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**WARREN TOWNSHIP HIGH SCHOOL
DISTRICT NO. 121
LAKE COUNTY, ILLINOIS**

ANNUAL FINANCIAL REPORT

JUNE 30, 2010

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Warren Township High School District No. 121
Lake County, Illinois

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121 Lake County, Illinois

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Warren Township High School District No. 121 as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2010 on our consideration of Warren Township High School District No. 121'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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 5 through 10 and 43 through 55, are not a required part of the basic financial statements but are 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Warren Township High School District No. 121's basic financial statements. The supplemental financial information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Warren Township High School District No. 121. Such information, except for the average daily attendance figure included in the computation of operating expense per pupil and per capita tuition charge, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

As discussed in Note 25 to the financial statements, the District implemented GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments.

Eder, Casella & Co.

EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
October 12, 2010



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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

To the Board of Education
Warren Township High School District No. 121
Lake County, Illinois

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121 Lake County, Illinois

as of and for the year ended June 30, 2010, which collectively comprise Warren Township High School District No. 121's basic financial statements, and have issued our report thereon dated October 12, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Warren Township High School District No. 121's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Warren Township High School District No. 121's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Warren Township High School District No. 121'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 a 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 purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 Warren Township High School District No. 121's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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



EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
October 12, 2010

REQUIRED SUPPLEMENTARY INFORMATION

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

As Management of Warren Township High School District No. 121 (District), we offer readers of the District's statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2010.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at June 30, 2010 by \$47,914,410 (net assets).
- The District's total net assets increased by \$591,189.
- At June 30, 2010, the District reported combined ending fund balances of \$41,896,765, a decrease of \$15,172,473 in comparison with the prior year. 99.5 percent of this total amount, \$41,680,522, is available for spending at the District's discretion (unreserved fund balance).
- At June 30, 2010, the unreserved fund balance for the Educational Fund was \$6,468,992, or 15.0 percent of total Educational Fund expenditures.
- The District's total long-term debt increased by \$343,155 (0.4 percent) during the year ended June 30, 2010. The key factor in this increase was the issuance of a new bond offset by principal payments made on the debt.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The basic financial statements comprise three components:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, 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 two reported as 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 periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). Governmental activities include instruction, support services, operation and maintenance, student transportation, food services, and certain other activities and expenses such as payments to other districts and governmental units, interest and fees, and unallocated depreciation.

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

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains nine individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the Educational, Operations and Maintenance, Debt Services, Transportation, Illinois Municipal Retirement/Social Security, Capital Projects, Working Cash, Tort, and Fire Prevention and Safety Funds, all of which the District considers to be major funds.

The District adopts an annual budget for each of the funds listed above. A budgetary comparison statement, which is required supplementary information, has been provided for the General Fund and each major special revenue fund to demonstrate compliance with this budget.

The basic fund financial statements can be found on pages 13 through 16 and the required supplementary information can be found on pages 43 through 55 of this report.

Fiduciary Funds - Fiduciary funds are used to account for assets held for others, such as student activity funds. Fiduciary funds are not reflected in the government-wide financial statements because the assets of these funds are not available to support the District's operations.

The basic fiduciary financial statement can be found on page 17 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 through 42 of this report.

Other Information - In addition to the basic financial statements, accompanying notes, and required supplementary information, this report also presents certain supplementary information concerning the District's progress in meeting its obligation to provide fully adequate educational services and extracurricular activities to all of its resident's students.

Supplemental financial information can be found on pages 56 through 61 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$47,914,410 at June 30, 2010.

The following table presents a summary of the District's net assets for the years ended June 30, 2010 and 2009:

Warren Township High School District No. 121's Net Assets

	Governmental Activities	
	6/30/2010	6/30/2009
Current and Other Assets	\$ 74,537,192	\$ 85,451,171
Capital Assets	92,028,495	75,800,562
Total Assets	<u>\$ 166,565,687</u>	<u>\$ 161,251,733</u>
Long-Term Liabilities Outstanding	\$ 92,270,424	\$ 85,391,552
Other Liabilities	26,380,853	28,536,960
Total Liabilities	<u>\$ 118,651,277</u>	<u>\$ 113,928,512</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 22,964,275	\$ 34,367,276
Restricted	24,077,773	15,364,242
Unrestricted	872,362	(2,408,297)
Total Net Assets	<u>\$ 47,914,410</u>	<u>\$ 47,323,221</u>

The investment in capital assets, net of related debt represents assets such as land, buildings, and equipment less any related debt used to acquire those assets that is still outstanding. The District uses its assets to provide educational services and extracurricular activities for the students of the local community. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table presents a summary of changes in net assets for the years ended June 30, 2010 and 2009:

Warren Township High School District No. 121's Change in Net Assets

	Governmental Activities	
	6/30/2010	6/30/2009
Revenues		
Program Revenues		
Charges for Services	\$ 4,279,191	\$ 3,841,312
Operating Grants and Contributions	10,852,492	7,461,577
Capital Grants and Contributions	74,419	91,301
General Revenues		
Property Taxes	40,868,733	40,439,123
Other Taxes	631,895	781,089
Grants and Contributions not Restricted to Specific Activities	2,567,127	2,238,798
Unrestricted Investment Earnings	339,525	781,917
Gain/(Loss) on Sale of Capital Assets	-	(496,542)
Total Revenues	<u>\$ 59,613,382</u>	<u>\$ 55,138,575</u>
Expenses		
Instruction		
Regular Programs	\$ 16,622,026	\$ 15,973,394
Special Education Programs	3,826,960	4,038,570
Other Instructional Programs	6,225,900	4,795,951
Support Services		
Pupils	2,902,323	2,755,468
Instructional Staff	2,063,425	1,676,721
General Administration	1,400,599	1,111,922
School Administration	1,406,531	1,408,825
Business	569,706	553,767
Operations and Maintenance	3,848,547	3,513,590
Transportation	3,420,307	3,329,774
Food Services	1,513,476	1,443,663
Central	373,624	344,630
Other Support Services	21,323	11,956
Community Services	331	50
Payments to Other Districts and Governmental Units	2,281,626	3,838,817
Interest and Fees on Long-Term Debt	4,266,925	3,086,170
On-Behalf Retirement Contributions	5,240,657	3,698,952
Depreciation - Unallocated	2,704,572	2,241,594
Total Expenses	<u>\$ 58,688,858</u>	<u>\$ 53,823,814</u>
Change in Net Assets	\$ 924,524	\$ 1,314,761
Net Assets - Beginning of Fiscal Year	47,323,221	46,008,460
Net Asset Adjustment	(333,335)	-
Net Assets - End of Fiscal Year	<u>\$ 47,914,410</u>	<u>\$ 47,323,221</u>

The District's total revenues increased \$4,474,807 (8.1 percent) compared to the prior year. The most significant factor of this increase is the increase in operating grants and contribution revenue of \$3,390,915.

Overall expenditures increased \$4,865,044 (9.0 percent) above the prior year. Expenses generally increased in each function due to growth within the District. Significant increases included On-Behalf Retirement Contribution increases of \$1,541,705, Other Instructional Program increases of \$1,429,949, and Interest and Fees on Long-Term Debt increases of \$1,180,755. These expenses increased due to an increase in the TRS rate, an increase in private tuition expenses, and an increase in the scheduled long-term debt payments, respectively.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of June 30, 2010, the District funds reported combined ending fund balances of \$41,896,765, a decrease of \$15,172,473 in comparison with the prior year.

The Educational Fund is the chief operating fund of the District. At June 30, 2010, fund balance was \$6,468,992 (all of which is unreserved). As a measure of the Educational Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance and total fund balance both represent 15 percent of total Educational Fund expenditures.

The Educational Fund balance increased \$51,298 and includes a transfer from the Working Cash Fund of \$650,000 and transfers of \$87,000 and \$372,641 to the Operations and Maintenance Fund and Debt Services Fund, respectively.

The Operations and Maintenance Fund balance decreased \$111,886 and includes a transfer from the Educational Fund of \$87,000 and a transfer to the Debt Services Fund of \$395,982.

The Capital Projects Fund balance decreased \$13,766,819 due mostly to continuation of construction on the Almond Campus additions.

The other funds experienced net revenues and expenditures that remained relatively consistent with the prior year.

EDUCATIONAL FUND BUDGETARY HIGHLIGHTS

The District did not amend the budget during the year ended June 30, 2010, therefore the amounts shown as original and final budget are the same.

Actual revenues exceeded budgeted revenues by \$2,216,203. This was primarily attributable to more than expected On-Behalf Payment Contributions. Other sources of revenue were relatively consistent with budgeted amounts.

Actual expenditures exceeded budgeted expenditures by \$1,389,285. This was primarily attributable to higher than expected On-Behalf Payment Contributions.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The District's investment in capital assets as of June 30, 2010 amounts to \$92,028,495 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and building improvements, site improvements and infrastructure, equipment other than transportation/food service, transportation equipment, and food services equipment.

Major capital asset events during the year ended June 30, 2010 included the following:

- Construction in progress additions of \$13,798,424 related to the additions at Almond Campus
- Equipment additions of \$1,769,765.

The following table presents a summary of capital assets for the years ended June 30, 2010 and 2009:

Warren Township High School District No. 121's Capital Assets (net of depreciation)		
	Governmental Activities	
	2010	2009
Land	\$ 3,772,677	\$ 3,772,677
Construction in Progress	16,696,261	2,897,837
Buildings and Building Improvements	67,328,949	65,965,821
Site Improvements and Infrastructure	1,780,773	1,753,970
Equipment Other than Transportation/Food Service	2,374,482	1,330,397
Transportation Equipment	53,869	67,934
Food Services Equipment	21,484	11,926
Total	<u>\$ 92,028,495</u>	<u>\$ 75,800,562</u>

Further detail of the District's capital assets can be found in Note 4 on page 24 of this report.

Long-term debt – At June 30, 2010, the District had total debt outstanding of \$85,734,253.

The following table presents a summary of outstanding debt for the years ended June 30, 2010 and 2009:

Warren Township High School District No. 121's Outstanding Debt		
	Governmental Activities	
	2010	2009
General Obligation Bonds	\$ 80,750,033	\$ 84,010,510
Debt Certificates	4,875,000	1,166,000
Lease/Purchase Agreements	109,220	214,588
Total	<u>\$ 85,734,253</u>	<u>\$ 85,391,098</u>

Principal payments on all outstanding debt were \$3,656,845 for the year.

Major debt transactions during the year ended June 30, 2010 included the following:

- Issuance of Series 2009 Debt Certificates (\$4,000,000) for the purpose of additions at the Almond Campus and renovations at both campuses.

Further detail of the District's debt obligations can be found in Note 5 on pages 24 through 29 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Even though many economists have said the recession is officially over, the District continues to feel the effects of a still evident economic slowdown. The timing and amount of payments from the State of Illinois remain uncertain. New construction of property, which significantly affects revenue, remains at all time low levels. In spite of poor revenue growth, the District's 2011 operating budget is balanced. This is a result of

continuing efforts to be responsible to taxpayers by watching daily spending and living within our means. The District will remain cautious because of the uncertainty that will most likely affect both the 2011 and 2012 budgets.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District's finances and to demonstrate its accountability for the money it receives. If there are questions about this report or additional information is needed please contact the District at the following address:

Warren Township High School District No. 121
34090 N. Almond Rd.
Gurnee, IL 60031

BASIC FINANCIAL STATEMENTS

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 37,132,096
Investments, at Fair Value	7,476,239
Employee Receivables, net of allowance of \$0	24,908
Property Taxes Receivable, net of allowance of \$0	20,820,158
Due from Other Governments, net of allowance of \$0	2,970,478
Prepaid Expenses	117,068
Deposits	124,071
Debt Issuance Costs, net of amortization	3,911,673
Deferred Derivative Outflows	1,960,501
Capital Assets (Note 4):	
Land	3,772,677
Construction in Progress	16,696,261
Depreciable Buildings, Property, and Equipment, net of depreciation	<u>71,559,557</u>
Total Assets	<u>\$ 166,565,687</u>
LIABILITIES	
Accounts Payable and Accrued Expenses	\$ 4,923,206
Accrued Payroll and Payroll Liabilities	782,137
Deferred Revenue	20,672,051
Other Liabilities	3,459
Long-Term Liabilities	
Due Within One Year	2,614,948
Due in More Than One Year	<u>89,655,476</u>
Total Liabilities	<u>\$ 118,651,277</u>
NET ASSETS	
Invested in Capital Assets, net of related debt	\$ 22,964,275
Restricted for:	
Operations and Maintenance	2,940,292
Debt Service	2,987,509
Transportation	1,471,817
Retirement	615,975
Future Capital Projects	13,101,021
Working Cash	2,896,440
Tort	39,151
Fire Prevention/Life Safety	25,568
Unrestricted/(Deficit)	<u>872,362</u>
Total Net Assets	<u><u>\$ 47,914,410</u></u>

The Notes to Financial Statements are an integral part of this statement.

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				Governmental Activities
Instruction				
Regular Programs	\$ 16,622,026	\$ 2,213,036	\$ 195,336	\$ -
Special Education Programs	3,826,960	-	1,742,106	-
Other Instructional Programs	6,225,900	449,583	149,932	-
Support Services				
Pupils	2,902,323	-	64,202	-
Instructional Staff	2,063,425	-	-	-
General Administration	1,400,599	-	-	-
School Administration	1,406,531	-	-	-
Business	569,706	-	-	-
Facilities Acquisition and Construction	-	-	-	41,430
Operations and Maintenance	3,848,547	47,022	-	32,989
Transportation	3,420,307	32,001	1,665,984	-
Food Services	1,513,476	1,537,549	20,864	-
Central	373,624	-	-	-
Other Support Services	21,323	-	-	-
Community Services	331	-	-	-
Payments to Other Districts and Governmental Units	2,281,626	-	1,212,856	-
Interest and Fees on Long-Term Debt	4,266,925	-	560,555	-
On-Behalf Retirement Contributions	5,240,657	-	5,240,657	-
Depreciation - Unallocated	2,704,572	-	-	-
Total Governmental Activities	<u>\$ 58,688,858</u>	<u>\$ 4,279,191</u>	<u>\$ 10,852,492</u>	<u>\$ 74,419</u>
General Revenues				
Taxes				
Property Taxes, Levied for General Purposes				\$ 35,519,164
Property Taxes, Levied for Debt Service				5,349,569
Other Payments in Lieu of Taxes				631,895
Grants and Contributions not Restricted to Specific Activities				2,567,127
Unrestricted Investment Earnings				339,525
Total General Revenues				<u>\$ 44,407,280</u>
Change in Net Assets				\$ 924,524
Net Assets - July 1, 2009				47,323,221
Net Assets Adjustment (Note 23)				<u>(333,335)</u>
Net Assets - June 30, 2010				<u>\$ 47,914,410</u>

The Notes to Financial Statements are an integral part of this statement.

