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NIPPERSINK SCHOOL DISTRICT NO. 2

McHENRY COUNTY, ILLINOIS

AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NIPPERSINK SCHOOL DISTRICT NO. 2

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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, 2011, 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.

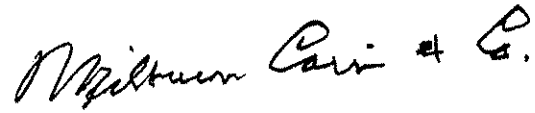
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2011, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2011 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 59 and 60. 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 40-53 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 54-58 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 black ink that reads "Milburn Cain & Co." with a stylized flourish at the end.

MILBURN CAIN & CO.
Certified Public Accountants

Gurnee, Illinois
September 15, 2011

REQUIRED SUPPLEMENTARY INFORMATION

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

JUNE 30, 2011

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, 2011. The information presented here should be considered in conjunction with the financial statements presented elsewhere in this report.

This discussion and analysis is designed to:

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

Since Management's Discussion and Analysis (M D & A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the District's financial statements beginning on page 12.

Financial Highlights

- The District's net assets increased \$1,799,000 for the year.
- Nippersink reduced its long-term debt and contracts payable by \$66,000.
- The District's fund balances (as shown on the fund financial statements) were increased by \$1,580,000.

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 20-37 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 39-53 of this report.

Financial Analysis of the District as a Whole

Net Assets - Nippersink's net assets were \$1.8 million larger at June 30, 2011 than they were the year before, increasing by 10.2% to \$19.5 million. The following table presents a summary of the District's net assets at year-end:

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

	Amount (In Millions)	
	2011	2010
Assets		
Current and Other Assets	\$ 21.6	\$ 19.4
Capital Assets (Net)	11.0	10.9
Total Assets	\$ 32.6	\$ 30.3
Liabilities		
Long-term Debt Outstanding	\$.2	\$.3
Other Liabilities	12.9	12.3
Total Liabilities	\$ 13.1	\$ 12.6
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 10.8	\$ 10.6
Restricted	4.8	4.1
Unassigned	3.9	3.0
Total Net Assets	\$ 19.5	\$ 17.7

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 \$.6 million in new capital assets.
- Depreciation expense of almost \$.4 million was charged against income.

Changes in Net Assets - The District's total revenues for the fiscal year ended June 30, 2011 were \$16.4 million. The total cost of all programs and services were \$14.6 million. Revenues exceeded expenses, increasing net assets by \$1.8 million. Operating and capital grants and charges for governmental activities totaled \$4.0 million. The following table presents a summary of changes in net assets for the fiscal year ended June 30, 2011 and 2010:

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

	Governmental Activities (In Millions)	
	2011	2010
	Revenue	
Program Revenues		
Charges for Services	\$.6	\$.6
Operating Grants and Contributions	3.3	3.4
Capital Grants and Contributions	.1	.1
General Revenue		
Taxes and Interest	11.7	11.5
Federal and State Aid - Formula Grants	.7	1.0
Total Revenue (In Millions)	\$ 16.4	\$ 16.6
Expenses		
Instruction	\$ 8.4	\$ 8.4
Pupil and Instructional Services	.9	1.1
Administration and Business	2.0	1.9
Central	.2	.4
Maintenance and Operations	1.2	1.2
Transportation	.9	1.0
Facilities Acquisition and Construction	.2	.2
Other and Payments to Other Districts and Governments	.7	.6
Interest and Fees	.1	.1
Total Expenses (In Millions)	\$ 14.6	\$ 14.9
Change in Net Assets	\$ 1.8	\$ 1.7
Net Assets		
July 1	17.7	16.0
June 30	\$ 19.5	\$ 17.7

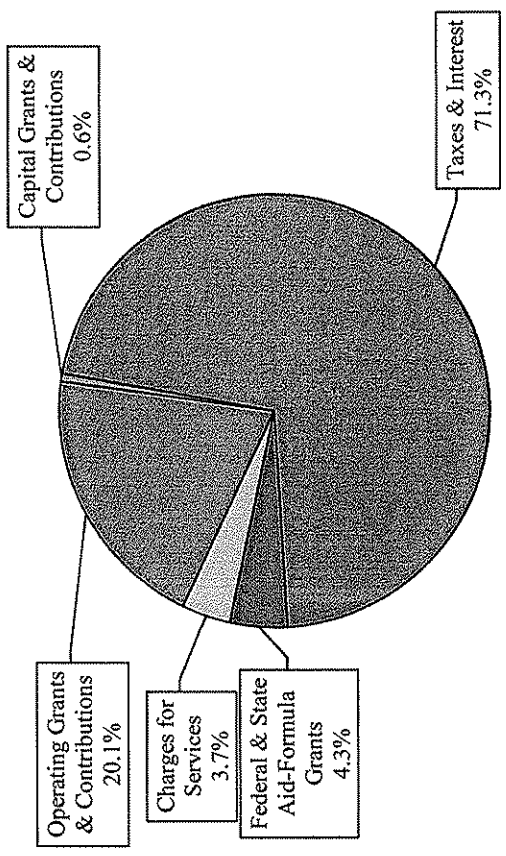
Summary and Highlights

- Total revenues decreased \$.2 million while total expense decreased \$.3 million as compared to the previous year.
- Net assets increased \$1.8 million as compared to a \$1.7 million increase last year.

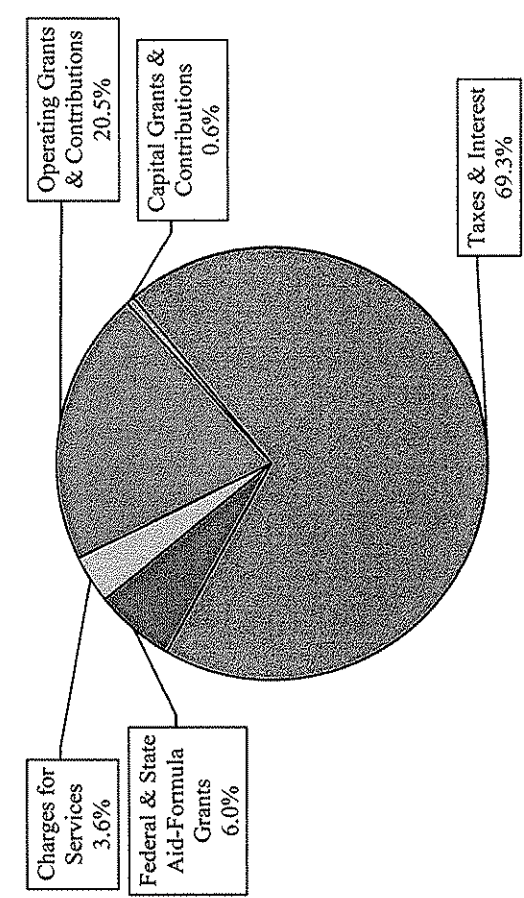
The charts which appear on the following page provide a comparative display of the composition of revenues and expenses as a percentage of the total for 2011 and 2010:

