 1, 2009			<u>424,280</u>
Fund Balances - June 30, 2010			\$ <u>560,436</u>

NIPPERSINK SCHOOL DISTRICT NO. 2

DEBT SERVICE FUND

BOND AND INTEREST FUND

SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues</b>			
Local Sources			
Earnings on Investments	\$ <u>300</u>	\$ <u>60</u>	\$ <u>54</u>
<b>Expenditures</b>			
Debt Service			
Interest	\$ 13,984	\$ 13,984	\$ 13,984
Principal	60,000	60,000	65,000
Other	<u>---</u>	<u>75,000</u>	<u>57,167</u>
Total Expenditures	\$ <u>73,984</u>	\$ <u>148,984</u>	\$ <u>136,151</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ <u>(73,684)</u>	\$ <u>(148,924)</u>	\$ <u>(136,097)</u>
<b>Other Financing Sources (Uses)</b>			
Transfer From Other Funds	\$ 38,984	\$ 38,984	\$ 131,151
Transfer To Other Funds	<u>---</u>	<u>---</u>	<u>(35,000)</u>
Total Other Financing Sources (Uses)	\$ <u>38,984</u>	\$ <u>38,984</u>	\$ <u>96,151</u>
Excess or (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	\$ <u>(34,700)</u>	\$ <u>(109,940)</u>	\$ (39,946)
Fund Balances - July 1, 2009			<u>38,145</u>
Fund Balances - June 30, 2010			\$ <u>(1,801)</u>

NIPPERSINK SCHOOL DISTRICT NO. 2

CAPITAL PROJECTS FUND

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Site and Construction</u>	<u>Fire Prevention and Safety</u>	<u>Total</u>
<b>Revenues</b>			
Local Sources	\$ <u>105,601</u>	\$ <u>87,794</u>	\$ <u>193,395</u>
<b>Expenditures</b>			
Other Support Services			
Capital Outlay	\$ 299,327	\$ ---	\$ 299,327
Other Objects	<u>27,211</u>	<u>---</u>	<u>27,211</u>
Total Expenditures	\$ <u>326,538</u>	\$ <u>---</u>	\$ <u>326,538</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ (220,937)	\$ 87,794	\$ (133,143)
<b>Other Financing Sources (Uses)</b>			
Transfers To Other Funds	<u>(29,274)</u>	<u>---</u>	<u>(29,274)</u>
Excess or (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	\$ (250,211)	\$ 87,794	\$ (162,417)
Fund Balances - July 1, 2009	<u>3,019,236</u>	<u>295,282</u>	<u>3,314,518</u>
Fund Balance - June 30, 2010	\$ <u>2,769,025</u>	\$ <u>383,076</u>	\$ <u>3,152,101</u>

NIPPERSINK SCHOOL DISTRICT NO. 2  
 SITE AND CONSTRUCTION ACCOUNT  
 STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues</b>			
Local Sources			
Earnings on Investments	\$ 60,000	\$ 45,000	\$ 15,065
Contributions, Donations and Fees	<u>75,000</u>	<u>75,000</u>	<u>90,536</u>
Total Revenues	\$ <u>135,000</u>	\$ <u>120,000</u>	\$ <u>105,601</u>
<b>Expenditures</b>			
Support Services			
Other Support Services			
Capital Outlay	\$ 450,000	\$ 450,000	\$ 299,327
Other Objects	<u>20,000</u>	<u>30,000</u>	<u>27,211</u>
Total Expenditures	\$ <u>470,000</u>	\$ <u>480,000</u>	\$ <u>326,538</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ (335,000)	\$ (360,000)	\$ (220,937)
<b>Other Financing Sources (Uses)</b>			
Transfers To Other Funds	<u>(29,274)</u>	<u>(29,274)</u>	<u>(29,274)</u>
Excess or (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	\$ <u>(364,274)</u>	\$ <u>(389,274)</u>	\$ (250,211)
Fund Balances - July 1, 2009			<u>3,019,236</u>
Fund Balance - June 30, 2010			\$ <u>2,769,025</u>

NIPPERSINK SCHOOL DISTRICT NO. 2  
 FIRE PREVENTION AND SAFETY ACCOUNT  
 STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues</b>			
Local Sources			
Property Taxes	\$ 86,021	\$ 85,429	\$ 85,840
Other Local Fees	---	2	---
Earnings on Investments	<u>4,000</u>	<u>1,500</u>	<u>1,954</u>
Total Revenues	\$ <u>90,021</u>	\$ <u>86,931</u>	\$ <u>87,794</u>
<b>Expenditures</b>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ <u>90,021</u>	\$ <u>86,931</u>	\$ 87,794
Fund Balances - July 1, 2009			<u>295,282</u>
Fund Balance - June 30, 2010			\$ <u>383,076</u>