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121
FUND FINANCIAL STATEMENTS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	Educational Fund	Operations and Maintenance Fund	Debt Services Fund	Transportation Fund
ASSETS				
Cash and Cash Equivalents	\$ 6,730,955	\$ 3,247,694	\$ 2,922,401	\$ 1,195,685
Investments, at Fair Value	-	-	-	-
Employee Receivables, net of allowance of \$0	23,692	1,216	-	-
Property Taxes Receivable, net of allowance of \$0	13,957,217	1,914,940	2,840,281	642,597
Due from Other Governments, net of allowance of \$0	1,369,687	-	44,729	460,164
Prepaid Expenses	117,068	-	-	-
Deposits	124,071	-	-	-
Total Assets	<u>\$ 22,322,690</u>	<u>\$ 5,163,850</u>	<u>\$ 5,807,411</u>	<u>\$ 2,298,446</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 1,338,391	\$ 317,481	\$ 350	\$ 78,920
Accrued Payroll and Payroll Liabilities	652,651	5,112	-	109,801
Deferred Revenue	13,859,197	1,900,965	2,819,552	637,908
Other Liabilities	3,459	-	-	-
Total Liabilities	<u>\$ 15,853,698</u>	<u>\$ 2,223,558</u>	<u>\$ 2,819,902</u>	<u>\$ 826,629</u>
FUND BALANCE				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	6,468,992	2,940,292	2,987,509	1,471,817
Total Fund Balance	<u>\$ 6,468,992</u>	<u>\$ 2,940,292</u>	<u>\$ 2,987,509</u>	<u>\$ 1,471,817</u>
Total Liabilities and Fund Balance	<u>\$ 22,322,690</u>	<u>\$ 5,163,850</u>	<u>\$ 5,807,411</u>	<u>\$ 2,298,446</u>

The Notes to Financial Statements are an integral part of this statement.

Illinois Municipal Retirement/ Social Security Fund	Capital Projects Fund	Working Cash Fund	Tort Fund	Fire Prevention and Safety Fund	Total Governmental Funds
\$ 634,277	\$ 9,463,084	\$ 12,870,201	\$ 42,231	\$ 25,568	\$ 37,132,096
-	6,100,000	1,376,239	-	-	7,476,239
-	-	-	-	-	24,908
1,105,268	-	-	359,855	-	20,820,158
80,860	-	-	-	-	1,955,440
-	-	-	-	-	117,068
-	-	-	-	-	124,071
<u>\$ 1,820,405</u>	<u>\$ 15,563,084</u>	<u>\$ 14,246,440</u>	<u>\$ 402,086</u>	<u>\$ 25,568</u>	<u>\$ 67,649,980</u>
\$ 92,656	\$ 2,462,063	\$ -	\$ 5,707	\$ -	\$ 4,295,568
14,573	-	-	-	-	782,137
1,097,201	-	-	357,228	-	20,672,051
-	-	-	-	-	3,459
<u>\$ 1,204,430</u>	<u>\$ 2,462,063</u>	<u>\$ -</u>	<u>\$ 362,935</u>	<u>\$ -</u>	<u>\$ 25,753,215</u>
\$ 216,243	\$ -	\$ -	\$ -	\$ -	\$ 216,243
399,732	13,101,021	14,246,440	39,151	25,568	41,680,522
<u>\$ 615,975</u>	<u>\$ 13,101,021</u>	<u>\$ 14,246,440</u>	<u>\$ 39,151</u>	<u>\$ 25,568</u>	<u>\$ 41,896,765</u>
<u>\$ 1,820,405</u>	<u>\$ 15,563,084</u>	<u>\$ 14,246,440</u>	<u>\$ 402,086</u>	<u>\$ 25,568</u>	<u>\$ 67,649,980</u>

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121
FUND FINANCIAL STATEMENTS
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Total Fund Balances - Governmental Funds	\$	41,896,765
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital Assets	\$ 118,579,393		
Accumulated Depreciation on Capital Assets	(26,550,898)		
			92,028,495

Other assets are not available to pay for current period expenditures and therefore are not receivables in the funds.

Due from Other Governments		1,015,038
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Net OPEB Obligation is not included in the governmental funds.		(651,703)
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Deferred charges and credits for debt issue discounts or premiums and other debt issue costs are not financial resources and therefore are not reported in the funds.

Debt Issuance Costs, net of related amortization	\$ 3,911,673		
Bond Premiums, net of related amortization	(3,669,300)		
Interest Rate Swap Premium, net of related amortization	(266,668)		
Bond Discounts, net of related amortization	12,001		
			(12,294)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds.

Bonds Payable	\$ (80,750,033)		
Debt Certificates Payable	(4,875,000)		
Capital Leases Payable	(109,220)		
Accrued Interest on Long-Term Debt	(627,638)		
			(86,361,891)

Net Assets of Governmental Activities	\$	47,914,410
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The Notes to Financial Statements are an integral part of this statement.

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	Educational Fund	Operations and Maintenance Fund	Debt Services Fund	Transportation Fund
REVENUES				
Property Taxes	\$ 27,417,869	\$ 4,000,640	\$ 5,349,569	\$ 1,863,761
Payments in Lieu of Taxes	523,575	-	-	-
Tuition	1,228,853	-	-	-
Transportation Fees	-	-	-	32,001
Earnings on Investments	30,077	3,511	21,235	636
Food Service	1,537,549	-	-	-
District/School Activity Income	1,009,864	123,866	-	-
Textbooks	15,675	-	-	-
Other Local Sources	201,792	47,022	-	2,093
State Aid	3,937,272	-	-	1,705,806
Federal Aid	1,838,446	-	560,555	-
On-Behalf Payments	5,240,657	-	-	-
	<u>\$ 42,981,629</u>	<u>\$ 4,175,039</u>	<u>\$ 5,931,359</u>	<u>\$ 3,604,297</u>
EXPENDITURES				
Current				
Instruction				
Regular Programs	\$ 16,066,860	\$ -	\$ -	\$ -
Special Education Programs	3,687,474	-	-	-
Other Instructional Programs	6,166,599	-	-	-
Support Services				
Pupils	2,748,162	-	-	-
Instructional Staff	1,931,607	-	-	-
General Administration	788,062	-	-	-
School Administration	1,359,413	-	-	-
Business	513,543	-	-	-
Operations and Maintenance	2,897	3,674,764	-	-
Transportation	105	-	-	3,128,355
Food Services	1,511,234	-	-	-
Central	340,283	-	-	-
Other Support Services	21,280	-	-	-
Community Services	331	-	-	-
Payments to Other Districts and Governmental Units	1,871,432	193,744	186,002	-
Debt Service				
Principal	-	-	3,500,664	-
Interest and Fees	-	-	4,562,705	-
Capital Outlay	870,751	109,435	-	-
On-Behalf Payments	5,240,657	-	-	-
	<u>\$ 43,120,690</u>	<u>\$ 3,977,943</u>	<u>\$ 8,249,371</u>	<u>\$ 3,128,355</u>
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (139,061)</u>	<u>\$ 197,096</u>	<u>\$ (2,318,012)</u>	<u>\$ 475,942</u>
OTHER FINANCING SOURCES (USES)				
Interfund Transfers	\$ 190,359	\$ (308,982)	\$ 768,623	\$ -
Principal on Bonds Sold	-	-	-	-
	<u>\$ 190,359</u>	<u>\$ (308,982)</u>	<u>\$ 768,623</u>	<u>\$ -</u>
NET CHANGE IN FUND BALANCES	<u>\$ 51,298</u>	<u>\$ (111,886)</u>	<u>\$ (1,549,389)</u>	<u>\$ 475,942</u>
FUND BALANCES - JULY 1, 2009	<u>6,417,694</u>	<u>3,052,178</u>	<u>3,988,383</u>	<u>995,875</u>
FUND BALANCE ADJUSTMENT (NOTE 23)	<u>-</u>	<u>-</u>	<u>548,515</u>	<u>-</u>
FUND BALANCES - JUNE 30, 2010	<u>\$ 6,468,992</u>	<u>\$ 2,940,292</u>	<u>\$ 2,987,509</u>	<u>\$ 1,471,817</u>

The Notes to Financial Statements are an integral part of this statement.

Illinois Municipal Retirement/ Social Security Fund	Capital Projects Fund	Working Cash Fund	Tort Fund	Fire Prevention and Safety Fund	Total Governmental Funds
\$ 1,618,847	\$ -	\$ -	\$ 618,047	\$ -	\$ 40,868,733
108,320	-	-	-	-	631,895
-	-	-	-	-	1,228,853
-	-	-	-	-	32,001
187	160,377	123,445	42	15	339,525
-	-	-	-	-	1,537,549
-	-	-	-	-	1,133,730
-	-	-	-	-	15,675
-	41,430	-	-	-	292,337
-	-	-	-	-	5,643,078
-	-	-	-	-	2,399,001
-	-	-	-	-	5,240,657
<u>\$ 1,727,354</u>	<u>\$ 201,807</u>	<u>\$ 123,445</u>	<u>\$ 618,089</u>	<u>\$ 15</u>	<u>\$ 59,363,034</u>

\$ 221,256	\$ -	\$ -	\$ -	\$ -	\$ 16,288,116
139,486	-	-	-	-	3,826,960
59,301	-	-	-	-	6,225,900
154,161	-	-	-	-	2,902,323
131,818	-	-	-	-	2,063,425
19,314	-	-	593,223	-	1,400,599
47,118	-	-	-	-	1,406,531
56,163	-	-	-	-	569,706
170,886	-	-	-	-	3,848,547
277,782	-	-	-	-	3,406,242
-	-	-	-	-	1,511,234
33,341	-	-	-	-	373,624
43	-	-	-	-	21,323
-	-	-	-	-	331
186,630	-	-	-	-	2,437,808
-	-	-	-	-	3,500,664
-	-	-	-	-	4,562,705
-	17,968,626	-	-	-	18,948,812
-	-	-	-	-	5,240,657
<u>\$ 1,497,299</u>	<u>\$ 17,968,626</u>	<u>\$ -</u>	<u>\$ 593,223</u>	<u>\$ -</u>	<u>\$ 78,535,507</u>

<u>\$ 230,055</u>	<u>\$ (17,766,819)</u>	<u>\$ 123,445</u>	<u>\$ 24,866</u>	<u>\$ 15</u>	<u>\$ (19,172,473)</u>
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\$ -	\$ -	\$ (650,000)	\$ -	\$ -	\$ -
-	4,000,000	-	-	-	4,000,000
<u>\$ -</u>	<u>\$ 4,000,000</u>	<u>\$ (650,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,000,000</u>

\$ 230,055	\$ (13,766,819)	\$ (526,555)	\$ 24,866	\$ 15	\$ (15,172,473)
385,920	27,416,355	14,772,995	14,285	25,553	57,069,238
-	(548,515)	-	-	-	-
<u>\$ 615,975</u>	<u>\$ 13,101,021</u>	<u>\$ 14,246,440</u>	<u>\$ 39,151</u>	<u>\$ 25,568</u>	<u>\$ 41,896,765</u>

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121
FUND FINANCIAL STATEMENTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

Net Change in Fund Balances - Total Governmental Funds \$(15,172,473)

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

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

Depreciation Expense	\$ (2,720,879)	
Capital Outlays	<u>18,948,812</u>	16,227,933

Some revenues reported in the Statement of Activities do not provide current financial resources and therefore are deferred in the governmental funds.

State Aid		250,350
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The change in the Net OPEB Liability is not included in the governmental funds. (333,911)

Long-term debt proceeds provide current financial resources to governmental funds and are therefore shown as revenue in the Statement of Revenues, Expenditures, and Changes in Fund Balances, but issuing debt increases long-term liabilities in the Statement of Net Assets and is therefore not reported in the Statement of Activities.

Proceeds from Long-Term Debt		(4,000,000)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued Interest on Long-Term Debt	\$ 192,480	
Debt Issuance Costs - Amortization	(275,071)	
Bond Premium - Amortization	312,431	
Interest Rate Swap Premium - Amortization	66,667	
Bond Discount - Amortization	<u>(727)</u>	295,780

Repayment of long-term debt requires the use of current financial resources of governmental funds and is therefore shown as an expenditure in the Statement of Revenues, Expenditures, and Changes in Fund Balances, but the repayment reduces long-term liabilities in the Statement of Net Assets and is therefore not reported in the Statement of Activities.

Repayment of Long-Term Debt		<u>3,656,845</u>
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Change in Net Assets of Governmental Activities		<u><u>\$ 924,524</u></u>
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The Notes to Financial Statements are an integral part of this statement.

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121
 FUND FINANCIAL STATEMENTS
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 JUNE 30, 2010

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 403,353</u>
Total Assets	<u><u>\$ 403,353</u></u>
LIABILITIES	
Due to Activity Fund Organizations	<u>\$ 403,353</u>
Total Liabilities	<u><u>\$ 403,353</u></u>

The Notes to Financial Statements are an integral part of this statement.

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Warren Township High School District No. 121's (District) accounting policies conform to generally accepted accounting principles as applicable to local education agencies.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

A. *Reporting Entity*

The accompanying financial statements comply with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, and functions that comprise the District. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the District's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the District. Using these criteria, the District has no component units. In addition, the District is not included as a component unit in any other governmental reporting entity as defined by GASB pronouncements.

B. *Basic Financial Statements – Government-Wide Statements*

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund (reporting the District's major funds) financial statements. Both the government-wide and fund financial statements categorize all of the primary activities of the District as governmental activities. The District does not have any business-type activities.