Nippersink School District #2

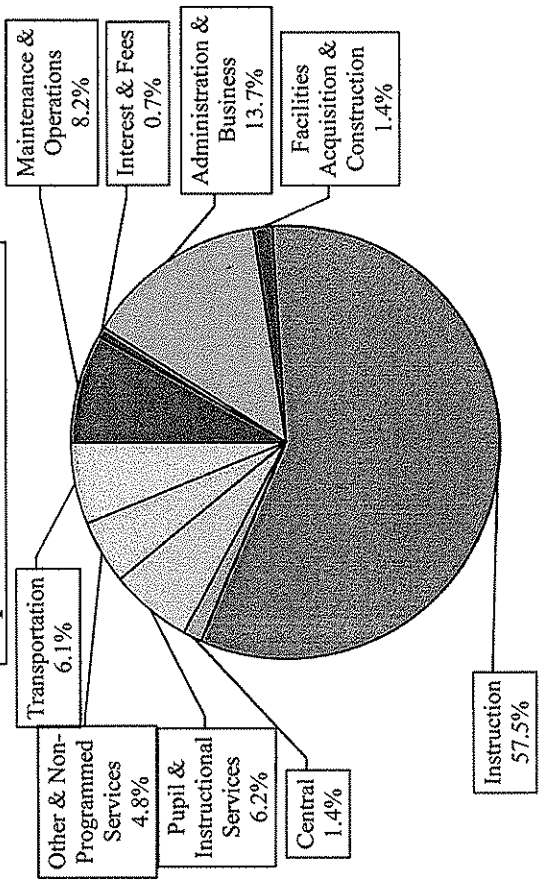
Revenue for Fiscal Year 2011



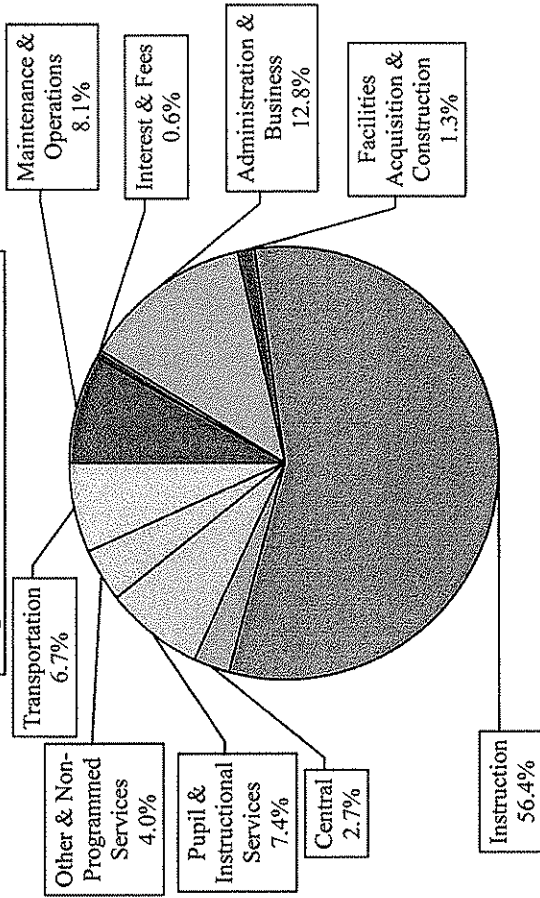
Revenue for Fiscal Year 2010



Expenses for Fiscal Year 2011



Expenses for Fiscal Year 2010



Net Cost of Governmental Activities - The following schedule presents the cost of five major and all other District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation and all other costs 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.

	<u>2011</u>		<u>2010</u>	
	<u>Total Cost</u>	<u>Net Cost</u>	<u>Total Cost</u>	<u>Net Cost</u>
Instruction	8.4	5.6	8.4	5.8
Pupil and Instructional Services	.9	.7	1.1	.8
Administration and Business	2.0	1.5	1.9	1.5
Maintenance and Operations	1.2	1.2	1.2	1.2
Transportation	.9	.5	1.0	.2
All Other	<u>1.2</u>	<u>1.2</u>	<u>1.3</u>	<u>1.3</u>
Total Cost (In Millions)	<u>14.6</u>	<u>10.7</u>	<u>14.9</u>	<u>10.8</u>

Summary and Highlights

- The cost of all governmental activities for the year was \$14.6 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 \$3.3 million which includes \$1.5 million in state on-behalf payments paid directly to TRS.
- Most of the costs (\$11.7 million) however, were paid by the District's taxpayers.
- Replacement taxes, investment earnings, and federal and state aid-formula grants totaled \$.8 million.

Financial Analysis of the District's Funds

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 \$16.4, which is \$.2 million more than the amount posted last year. Total expenditures were \$14.8 million compared to \$15.0 million a year ago, decreasing by \$.2 million, or 1.3%. 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 \$8.7 million at year-end.

Educational Account (Pages 40-44) - Property taxes produced \$9.0 million in revenue for the Educational Account during fiscal 2011, or 68.2% of all of the fund's revenue. State sources accounted for 21.2% of revenue at \$2.8 million, including \$1.5 million in on-behalf pension payments. Without the on-behalf pension payments, state revenues were \$1.3 million, accounting for 9.9% 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 \$.7 million, or 5.3% of total revenue. Thus, property taxes and other local revenues combined accounted for \$9.7 million, or more than 73.5% of Educational Account revenues.

Total Educational Account expenditures were \$11.8 million, which is \$.1 million less than the amount posted last year. Of the \$11.8 million, \$8.2 million, or 69.5%, was used for direct instruction and teachers' pensions; \$3.0 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 \$13.2 million, the expenditures of \$11.8 million, the Educational Account posted an excess of revenues over expenditures of \$1.4 million. The fund balance increased for the year to \$3.3 million.

Operations and Maintenance Account (Page 45) - As with the Educational Account, the Operations and Maintenance Account's largest source of revenue comes from property taxes which account for \$1,671,000 out of total fund revenues of \$1,678,000, or 99.6% of total fund revenue. Other local revenue sources account for \$7,200, or .4%. The total revenue of \$1,678,000 is \$144,000 more than the amount that was posted last year. The increase is due to higher property taxes.

Total expenditures of \$1,130,000 were \$122,000 less than prior year expenditures of \$1,252,000. Revenues exceeded expenditures by \$548,000, increasing the fund balance to \$906,000.

Transportation Fund (Page 46) - Expenditures for transportation exceeded revenues by \$226,000. Local sources accounted for \$295,000, or 40.4% of total revenue while state sources accounted for \$435,000, or 59.6%.

Total expenditures of \$956,000 for 2011 is \$24,000 lower than the 2010 total, primarily due to a decrease in purchased services.

The net result for the year is that the fund balance was decreased by \$226,000 to \$215,000 at the end of 2011. This decrease is due to reduced funding from state sources.

IMRF/Social Security Fund (Page 47) - IMRF/Social Security Fund revenues for 2011 were \$408,000 compared to \$421,000 in 2010. Expenditures of \$283,000 were \$2,000 less than the 2010 cost of \$285,000. The fund received \$125,000 more than it spent, increasing its fund balance to \$686,000 at June 30, 2011.

Debt Service - Bond and Interest Fund (Page 48) - Debt service funds are intended to be self-liquidating. This means that over time, revenues received from taxes should equal required expenditures. Except for timing differences where taxes are collected prior to required disbursements, the theory says there should be no accumulation of fund balances. However, accumulations do often occur when tax collections are higher than expected or when interest earnings are retained in the fund. Because of the revenue timing differences, however, analysis of annual operating results is generally not useful for the reader.

For 2011, the District's Bond and Interest Fund had no revenues and there were \$145,000 in expenditures. The net result for the year is the fund balance decreased to a deficit of \$147,000.

Site and Construction Account (Page 50) - Revenues of \$73,000 were comprised of investment earnings of \$12,000 and contributions and donations of \$61,000. Revenues were \$33,000 less than the previous year's total of \$106,000 due mainly to a decrease in contributions and donations.

Expenditures of \$329,000 were \$2,000 less than the previous year's total of \$327,000. Thus, the fund decreased its fund balance by \$256,000 to \$2,514,000.

Fire Prevention and Safety Account (Page 51) - The account had revenues of \$85,700, consisting of interest income of \$1,200 and property taxes of \$84,500, and had expenditures of \$1,200, resulting in a fund balance increase of \$84,500 to \$467,600.

Tort Immunity Fund (Page 52) - Revenues totaled \$163,000, consisting mainly of property taxes. Total expenditures were \$140,000. At year-end, the fund balance deficit was reduced to \$12,200.

Working Cash Fund (Page 53) - The Working Cash Fund revenues totaled \$64,000. There were no expenditures so its fund balance increased \$64,000 to \$720,000.

General Fund Budgetary Highlights (Page 40-44) - The District budgeted general fund expenditures to total \$12.2 million. Net results of operations were expected to result in a general fund increase in fund balance of \$1.0 million. Actual results for the year produced a fund balance increase of \$1.4 million.

Total actual revenues of \$13.2 million were \$.1 million less than the total budgeted revenues of \$13.3 million. Total expenditures for the General Fund of \$11.8 million were \$.4 million lower than budgeted expenditures due mainly to lower than expected charges for non-programmed charges.