NIPPERSINK SCHOOL DISTRICT NO. 2

TORT IMMUNITY FUND

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues</b>			
Local Sources			
Property Taxes	\$ 121,517	\$ 120,350	\$ 121,260
Other Local Sources	---	2	2,638
Earnings on Investments	<u>50</u>	<u>50</u>	<u>8</u>
Total Revenues	\$ <u>121,567</u>	\$ <u>120,402</u>	\$ <u>123,906</u>
<b>Expenditures</b>			
Support Services			
Purchased Services	\$ <u>106,556</u>	\$ <u>124,200</u>	\$ <u>113,410</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ <u>15,011</u>	\$ <u>(3,798)</u>	\$ 10,496
Fund Balances - July 1, 2009			<u>(45,145)</u>
Fund Balance - June 30, 2010			\$ <u>(34,649)</u>



NIPPERSINK SCHOOL DISTRICT NO. 2

WORKING CASH FUND

SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues</b>			
Local Sources			
Property Taxes	\$ 103,310	\$ 105,163	\$ 103,091
Other Local Fees	---	2	---
Earnings on Investments	<u>15,000</u>	<u>6,500</u>	<u>2,225</u>
Total Revenues	\$ <u>118,310</u>	\$ <u>111,665</u>	\$ <u>105,316</u>
<b>Expenditures</b>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ <u>118,310</u>	\$ <u>111,665</u>	\$ 105,316
Fund Balances - July 1, 2009			<u>550,346</u>
Fund Balances - June 30, 2010			\$ <u>655,662</u>

## **SUPPLEMENTARY SCHEDULES**

NIPPERSINK SCHOOL DISTRICT NO. 2  
STUDENT ACTIVITY FUNDS  
SUMMARY OF RECEIPTS AND DISBURSEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

	Balance <u>July 1, 2009</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance <u>June 30, 2010</u>
<b>Richmond Grade School</b>				
Angel Fund	\$ (768)	\$ 3,557	\$ 2,867	\$ (78)
Field Trips	3,941	16,395	16,523	3,813
Flowers	22	2,095	2,100	17
Kindergarten Circus	93	---	---	93
Library	2,921	103,538	105,434	1,025
Music	283	483	447	319
Pop Fund	153	1,025	815	363
Student Activities	534	8,408	8,894	48
Student Council	467	983	1,324	126
Teacher Pictures	1,102	4,074	4,825	351
Yearbook/Newspaper	647	4,227	4,170	704
	<u>\$ 9,395</u>	<u>\$ 144,785</u>	<u>\$ 147,399</u>	<u>\$ 6,781</u>
<b>Spring Grove School</b>				
Art	\$ 468	\$ 716	\$ 322	\$ 862
Library	1,650	9,880	11,396	134
Drama	1,117	1,605	372	2,350
Music	687	690	1,232	145
Quest	17	---	---	17
Field Trips	1,026	5,933	6,689	270
Recycling	77	---	---	77
Student Pictures	11,864	5,692	5,503	12,053
Science	(73)	---	---	(73)
Special Ed	---	---	54	(54)
Vending	386	1,057	1,095	348
Nippersink Foundation	137	155	155	137
	<u>\$ 17,356</u>	<u>\$ 25,728</u>	<u>\$ 26,818</u>	<u>\$ 16,266</u>
<b>Nippersink Middle School</b>				
Athletics	\$ 8,159	\$ 640	\$ 7,833	\$ 966
Butter Bread	8,362	21,919	19,950	10,331
Eco Club	1,312	---	---	1,312
District	11	---	---	11
Donations	6,566	1,200	7,873	(107)
Teachers' Vending	203	2,199	2,303	99
Bank Charges	(564)	---	3	(567)
Eighth Grade	6,350	40,463	40,714	6,099
Future Problem Solvers	6,777	20,427	26,403	801
Library	1,346	5,647	5,827	1,166
Music	---	18,591	9,416	9,175
P.E. Uniforms	7,984	8,283	14,042	2,225
Peer Helpers	11	1,382	928	465
Science Fees	849	---	849	---
Social	327	2,652	2,802	177
Student Council	6,009	9,988	10,219	5,778
Textbooks	889	485	---	1,374
Vending	(7,488)	49,600	44,204	(2,092)
Unallocated Interest	6,105	286	---	6,391
Yearbook	8,873	12,174	15,166	5,881
	<u>\$ 62,081</u>	<u>\$ 195,936</u>	<u>\$ 208,532</u>	<u>\$ 49,485</u>

NIPPERSINK SCHOOL DISTRICT NO. 2

STUDENT ACTIVITY FUNDS

SUMMARY OF RECEIPTS AND DISBURSEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>Parent-Teacher Organizations</b>				
Spring Grove School	\$ 16,758	\$ 49,204	\$ 62,546	\$ 3,416
Richmond Grade School	17,683	101,554	84,322	34,915
Nippersink Middle School	<u>13,028</u>	<u>27,336</u>	<u>31,410</u>	<u>8,954</u>
	\$ <u>47,469</u>	\$ <u>178,094</u>	\$ <u>178,278</u>	\$ <u>47,285</u>
 District Totals	 \$ <u><u>136,301</u></u>	 \$ <u><u>544,543</u></u>	 \$ <u><u>561,027</u></u>	 \$ <u><u>119,817</u></u>