In the government-wide Statement of Net Assets, the governmental activities column (a) is presented on a consolidated basis, and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, personal property replacement taxes, grants and contributions not restricted to specific activities, unrestricted investment earnings, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (regular programs, special education programs,

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. *Basic Financial Statements – Government-Wide Statements (Continued)*

payments to other districts and governmental units, etc.). Program revenues include charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenues (property taxes, personal property replacement taxes, grants and contributions not restricted to specific activities, unrestricted investment earnings, etc.).

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

C. *Basic Financial Statements – Fund Financial Statements*

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds. Nonmajor funds are summarized into a single column. GASB Statement No. 34 sets forth the minimum criteria (percentage of the assets, liabilities, revenues or expenditures of all governmental funds) for the determination of major funds. The District electively made all governmental funds major funds.

1. Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The District reports these major governmental funds and fund types:

General Fund – The General Fund (Educational 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. Special Education and Leasing levies are included in this fund.

Special Revenue Funds – The Special Revenue Funds (Operations and Maintenance Fund, Transportation Fund, Illinois Municipal Retirement/Social Security Fund, Working Cash Fund, and Tort Fund) are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Services Fund – The Debt Services Fund is used to account for the accumulation of funds for the periodic payment of principal, interest and related fees on general long-term debt.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. *Basic Financial Statements – Fund Financial Statements (Continued)*

1. Governmental Funds (Continued)

Capital Projects Funds – The Capital Projects Funds (Capital Projects Fund and Fire Prevention and Safety Fund) are used to account for financial resources to be used for the acquisition or construction of major capital facilities and fire prevention and safety projects.

2. Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is on net assets. The following is a description of the fiduciary fund of the District:

Agency Fund – The Agency Fund (Student Activity Fund) accounts for assets held by the District as an agent for the student organizations. These funds are custodial in nature and do not involve the measurement of the results of operations. The amounts due to student organizations are equal to the assets.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (student organizations) and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide statements.

D. *Basis of Accounting*

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual

The governmental activities in the government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Property taxes are reported in the period for which levied. Other nonexchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. An exception was made to the 60 day recognition period for state aid revenues due to delayed payments from the State of Illinois. The exception was made to preserve the consistency of revenue recognition between years. Property tax revenues are recognized in the period for which levied provided they are also available. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are recognized when the related liability is incurred. Exceptions to this general rule

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. *Basis of Accounting* (Continued)

2. Modified Accrual (Continued)

include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

E. *Cash and Cash Equivalents and Investments*

Separate bank accounts are not maintained for all District funds. Instead, the funds maintain their cash balances in common accounts, with accounting records being maintained to show the portion of the common bank account balance attributable to each participating fund.

Occasionally certain of the funds participating in the common bank account will incur overdrafts (deficits) in the account. Such overdrafts in effect constitute cash borrowed from other District funds and are, therefore, interfund loans that have not been authorized by District Board action.

No District fund had a cash overdraft at June 30, 2010.

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents are accounted for at cost, which approximates market.

Investments are stated at fair value. Fair value is determined by quoted market prices. Gains or losses on the sale of investments are recognized as they are incurred. The District has adopted a formal written investment and cash management policy. The institutions in which investments are made must be approved by the Board of Education.

F. *Receivables*

All receivables are reported net of estimated uncollectible amounts.

G. *Prepaid Expenses*

Prepaid expenses are for payments made by the District in the current year for goods and services received in the subsequent fiscal year, and the reserve for prepaid expenses in the governmental funds has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

H. *Inventories*

No inventory accounts are maintained to reflect the values of resale or supply items on hand. Instead, the costs of such items are charged to expense when purchased. The value of the District's inventories is not deemed to be material.

I. *Interfund Activity*

Interfund activity is reported either as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. *Capital Assets*

Capital assets purchased or acquired with an original cost of \$6,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line half-year basis over the following estimated useful lives:

Buildings and Building Improvements	20 - 50 years
Site Improvements and Infrastructure	20 years
Equipment Other than Transportation/Food Service	5 - 20 years
Transportation Equipment	5 - 10 years
Food Services Equipment	15 years

K. *Compensated Absences*

Vacation benefits are granted to employees in varying amounts to specified maximums depending on tenure with the District. Vacation is required to be used by June 30 and there is no allowance for carryover. Sick leave is accumulated from year to year without limit and up to 120 days and 340 days can be turned over to IMRF or TRS, respectively, for credit. Unused sick days beyond the IMRF and TRS credit thresholds are paid out by the District at \$15 and \$30 per day for IMRF or TRS, respectively. No compensated absence accrual is recorded because vacation benefits do not accumulate from year to year and sick leave paid by the District has amounted to a de minimus amount for each of the past three years.

L. *Long-Term Obligations*

In the government-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 on a straight-line basis. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. *Government-Wide Net Assets*

Government-wide 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)

N. *Governmental Fund Balances*

Governmental fund balances are reported as “reserved” because they are legally segregated for a specific future use. The remaining balances are “unreserved” fund balances. From time to time, the District Board agrees to set aside or “designate” resources for future uses – such as specific capital projects. These unreserved, designated balances are based on management’s tentative plans and can be changed.

O. *Property Tax Calendar and Revenues*

Property taxes are levied each calendar year on all taxable real property located in the District on or before the last Tuesday in December. The 2009 tax levy was passed by the Board on December 15, 2009. The 2008 tax levy was passed by the Board on December 16, 2008. Property taxes attach as an enforceable lien on property as of January 1 of the calendar year they are for and are payable in two installments early in June and early in September of the following calendar year. The District receives significant distributions of tax receipts approximately one month after these dates.

P. *Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

The District is allowed to invest in securities as authorized by the School Code of Illinois, Chapter 30, Section 235/2 and 6; and Chapter 105, Section 5/8-7.

Deposits

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District has a policy that all deposits and investments in excess of any insurance shall be collateralized by pledged securities and the market value of the pledged securities shall equal or exceed the portion of deposit requiring collateralization. As of June 30, 2010, \$135,211 of the District’s bank balance of \$22,343,637 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 135,211
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Investments

As of June 30, 2010, the District had the following investments and maturities:

Investment	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	5 - 10	More Than 10
State Investment Pools	\$ 24,329,057	\$ 24,329,057	\$ -	\$ -	\$ -

The fair value of investments in the State Investment Pools is the same as the value of pool shares. The State Investment Pool is not SEC-registered, but does have regulatory oversight through the State of Illinois.

Interest Rate Risk. The District’s investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk. State law limits investments based on credit risk. The District's investment policy further limits its investment choices to ensure that capital loss, whether from credit or market risk, is avoided. As of June 30, 2010, the District's investments were rated as follows:

Investment	Credit Rating	Rating Source
State Investment Pool	AAAm	Standard and Poor's

NOTE 3 - EMPLOYEE RECEIVABLES

In order to encourage its teachers to improve their computer knowledge, the District sponsors a program in which employees can purchase computers for personal/home use. The District purchases a computer for each employee who signs up for the program, and the employee is required to repay the District, interest free, through payroll withholdings over a two year period. At June 30, 2010 a total of \$24,908 is due to the District.

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Governmental Activities				
Capital Assets not being depreciated:				
Land	\$ 3,772,677	\$ -	\$ -	\$ 3,772,677
Construction in Progress	2,897,837	13,798,424	-	16,696,261
Total Capital Assets not being depreciated	\$ 6,670,514	\$ 13,798,424	\$ -	\$ 20,468,938
Other Capital Assets				
Buildings and Building Improvements	\$ 87,120,705	\$ 3,218,021	\$ -	\$ 90,338,726
Site Improvements and Infrastructure	3,005,552	162,602	-	3,168,154
Equipment Other than Transportation/ Food Service	2,624,253	1,757,965	-	4,382,218
Transportation Equipment	154,561	-	-	154,561
Food Services Equipment	54,996	11,800	-	66,796
Total Other Capital Assets at Historical Cost	\$ 92,960,067	\$ 5,150,388	\$ -	\$ 98,110,455
Less Accumulated Depreciation for				
Buildings and Building Improvements	\$ 21,154,884	\$ 1,854,893	\$ -	\$ 23,009,777
Site Improvements and Infrastructure	1,251,582	135,799	-	1,387,381
Equipment Other than Transportation/ Food Service	1,293,856	713,880	-	2,007,736
Transportation Equipment	86,627	14,065	-	100,692
Food Services Equipment	43,070	2,242	-	45,312
Total Accumulated Depreciation	\$ 23,830,019	\$ 2,720,879	\$ -	\$ 26,550,898
Other Capital Assets, Net	\$ 69,130,048	\$ 2,429,509	\$ -	\$ 71,559,557
Governmental Activities Capital Assets, Net	\$ 75,800,562	\$ 16,227,933	\$ -	\$ 92,028,495

Depreciation expense was charged to functions as follows:

Governmental Activities	
Transportation	\$ 14,065
Food Services	2,242
Unallocated	2,704,572
Total Governmental Activities Depreciation Expense	\$ 2,720,879

NOTE 5 - LONG-TERM LIABILITY ACTIVITY

Long-term liability activity for the year ended June 30, 2010 was as follows:

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - LONG-TERM LIABILITY ACTIVITY (Continued)

	Balance July 1, 2009	Additions	Reductions	Net Asset Adjustment (See Note 23)	Balance June 30, 2010	Due Within One Year
Long-Term Debt						
General Obligation Bonds	\$ 84,010,510	\$ -	\$ 3,260,477	\$ -	\$ 80,750,033	\$ 1,504,471
Debt Certificates	1,166,000	4,000,000	291,000	-	4,875,000	648,000
Lease/Purchase Agreements	214,588	-	105,368	-	109,220	84,106
Total Long-Term Debt	\$ 85,391,098	\$ 4,000,000	\$ 3,656,845	\$ -	\$ 85,734,253	\$ 2,236,577
Other Long-Term Liabilities						
Bond Premiums, net of amortization	\$ 3,981,731	\$ -	\$ 312,431	\$ -	\$ 3,669,300	\$ 312,431
Interest Swap Premium, net of amortization	-	-	66,667	333,335	266,668	66,667
Bond Discounts, net of amortization	(12,728)	-	(727)	-	(12,001)	(727)
Net Other Post-Employment Benefit Obligation	317,792	333,911	-	-	651,703	-
Fair Market Value of Interest Swap Option	-	1,960,501	-	-	1,960,501	-
Total Other Long-Term Liabilities	\$ 4,286,795	\$ 2,294,412	\$ 378,371	\$ 333,335	\$ 6,536,171	\$ 378,371
Total Long-Term Obligations	\$ 89,677,893	\$ 6,294,412	\$ 4,035,216	\$ 333,335	\$ 92,270,424	\$ 2,614,948

On July 1, 2000 the District issued Limited Tax School Bonds, Series 2000, for \$4,090,000. The issue provides for serial retirement of principal on January 1 of each year beginning January 1, 2002 with interest at rates ranging from 4.55% to 5.45% payable on January 1 and July 1 of each year. The balance due on these bonds at June 30, 2010 is \$1,725,000.

On June 1, 2001 the District issued Limited Tax School Bonds, Series 2001, for \$3,900,000. The issue provides for serial retirement of principal on January 1 of each year beginning January 1, 2003 with interest at rates ranging from 3.35% to 5.1% payable on January 1 and July 1 of each year. The balance due on these bonds at June 30, 2010 is \$240,000.

On March 1, 2004 the District issued Limited Tax School Bonds, Series 2004A, for \$4,570,000. The issue provides for serial retirement of principal on January 1 of each year beginning January 1, 2010 with interest at rates ranging from 4.0% to 5.0% payable on January 1 of each year. The balance due on these bonds at June 30, 2010 is \$3,990,000.

On May 1, 2004 the District issued School Building Bonds, Series 2004C, for \$15,500,000. The issue provides for serial retirement of principal on March 1 of each year beginning March 1, 2019 with interest at rates ranging from 5.5% to 5.75% payable on March 1 and September 1 of each year. The balance due on these bonds at June 30, 2010 is \$15,500,000.

On November 1, 2004 the District issued Refunding School Bonds, Series 2004D, for \$31,850,000. The issue provides for serial retirement of principal on March 1 of each year beginning March 1, 2005 with interest at rates ranging from 3.0% to 5.25% payable on March 1 and September 1 of each year. \$8,270,000 of these bonds was refunded on December 22, 2005. The balance due on these bonds at June 30, 2010 is \$16,605,000.

On December 22, 2005 the District issued Refunding School Bonds, Series 2005, for \$9,350,000. The issue provides for serial retirement of principal on March 1 of each year beginning March 1, 2006 with interest at rates ranging from 4.0% to 4.125% payable on March 1 and September 1 of each year. The balance due on these bonds at June 30, 2010 is \$2,880,000.

On December 27, 2007, the District issued General Obligation Limited School Bonds, Series 2007, for \$7,000,000. The bond proceeds less the related discount received with the bond

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - LONG-TERM LIABILITY ACTIVITY (Continued)

issuance were used to (1) increase the District's Working Cash Fund to provide for capital projects (2) refund a portion of the District's outstanding General Obligation Limited Tax School bonds, Series 2001A, and (3) pay for certain costs associated with the issuance of the Bonds. The issue provides for serial retirement of principal on January 1 of each year beginning January 1, 2018 with interest at rates ranging from 3.85% to 4.20% payable on January 1 and July 1 of each year beginning on July 1, 2008. The balance due on these bonds at June 30, 2010 is \$7,000,000.

On December 27, 2007, the District deposited \$1,730,449 into an escrow account to refund \$1,665,000 of the 2001A bond issue. The \$1,730,449 was used to purchase U.S. Government Securities. The escrow account will be used to provide for all future debt service payments on the refunded debt. As a result, a portion of the 2001A bond issue is considered defeased and its corresponding liability for the amount refunded has been removed from the District's liabilities. At June 30, 2010, a total of \$1,240,000 of defeased debt is still outstanding as a result of the 2001A bond issue.

On March 19, 2008, the District issued General Obligation Limited School Bonds, Series 2008A, for \$3,035,000. The bond proceeds and related premium received with the bond issuance were used to (1) increase the District's Working Cash Fund to provide for capital projects (2) refund a portion of the General Obligation Limited Tax School Bonds, Series 2000 and General Obligation Limited Tax School Bonds, Series 2001A, and (3) pay for certain costs associated with the issuance of the Series 2008A Bonds. The issue provides for serial retirement of principal on January 1 of each year beginning January 1, 2018 with interest at rates ranging from 4.00% to 4.20% payable on January 1 and July 1 of each year beginning on July 1, 2008. The balance due on these bonds at June 30, 2010 is \$3,035,000.