Capital Asset and Debt Administration

Capital Assets - At June 30, 2011, Nippersink's net capital assets totaled \$11,045,000 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 \$553,000 in additions to its capital assets. The following schedule presents capital asset balances net of depreciation at June 30, 2011 rounded to the nearest \$1,000:

Land	\$ 792,000
Buildings	9,632,000
Improvements Other Than Buildings	17,000
Equipment	601,000
Food Service Equipment	<u>3,000</u>
 Totals	 \$ <u>11,045,000</u>

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

Debt Certificates	\$ <u>205,000</u>
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Summary and Highlights

- Concerted efforts by management to control costs and an increase in revenues resulted in a current year increase of \$1.8 million in net assets.
- Property taxes continue to be the District's largest single source of revenues at \$11.6 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 \$4.0 million in revenue which included \$1.5 million in State on-behalf payments. Thus, almost 75% of revenue comes from local sources.
- The District added \$553,000 in capital assets.
- The District reduced its long-term debt and contracts payable by \$66,000.

Factors Bearing on the District's Future

Nippersink's population has increased over the last several years due to home construction activity in the Richmond and Spring Grove areas. This has placed increasing demands on the District's educational facilities and programs with this 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, 2011

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$ 14,852,970
Receivables	
Property Taxes	6,098,467
Due From Other Governments	515,370
Interest	5,844
Other	77,212
Capital Assets	
Land	791,988
Depreciable Buildings, Property and Equipment, Net	<u>10,252,679</u>
Total Assets	<u>\$ 32,594,530</u>
Liabilities	
Accounts Payable	\$ 124,725
Salaries and Wages Payable	871,359
Deferred Revenue	11,877,089
Non-current Liabilities	
Due Within One Year	65,000
Due in More Than One Year	<u>140,000</u>
Total Liabilities	<u>\$ 13,078,173</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	\$ 10,839,667
Restricted	
Transportation	215,052
IMRF and Social Security	685,707
Operations and Maintenance	905,621
Capital Projects	2,981,356
Unrestricted	<u>3,888,954</u>
Total Net Assets	<u>\$ 19,516,357</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, 2011

		Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction					
Regular Programs	\$ 5,528,422	\$ 101,560	\$ 68,304	\$ ---	\$ (5,358,558)
Special Education Programs	1,240,417	---	1,066,866	---	(173,551)
Interscholastic Programs	143,791	84,855	---	---	(58,936)
State Retirement Contributions	1,541,907	---	1,541,907	---	---
Support Services					
Pupils	493,834	---	183,775	---	(310,059)
Instructional Staff	375,259	---	---	---	(375,259)
General Administration	639,397	6,701	---	---	(632,696)
School Administration	816,372	---	---	---	(816,372)
Business	513,188	373,330	---	---	(139,858)
Central	233,712	---	---	---	(233,712)
Facilities Acquisition and Construction	176,674	---	---	61,423	(115,251)
Operations and Maintenance	1,191,553	2,199	6,113	---	(1,183,241)
Transportation	955,785	728	435,324	---	(519,733)
Other	15,723	---	---	---	(15,723)
Non-Programmed Charges	662,198	---	---	---	(662,198)
Interest and Fees	80,058	---	---	---	(80,058)
Total Governmental Activities	\$ <u>14,608,290</u>	\$ <u>569,373</u>	\$ <u>3,302,289</u>	\$ <u>61,423</u>	\$ <u>(10,675,205)</u>
General Revenues					
Taxes					
Real Estate Taxes, Levied for General Purposes					\$ 11,630,026
Personal Property Replacement Taxes					122,628
State and Federal Aid - Formula Grants					689,626
Investment Earnings					<u>31,961</u>
					\$ <u>12,474,241</u>
Change in Net Assets					\$ 1,799,036
Net Assets - July 1, 2010					<u>17,717,321</u>
Net Assets - June 30, 2011					\$ <u>19,516,357</u>

See Accompanying Notes to Financial Statements.

NIPPERSINK SCHOOL DISTRICT NO. 2
 FUND FINANCIAL STATEMENTS
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2011

Assets	General	Operations and Maintenance	Transportation	IMRF/Social Security	Debt Service	Capital Projects	Working Cash	Tort Immunity	Total
Cash and Cash Equivalents	\$ 8,338,568	\$ 1,718,940	\$ 220,121	\$ 782,149	\$ ---	\$ 2,977,487	\$ 750,716	\$ 64,989	\$ 14,852,970
Receivables									
Property Taxes	4,771,401	890,560	223,270	100,349	---	---	32,611	80,276	6,098,467
Due From Other Governments	296,862	---	218,508	---	---	---	---	---	515,370
Interest	703	258	384	205	---	3,869	425	---	5,844
Other	77,212	---	---	---	---	---	---	---	77,212
Due From Other Funds	146,859	---	---	---	---	---	---	---	146,859
Total Assets	\$ 13,631,605	\$ 2,609,758	\$ 662,283	\$ 882,703	\$ ---	\$ 2,981,356	\$ 783,752	\$ 145,265	\$ 21,696,722

Liabilities and Fund Balances

Liabilities									
Accounts Payable	\$ 74,851	\$ 40,288	\$ 9,380	\$ 206	\$ ---	\$ ---	\$ ---	\$ ---	\$ 124,725
Accrued Salaries	871,359	---	---	---	---	---	---	---	871,359
Deferred Revenue	9,357,208	1,663,849	437,851	196,790	---	---	63,957	157,434	11,877,089
Due To Other Funds	---	---	---	---	146,859	---	---	---	146,859
Total Liabilities	\$ 10,303,418	\$ 1,704,137	\$ 447,231	\$ 196,996	\$ 146,859	\$ ---	\$ 63,957	\$ 157,434	\$ 13,020,032

Fund Balances

Fund Balance									
Restricted									
For Operations and Maintenance	\$ ---	\$ 898,387	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 898,387
For Transportation	---	---	214,499	---	---	---	---	---	214,499
For IMRF/Social Security	---	---	---	684,784	---	---	---	---	684,784
Assigned									
For Operations and Maintenance	---	7,234	---	---	---	---	---	---	7,234
For Transportation	---	---	553	---	---	---	---	---	553
For IMRF/Social Security	---	---	---	923	---	---	---	---	923
For Capital Projects	---	---	---	---	---	2,981,356	---	---	2,981,356
Undesignated	3,328,187	---	---	---	(146,859)	---	719,795	(12,169)	3,888,954
Total Fund Balances	\$ 3,328,187	\$ 905,621	\$ 215,052	\$ 685,707	\$ (146,859)	\$ 2,981,356	\$ 719,795	\$ (12,169)	\$ 8,676,690
Total Liabilities and Fund Balances	\$ 13,631,605	\$ 2,609,758	\$ 662,283	\$ 882,703	\$ ---	\$ 2,981,356	\$ 783,752	\$ 145,265	\$ 21,696,722

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, 2011

Total Fund Balances - Governmental Funds \$ 8,676,690

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	\$ 16,573,933	
Depreciation Expense to Date	<u>(5,529,266)</u>	11,044,667

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, 2011 are:

Debt Certificates Payable		<u>(205,000)</u>
---------------------------	--	------------------