NIPPERSINK SCHOOL DISTRICT NO. 2

SCHEDULE OF DEBT CERTIFICATES AND INTEREST PAYABLE

JUNE 30, 2010

**Series 2002 Land**

<b>Original Amount of Issue</b>	\$ 345,000
<b>Principal Payment Date</b>	
Principal	December 1
Interest	June 1 and December 1
<b>Interest Rates</b>	2% to 4.8%
<b>Type of Issue</b>	Land Acquisition
<b>Paying Agent</b>	Cole Taylor Bank

<u>Due in Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2011	\$ 20,000	\$ 8,211	\$ 28,211
2012	25,000	7,080	32,080
2013	25,000	5,880	30,880
2014	25,000	4,680	29,680
2015	30,000	3,480	33,480
2016	30,000	2,160	32,160
2017	<u>30,000</u>	<u>720</u>	<u>30,720</u>
<b>Total</b>	<b>\$ <u>185,000</u></b>	<b>\$ <u>32,211</u></b>	<b>\$ <u>217,211</u></b>

NIPPERSINK SCHOOL DISTRICT NO. 2

SCHEDULE OF DEBT CERTIFICATES AND INTEREST PAYABLE

JUNE 30, 2010

**Series 2002 Roof**

**Original Amount of Issue** \$ 375,000

**Principal Payment Date**  
 Principal December 1  
 Interest June 1 and December 1

**Interest Rates** 2.% to 4.8%

**Type of Issue** Roof Repairs

**Paying Agent** Cole Taylor Bank

Due in Fiscal Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2011	\$ 40,000	\$ 3,010	\$ 43,010
2012	<u>45,000</u>	<u>1,080</u>	<u>46,080</u>
Total	\$ <u><u>85,000</u></u>	\$ <u><u>4,090</u></u>	\$ <u><u>89,090</u></u>

NIPPERSINK SCHOOL DISTRICT NO. 2

COMPUTATION OF PER CAPITA TUITION CHARGE

FOR THE YEAR ENDED JUNE 30, 2010

<b>Total Expenditures</b>		
Educational Fund	\$ 10,341,272	
Operations and Maintenance Fund	1,251,614	
Transportation Fund	979,788	
Municipal Retirement Fund	285,232	
Tort Immunity	113,410	
Debt Service	<u>136,151</u>	\$ 13,107,467
<b>Less: Expenditures Not Applicable To</b>		
<b>Operating Expense of Regular Term</b>		
Summer School Programs	\$ 38,976	
Payments to Other Districts and Governmental Units	645,055	
Capital Outlay (Education and Building Funds)	206,833	
Lease/Purchase Principal Retired	<u>66,598</u>	<u>957,462</u>
Operating Expense of Regular Program		\$ 12,150,005
Average Daily Attendance	1,428.45	
Net Operating Expense Per Pupil	\$ <u>8,505.73</u>	
<b>Deductions For Computation of Tuition Charges</b>		
<b>(Revenue Offsetting Expense of a Special Activity)</b>		
State Transportation Aid	\$ 788,569	
Special Education	797,904	
District/School Activities	144,095	
Food Services	408,748	
Transportation Fees	1,930	
Textbooks	119,551	
State Grants-in-Aid	74,908	
Federal Grants-in-Aid	<u>103,730</u>	<u>2,439,435</u>
Net Operating Expenses For Tuition Computation		\$ 9,710,570
Add: Total Depreciation Allowance		<u>381,422</u>
Total Allowance For Tuition Computation		\$ <u>10,091,992</u>
Average Daily Attendance	1,428.45	
Per Capita Tuition Charge	\$ <u>7,064.99</u>	

**Note:** The above amounts have been derived from the Annual Financial Report which District No. 2 files with the Illinois State Board of Education. Certain amounts have been reclassified for purposes of the audited financial statements.

# **FEDERAL COMPLIANCE REPORT**



MILBURN CAIN & CO.  
A PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS  
4237 GROVE AVENUE  
GURNEE, ILLINOIS 60031  
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

Board of Education  
Nippersink School District No. 2  
Richmond, Illinois

We have audited the financial statements of Nippersink School District No. 2 as of and for the year ended June 30, 2010, and have issued our report thereon dated August 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

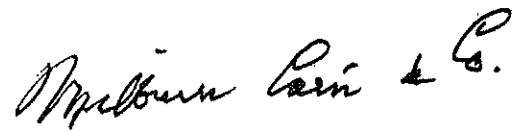
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

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

This report is intended solely for the information and use of management, others within Nippersink School District No. 2, Board of Education, the Illinois State Board of Education, and federal awarding agencies and pass-through entities, and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Milburn Cain & Co." in a cursive script.

MILBURN CAIN & CO.  
Certified Public Accountants

Gurnee, Illinois  
August 23, 2010