On March 19, 2008, the District deposited \$1,023,427 into an escrow account to refund \$355,000 of the 2000 bond issue and \$605,000 of the 2001A bond issue. The \$1,023,427 was used to purchase U.S. Government Securities. The escrow account will be used to provide for all future debt service payments on the refunded debt. As a result, a portion of the 2000 and 2001A bond issues is considered defeased and its corresponding liability for the amount refunded has been removed from the District's liabilities. At June 30, 2010, a total of \$100,000 and \$485,000 of defeased debt is still outstanding as a result of the 2000 and 2001A bond issues, respectively.

On March 19, 2008, the District deposited \$240,921 into an escrow account to refund \$215,000 of the 2004A bond issue. The \$240,921 was used to purchase U.S. Government Securities. The escrow account will be used to provide for all future debt service payments on the refunded debt. As a result, a portion of the 2004A bond issue is considered defeased and its corresponding liability for the amount refunded has been removed from the District's liabilities. At June 30, 2010, a total of \$215,000 of defeased debt is still outstanding as a result of the 2004A bond issue.

As described in Note 17, the District is a member of the Special Education District of Lake County (SEDOL). On September 1, 1998, SEDOL issued \$7,400,000 in Special Education Bonds. In 2008, the bonds were refunded to reduce the interest rate. The bond proceeds were used to pay the cost of constructing and equipping an additional building on the Gages Lake campus to provide special education facilities and services, including facilities to house the Cyd Lash Academy, an alternative behavior disorder high school program. The 2008 issue provides for serial retirement of principal on June 1 of each year through June 1, 2013 with interest at a rate of 3.75% payable on June 1 and December 1 of each year. Each

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - LONG-TERM LIABILITY ACTIVITY (Continued)

SEDOL member district is liable for a portion of the debt payments through the maturity of the bonds regardless of their continued membership in the joint agreement. The District's portion of the principal due on the bonds is \$110,698 at June 30, 2010.

On October 1, 2008, SEDOL also issued \$10,700,000 in Special Education Bonds. The bond proceeds were used to construct a facility for severe/profound students and to provide housing for behavior disorder students. The 2008 issue provides for serial retirement of principal on October 1 of each year through October 1, 2028 with interest at rates ranging from 3 to 5% payable on October 1 and April 1 of each year. The District's portion of the bond issue matures October 1, 2013 as the District chose to finance its portion of the debt over five years. Each SEDOL member district is liable for a portion of the debt payments through the maturity of the bonds regardless of their continued membership in the joint agreement. The District's portion of the principal due on the bonds is \$569,335 at June 30, 2010.

On December 30, 2008 the District issued General Obligation School Building Bonds, Series 2008, for \$6,275,000. The issue provides for serial retirement of principal on January 1 of 2010, 2027, and 2028 with interest at rates ranging from 5.0% to 5.125% payable on January 1 and July 1 of each year. The balance due on these bonds at June 30, 2010 is \$5,370,000.

On May 19, 2009 the District issued General Obligation School Building Bonds, Series 2009, for \$23,725,000. The issue provides for serial retirement of principal on January 1 of each year beginning January 1, 2021 with interest at rates ranging from 5.4% to 6.3% payable on January 1 and July 1 of each year. The balance due on these bonds at June 30, 2010 is \$23,725,000.

On June 2, 2009 the District issued General Obligation Limited School Bonds, Series 2009B, for \$1,027,000. The issue provided for retirement of principal on July 7, 2009 with interest at a rate of 1.4%. The balance due on these bonds at June 30, 2010 is \$0.

At June 30, 2010 the annual debt service requirements to service all general obligation bonds are:

Year Ending June 30	Principal	Interest	Total
2011	\$ 1,504,471	\$ 4,249,296	\$ 5,753,767
2012	1,690,452	4,190,106	5,880,558
2013	1,934,802	4,120,712	6,055,514
2014	2,105,307	4,028,539	6,133,846
2015	2,175,000	3,927,314	6,102,314
2016	2,695,000	3,814,606	6,509,606
2017	2,895,000	3,675,748	6,570,748
2018	3,770,000	3,525,760	7,295,760
2019	4,645,000	3,333,578	7,978,578
2020	4,970,000	3,090,228	8,060,228
2021	4,730,000	2,830,165	7,560,165
2022	5,185,000	2,590,766	7,775,766
2023	5,660,000	2,330,879	7,990,879
2024	6,170,000	2,046,471	8,216,471
2025	6,715,000	1,733,387	8,448,387
2026	7,315,000	1,357,657	8,672,657
2027	7,965,000	940,465	8,905,465
2028	8,625,001	526,105	9,151,106
	<u>\$ 80,750,033</u>	<u>\$ 52,311,782</u>	<u>\$ 133,061,815</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - LONG-TERM LIABILITY ACTIVITY (Continued)

On March 5, 2002 the District issued Debt Certificates, Series 2002A, in the amount of \$465,000. The Certificates are to be retired with annual installments of principal on January 1 of each year beginning January 1, 2003 with interest at rates ranging from 2.5% to 4.6% payable on January 1 and July 1 of each year. The balance due on these debt certificates at June 30, 2010 is \$110,000.

On May 1, 2002 the District issued Debt Certificates, Series 2002B, in the amount of \$1,200,000. The Certificates are to be retired with annual installments of principal on January 1 of each year beginning January 1, 2003 with interest at rates ranging from 2.6% to 4.9% payable on January 1 and July 1 of each year. The balance due on these debt certificates at June 30, 2010 is \$280,000.

On October 1, 2003 the District issued Debt Certificates, Series 2003, in the amount of \$500,000. The Certificates are to be retired with annual installments of principal on January 1 of each year beginning January 1, 2005 with interest at rates ranging from 2.55% to 4.6% payable on January 1 and July 1 of each year. The balance due on these debt certificates at June 30, 2010 is \$225,000.

On January 15, 2005 the District issued Debt Certificates, Series 2005, in the amount of \$537,300. The Certificates are to be retired with annual installments of principal on January 1 of each year beginning January 1, 2006 with interest at rates ranging from 2.2% to 4.3% payable on January 1 and July 1 of each year. The balance due on these debt certificates at June 30, 2010 is \$260,000.

On December 31, 2009 the District issued Debt Certificates, Series 2009, in the amount of \$4,000,000. The Certificates are to be retired with annual installments of principal on January 1 of each year beginning January 1, 2011 with interest at a rate of 3.54% payable on January 1 and July 1 of each year. The balance due on these debt certificates at June 30, 2010 is \$4,000,000.

At June 30, 2010 the annual debt service requirements to service all debt certificates are:

Year Ending June 30	Principal	Interest	Total
2011	\$ 648,000	\$ 78,862	\$ 726,862
2012	679,000	154,879	833,879
2013	493,000	127,658	620,658
2014	514,000	109,315	623,315
2015	2,541,000	89,951	2,630,951
	<u>\$ 4,875,000</u>	<u>\$ 560,665</u>	<u>\$ 5,435,665</u>

On July 15, 2006 the District entered into a lease/purchase agreement for technology equipment. The agreement was for three years at an interest rate of 8.49%. Annual payments of \$27,402 began in July 2006 and continued until July 2009. The balance due on this lease/purchase agreement at June 30, 2010 is \$0.

On July 15, 2007 the District entered into a lease/purchase agreement for technology equipment. The agreement is for three years at an interest rate of 4.99%. Annual payments of \$63,183 began in July 2007 and continue until July 2010. The balance due on this lease/purchase agreement at June 30, 2010 is \$60,180.

On July 15, 2008 the District entered into a lease/purchase agreement for technology equipment. The agreement is for three years at an interest rate of 4.98%. Annual payments of \$26,368 began in July 2008 and continue until July 2011. The balance due on this lease/purchase agreement at June 30, 2010 is \$49,040.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - LONG-TERM LIABILITY ACTIVITY (Continued)

At June 30, 2010 annual debt service requirements to cover outstanding lease/purchase agreements are:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 84,106	\$ 5,445	\$ 89,551
2012	25,114	1,251	26,365
	<u>\$ 109,220</u>	<u>\$ 6,696</u>	<u>\$ 115,916</u>

At June 30, 2010 the annual debt service requirements to cover all outstanding debt are:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 2,236,577	\$ 4,333,603	\$ 6,570,180
2012	2,394,566	4,346,236	6,740,802
2013	2,427,802	4,248,370	6,676,172
2014	2,619,307	4,137,854	6,757,161
2015	4,716,000	4,017,265	8,733,265
2016	2,695,000	3,814,606	6,509,606
2017	2,895,000	3,675,748	6,570,748
2018	3,770,000	3,525,760	7,295,760
2019	4,645,000	3,333,578	7,978,578
2020	4,970,000	3,090,228	8,060,228
2021	4,730,000	2,830,165	7,560,165
2022	5,185,000	2,590,766	7,775,766
2023	5,660,000	2,330,879	7,990,879
2024	6,170,000	2,046,471	8,216,471
2025	6,715,000	1,733,387	8,448,387
2026	7,315,000	1,357,657	8,672,657
2027	7,965,000	940,465	8,905,465
2028	8,625,001	526,105	9,151,106
	<u>\$ 85,734,253</u>	<u>\$ 52,879,143</u>	<u>\$ 138,613,396</u>

NOTE 6 - INTEREST RATE SWAP

Summary. On August 17, 2005, the District entered into an ISDA Master Agreement, together with a Confirmation and Schedule, with JPMorgan Chase Bank, NA (The "Counterparty") providing for an exchange of payments between the District and the Counterparty commencing on March 1, 2014 (the "Swap Agreement"). If the Counterparty so elects on December 3, 2013, the District will issue its General Obligation Variable Rate Demand Refunding Bonds, Series 2014, in the approximate principal amount of \$15,500,000 (the "Series 2014 Refunding Bonds"), for the purpose of refunding the District's outstanding General Obligation School Building Bonds, Series 2004C.

Objective of the Swaption. The Board entered into the Swap Agreement as a means of (1) utilizing the low interest rate environment, (2) limiting the interest rate risk inherent in variable rate debt, and (3) realizing upfront savings totaling \$705,000. The term swaption refers to the District selling an option to the counterparty to execute a swap at a certain date in the future if certain conditions exist. The Counterparty would pay the District a variable rate of interest, and the District would pay the Counterparty a fixed rate of interest on an initial notional amount of \$15,500,000, declining over time with the payment of the Series 2014 Refunding Bonds. If the conditions do not exist, the Counterparty will not execute the option.

Terms. The terms, including fair value of the swaption as of June 30, 2010, are as follows:

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - INTEREST RATE SWAP (Continued)

Associated Bond Issue	Notional Amounts	Trade Dates	Variable Rate Paid	Fixed Rate Received	Fair Values	Termination Date	Up-Front Payment
GO School Building Bonds, Series 2004C	\$ 15,500,000	8/17/2005	LIBOR Multiplied by 0.70	5.14%	\$ (1,960,501)	3/1/2024	\$ 705,000

Fair Value. As of June 30, 2010, the swaption has a negative fair value of \$1,960,501. The current year change (decrease of \$417,396) is reported through the statement of net assets to show this at fair market value. As per industry convention, the fair value of the District's outstanding swaption was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the forward rates implied by the yield curve correctly anticipate future spot rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. Because interest rates are below the Fixed Rate Received, the District's swaption has a negative value. The negative value is also driven by the upfront payment received by the District upon execution of the swaption agreement.

Credit risk. The District is exposed to credit risk (counterparty risk) through the counterparties with which it enters into agreements. There are no collateral posting requirements for the Counterparty or events of default related to the Counterparty's credit rating.

Basis risk. Basis risk refers to the mismatch between variable rate payments received on a swap contract and the interest payment actually owed on the bonds. The two significant components driving this risk are credit and SIFMA/LIBOR ratios. Credit may create basis risk because the District's bonds may trade differently than the swap index as a result of a credit change in the District. SIFMA/LIBOR ratios (or spreads) may create basis risk. With percentage of LIBOR swaps, if the District's bonds trade at a higher percentage of LIBOR over the index received on the swap, basis risk is created. This can occur due to many factors including, without limitation, changes in marginal tax rates, tax-exempt status of bonds, and supply and demand for variable rate bonds. The District's exposure to basis risk on the swaption affects the calculation of the swaption's fair value potentially creating termination risk.

Tax risk. The swap exposes the District to tax risk or a permanent mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable rate bonds due to tax law changes such that federal or state tax exemption of municipal debt is eliminated or its value reduced. There have been no tax law changes since the execution of this swap transaction. The District is exposed to tax risk if marginal tax rates change altering the historic relationship between SIFMA and LIBOR which may create basis risk and affect the market value of the swaption.

Termination risk. The risk that the swap could be terminated as a result of certain events including a ratings downgrade for the issuer or swap counterparty, covenant violation, bankruptcy, payment default or other defined events of default. Termination of the swap may result in a payment made by the issuer or to the issuer depending upon the market at the time of termination. If at time of termination the swaption is in a liability position, the District would be liable to the Counterparty for a payment equal to the current fair value, subject to netting arrangements.

Book values. The \$705,000, less fees of \$105,000, that the District received upfront is being amortized over the life of the swap option. The book value at June 30, 2010 is \$266,668.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - INTERFUND LOANS

There are no interfund loans at June 30, 2010.

NOTE 8 - RESTRICTED EQUITY

The following amounts are restricted equity balances at June 30, 2010:

Restricted For	Restricted Net Assets
Operations and Maintenance	\$ 2,940,292
Debt Service	2,987,509
Transportation	1,471,817
Retirement	615,975
Capital Projects	13,101,021
Working Cash	2,896,440
Tort	39,151
Fire Prevention/Life Safety	25,568

NOTE 9 - SPECIAL TAX LEVIES AND RESERVED EQUITY

A. *Leasing Levy*

Revenues and the related expenditures of this reserved tax levy are accounted for in the Educational Fund. The current year expenditures exceeded the current year revenues and any prior year carryover balances. Accordingly, there is no reserved fund balance for this tax levy.