Net Assets of Governmental Activities \$ 19,516,357

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, 2011

	General	Operations and Maintenance	Transportation	IMRF/Social Security	Debt Service	Capital Projects	Working Cash	Tort Immunity	Total
Revenues									
Property Taxes	\$ 8,983,396	\$ 1,670,691	\$ 293,673	\$ 379,586	\$ ---	\$ 84,492	\$ 62,079	\$ 156,109	\$ 11,630,026
Replacement Taxes	94,674	---	---	27,954	---	---	---	---	122,628
Interest	10,375	5,034	454	925	---	13,112	2,054	7	31,961
Other Local Sources	574,770	2,199	728	---	---	61,423	---	6,701	645,821
State Aid	2,841,837	---	435,324	---	---	---	---	---	3,277,161
Federal Aid	699,729	---	---	---	---	---	---	---	699,729
Total Revenues	\$ 13,204,781	\$ 1,677,924	\$ 730,179	\$ 408,465	\$ ---	\$ 159,027	\$ 64,133	\$ 162,817	\$ 16,407,326
Expenditures									
Current									
Instruction									
Regular Programs	\$ 5,356,615	\$ ---	\$ ---	\$ 66,161	\$ ---	\$ ---	\$ ---	\$ ---	\$ 5,422,776
Special Programs	1,190,060	---	---	50,357	---	---	---	---	1,240,417
Other Instructional Programs	141,029	---	---	2,762	---	---	---	---	143,791
State Retirement Contributions	1,541,907	---	---	---	---	---	---	---	1,541,907
Support Services									
Pupils	465,355	---	---	28,479	---	---	---	---	493,834
Instructional Staff	499,786	---	---	11,801	---	---	---	---	511,587
General Administration	488,179	---	---	11,737	---	---	140,337	---	640,253
School Administration	781,975	---	---	34,397	---	---	---	---	816,372
Business	446,283	---	---	66,635	---	---	---	---	512,918
Central	313,829	---	---	10,865	---	---	---	---	324,694
Transportation	---	---	955,785	---	---	---	---	---	955,785
Operations and Maintenance	---	910,827	---	---	---	---	---	---	910,827
Facilities Acquisition and Construction	---	175,463	---	---	---	314,048	---	---	489,511
Other	---	---	---	---	---	15,723	---	---	15,723
Payments and Other Districts and Government	618,176	44,022	---	---	---	---	---	---	662,198
Debt Service									
Principal	---	---	---	---	65,000	---	---	---	65,000
Interest and Other	---	---	---	---	80,058	---	---	---	80,058
Total Expenditures	\$ 11,843,194	\$ 1,130,312	\$ 955,785	\$ 283,194	\$ 145,058	\$ 329,771	\$ ---	\$ 140,337	\$ 14,827,651

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, 2011
 (continued)

	General	Operations and Maintenance	Transportation	IMRF/Social Security	Debt Service	Capital Projects	Working Cash	Tort Immunity	Total
Excess or (Deficiency) of Revenues Over Expenditures	\$ 1,361,587	\$ 547,612	\$ (225,606)	\$ 125,271	\$ (145,058)	\$ (170,744)	\$ 64,133	\$ 22,480	\$ 1,579,675
Fund Balances - July 1, 2010	<u>1,966,600</u>	<u>358,009</u>	<u>440,658</u>	<u>560,436</u>	<u>(1,801)</u>	<u>3,152,100</u>	<u>655,662</u>	<u>(34,649)</u>	<u>7,097,015</u>
Fund Balances - June 30, 2011	<u>\$ 3,328,187</u>	<u>\$ 905,621</u>	<u>\$ 215,052</u>	<u>\$ 685,707</u>	<u>\$ (146,859)</u>	<u>\$ 2,981,356</u>	<u>\$ 719,795</u>	<u>\$ (12,169)</u>	<u>\$ 8,676,690</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, 2011

Net Change in Fund Balances - Total Governmental Funds \$ 1,579,675

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	\$ (399,697)	
Capital Outlays	<u>553,203</u>	153,506

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. 65,855

Change in Net Assets of Governmental Activities \$ 1,799,036

See Accompanying Notes to Financial Statements.

NIPPERSINK SCHOOL DISTRICT NO. 2

FUND FINANCIAL STATEMENTS

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

FIDUCIARY FUNDS

JUNE 30, 2011

	<u>Student Activity Fund</u>
Assets	
Cash and Cash Equivalents	\$ <u>134,022</u>
Liabilities	
Due to Student Groups and PTO's	\$ <u>134,022</u>

See Accompanying Notes to Financial Statements.

NIPPERSINK SCHOOL DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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 2010-11 was adopted on September 28, 2010, and was not amended.

E. Assets, Liabilities and Net Assets or Equity

Investments

Investments are stated at cost which approximates fair value. Gains or losses are recognized when the investments either mature or are sold. Except for the Student Activity 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 2009 levy was passed by the Board on December 15, 2009. The 2010 levy was passed by the Board on December 14, 2010. 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	
		2010 Levy	2009 Levy
Educational	2.500	2.2003	1.9926
Tort Immunity	As Needed	.0377	.0352
Special Education	As Needed	.0389	.0362
Operations and Maintenance	.3750	.4179	.3587
Transportation	.1200	.1048	.0663
Fire Prevention/Safety	As Needed	---	.0191
Working Cash	.0500	.0153	.0140
Municipal Retirement	As Needed	.0235	.0447
Social Security	As Needed	<u>.0235</u>	<u>.0410</u>
Totals		<u>2.8619</u>	<u>2.6078</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	2010			2009
Assessed Valuation	\$ 420,406,803			\$ 438,894,311
	<u>Extensions</u>	<u>Collections</u>	<u>Extensions</u>	<u>Collections</u>
Purpose				
Educational	\$ 9,250,358	\$ 4,506,241	\$ 8,845,898	\$ 8,822,655
Tort Immunity	158,384	77,158	156,518	156,108
Special Education	163,332	79,567	161,072	160,645
Operations and Maintenance	1,757,027	855,925	1,592,229	1,588,038
Transportation	440,494	214,581	294,447	293,670
Fire Prevention/Safety	---	---	84,714	84,491
Working Cash	64,343	31,346	62,241	62,078
Municipal Retirement	98,989	48,221	198,479	197,955
Social Security	<u>98,989</u>	<u>48,221</u>	<u>182,107</u>	<u>181,627</u>
Totals	\$ <u>12,031,916</u>	\$ <u>5,861,260</u>	\$ <u>11,577,705</u>	\$ <u>11,547,267</u>
Percentage of Extensions Collected	48.71%			99.74%

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.

Government-Wide Fund Net Assets

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Governmental Fund Balances

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

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

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

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

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

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

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

Eliminations and Reclassifications

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

NOTE 2 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The District is allowed to invest in securities as authorized by Chapter 30, Sections 235/1 through 235/7; and Chapter 105 of the *Illinois Compiled Statutes*.

NOTES TO FINANCIAL STATEMENTS (continued)

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

A. Deposits and Investments (continued)

Deposits

At June 30, 2011, the carrying amount of the District's deposits was \$11,101,692 and the bank balance was \$11,235,248.

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Checking Accounts		
Imprest Fund	\$ 3,000	\$ 3,396
Deposited With Local Banks	68,093	67,832
Deposited with Illinois School District Liquid Asset Fund	10,896,577	11,026,490
Student Activity and PTO Accounts	<u>134,022</u>	<u>137,530</u>
	<u>\$ 11,101,692</u>	<u>\$ 11,235,248</u>

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

Investments

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

The District's total investments at June 30, 2011, amounted to \$3,885,300. This amount consisted of investments through the Illinois School District Liquid Asset Fund (ISDLAF) in certificates of deposit of \$3,885,300 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.

The following table summarizes the District's cash position:

Deposits	\$ 11,101,692
Investments	<u>3,885,300</u>
Total Cash	<u>\$ 14,986,992</u>

The cash position is comprised of the following:

Governmental Activities	\$ 14,852,970
Fiduciary Activities	<u>134,022</u>
	<u>\$ 14,986,992</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.

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.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 3 - CAPITAL ASSETS

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

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital Assets Not Being Depreciated:				
Land	\$ 791,988	\$ ---	\$ ---	\$ 791,988
Capital Assets Being Depreciated:				
Buildings	\$ 12,667,161	\$ 312,837	\$ ---	\$ 12,979,998
Improvements Other Than Buildings	114,723	---	---	114,723
Equipment	2,417,835	236,639	---	2,654,474
Food Service Equipment	29,023	3,727	---	32,750
Total Capital Assets Being Depreciated	\$ 15,228,742	\$ 553,203	\$ ---	\$ 15,781,945
Less: Accumulated Depreciation For:				
Buildings	\$ 3,088,964	\$ 259,600	\$ ---	\$ 3,348,564
Improvements Other Than Buildings	92,274	5,736	---	98,010
Equipment	1,919,308	133,988	---	2,053,296
Food Service Equipment	29,023	373	---	29,396
Total Accumulated Depreciation	\$ 5,129,569	\$ 399,697	\$ ---	\$ 5,529,266
Net Capital Assets Being Depreciated	\$ 10,099,173	\$ 153,506	\$ ---	\$ 10,252,679
Net Governmental Activities Capital Assets	\$ 10,891,161	\$ 153,506	\$ ---	\$ 11,044,667

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

Regular Programs	\$ 111,915
Business	3,997
Operations and Maintenance	283,785

NOTE 4 - CHANGES IN GENERAL LONG-TERM DEBT

A summary of changes in long-term debt shows:

Type of Debt	Balance July 1, 2010	Additions	Payments	Balance June 30, 2011
Debt Certificates:				
2002 Land Purchase	\$ 185,000	\$ ---	\$ 25,000	\$ 160,000
2002 Roof	85,000	---	40,000	45,000
Totals	\$ 270,000	\$ ---	\$ 65,000	\$ 205,000

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.

NOTES TO FINANCIAL STATEMENTS (continued)

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

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>
2012	\$ 65,000	\$ 8,160	\$ 73,160
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>\$ 205,000</u>	<u>\$ 25,080</u>	<u>\$ 230,080</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>	
2012	\$ 67,215
2013	67,215
2014	67,215
2015	<u>28,006</u>
	<u>\$ 229,651</u>

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).

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 6 - RETIREMENT FUND COMMITMENTS (continued)

A. Teachers' Retirement System of the State of Illinois

TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago.

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

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

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

- On-Behalf Contributions - The State of Illinois makes employer pension contributions on behalf of the District. For the year ended June 30, 2011, State of Illinois contributions were based on 23.10% of creditable earnings not paid from federal funds, and the District recognized revenue and expenditures of \$1,485,323 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2010 and June 30, 2009, the State of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 23.38% (\$1,558,089) and 17.08% (\$1,056,063), respectively.

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

- 2.2 Formula Contributions - Employers contribute .58% of total creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ending June 30, 2011 were \$37,294. Contributions for the years ended June 30, 2010 and June 30, 2009 were \$37,626 and \$36,185, respectively.
- Federal and Trust Fund Contributions - When TRS members are paid from federal and special trust funds administered by the District, there is a statutory requirement for the District to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective in the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the state contribution rate to TRS.

For the year ended June 30, 2011, the employer pension contribution was 23.10% of salaries paid from federal and special trust funds. For the years ended June 30, 2010 and 2009, the employer contribution was 23.38% and 17.08% of salaries paid from federal and special trust funds, respectively. For the year ended June 30, 2011, there were no salaries paid from federal and special trust funds so there was no required employer contributions. For the years ended June 30, 2010 and June 30, 2009, required District contributions were \$37,626 and \$36,185, 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.

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

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 6 - RETIREMENT FUND COMMITMENTS (continued)

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

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

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

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

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

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

TRS financial information, an explanation of TRS' benefits, and descriptions of member, employer, and state funding requirements can be found in the TRS *Comprehensive Annual Financial Report* for the year ended June 30, 2010. The report for the year ended June 30, 2011 is expected to be available in late 2011.

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

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 Fund.

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

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 6 - RETIREMENT FUND COMMITMENTS (continued)

B. THIS Fund (continued)

- On-Behalf Contributions to THIS Fund - The State of Illinois makes employer retiree health insurance contributions on behalf of the District. State contributions are intended to match contributions to THIS Fund from active members which were .88% of pay during the year ended June 30, 2011. State of Illinois contributions were \$56,584 and the District recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2010 and June 30, 2009 were also .84% of pay. State contributions on behalf of District employees were \$54,493 and \$52,406, respectively.

- Employer Contributions to THIS Fund - The District also makes contributions to the THIS Fund. The District THIS contribution was .66% during the years ended June 30, 2011, and .63% during the years ended June 30, 2010, and June 30, 2009. For the year ended June 30, 2011, the District paid \$42,438 to the THIS Fund. For the years ended June 30, 2010 and June 30, 2009, the District paid \$40,870 and \$39,304, respectively, which was 100% of the required contribution.

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

C. Illinois Municipal Retirement Fund

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

As set by statute, the District's regular plan members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual required contribution rate for calendar year 2010 was 9.96%. The District also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

The required contribution for calendar year 2010 was \$113,183.

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/10	\$ 113,183	100%	\$ ---
12/31/09	102,867	100%	---
12/31/08	109,694	100%	---

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 6 - RETIREMENT FUND COMMITMENTS (continued)

C. Illinois Municipal Retirement Fund (continued)

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

As of December 31, 2010, the most recent actuarial valuation date, the regular plan was 73.27% funded. The actuarial accrued liability for benefits was \$1,657,901 and the actuarial value of assets was \$1,214,696, resulting in an underfunded actuarial accrued liability (UAAL) of \$443,205. The covered payroll for calendar year 2010 (annual payroll of active employees covered by the plan) was \$1,136,372 and the ratio of the UAAL to the covered payroll was 39%.

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.

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 \$68,422 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 Transportation Fund slightly overexpended its budget. The Tort Immunity Fund overexpended its budget due to higher than expected expenses for purchased services.

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
Transportation Fund	\$ 950,440	\$ 955,785	\$ 5,345
Tort Immunity Fund	117,854	140,337	22,483

NOTE 9 - DEFICIT FUND BALANCES

The following funds had a fund balance deficit as of June 30, 2011:

Debt Service	\$ 146,859
Tort Immunity	\$ 12,169

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 10 - POST-EMPLOYMENT BENEFIT COMMITMENTS

A. Retiree Paid Insurance

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

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

B. Funding Policy

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

C. Annual OPEB Cost and Net OPEB Obligation

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

The District's annual OPEB cost (expense) is calculated based on annual required contribution (ARC) of the District, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement No. 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period of 30 years. The following shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the most recent information available, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation to the plan:

Annual Required Contribution	\$ 41,854
Interest on Net OPEB Obligation	---
Adjustments to Annual Required Contribution	---
Annual OPEB Cost (Expense)	\$ 41,854
Estimated Contributions Made	<u>(44,668)</u>
Increase (Decrease) in Net OPEB Obligation	\$ (2,814)
Net OPEB Obligation - Beginning of Year	---
 Net OPEB Obligation - End of Year	 \$ <u>(2,814)</u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/10	\$ 41,854	\$ 44,668	106.7%	\$ (2,814)

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 10 - POST-EMPLOYMENT BENEFIT COMMITMENTS (continued)

D. Funding Status and Funding Program

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

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability Unit Credit (B)	Unfunded Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
06/30/10	\$ ---	\$ 514,615	\$ 514,615	.00%	N/A	N/A

E. Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The following are the funding policies and actuarial assumptions used:

Actuarial Valuation Date	06/30/2010
Actuarial Cost Method	Entry age
Amortization Period	Level percentage of pay, open
Remaining Amortization Period	30 years
Asset Valuation Method	Market
Actuarial Assumptions	
Investment Rate of Return*	5.00%
Projected Salary Increases	5.00%
Healthcare Inflation Rate	8.00% initial
Mortality, Turnover, Disability, Retirement Ages	6.00% ultimate
Percentage of Active Employees	Employees eligible for explicit benefit: 100%
Assumed to Elect Benefit	All others: 20%
Employer Provided Benefit	Explicit (eligible admin only): \$2,000-\$4,000/yr to age 65 Implicit: 40% of premium to age 65 (50% of \$482/mo + 50% of \$1,225/mo)
*Included Inflation At	3.00%

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 10 - POST-EMPLOYMENT BENEFIT COMMITMENTS (continued)

E. Actuarial Assumptions and Methods (continued)

Division	All
Service Cost	\$ 21,043
Active Liability	\$ 221,590
Retired Liability	<u>293,025</u>
Total Liability	\$ <u>514,615</u>
Annual Required Contribution	\$ 40,107
Expected Payments	\$ 44,668
Actives	185
Retirees	<u>7</u>
Total	192

Discount Rate: 5.0%

Medical Inflation Rate: 8.0% initial, 6.0% ultimate

Future Payroll Increases: 5.0%

NOTE 11 - LEGAL DEBT MARGIN INFORMATION

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

Assessed Valuation of Taxable Properties for the Tax Year 2010	\$ 420,406,803
Rate	<u>6.9%</u>
Bonded Debt Limit	\$ 29,008,069
Net Debt Outstanding Subject to Limitation	<u>205,000</u>
Legal Bonded Debt Margin at June 30, 2011	\$ <u>28,803,069</u>

NOTE 12 - SUBSEQUENT EVENTS

The District has evaluated subsequent events through September 15, 2011, the date on which the financial statements were available to be issued.