B. *Special Education Tax Levy*

Revenues and the related expenditures of this reserved tax levy are accounted for in the Educational Fund. The current year expenditures exceeded the current year revenues and any prior year carryover balances. Accordingly, there is no reserved fund balance for this tax levy.

C. *Social Security Tax Levy*

Revenues and the related expenditures of this reserved tax levy are accounted for in the Illinois Municipal Retirement/Social Security Fund. A portion, \$52,024, of this fund's equity represents the excess of cumulative revenues over cumulative expenditures which is reserved for future social security expenditures in accordance with the Illinois State Board of Education.

D. *SEDOL IMRF Tax Levy*

Revenues and the related expenditures of this reserved tax levy are accounted for in the Illinois Municipal Retirement/Social Security Fund. A portion \$164,219, of this fund's equity represents the excess of cumulative revenues over cumulative expenditures which is reserved for future SEDOL IMRF expenditures in accordance with the Illinois State Board of Education.

NOTE 10 - DEFICIT FUND BALANCE

No District fund had a deficit fund balance as of June 30, 2010.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - PROPERTY TAXES

Property taxes recorded in these financial statements as property taxes receivable and deferred revenue are from the 2009 tax levy. The deferred revenue is 50% of the 2009 tax levy. These taxes are deferred as only a portion of the taxes (approximately 50%) are collected before the end of the fiscal year and the District does not consider the remaining amounts to be available and does not budget for their use until the following fiscal year. The District has determined that 50% of the 2009 tax levy (\$20,516,263) and 50% of the 2008 tax levy, plus back taxes, less uncollectible amounts (\$20,352,470) are allocable for use in fiscal year 2010. Therefore, 50% of each of these levies are recorded in these financial statements as property taxes revenue. A summary of assessed valuations, rates, and extensions for tax years 2009, 2008, and 2007 is as follows:

Assessed Valuation	2009 \$2,551,630,910		2008 \$2,613,896,848		2007 \$2,551,550,559	
	Rate	Extension	Rate	Extension	Rate	Extension
Educational	1.071	\$ 27,327,967	1.026	\$ 26,818,582	1.004	\$ 25,617,567
Special Education	0.001	25,516	0.001	26,139	0.001	25,516
Operations and Maintenance	0.149	3,801,930	0.161	4,208,374	0.157	4,005,933
Debt Service	0.221	5,639,104	0.194	5,070,960	0.280	7,144,341
Transportation	0.050	1,275,815	0.094	2,457,063	0.051	1,301,291
Municipal Retirement	0.039	995,136	0.016	418,223	0.029	739,950
Social Security	0.039	995,136	0.016	418,223	0.029	739,950
SEDOL Retirement	0.008	204,130	0.008	209,112	0.008	204,124
Tort	0.028	714,457	0.020	522,779	0.016	408,248
Leasing	0.014	357,229	0.013	339,807	0.013	331,702
Fire Prevention and Safety	-	-	-	-	0.001	25,516
Working Cash	-	-	-	-	0.001	25,516
	<u>1.620</u>	<u>\$ 41,336,420</u>	<u>1.549</u>	<u>\$ 40,489,262</u>	<u>1.590</u>	<u>\$ 40,569,654</u>

NOTE 12 - EXCESS OF EXPENDITURES OVER BUDGET

For the year ended June 30, 2010, the expenditures of the following funds exceeded the budget:

Fund	Budget	Actual	Excess of Actual Over Budget
Educational	\$ 41,731,405	\$ 43,120,690	\$ 1,389,285
Debt Services	7,966,557	8,249,371	282,814
Tort	573,563	593,223	19,660

The excess of actual over budget in the Educational Fund is mostly due to the District under-budgeting for On-Behalf Payments which are not a direct expenditure of the District.

NOTE 13 - OPERATING LEASES, AS LESSEE

The District, as lessee, leases photocopiers, technology equipment, operations and maintenance equipment, and buses.

Estimated minimum annual rentals are as follows:

Year Ending June 30	Amount
2011	\$ 821,780
2012	160,721
2013	80,579
2014	71,588
2015	71,588
	<u>\$ 1,206,256</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 13 - OPERATING LEASES, AS LESSEE (Continued)

Total rental expense for all operating leases for the year ended June 30, 2010 was \$981,904.

NOTE 14 - RETIREMENT FUND COMMITMENTS

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

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

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

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate for the year ended June 30, 2010 was 9.4% of creditable earnings. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. The active member contribution rate was also 9.4% for the years ended June 30, 2009 and 2008.

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

➤ ***On-behalf contributions to TRS***

The State of Illinois makes employer pension contributions on behalf of the District. For the year ended June 30, 2010, State of Illinois contributions were based on 23.38% of creditable earnings not paid from federal funds, and the District recognized revenue and expenditures of \$5,058,395 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2009 and June 30, 2008, the State of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 17.08% (\$3,525,349) and 13.11% (\$2,536,347), respectively.

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

➤ **2.2 formula contributions**

Employers contribute 0.58% of total creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ended June 30, 2010 were \$125,848. Contributions for the years ended June 30, 2009 and June 30, 2008 were \$119,869 and \$113,091, respectively.

➤ **Federal and special 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 14 - RETIREMENT FUND COMMITMENTS (Continued)

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

➤ **Federal and special trust fund contributions (Continued)**

For the year ended June 30, 2010, the employer pension contribution was 23.38% of salaries paid from federal and special trust funds. For the years ended June 30, 2009 and June 30, 2008, the employer contribution was 17.08% and 13.11% of salaries paid from federal and special trust funds, respectively. For the year ended June 30, 2010, salaries totaling \$62,321 were paid from federal and special trust funds that required employer contributions of \$14,571. For the years ended June 30, 2009 and June 30, 2008, required District contributions were \$4,584 and \$19,906, respectively.

➤ **Early Retirement Option (ERO)**

The District is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the age and salary of the member.

Public Act 94-0004 made changes in the ERO program that were in effect for all ERO retirements in fiscal years 2008 through 2010. The act increased member and employer contributions and eliminated the waiver of member and employer ERO contributions that had been in effect for members with 34 years of service.

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

For the year ended June 30, 2010, the District paid \$346,228 to TRS for employer contributions under the ERO program. For the years ended June 30, 2009 and June 30, 2008, the District paid \$97,765 and \$0 in employer ERO contributions, respectively.

➤ **Salary increases over 6% and excess sick leave**

Public Act 94-0004 added two additional employer contributions to TRS.

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

For the year ended June 30, 2010, the District paid \$55,609 to TRS for employer contributions due on salary increases in excess of 6%. For the years ended June 30, 2009 and June 30, 2008, the District paid \$0 and \$0 to TRS for employer contributions due on salary increases in excess of 6%, respectively.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 14 - RETIREMENT FUND COMMITMENTS (Continued)

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

➤ **Salary increases over 6% and excess sick leave (Continued)**

For the year ended June 30, 2010, the District paid \$0 to TRS for sick leave days granted in the excess of the normal annual allotment. For the years ended June 30, 2009 and June 30, 2008, the District paid \$0 and \$0 in employer contributions granted for sick leave days, respectively.

TRS financial information, an explanation of TRS benefits, and descriptions of member, employer and state funding requirements can be found in the TRS *Comprehensive Annual Financial Report* for the year ended June 30, 2009. The report for the year ended June 30, 2010 is expected to be available in late 2010.

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

B. *Illinois Municipal Retirement Fund*

➤ **Plan Description**

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 District's 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 on-line at www.imrf.org.

➤ **Funding Policy**

As set by statute, the District's Regular plan members are required to contribute 4.50% of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The District's contribution rate for calendar year 2009 was 12.19% of annual covered payroll. The District also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

➤ **Annual Pension Cost**

For fiscal year ending December 31, 2009, the District's annual pension cost of \$596,722 for the Regular plan was equal to the District's required and actual contributions.

Three Year Trend Information for the Regular Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2009	\$ 596,722	100%	\$ -
12/31/2008	560,902	100%	-
12/31/2007	562,895	100%	-

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 14 - RETIREMENT FUND COMMITMENTS (Continued)

B. *Illinois Municipal Retirement Fund* (Continued)

➤ **Annual Pension Cost (Continued)**

The required contribution for 2009 was determined as part of the December 31, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2007 included (a) 7.5% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4% 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 is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at the December 31, 2007 valuation was 23 years.

➤ **Funded Status and Funding Progress**

As of December 31, 2009, the most recent actuarial valuation date, the Regular plan was 57.52% funded. The actuarial accrued liability for benefits was \$9,109,233 and the actuarial value of assets was \$5,239,517, resulting in an underfunded actuarial accrued liability (UAAL) of \$3,869,716. The covered payroll (annual payroll of active employees covered by the plan) was \$4,895,175 and the ratio of the UAAL to the covered payroll was 79%. In conjunction with the December 2009 actuarial valuation the market value of investments was determined using techniques that spread the effect of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. In 2010, the unfunded actuarial accrued liability is being amortized on a level percentage of projected payroll on an open 30 year basis.

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

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)
12/31/2009	\$ 5,239,517	\$ 9,109,233	\$ 3,869,716	57.52%	\$ 4,895,175	79.05%
12/31/2008	6,099,486	8,252,847	2,153,361	73.91%	4,624,090	46.57%
12/31/2007	5,450,548	8,324,526	2,873,978	65.48%	4,714,362	60.96%

On a market value basis, the actuarial value of assets as of December 31, 2009 is \$5,035,938. On a market basis, the funded ratio would be 55.28%.

C. *Social Security*

Employees not qualifying for coverage under the Teachers' Retirement System of the State of Illinois or the Illinois Municipal Retirement Fund are considered "non-participating employees". These employees and those qualifying for coverage under

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 14 - RETIREMENT FUND COMMITMENTS (Continued)

C. *Social Security (Continued)*

the Illinois Municipal Retirement Fund are covered under Social Security. The District paid \$303,348, the total required contribution for the current fiscal year.

NOTE 15 - POST EMPLOYMENT BENEFIT COMMITMENTS

A. *Teacher Health Insurance Security Fund*

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

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

➤ **On behalf contributions to THIS Fund**

The State of Illinois makes employer retiree health insurance contributions on behalf of the District. State contributions are intended to match contributions to THIS Fund from active members which were 0.84% of pay during the year ended June 30, 2010. State of Illinois contributions were \$182,262, and the District recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2009 and June 30, 2008 were also 0.84% of pay. State contributions on behalf of District employees were \$173,603 and \$163,787, respectively.

➤ **Employer contributions to THIS Fund**

The District also makes contributions to THIS Fund. The employer THIS Fund contribution was 0.63% during the years ended June 30, 2010, June 30, 2009, and June 30, 2008. For the year ended June 30, 2010, the District paid \$136,697 to the THIS Fund. For the years ended June 30, 2009 and June 30, 2008, the District paid \$130,202 and \$122,841 to the THIS Fund, respectively, which was 100% of the required contribution.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 15 - POST EMPLOYMENT BENEFIT COMMITMENTS (Continued)

A. *Teacher Health Insurance Security Fund (Continued)*

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.

B. *Retiree Insurance Plan*

➤ **Plan Overview**

The District provides post-employment benefits other than pensions ("OPEB") to employees who retire directly from the District and who meet certain criteria. The Plan, a single-employer defined benefit plan, provides medical, prescription drug, dental, and vision insurance benefits to retirees. Participants in the plan must contribute 100% of the premium level to participate in the plan. Premiums are based on expected experience for active and retiree populations. Retirees are eligible to continue coverage for life. To be eligible, the employee must be enrolled in the active medical plan immediately prior to retiring and not be enrolled in the TRS medical plan. Teachers are given the choice to select COBRA coverage upon retirement or receive a \$10,000 cash payment from the District. If the participant is not a teacher, they become eligible to retire and receive medical coverage as of 55 years of age and eight years of service. The Plan does not issue a stand-alone financial report.

Membership in the Plan consisted of the following at July 1, 2010:

Active Participants (fully eligible for retirement)	24
Active Participants (not yet fully eligible for retirement)	125
Retirees	<u>4</u>
Total	<u><u>153</u></u>

➤ **Funding Policy**

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

➤ **Annual OPEB Cost and Net OPEB Obligation**

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

Annual required contribution	\$	241,373
Interest on net OPEB obligation		12,711
Adjustment to annual required contribution		<u>115,118</u>
Annual OPEB cost (expense)	\$	369,202
Contributions made		<u>35,291</u>
Increase/(Decrease) in net OPEB obligation	\$	333,911
Net OPEB obligation - beginning of year		<u>317,792</u>
Net OPEB obligation - end of year	\$	<u><u>651,703</u></u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 15 - POST EMPLOYMENT BENEFIT COMMITMENTS (Continued)

B. Retiree Insurance Plan (Continued)

➤ Annual OPEB Cost and Net OPEB Obligation (Continued)

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:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 369,202	\$ 35,291	9.6%	\$ 651,703
6/30/2009	351,726	33,934	9.6%	317,792

➤ Funded Status and Funding Progress

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability - Entry Age (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll ((b-a)/c)
7/1/2008	\$ -	\$ 2,070,245	\$ 2,070,245	0.00%	N/A	N/A

➤ 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 includes actuarial assumptions and methods:

Actuarial Cost Method	Unit Credit, Normal Cost
Amortization Period	Closed, Level Dollar
Remaining Amortization Period	30 Years
Healthcare Inflation Rate	9% initial, 5% ultimate
Mortality	RP-2000 Combined Healthy table using scale AA
New Retiree Elections, Medical Coverage	It is assumed that new retirees select coverage, consistent with their active election, and are assumed to participate in Medicare upon eligibility. Teachers are assumed to enroll in the TRS medical plan and not elect to receive COBRA benefits.

NOTE 16 - INTERFUND TRANSFERS

Interfund transfers during the year ended June 30, 2010 were as follows:

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 16 - INTERFUND TRANSFERS (Continued)

Transfer From	Transfer To	Amount
Working Cash Fund	Educational Fund	\$ 650,000
Educational Fund	Operations and Maintenance Fund	87,000
Educational Fund	Debt Service Fund	372,641
Operations and Maintenance Fund	Debt Service Fund	395,982

The transfer from the Education Fund to the Operations and Maintenance Fund was made due to the need for funds in the Operations and Maintenance Fund. All other transfers were made to cover debt payments made out of the Debt Services Fund for non-levied debt.