**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, 2011

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)
12/31/10	\$ 1,214,696	\$ 1,657,901	\$ 443,205	73.27%	\$ 1,136,372	39.00%
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%

On a market value basis, the actuarial value of assets as of December 31, 2009 is \$1,326,035. On a market basis, the funded ratio would be 79.98%.

**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, 2011

	<u>Educational</u>	<u>Operations and Maintenance</u>	<u>Total</u>
Revenues			
Local Sources	\$ 9,663,221	\$ 1,677,924	\$ 11,341,145
State Sources	1,299,930	---	1,299,930
Federal Sources	<u>699,729</u>	---	<u>699,729</u>
Total Direct Revenues	\$ 11,662,880	\$ 1,677,924	\$ 13,340,804
Revenue For On-Behalf Payments	<u>1,541,907</u>	---	<u>1,541,907</u>
Total Revenues	\$ <u>13,204,787</u>	\$ <u>1,677,924</u>	\$ <u>14,882,711</u>
Expenditures			
Instruction	\$ 6,687,706	\$ ---	\$ 6,687,706
Support Services	2,995,407	1,086,295	4,081,702
Non-Programmed Charges	<u>618,176</u>	<u>44,022</u>	<u>662,198</u>
Total Direct Expenditures	\$ 10,301,289	\$ 1,130,317	\$ 11,431,606
Expenditures For On-Behalf Payments	<u>1,541,907</u>	---	<u>1,541,907</u>
Total Expenditures	\$ <u>11,843,196</u>	\$ <u>1,130,317</u>	\$ <u>12,973,513</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ 1,361,591	\$ 547,607	\$ 1,909,198
Fund Balances - July 1, 2010	<u>1,966,600</u>	<u>358,009</u>	<u>2,324,609</u>
Fund Balances - June 30, 2011	\$ <u>3,328,191</u>	\$ <u>905,616</u>	\$ <u>4,233,807</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, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>
Revenues (Page 41)		
Local Sources	\$ 9,714,079	\$ 9,663,215
State Sources	1,254,343	1,299,930
Federal Sources	<u>1,561,170</u>	<u>699,729</u>
Total Direct Revenues	\$ 12,529,592	\$ 11,662,874
Revenue For On-Behalf Payments	<u>796,126</u>	<u>1,541,907</u>
Total Revenues	\$ <u>13,325,718</u>	\$ <u>13,204,781</u>
Expenditures (Pages 42-44)		
Instruction	\$ 6,717,063	\$ 6,687,704
Support Services	3,335,307	2,995,407
Non-Programmed Charges	<u>1,386,650</u>	<u>618,176</u>
Total Direct Expenditures	\$ 11,439,020	\$ 10,301,287
Expenditures For On-Behalf Payments	<u>796,126</u>	<u>1,541,907</u>
Total Expenditures	\$ <u>12,235,146</u>	\$ <u>11,843,194</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ 1,090,572	\$ 1,361,587
Other Financing Sources (Uses)		
Transfer To Other Funds	<u>(70,000)</u>	<u>---</u>
Excess or (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	\$ <u>1,020,572</u>	\$ 1,361,587
Fund Balances - July 1, 2010		<u>1,966,600</u>
Fund Balances - June 30, 2011		\$ <u>3,328,187</u>

NIPPERSINK SCHOOL DISTRICT NO. 2

EDUCATIONAL ACCOUNT

SCHEDULE OF REVENUES

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>
Revenues		
Local Sources		
Property Taxes		
General Levies	\$ 8,800,288	\$ 8,822,749
Special Education Levies	160,241	160,647
Corporate Personal Property Replacement Taxes	70,000	94,674
Tuition	43,500	---
Earnings on Investments	20,000	10,375
Food Services	321,000	289,687
Pupil Activities	76,900	84,855
Textbooks	120,000	101,560
Other	<u>102,150</u>	<u>98,668</u>
	<u>\$ 9,714,079</u>	<u>\$ 9,663,215</u>
State Sources		
General State Aid	\$ 689,665	\$ 689,626
Special Education - Private Facility Tuition	71,143	100,920
Special Education - Extraordinary	202,331	264,655
Special Education - Personnel	252,254	239,244
Special Education - Summer School	3,636	1,876
Reading Improvement Block Grant	25,443	---
School Safety and Educational Grant	6,871	---
State Library Grant	---	1,062
State Free Lunch	<u>3,000</u>	<u>2,547</u>
	<u>\$ 1,254,343</u>	<u>\$ 1,299,930</u>
Federal Sources		
National School Lunch	\$ 91,500	\$ 107,233
Special Milk	1,200	---
ARRA - IDEA Pre-School	10,851	10,308
ARRA - IDEA Flow-Through	296,669	242,444
Title I - Low Income	38,544	43,462
ARRA - Other Funds	62,497	5,123
IDEA Flow-Through	258,376	207,419
Title II - Teacher Quality	30,533	30,533
FEMA	---	6,113
Medicaid Matching	21,000	47,094
Other Sources	<u>750,000</u>	<u>---</u>
	<u>\$ 1,561,170</u>	<u>\$ 699,729</u>
Total Direct Revenues	\$ 12,529,592	\$ 11,662,874
Revenue For On-Behalf Payments	<u>796,126</u>	<u>1,541,907</u>
Total Revenues	<u>\$ 13,325,718</u>	<u>\$ 13,204,781</u>

NIPPERSINK SCHOOL DISTRICT NO. 2

EDUCATIONAL ACCOUNT

SCHEDULE OF EXPENDITURES

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>
Expenditures		
Instruction		
Regular Programs		
Salaries	\$ 4,011,443	\$ 4,060,696
Employee Benefits	1,174,020	1,176,411
Purchased Services	29,650	22,661
Supplies and Materials	195,250	89,567
Capital Outlay	<u>13,300</u>	<u>7,280</u>
	<u>\$ 5,423,663</u>	<u>\$ 5,356,615</u>
Special Education Programs		
Salaries	\$ 929,678	\$ 992,948
Employee Benefits	98,493	91,345
Purchased Services	18,811	14,125
Supplies and Materials	94,091	91,642
Other Objects	<u>1,000</u>	<u>---</u>
	<u>\$ 1,142,073</u>	<u>\$ 1,190,060</u>
Interscholastic		
Salaries	\$ 44,300	\$ 48,425
Employee Benefits	5,437	6,443
Purchased Services	6,800	4,142
Supplies and Materials	4,000	---
Capital Outlay	500	719
Other Objects	<u>600</u>	<u>1,175</u>
	<u>\$ 61,637</u>	<u>\$ 60,904</u>
Summer School		
Salaries	\$ 34,000	\$ 28,526
Employee Benefits	<u>4,500</u>	<u>3,418</u>
	<u>\$ 38,500</u>	<u>\$ 31,944</u>
Gifted		
Salaries	\$ 41,540	\$ 41,775
Employee Benefits	5,200	5,300
Purchased Services	2,500	139
Supplies and Materials	1,750	967
Other Objects	<u>200</u>	<u>---</u>
	<u>\$ 51,190</u>	<u>\$ 48,181</u>
Total Instruction	<u>\$ 6,717,063</u>	<u>\$ 6,687,704</u>
Support Services		
Pupils		
Salaries	\$ 473,724	\$ 419,895
Employee Benefits	47,459	42,397
Purchased Services	1,500	581
Supplies and Materials	<u>3,000</u>	<u>2,482</u>
	<u>\$ 525,683</u>	<u>\$ 465,355</u>

NIPPERSINK SCHOOL DISTRICT NO. 2

EDUCATIONAL ACCOUNT

SCHEDULE OF EXPENDITURES

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>
Expenditures (continued)		
Support Services (continued)		
Instructional Staff		
Salaries	\$ 279,858	\$ 230,417
Employee Benefits	39,635	24,782
Purchased Services	59,610	18,419
Supplies and Materials	78,939	89,466
Capital Outlay	179,460	136,702
Other Objects	<u>29,304</u>	<u>---</u>
	\$ <u>666,806</u>	\$ <u>499,786</u>
General Administration		
Salaries	\$ 166,966	\$ 168,849
Employee Benefits	15,400	15,492
Purchased Services	178,100	300,719
Supplies and Materials	2,000	944
Capital Outlay	500	---
Other Objects	<u>5,000</u>	<u>2,175</u>
	\$ <u>367,966</u>	\$ <u>488,179</u>
School Administration		
Salaries	\$ 703,593	\$ 669,133
Employee Benefits	69,025	57,451
Purchased Services	53,732	1,020
Supplies and Materials	55,092	47,104
Other Objects	<u>5,700</u>	<u>7,267</u>
	\$ <u>887,142</u>	\$ <u>781,975</u>
Business		
Salaries	\$ 238,073	\$ 211,693
Employee Benefits	27,015	26,405
Purchased Services	241,200	198,779
Supplies and Materials	5,500	5,619
Capital Outlay	18,000	3,727
Other Objects	<u>1,500</u>	<u>60</u>
	\$ <u>531,288</u>	\$ <u>446,283</u>
Central		
Salaries	\$ 59,722	\$ 59,633
Employee Benefits	2,800	2,884
Purchased Services	186,500	153,571
Supplies and Materials	10,400	5,400
Capital Outlay	<u>97,000</u>	<u>92,341</u>
	\$ <u>356,422</u>	\$ <u>313,829</u>
Total Support Services	\$ <u>3,335,307</u>	\$ <u>2,995,407</u>

NIPPERSINK SCHOOL DISTRICT NO. 2

EDUCATIONAL ACCOUNT

SCHEDULE OF EXPENDITURES

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>
Expenditures (continued)		
Non-Programmed Charges		
Payments For Programs		
Purchased Services	\$ 260,211	\$ 162,302
Other Objects	<u>1,126,439</u>	<u>455,874</u>
	\$ <u>1,386,650</u>	\$ <u>618,176</u>
 Total Direct Expenditures	 \$ 11,439,020	 \$ 10,301,287
 Expenditures For On-Behalf Payments	 <u>796,126</u>	 <u>1,541,907</u>
 Total Expenditures	 \$ <u>12,235,146</u>	 \$ <u>11,843,194</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, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>
Revenues		
Local Sources		
Property Taxes	\$ 1,584,020	\$ 1,670,691
Earnings on Investments	2,500	5,034
Rentals	3,000	---
Other	<u>12,025</u>	<u>2,199</u>
Total Revenues	\$ <u>1,601,545</u>	\$ <u>1,677,924</u>
 Expenditures		
Support Services		
Facilities Acquisition		
Purchased Services	\$ 206,812	\$ 175,463
Operation and Maintenance of Plant		
Salaries	186,331	184,955
Employee Benefits	27,375	26,342
Purchased Services	310,800	281,663
Supplies and Materials	444,000	414,807
Capital Outlay	30,000	3,060
Payments to Other Governments		
Purchased Services	<u>44,023</u>	<u>44,022</u>
Total Expenditures	\$ <u>1,249,341</u>	\$ <u>1,130,312</u>
 Excess or (Deficiency) of Revenues Over Expenditures	 \$ 352,204	 \$ 547,612
 Other Financing Sources (Uses)		
Transfer From Other Funds	<u>(43,010)</u>	<u>---</u>
 Excess or (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	 \$ <u>309,194</u>	 \$ 547,612
 Fund Balances - July 1, 2010		<u>358,009</u>
 Fund Balances - June 30, 2011		\$ <u>905,621</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, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>
Revenues		
Local Sources		
Property Taxes	\$ 292,929	\$ 293,673
Earnings on Investments	1,500	454
Other Local Fees	5	98
Transportation Fees	<u>2,000</u>	<u>630</u>
	\$ <u>296,434</u>	\$ <u>294,855</u>
State Sources		
Regular	\$ 353,965	\$ 220,893
Special Education	<u>195,000</u>	<u>214,431</u>
	\$ <u>548,965</u>	\$ <u>435,324</u>
 Total Revenues	 \$ <u>845,399</u>	 \$ <u>730,179</u>
Expenditures		
Support Services		
Pupil Transportation		
Salaries	\$ ---	\$ 815
Purchased Services	<u>950,440</u>	<u>954,970</u>
Total Expenditures	\$ <u>950,440</u>	\$ <u>955,785</u>
 Excess or (Deficiency) of Revenues Over Expenditures	 \$ <u>(105,041)</u>	 \$ (225,606)
 Fund Balances - July 1, 2010		 <u>440,658</u>
 Fund Balances - June 30, 2011		 \$ <u>215,052</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, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>
Revenues		
Local Sources		
Property Taxes	\$ 197,455	\$ 217,068
Social Security/Medicare Taxes	181,168	162,518
Corporate Personal Property Replacement Taxes	30,000	27,954
Other Local Fees	6	---
Earnings on Investments	<u>2,300</u>	<u>925</u>
Total Revenues	\$ <u>410,929</u>	\$ <u>408,465</u>
Expenditures		
Instruction		
Regular Programs	\$ 66,075	\$ 66,161
Special Education	49,400	50,357
Interscholastic	1,255	1,016
Summer School	650	1,746
Gifted	825	---
Support Services		
Pupils	28,900	28,479
Instructional Staff	12,487	11,801
General Administration	11,500	11,737
School Administration	35,500	34,397
Business	67,800	66,635
Central	<u>10,500</u>	<u>10,865</u>
Total Expenditures	\$ <u>284,892</u>	\$ <u>283,194</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ <u>126,037</u>	\$ 125,271
Fund Balances - July 1, 2010		<u>560,436</u>
Fund Balances - June 30, 2011		\$ <u>685,707</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, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>
Revenues	\$ ---	\$ ---
Expenditures		
Debt Service		
Interest	\$ 11,222	\$ 11,221
Principal	75,000	65,000
Other	<u>65,000</u>	<u>68,837</u>
Total Expenditures	\$ <u>151,222</u>	\$ <u>145,058</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ (151,222)	\$ (145,058)
Other Financing Sources (Uses)		
Transfer From Other Funds	<u>146,221</u>	<u>---</u>
Excess or (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	\$ <u>(5,001)</u>	\$ (145,058)
Fund Balances - July 1, 2010		<u>(1,801)</u>
Fund Balances - June 30, 2011		\$ <u>(146,859)</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, 2011

	<u>Site and Construction</u>	<u>Fire Prevention and Safety</u>	<u>Total</u>
Revenues			
Local Sources	\$ <u>73,296</u>	\$ <u>85,730</u>	\$ <u>159,026</u>
Expenditures			
Support Services			
Facilities Acquisition and Construction Services			
Purchased Services	\$ ---	\$ 1,211	\$ 1,211
Other Support Services			
Capital Outlay	312,837	---	312,837
Other Objects	<u>15,723</u>	<u>---</u>	<u>15,723</u>
Total Expenditures	\$ <u>328,560</u>	\$ <u>1,211</u>	\$ <u>329,771</u>
Excess or (Deficiency) of			
Revenues Over Expenditures	\$ (255,264)	\$ 84,519	\$ (170,745)
Fund Balances - July 1, 2010	<u>2,769,025</u>	<u>383,076</u>	<u>3,152,101</u>
Fund Balance - June 30, 2011	\$ <u>2,513,761</u>	\$ <u>467,595</u>	\$ <u>2,981,356</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, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>
Revenues		
Local Sources		
Earnings on Investments	\$ 25,000	\$ 11,873
Contributions, Donations and Fees	<u>100,000</u>	<u>61,423</u>
Total Revenues	\$ <u>125,000</u>	\$ <u>73,296</u>
Expenditures		
Support Services		
Other Support Services		
Capital Outlay	\$ 592,375	\$ 312,837
Other Objects	<u>---</u>	<u>15,723</u>
Total Expenditures	\$ <u>592,375</u>	\$ <u>328,560</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ (467,375)	\$ (255,264)
Other Financing Sources (Uses)		
Transfers To Other Funds	<u>(33,211)</u>	<u>---</u>
Excess or (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	\$ <u>(500,586)</u>	\$ (255,564)
Fund Balances - July 1, 2010		<u>2,769,025</u>
Fund Balance - June 30, 2011		\$ <u>2,513,761</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, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>
Revenues		
Local Sources		
Property Taxes	\$ 84,277	\$ 84,492
Other Local Fees	5	---
Earnings on Investments	<u>1,500</u>	<u>1,238</u>
Total Revenues	\$ <u>85,782</u>	\$ <u>85,730</u>
Expenditures		
Support Services		
Facilities Acquisition and Construction - Capital Out	\$ <u>371,000</u>	\$ <u>1,211</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ <u>(285,218)</u>	\$ 84,519
Fund Balances - July 1, 2010		<u>383,076</u>
Fund Balance - June 30, 2011		\$ <u>467,595</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, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>
Revenues		
Local Sources		
Property Taxes	\$ 155,711	\$ 156,109
Other Local Sources	7,502	6,701
Earnings on Investments	<u>5</u>	<u>7</u>
Total Revenues	\$ <u>163,218</u>	\$ <u>162,817</u>
Expenditures		
Support Services		
Purchased Services	\$ <u>117,854</u>	\$ <u>140,337</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ <u><u>45,364</u></u>	\$ 22,480
Fund Balances - July 1, 2010		<u>(34,649)</u>
Fund Balance - June 30, 2011		\$ <u><u>(12,169)</u></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, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>
Revenues		
Local Sources		
Property Taxes	\$ 61,920	\$ 62,079
Other Local Fees	5	---
Earnings on Investments	<u>5,000</u>	<u>2,054</u>
Total Revenues	\$ <u>66,925</u>	\$ <u>64,133</u>
Expenditures	\$ ---	\$ ---
Excess or (Deficiency) of Revenues Over Expenditures	\$ <u>66,925</u>	\$ 64,133
Fund Balances - July 1, 2010		<u>655,662</u>
Fund Balances - June 30, 2011		\$ <u>719,795</u>