NOTE 17 - JOINT VENTURES

A. *Special Education District of Lake County (SEDOL)*

The District and thirty-five other districts within Lake County have entered into a joint agreement to provide special education programs and services to the students enrolled. Each member district has a financial responsibility for annual and special assessments as established by the management council.

A summary of financial condition (cash basis) of SEDOL at June 30, 2009 (most recent information available) is as follows:

Assets	\$ 52,980,193
Liabilities	\$ 14,835,442
Fund Equity	38,144,751
	<u>\$ 52,980,193</u>
Revenues Received	\$ 90,428,283
Expenditures Disbursed	66,216,120
Net Increase/(Decrease) in Fund Balance	<u>\$ 24,212,163</u>

Complete financial statements for SEDOL can be obtained from the Administrative Offices at 18160 Gages Lake Road, Gages Lake, Illinois 60030-1819.

B. *Lake County Area Vocational System (LCAVS)*

The District and seventeen other districts within Lake and McHenry Counties have entered into a joint agreement to provide vocational programs for member districts that are not offering these services individually. Each member district has a financial responsibility for annual and special assessments as established by the management council.

A summary of financial condition (cash basis) of LCAVS at June 30, 2009 (most recent information available) is as follows:

Assets	\$ 22,672,599
Liabilities	\$ 1,106,565
Fund Equity	21,566,034
	<u>\$ 22,672,599</u>
Revenues Received	\$ 8,258,274
Expenditures Disbursed	8,009,336
Other Financing Sources/(Uses)	116,454
Net Increase/(Decrease) in Fund Balance	<u>\$ 365,392</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 17 - JOINT VENTURES (Continued)

B. *Lake County Area Vocational System (LCAVS) (Continued)*

Complete financial statements for LCAVS can be obtained from the Administrative Offices at 19525 W. Washington Street, Grayslake, Illinois 60030.

NOTE 18 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance to handle these risks of loss. During fiscal year 2010 there was no significant reduction in insurance coverage for any category. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District is a member of the Collective Liability Insurance Cooperative (CLIC), a joint risk management pool of school districts through which property, general liability, automobile liability, crime, excess property, excess liability, and boiler and machinery coverage is provided in excess of specified limits for the members, acting as a single insurable unit. The relationship between the District and CLIC is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The District is contractually obligated to make all annual and supplementary contributions for CLIC, to report claims on a timely basis, cooperate with CLIC, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by CLIC. Members have a contractual obligation to fund any deficit of CLIC attributable to a membership year during which they were members.

CLIC is responsible for administering the self-insurance program and purchasing excess insurance according to the direction of the Board of Directors. CLIC also provides its members with risk management services, including the defense and settlement of claims, and establishes reasonable and necessary loss of reduction and prevention procedures to be followed by the members.

The District is insured under a retrospectively-rated policy for workers' compensation coverage. Whereas, the initial premium may be adjusted based on actual experience. Adjustments in premiums are recorded when paid or received. During the year ended June 30, 2010, there were no significant adjustments in premiums based on actual experience.

NOTE 19 - SELF INSURANCE

The District has a self-insured plan that provides its employees' vision and dental care benefits. A third party administrator and a claims administrator are contracted to manage the plan. At June 30, 2010 the liability for unpaid claims was \$20,000. This was estimated based on historical experience. A reconciliation of changes in the aggregate liabilities for claims for the fiscal year ended June 30, 2010 is as follows:

Claims Liabilities - Beginning of Year	\$ 20,000
Incurring Claims	268,105
Payments on Claims	<u>(268,105)</u>
Claims Liabilities - End of Year	<u>\$ 20,000</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 20 - CONSTRUCTION COMMITMENTS

The District has ongoing construction (for additional classrooms, cafeteria expansion, new theater, additional access road, etc.) at the Almond Campus at June 30, 2010 that has outstanding commitments of \$8,362,603 that have not been included as expenses in these financial statements.

NOTE 21 - CONTINGENCIES

The District is not aware of any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.

NOTE 22 - LEGAL DEBT LIMITATION

The Illinois School Code limits the amount of indebtedness to 6.9% of the most recent available equalized assessed valuation (EAV) of the District. The District's legal debt limitation is as follows:

2009 EAV	\$ 2,551,630,910
Rate	<u>6.90%</u>
Debt Margin	\$ 176,062,533
Current Debt (less SEDOL Bonds - Note 5)	<u>85,054,220</u>
Remaining Debt Margin	<u>\$ 91,008,313</u>

NOTE 23 - NET ASSET/FUND BALANCE ADJUSTMENT

The fund balance of the following funds was adjusted for the year ended June 30, 2010:

	Debt Services Fund	Capital Projects Fund
Correct Recording of 2009A Series Bond Issue	<u>\$ 548,515</u>	<u>\$ (548,515)</u>

The Net Assets were also adjusted to properly account for the 2005 interest rate swap up-front money received from the counterparty. Per GASB 53, this amount is being amortized over the life of the swap option. As a result, the net assets have been adjusted by \$333,335. See Note 5 for more information.

NOTE 24 - SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 12, 2010, the date on which the financial statements were available to be issued.

On August 17, 2010, the District signed a contract in the amount of \$7,990,000 to purchase land. The District approved a parameter resolution for additional financing in the amount of \$3,990,000 for this purchase.

NOTE 25 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2010, the District has implemented GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments.

REQUIRED SUPPLEMENTARY INFORMATION

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - EDUCATIONAL FUND
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Property Taxes	\$ 27,138,920	\$ 27,138,920	\$ 27,417,869
Payments in Lieu of Taxes	525,266	525,266	523,575
Tuition	1,184,000	1,184,000	1,228,853
Earnings on Investments	40,000	40,000	30,077
Food Service	1,427,000	1,427,000	1,537,549
District/School Activity Income	740,800	740,800	1,009,864
Textbooks	-	-	15,675
Other Local Sources	255,000	255,000	201,792
State Aid			
General State Aid	2,095,169	2,095,169	2,224,536
Special Education	1,268,410	1,268,410	1,590,574
Career and Technical Education	33,783	33,783	4,792
Bilingual	44,318	44,318	32,132
State Free Lunch and Breakfast	5,100	5,100	7,966
Driver Education	60,000	60,000	58,958
School Safety and Educational Improvement Block Grant	36,530	36,530	18,314
Other State Aid	3,000	3,000	-
Federal Aid			
Food Service	10,000	10,000	12,898
Title I	106,052	106,052	100,806
Title IV	7,768	7,768	7,943
Federal Special Education	481,610	481,610	452,533
CTE - Perkins	27,000	27,000	27,951
General State Aid - Education Stabilization	567,334	567,334	342,591
IDEA - Part B - Flow-Through	605,717	605,717	646,744
Other ARRA Funds	-	-	113,466
Emergency Immigrant Assistance	5,500	5,500	5,500
Title III - English Language Acquisition	10,900	10,900	13,856
Title II - Teacher Quality	49,249	49,249	49,956
Medicaid Matching Funds - Administrative Outreach	43,000	43,000	31,597
Medicaid Matching Funds - Fee-for-Service Program	36,000	36,000	32,605
On-Behalf Payments	3,958,000	3,958,000	5,240,657
Total Revenues	<u>\$ 40,765,426</u>	<u>\$ 40,765,426</u>	<u>\$ 42,981,629</u>
EXPENDITURES			
Instruction			
Regular Programs			
Salaries	\$ 12,993,805	\$ 12,993,805	\$ 12,964,665
Employee Benefits	1,761,187	1,761,187	1,696,136
Purchased Services	526,917	526,917	635,620
Supplies and Materials	780,757	780,757	761,213
Other Objects	11,202	11,202	6,917
Non-Capitalized Equipment	-	-	2,309
	<u>\$ 16,073,868</u>	<u>\$ 16,073,868</u>	<u>\$ 16,066,860</u>
Special Education Programs			
Salaries	\$ 2,858,038	\$ 2,858,038	\$ 2,768,831
Employee Benefits	429,444	429,444	419,070
Purchased Services	81,000	81,000	98,920
Supplies and Materials	68,000	68,000	60,298
Other Objects	330,503	330,503	339,856
Non-Capitalized Equipment	20,000	20,000	499
	<u>\$ 3,786,985</u>	<u>\$ 3,786,985</u>	<u>\$ 3,687,474</u>
Adult/Continuing Education Programs			
Salaries	\$ 44,604	\$ 44,604	\$ 33,498
Employee Benefits	540	540	405
Purchased Services	9,606	9,606	-
Supplies and Materials	2,000	2,000	1,014
	<u>\$ 56,750</u>	<u>\$ 56,750</u>	<u>\$ 34,917</u>

See Accompanying Independent Auditor's Report

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - EDUCATIONAL FUND
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts
	Original	Final	
EXPENDITURES (Continued)			
Instruction (Continued)			
CTE Programs			
Salaries	\$ 1,245,646	\$ 1,245,646	\$ 1,248,708
Employee Benefits	145,338	145,338	154,128
Purchased Services	11,537	11,537	10,163
Supplies and Materials	100,575	100,575	86,731
Other Objects	900	900	72
	<u>\$ 1,503,996</u>	<u>\$ 1,503,996</u>	<u>\$ 1,499,802</u>
Interscholastic Programs			
Salaries	\$ 1,206,454	\$ 1,206,454	\$ 1,140,056
Employee Benefits	78,841	78,841	78,530
Purchased Services	219,565	219,565	339,034
Supplies and Materials	90,600	90,600	83,420
Other Objects	600	600	515
Non-Capitalized Equipment	16,000	16,000	34,687
	<u>\$ 1,612,060</u>	<u>\$ 1,612,060</u>	<u>\$ 1,676,242</u>
Summer School Programs			
Salaries	\$ 202,786	\$ 202,786	\$ 236,001
Employee Benefits	2,425	2,425	2,755
Purchased Services	19,312	19,312	9,957
Supplies and Materials	8,000	8,000	8,359
	<u>\$ 232,523</u>	<u>\$ 232,523</u>	<u>\$ 257,072</u>
Driver's Education Programs			
Salaries	\$ 120,110	\$ 120,110	\$ 120,519
Employee Benefits	13,960	13,960	14,528
Purchased Services	5,100	5,100	5,719
Supplies and Materials	10,000	10,000	1,942
	<u>\$ 149,170</u>	<u>\$ 149,170</u>	<u>\$ 142,708</u>
Bilingual Programs			
Salaries	\$ 344,456	\$ 344,456	\$ 347,178
Employee Benefits	66,489	66,489	64,425
Purchased Services	-	-	1,625
Supplies and Materials	5,000	5,000	3,647
Non-Capitalized Equipment	-	-	6,103
	<u>\$ 415,945</u>	<u>\$ 415,945</u>	<u>\$ 422,978</u>
Private Tuition - Other Objects			
Special Education Programs K-12	\$ 1,982,000	\$ 1,982,000	\$ 2,029,241
Remedial/Supplemental Programs K-12	117,000	117,000	103,639
	<u>\$ 2,099,000</u>	<u>\$ 2,099,000</u>	<u>\$ 2,132,880</u>
Total Instruction	<u>\$ 25,930,297</u>	<u>\$ 25,930,297</u>	<u>\$ 25,920,933</u>
Support Services			
Pupils			
Attendance and Social Work Services			
Salaries	\$ 768,405	\$ 768,405	\$ 762,317
Employee Benefits	112,792	112,792	110,433
Purchased Services	15,000	15,000	-
Supplies and Materials	16,000	16,000	33,763
	<u>\$ 912,197</u>	<u>\$ 912,197</u>	<u>\$ 906,513</u>
Guidance Services			
Salaries	\$ 1,201,210	\$ 1,201,210	\$ 1,193,356
Employee Benefits	180,204	180,204	170,900
Purchased Services	2,431	2,431	-
Supplies and Materials	2,225	2,225	2,790
Other Objects	350	350	485
	<u>\$ 1,386,420</u>	<u>\$ 1,386,420</u>	<u>\$ 1,367,531</u>

See Accompanying Independent Auditor's Report

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - EDUCATIONAL FUND
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual
	Original	Final	Amounts
EXPENDITURES (Continued)			
Support Services (Continued)			
Pupils (Continued)			
Health Services			
Salaries	\$ 167,921	\$ 167,921	\$ 167,649
Employee Benefits	27,049	27,049	29,174
Purchased Services	32,000	32,000	28,440
Supplies and Materials	6,876	6,876	6,594
	<u>\$ 233,846</u>	<u>\$ 233,846</u>	<u>\$ 231,857</u>
Psychological Services			
Salaries	\$ 206,608	\$ 206,608	\$ 210,186
Employee Benefits	37,556	37,556	32,075
	<u>\$ 244,164</u>	<u>\$ 244,164</u>	<u>\$ 242,261</u>
Speech Pathology and Audiology Services			
Purchased Services	\$ 37,945	\$ 37,945	\$ -
	<u>\$ 37,945</u>	<u>\$ 37,945</u>	<u>\$ -</u>
Total Support Services - Pupils	<u>\$ 2,814,572</u>	<u>\$ 2,814,572</u>	<u>\$ 2,748,162</u>
Instructional Staff			
Improvement of Instruction Services			
Salaries	\$ 186,380	\$ 186,380	\$ 188,805
Employee Benefits	56,435	56,435	63,812
Purchased Services	30,869	30,869	28,919
Supplies and Materials	40,530	40,530	37,715
	<u>\$ 314,214</u>	<u>\$ 314,214</u>	<u>\$ 319,251</u>
Educational Media Services			
Salaries	\$ 953,725	\$ 953,725	\$ 981,331
Employee Benefits	163,808	163,808	157,227
Purchased Services	49,600	49,600	38,896
Supplies and Materials	118,390	118,390	128,292
Other Objects	500	500	-
Non-Capitalized Equipment	60,000	60,000	285,617
	<u>\$ 1,346,023</u>	<u>\$ 1,346,023</u>	<u>\$ 1,591,363</u>
Assessment and Testing			
Salaries	\$ 10,000	\$ 10,000	\$ 6,662
Employee Benefits	-	-	75
Purchased Services	117,000	117,000	14,256
	<u>\$ 127,000</u>	<u>\$ 127,000</u>	<u>\$ 20,993</u>
Total Support Services - Instructional Staff	<u>\$ 1,787,237</u>	<u>\$ 1,787,237</u>	<u>\$ 1,931,607</u>
General Administration			
Board of Education Services			
Salaries	\$ 7,562	\$ 7,562	\$ 12,602
Employee Benefits	-	-	58
Purchased Services	360,966	360,966	365,182
Supplies and Materials	16,650	16,650	13,618
Other Objects	21,580	21,580	44,051
	<u>\$ 406,758</u>	<u>\$ 406,758</u>	<u>\$ 435,511</u>
Executive Administration Services			
Salaries	\$ 283,306	\$ 283,306	\$ 286,665
Employee Benefits	37,349	37,349	37,860
Purchased Services	16,385	16,385	6,214
Supplies and Materials	2,800	2,800	1,663
Other Objects	3,770	3,770	3,788
	<u>\$ 343,610</u>	<u>\$ 343,610</u>	<u>\$ 336,190</u>