SUPPLEMENTARY SCHEDULES

NIPPERSINK SCHOOL DISTRICT NO. 2

STUDENT ACTIVITY FUNDS

SUMMARY OF RECEIPTS AND DISBURSEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

	Balance <u>July 1, 2010</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance <u>June 30, 2011</u>
Richmond Grade School				
Angel Fund	\$ (78)	\$ 430	\$ 1,567	\$ (1,215)
Field Trips	3,813	9,422	9,827	3,408
Flowers	17	4,108	4,040	85
Future Problem Solvers	---	350	227	123
Kindergarten Circus	93	---	93	---
Library	1,025	8,885	8,464	1,446
Music	319	310	526	103
Pop Fund	363	400	533	230
Student Activities	48	3,976	5,016	(992)
Student Council	126	2,527	2,434	219
Teacher Pictures	351	4,553	4,930	(26)
Yearbook/Newspaper	704	4,472	4,967	209
	<u>\$ 6,781</u>	<u>\$ 39,433</u>	<u>\$ 42,624</u>	<u>\$ 3,590</u>
Spring Grove School				
Art	\$ 862	\$ ---	\$ 65	\$ 797
Library	134	10,423	8,783	1,774
Drama	2,350	---	1,900	450
Music	145	580	608	117
Quest	17	---	---	17
Field Trips	270	5,462	5,247	485
Future Problem Solvers	---	350	215	135
Recycling	77	---	---	77
Student Pictures	12,053	5,561	8,917	8,697
Science	(73)	---	---	(73)
Special Ed	(54)	---	---	(54)
Vending	348	769	930	187
Nippersink Foundation	137	45	60	122
	<u>\$ 16,266</u>	<u>\$ 23,190</u>	<u>\$ 26,725</u>	<u>\$ 12,731</u>
Nippersink Middle School				
Athletics	\$ 966	\$ 3,706	\$ 1,896	\$ 2,776
Butter Braids	10,331	18,834	18,924	10,241
Eco Club	1,312	---	---	1,312
District	11	---	64	(53)
Donations	(107)	4,370	791	3,472
Teachers' Vending	99	1,626	1,547	178
Bank Charges	(567)	---	157	(724)
Eighth Grade	6,099	47,333	49,325	4,107
Future Problem Solvers	801	16,214	17,499	(484)
Library	1,166	4,981	4,004	2,143
Music	9,175	13,443	13,187	9,431
P.E. Uniforms	2,225	9,208	5,748	5,685
Peer Helpers	465	785	527	723
Seventh Grade	---	2,378	2,268	110
Sixth Grade	---	6,728	6,435	293

NIPPERSINK SCHOOL DISTRICT NO. 2

STUDENT ACTIVITY FUNDS

SUMMARY OF RECEIPTS AND DISBURSEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2011</u>
Nippersink Middle School (continued)				
Social	\$ 177	\$ 1,970	\$ 2,203	\$ (56)
Student Council	5,778	7,644	7,572	5,850
Textbooks	1,374	357	---	1,731
Vending	(2,092)	21,031	17,238	1,701
Unallocated Interest	6,391	329	---	6,720
Yearbook	<u>5,881</u>	<u>11,106</u>	<u>12,510</u>	<u>4,477</u>
	<u>\$ 49,485</u>	<u>\$ 172,043</u>	<u>\$ 161,895</u>	<u>\$ 59,633</u>
Parent-Teacher Organizations				
Spring Grove School	\$ 3,416	\$ 65,682	\$ 47,891	\$ 21,207
Richmond Grade School	34,915	44,663	47,828	31,750
Nippersink Middle School	<u>8,954</u>	<u>37,323</u>	<u>41,166</u>	<u>5,111</u>
	<u>\$ 47,285</u>	<u>\$ 147,668</u>	<u>\$ 136,885</u>	<u>\$ 58,068</u>
 District Totals	 <u>\$ 119,817</u>	 <u>\$ 382,334</u>	 <u>\$ 368,129</u>	 <u>\$ 134,022</u>

NIPPERSINK SCHOOL DISTRICT NO. 2

SCHEDULE OF DEBT CERTIFICATES AND INTEREST PAYABLE

JUNE 30, 2011

Series 2002 Land

Original Amount of Issue	\$ 345,000
Principal Payment Date	
Principal	December 1
Interest	June 1 and December 1
Interest Rates	2% to 4.8%
Type of Issue	Land Acquisition
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>
2012	\$ 20,000	\$ 7,080	\$ 27,080
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>
Total	\$ <u>160,000</u>	\$ <u>24,000</u>	\$ <u>184,000</u>

NIPPERSINK SCHOOL DISTRICT NO. 2

SCHEDULE OF DEBT CERTIFICATES AND INTEREST PAYABLE

JUNE 30, 2011

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>
2012	\$ <u>45,000</u>	\$ <u>1,080</u>	\$ <u>46,080</u>

NIPPERSINK SCHOOL DISTRICT NO. 2

COMPUTATION OF PER CAPITA TUITION CHARGE

FOR THE YEAR ENDED JUNE 30, 2011

Total Expenditures			
Educational Fund		\$ 10,301,287	
Operations and Maintenance Fund		1,130,312	
Transportation Fund		955,785	
Municipal Retirement Fund		283,194	
Debt Service		<u>145,058</u>	\$ 12,955,973
Less: Expenditures Not Applicable To Operating Expense of Regular Term			
Summer School Programs		\$ 33,690	
Payments to Other Districts and Governmental Units		662,198	
Capital Outlay (Education and Building Funds)		243,829	
Lease/Purchase Principal Retired		<u>65,000</u>	<u>1,004,717</u>
Operating Expense of Regular Program			\$ 11,951,256
Average Daily Attendance	1,382.72		
Net Operating Expense Per Pupil		\$ <u>8,643.29</u>	
Deductions For Computation of Tuition Charges (Revenue Offsetting Expense of a Special Activity)			
State Transportation Aid		\$ 435,324	
Special Education		806,214	
District/School Activities		84,855	
Food Services		396,920	
Transportation Fees		630	
Textbooks		101,560	
Payments From Other Districts		8,690	
State Grants-in-Aid		3,609	
Federal Grants-in-Aid		<u>385,077</u>	<u>2,222,879</u>
Net Operating Expenses For Tuition Computation			\$ 9,728,377
Add: Total Depreciation Allowance			<u>399,697</u>
Total Allowance For Tuition Computation			\$ <u>10,128,074</u>
Average Daily Attendance	1,382.72		
Per Capita Tuition Charge		\$ <u>7,324.75</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
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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, 2011, and have issued our report thereon dated September 15, 2011. 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.

Milburn Cain & Co.

MILBURN CAIN & CO.
Certified Public Accountants

Gurnee, Illinois
September 15, 2011