See Accompanying Independent Auditor's Report

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - EDUCATIONAL FUND
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts
	Original	Final	
EXPENDITURES (Continued)			
Support Services (Continued)			
General Administration (Continued)			
Special Area Administration Services			
Salaries	\$ 14,362	\$ 14,362	\$ 14,362
Employee Benefits	2,080	2,080	1,999
	<u>\$ 16,442</u>	<u>\$ 16,442</u>	<u>\$ 16,361</u>
Total Support Services - General Administration	<u>\$ 766,810</u>	<u>\$ 766,810</u>	<u>\$ 788,062</u>
School Administration			
Office of the Principal Services			
Salaries	\$ 579,750	\$ 579,750	\$ 579,776
Employee Benefits	142,524	142,524	120,704
Supplies and Materials	29,000	29,000	26,529
Other Objects	14,710	14,710	11,992
	<u>\$ 765,984</u>	<u>\$ 765,984</u>	<u>\$ 739,001</u>
Other Support Services - School Administration			
Salaries	\$ 497,528	\$ 497,528	\$ 508,066
Employee Benefits	113,666	113,666	112,346
	<u>\$ 611,194</u>	<u>\$ 611,194</u>	<u>\$ 620,412</u>
Total Support Services - School Administration	<u>\$ 1,377,178</u>	<u>\$ 1,377,178</u>	<u>\$ 1,359,413</u>
Business			
Direction of Business Support Services			
Salaries	\$ 134,264	\$ 134,264	\$ 134,264
Employee Benefits	33,045	33,045	32,487
	<u>\$ 167,309</u>	<u>\$ 167,309</u>	<u>\$ 166,751</u>
Fiscal Services			
Salaries	\$ 270,034	\$ 270,034	\$ 266,592
Employee Benefits	33,082	33,082	33,308
Purchased Services	11,000	11,000	4,377
Supplies and Materials	7,500	7,500	4,588
Other Objects	30,000	30,000	37,927
	<u>\$ 351,616</u>	<u>\$ 351,616</u>	<u>\$ 346,792</u>
Total Support Services - Business	<u>\$ 518,925</u>	<u>\$ 518,925</u>	<u>\$ 513,543</u>
Operations and Maintenance			
Purchased Services	\$ 235	\$ 235	\$ 2,897
Total Support Services - Operations and Maintenance	<u>\$ 235</u>	<u>\$ 235</u>	<u>\$ 2,897</u>
Transportation			
Purchased Services	\$ -	\$ -	\$ 105
Total Support Services - Transportation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105</u>
Food Services			
Purchased Services	\$ 1,478,000	\$ 1,478,000	\$ 1,504,476
Supplies and Materials	-	-	4,280
Other Objects	-	-	2,478
Non-Capitalized Equipment	5,000	5,000	-
Total Support Services - Food Services	<u>\$ 1,483,000</u>	<u>\$ 1,483,000</u>	<u>\$ 1,511,234</u>
Central			
Information Services			
Salaries	\$ 75,224	\$ 75,224	\$ 77,249
Employee Benefits	7,817	7,817	9,946
Purchased Services	1,000	1,000	244
Supplies and Materials	300	300	341
	<u>\$ 84,341</u>	<u>\$ 84,341</u>	<u>\$ 87,780</u>

See Accompanying Independent Auditor's Report

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - EDUCATIONAL FUND
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts
	Original	Final	
EXPENDITURES (Continued)			
Support Services (Continued)			
Central (Continued)			
Staff Services			
Salaries	\$ 197,309	\$ 197,309	\$ 197,309
Employee Benefits	43,405	43,405	47,062
Purchased Services	8,800	8,800	7,598
Supplies and Materials	2,800	2,800	486
	<u>\$ 252,314</u>	<u>\$ 252,314</u>	<u>\$ 252,455</u>
Data Processing Services			
Supplies and Materials	\$ 1,000	\$ 1,000	\$ 48
	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 48</u>
Total Support Services - Central	<u>\$ 337,655</u>	<u>\$ 337,655</u>	<u>\$ 340,283</u>
Other Support Services			
Salaries	\$ -	\$ -	\$ 3,000
Employee Benefits	-	-	720
Purchased Services	21,211	21,211	17,560
Total Other Support Services	<u>\$ 21,211</u>	<u>\$ 21,211</u>	<u>\$ 21,280</u>
Total Support Services	<u>\$ 9,106,823</u>	<u>\$ 9,106,823</u>	<u>\$ 9,216,586</u>
Community Services			
Purchased Services	\$ 250	\$ 250	\$ -
Supplies and Materials	250	250	331
Total Community Services	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 331</u>
Payments to Other Districts and Governmental Units			
Payments to Other Districts and Governmental Units (In-State)			
Payments for Regular Programs			
Other Objects	\$ -	\$ -	\$ 90,500
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,500</u>
Total Payments to Other Governmental Units (In-State)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,500</u>
Payments to Other Districts and Governmental Units-Tuition (In-State)			
Payments for Special Education Programs			
Other Objects	\$ 900,660	\$ 900,660	\$ 896,592
Payment for CTE Programs			
Other Objects	884,000	884,000	884,340
Total Payments to Other Districts and Governmental Units-Tuition (In-State)	<u>\$ 1,784,660</u>	<u>\$ 1,784,660</u>	<u>\$ 1,780,932</u>
Total Payments to Other Districts and Governmental Units	<u>\$ 1,784,660</u>	<u>\$ 1,784,660</u>	<u>\$ 1,871,432</u>
Capital Outlay			
Instruction			
Regular Programs	\$ 267,625	\$ 267,625	\$ 267,324
Other Instructional Programs	35,300	35,300	72,279
Support Services			
Instructional Staff	638,200	638,200	521,148
Food Services	10,000	10,000	10,000
	<u>\$ 951,125</u>	<u>\$ 951,125</u>	<u>\$ 870,751</u>
On-Behalf Payments	<u>\$ 3,958,000</u>	<u>\$ 3,958,000</u>	<u>\$ 5,240,657</u>
Total Expenditures	<u>\$ 41,731,405</u>	<u>\$ 41,731,405</u>	<u>\$ 43,120,690</u>

See Accompanying Independent Auditor's Report

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - EDUCATIONAL FUND
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts
	Original	Final	
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (965,979)	\$ (965,979)	\$ (139,061)
OTHER FINANCING SOURCES (USES)			
Interfund Transfers	\$ (708,416)	\$ (708,416)	\$ 190,359
Other Sources	336,195	336,195	-
	<u>\$ (372,221)</u>	<u>\$ (372,221)</u>	<u>\$ 190,359</u>
NET CHANGE IN FUND BALANCE	\$ (1,338,200)	\$ (1,338,200)	\$ 51,298
FUND BALANCE - JULY 1, 2009	<u>6,417,694</u>	<u>6,417,694</u>	<u>6,417,694</u>
FUND BALANCE - JUNE 30, 2010	<u><u>\$ 5,079,494</u></u>	<u><u>\$ 5,079,494</u></u>	<u><u>\$ 6,468,992</u></u>

See Accompanying Independent Auditor's Report

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - OPERATIONS AND MAINTENANCE FUND
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Property Taxes	\$ 4,097,443	\$ 4,097,443	\$ 4,000,640
Earnings on Investments	20,000	20,000	3,511
District/School Activity Income	140,000	140,000	123,866
Other Local Sources	50,000	50,000	47,022
Total Revenues	<u>\$ 4,307,443</u>	<u>\$ 4,307,443</u>	<u>\$ 4,175,039</u>
EXPENDITURES			
Support Services			
Operations and Maintenance			
Salaries	\$ 864,762	\$ 864,762	\$ 845,702
Employee Benefits	150,000	150,000	131,538
Purchased Services	1,645,251	1,645,251	1,576,459
Supplies and Materials	1,164,350	1,164,350	1,120,017
Other Objects	25	25	-
Non-Capitalized Equipment	20,000	20,000	1,048
Total Support Services - Operations and Maintenance	<u>\$ 3,844,388</u>	<u>\$ 3,844,388</u>	<u>\$ 3,674,764</u>
Total Support Services	<u>\$ 3,844,388</u>	<u>\$ 3,844,388</u>	<u>\$ 3,674,764</u>
Payments to Other Districts and Governmental Units			
Payments to Other Districts and Governmental Units (In-State)			
Payments for Special Education Programs			
Purchased Services	\$ 133,633	\$ 133,633	\$ 134,220
Other Objects	30,464	30,464	30,012
	<u>\$ 164,097</u>	<u>\$ 164,097</u>	<u>\$ 164,232</u>
Payments for CTE Programs			
Other Objects	\$ 34,500	\$ 34,500	\$ 29,512
	<u>\$ 34,500</u>	<u>\$ 34,500</u>	<u>\$ 29,512</u>
Total Payments to Other Districts and Governmental Units (In-State)	<u>\$ 198,597</u>	<u>\$ 198,597</u>	<u>\$ 193,744</u>
Total Payments to Other Districts and Governmental Units	<u>\$ 198,597</u>	<u>\$ 198,597</u>	<u>\$ 193,744</u>
Capital Outlay			
Support Services			
Operations and Maintenance	\$ 169,000	\$ 169,000	\$ 109,435
	<u>\$ 169,000</u>	<u>\$ 169,000</u>	<u>\$ 109,435</u>
Total Expenditures	<u>\$ 4,211,985</u>	<u>\$ 4,211,985</u>	<u>\$ 3,977,943</u>
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 95,458	\$ 95,458	\$ 197,096
OTHER FINANCING SOURCES (USES)			
Interfund Transfers	-	-	(308,982)
NET CHANGE IN FUND BALANCE	\$ 95,458	\$ 95,458	\$ (111,886)
FUND BALANCE - JULY 1, 2009	<u>3,052,177</u>	<u>3,052,177</u>	<u>3,052,178</u>
FUND BALANCE - JUNE 30, 2010	<u>\$ 3,147,635</u>	<u>\$ 3,147,635</u>	<u>\$ 2,940,292</u>

See Accompanying Independent Auditor's Report

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - TRANSPORTATION FUND
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Property Taxes	\$ 1,710,681	\$ 1,710,681	\$ 1,863,761
Transportation Fees	24,000	24,000	32,001
Earnings on Investments	3,500	3,500	636
Other Local Sources	-	-	2,093
State Aid			
Transportation	1,684,551	1,684,551	1,705,806
Total Revenues	<u>\$ 3,422,732</u>	<u>\$ 3,422,732</u>	<u>\$ 3,604,297</u>
EXPENDITURES			
Support Services			
Transportation			
Salaries	\$ 1,544,854	\$ 1,544,854	\$ 1,424,276
Employee Benefits	269,196	269,196	253,021
Purchased Services	1,311,974	1,311,974	1,206,755
Supplies and Materials	321,195	321,195	243,567
Other Objects	510	510	736
Total Support Services - Transportation	<u>\$ 3,447,729</u>	<u>\$ 3,447,729</u>	<u>\$ 3,128,355</u>
Total Support Services	<u>\$ 3,447,729</u>	<u>\$ 3,447,729</u>	<u>\$ 3,128,355</u>
Total Expenditures	<u>\$ 3,447,729</u>	<u>\$ 3,447,729</u>	<u>\$ 3,128,355</u>
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (24,997)	\$ (24,997)	\$ 475,942
OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	\$ (24,997)	\$ (24,997)	\$ 475,942
FUND BALANCE - JULY 1, 2009	<u>995,875</u>	<u>995,875</u>	<u>995,875</u>
FUND BALANCE - JUNE 30, 2010	<u><u>\$ 970,878</u></u>	<u><u>\$ 970,878</u></u>	<u><u>\$ 1,471,817</u></u>

See Accompanying Independent Auditor's Report

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - ILLINOIS MUNICIPAL RETIREMENT/SOCIAL SECURITY FUND
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Property Taxes	\$ 697,142	\$ 697,142	\$ 706,227
FICA/Medicare Only Purposes Levies	697,142	697,142	706,227
Other Tax Levies	209,112	209,112	206,393
Payments in Lieu of Taxes	131,316	131,316	108,320
Earnings on Investments	2,000	2,000	187
Total Revenues	<u>\$ 1,736,712</u>	<u>\$ 1,736,712</u>	<u>\$ 1,727,354</u>
EXPENDITURES			
Instruction			
Regular Programs			
Employee Benefits	\$ 238,334	\$ 238,334	\$ 221,256
Special Education Programs			
Employee Benefits	200,817	200,817	139,486
Adult/Continuing Education Programs			
Employee Benefits	647	647	455
CTE Programs			
Employee Benefits	18,063	18,063	15,997
Interscholastic Programs			
Employee Benefits	34,002	34,002	30,208
Summer School Programs			
Employee Benefits	12,121	12,121	5,966
Driver's Education Programs			
Employee Benefits	1,742	1,742	1,681
Bilingual Programs			
Employee Benefits	4,198	4,198	4,994
	<u>\$ 509,924</u>	<u>\$ 509,924</u>	<u>\$ 420,043</u>
Support Services			
Pupils			
Attendance and Social Work Services			
Employee Benefits	\$ 59,141	\$ 59,141	\$ 64,797
Guidance Services			
Employee Benefits	65,386	65,386	54,005
Health Services			
Employee Benefits	33,384	33,384	32,518
Psychological Services			
Employee Benefits	4,869	4,869	2,841
	<u>\$ 162,780</u>	<u>\$ 162,780</u>	<u>\$ 154,161</u>
Instructional Staff			
Improvement of Instruction Services			
Employee Benefits	\$ 11,514	\$ 11,514	\$ 7,995
Educational Media Services			
Employee Benefits	124,643	124,643	123,651
Assessment and Testing			
Employee Benefits	-	-	172
	<u>\$ 136,157</u>	<u>\$ 136,157</u>	<u>\$ 131,818</u>
General Administration			
Board of Education Services			
Employee Benefits	\$ 1,929	\$ 1,929	\$ 2,134
Executive Administration Services			
Employee Benefits	17,933	17,933	17,043
Special Area Administrative Services			
Employee Benefits	116	116	137
	<u>\$ 19,978</u>	<u>\$ 19,978</u>	<u>\$ 19,314</u>

See Accompanying Independent Auditor's Report

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - ILLINOIS MUNICIPAL RETIREMENT/SOCIAL SECURITY FUND
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts
	Original	Final	
EXPENDITURES (Continued)			
Support Services (Continued)			
School Administration			
Office of the Principal Services			
Employee Benefits	\$ 27,269	\$ 27,269	\$ 28,288
Other Support Services - School Administration			
Employee Benefits	20,049	20,049	18,830
	<u>\$ 47,318</u>	<u>\$ 47,318</u>	<u>\$ 47,118</u>
Business			
Direction of Business Support Services			
Employee Benefits	\$ 6,252	\$ 6,252	\$ 1,868
Fiscal Services			
Employee Benefits	71,069	71,069	54,295
	<u>\$ 77,321</u>	<u>\$ 77,321</u>	<u>\$ 56,163</u>
Operations and Maintenance			
Employee Benefits	\$ 220,923	\$ 220,923	\$ 170,886
	<u>\$ 220,923</u>	<u>\$ 220,923</u>	<u>\$ 170,886</u>
Transportation			
Employee Benefits	\$ 322,016	\$ 322,016	\$ 277,782
	<u>\$ 322,016</u>	<u>\$ 322,016</u>	<u>\$ 277,782</u>
Central			
Information Services			
Employee Benefits	\$ 19,298	\$ 19,298	\$ 19,222
Staff Services			
Employee Benefits	15,033	15,033	14,119
	<u>\$ 34,331</u>	<u>\$ 34,331</u>	<u>\$ 33,341</u>
Other Support Services			
Employee Benefits	\$ -	\$ -	\$ 43
Total Other Support Services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43</u>
Total Support Services	<u>\$ 1,020,824</u>	<u>\$ 1,020,824</u>	<u>\$ 890,626</u>
Payments to Other Districts and Governmental Units			
Payments for Special Education Programs			
Employee Benefits	\$ 187,948	\$ 187,948	\$ 186,630
Total Payments to Other Districts and Governmental Units	<u>\$ 187,948</u>	<u>\$ 187,948</u>	<u>\$ 186,630</u>
Total Expenditures	<u>\$ 1,718,696</u>	<u>\$ 1,718,696</u>	<u>\$ 1,497,299</u>
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 18,016	\$ 18,016	\$ 230,055
OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	\$ 18,016	\$ 18,016	\$ 230,055
FUND BALANCE - JULY 1, 2009	<u>385,820</u>	<u>385,820</u>	<u>385,920</u>
FUND BALANCE - JUNE 30, 2010	<u><u>\$ 403,836</u></u>	<u><u>\$ 403,836</u></u>	<u><u>\$ 615,975</u></u>

See Accompanying Independent Auditor's Report

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - WORKING CASH FUND
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Earnings on Investments	\$ 300,000	\$ 300,000	\$ 123,445
Total Revenues	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 123,445</u>
EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 300,000	\$ 300,000	\$ 123,445
OTHER FINANCING SOURCES (USES)			
Interfund Transfers	<u>-</u>	<u>-</u>	<u>(650,000)</u>
NET CHANGE IN FUND BALANCE	\$ 300,000	\$ 300,000	\$ (526,555)
FUND BALANCE - JULY 1, 2009	<u>14,772,995</u>	<u>14,772,995</u>	<u>14,772,995</u>
FUND BALANCE - JUNE 30, 2010	<u><u>\$ 15,072,995</u></u>	<u><u>\$ 15,072,995</u></u>	<u><u>\$ 14,246,440</u></u>

See Accompanying Independent Auditor's Report

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - TORT FUND
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Property Taxes	\$ 576,422	\$ 576,422	\$ 618,047
Earnings on Investments	-	-	42
Total Revenues	<u>\$ 576,422</u>	<u>\$ 576,422</u>	<u>\$ 618,089</u>
EXPENDITURES			
Support Services			
General Administration			
Workers' Compensation or Worker's Occupational Disease Act			
Purchased Services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 293,988</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 293,988</u>
Unemployment Insurance Payments			
Purchased Services	<u>\$ 293,988</u>	<u>\$ 293,988</u>	<u>\$ 33,798</u>
	<u>\$ 293,988</u>	<u>\$ 293,988</u>	<u>\$ 33,798</u>
Insurance Payments			
Purchased Services	<u>\$ 14,000</u>	<u>\$ 14,000</u>	<u>\$ 265,437</u>
	<u>\$ 14,000</u>	<u>\$ 14,000</u>	<u>\$ 265,437</u>
Risk Management and Claims Services Payments			
Purchased Services	<u>\$ 265,575</u>	<u>\$ 265,575</u>	<u>\$ -</u>
	<u>\$ 265,575</u>	<u>\$ 265,575</u>	<u>\$ -</u>
Total Support Services - General Administration	<u>\$ 573,563</u>	<u>\$ 573,563</u>	<u>\$ 593,223</u>
Total Support Services	<u>\$ 573,563</u>	<u>\$ 573,563</u>	<u>\$ 593,223</u>
Total Expenditures	<u>\$ 573,563</u>	<u>\$ 573,563</u>	<u>\$ 593,223</u>
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 2,859	\$ 2,859	\$ 24,866
OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	\$ 2,859	\$ 2,859	\$ 24,866
FUND BALANCE - JULY 1, 2009	<u>14,285</u>	<u>14,285</u>	<u>14,285</u>
FUND BALANCE - JUNE 30, 2010	<u><u>\$ 17,144</u></u>	<u><u>\$ 17,144</u></u>	<u><u>\$ 39,151</u></u>

See Accompanying Independent Auditor's Report

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2010

NOTE 1 - BUDGETARY PROCESS

The District follows procedures mandated by Illinois State law and District Board policy to establish the budgetary data reflected in its financial statements. The budget was passed on September 22, 2009. 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 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 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 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.

NOTE 2 - EXCESS OF EXPENDITURES OVER BUDGET

The expenditures of the following funds presented as Required Supplementary Information exceeded the budget:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Actual Over Budget</u>
Educational	\$ 41,731,405	\$ 43,120,690	\$ 1,389,285
Tort	573,563	593,223	19,660

The excess of actual over budget in the Educational Fund is mostly due to the District under-budgeting for On-Behalf Payments which are not a direct expenditure of the District.

SUPPLEMENTAL FINANCIAL INFORMATION

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICES FUND
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual
	Original	Final	Amounts
REVENUES			
Property Taxes	\$ 5,340,964	\$ 5,340,964	\$ 5,349,569
Earnings on Investments	110,000	110,000	21,235
Federal Aid			
Build America Bond Interest Reimbursement	560,555	560,555	560,555
Total Revenues	<u>\$ 6,011,519</u>	<u>\$ 6,011,519</u>	<u>\$ 5,931,359</u>
EXPENDITURES			
Payments to Other Districts and Governmental Units			
Payments to Other Districts and Governmental Units (In-State)			
Other Objects	<u>\$ 255,689</u>	<u>\$ 255,689</u>	<u>\$ 186,002</u>
Total Payments to Other Districts and Governmental Units	<u>\$ 255,689</u>	<u>\$ 255,689</u>	<u>\$ 186,002</u>
Debt Services			
Interest			
Other Interest on Short-Term Debt			
Other Objects	<u>\$ 1,398</u>	<u>\$ 1,398</u>	<u>\$ 1,398</u>
Other Interest on Long-Term Debt			
Other Objects	<u>3,196,872</u>	<u>3,196,872</u>	<u>4,561,307</u>
	<u>\$ 3,198,270</u>	<u>\$ 3,198,270</u>	<u>\$ 4,562,705</u>
Debt Services - Payment of Principal on Long-Term Debt			
Other Objects	<u>\$ 3,478,598</u>	<u>\$ 3,478,598</u>	<u>\$ 2,472,089</u>
	<u>\$ 3,478,598</u>	<u>\$ 3,478,598</u>	<u>\$ 2,472,089</u>
Debt Services - Other			
Other Objects	<u>\$ 1,034,000</u>	<u>\$ 1,034,000</u>	<u>\$ 1,028,575</u>
	<u>\$ 1,034,000</u>	<u>\$ 1,034,000</u>	<u>\$ 1,028,575</u>
Total Debt Services	<u>\$ 7,710,868</u>	<u>\$ 7,710,868</u>	<u>\$ 8,063,369</u>
Total Expenditures	<u>\$ 7,966,557</u>	<u>\$ 7,966,557</u>	<u>\$ 8,249,371</u>
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (1,955,038)</u>	<u>\$ (1,955,038)</u>	<u>\$ (2,318,012)</u>
OTHER FINANCING SOURCES (USES)			
Interfund Transfers	<u>708,416</u>	<u>708,416</u>	<u>768,623</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,246,622)</u>	<u>\$ (1,246,622)</u>	<u>\$ (1,549,389)</u>
FUND BALANCE - JULY 1, 2009	3,968,863	3,968,863	3,988,383
FUND BALANCE ADJUSTMENT (NOTE 23)	<u>-</u>	<u>-</u>	<u>548,515</u>
FUND BALANCE - JUNE 30, 2010	<u><u>\$ 2,722,241</u></u>	<u><u>\$ 2,722,241</u></u>	<u><u>\$ 2,987,509</u></u>

See Accompanying Independent Auditor's Report

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Earnings on Investments	\$ 300,000	\$ 300,000	\$ 160,377
Other Local Sources	30,000	30,000	41,430
Total Revenues	<u>\$ 330,000</u>	<u>\$ 330,000</u>	<u>\$ 201,807</u>
EXPENDITURES			
Capital Outlay			
Support Services			
Facilities Acquisition and Construction	\$ 25,000,000	\$ 25,000,000	\$ 17,968,626
	<u>\$ 25,000,000</u>	<u>\$ 25,000,000</u>	<u>\$ 17,968,626</u>
Total Expenditures	<u>\$ 25,000,000</u>	<u>\$ 25,000,000</u>	<u>\$ 17,968,626</u>
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (24,670,000)</u>	<u>\$ (24,670,000)</u>	<u>\$ (17,766,819)</u>
OTHER FINANCING SOURCES (USES)			
Interfund Transfers	\$ (336,195)	\$ (336,195)	\$ -
Principal on Bonds Sold	-	-	4,000,000
	<u>\$ (336,195)</u>	<u>\$ (336,195)</u>	<u>\$ 4,000,000</u>
NET CHANGE IN FUND BALANCE	\$ (25,006,195)	\$ (25,006,195)	\$ (13,766,819)
FUND BALANCE - JULY 1, 2009	27,416,355	27,416,355	27,416,355
FUND BALANCE ADJUSTMENT (NOTE 23)	<u>-</u>	<u>-</u>	<u>(548,515)</u>
FUND BALANCE - JUNE 30, 2010	<u>\$ 2,410,160</u>	<u>\$ 2,410,160</u>	<u>\$ 13,101,021</u>

See Accompanying Independent Auditor's Report

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND - FIRE PREVENTION AND SAFETY FUND
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Earnings on Investments	\$ -	\$ -	\$ 15
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15</u>
EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ 15
OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ 15
FUND BALANCE - JULY 1, 2009	<u>25,554</u>	<u>25,554</u>	<u>25,553</u>
FUND BALANCE - JUNE 30, 2010	<u><u>\$ 25,554</u></u>	<u><u>\$ 25,554</u></u>	<u><u>\$ 25,568</u></u>

See Accompanying Independent Auditor's Report

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
ACTIVITY FUNDS
FOR YEAR ENDED JUNE 30, 2010

	BALANCE JULY 1, 2009	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2010
ASSETS				
Cash and Cash Equivalents	\$ 416,231	\$ 929,789	\$ 942,667	\$ 403,353
	<u>\$ 416,231</u>	<u>\$ 929,789</u>	<u>\$ 942,667</u>	<u>\$ 403,353</u>
LIABILITIES				
Amount Due to Activity Fund Organization				
Curricular Activity Accounts				
Art Club - Almond	\$ 58	\$ -	\$ -	\$ 58
Art Club - NAHS	35	240	165	110
Astronomy Club	174	685	536	323
Band Clinic	1,480	-	1,292	188
Bookstore	11,761	36,488	39,139	9,110
Chorus	22,000	65,548	81,099	6,449
Class of 2008	355	-	355	-
Class of 2009	7,310	20	6,579	751
Class of 2010	3,195	5,110	5,067	3,238
Class of 2011	13,897	66,229	77,673	2,453
Class of 2012	3,818	5,203	3,395	5,626
Class of 2013	-	6,066	4,349	1,717
Council for Exceptional Children	250	572	532	290
Creations	15,256	5,005	2,137	18,124
Environmental Science Activity	937	75	75	937
Excel Club	2,290	4,120	6,410	-
Fashion Club	26	-	26	-
FBLA	2,194	98,341	85,897	14,638
Feltner Fund	-	8,609	8,376	233
French Club	1,448	1,006	1,019	1,435
Frisbee Golf	158	883	744	297
Gages Lake Mentoring Foundation	320	-	-	320
German Club	808	66,073	65,119	1,762
Industrial Tech Club	4,003	4,526	3,622	4,907
JAVA City	1,295	-	1,295	-
Marching Arts	6,792	1,793	5,711	2,874
MECS Mother Earth	3,892	907	1,958	2,841
International Club	585	4,394	1,393	3,586
National Honor Society	1,068	2,800	780	3,088
Northern Area FBLA	3,343	4,618	1,799	6,162
Powerschool User Group	-	500	252	248
Science Club	34	-	-	34
Scratch Paper	3,128	7,039	7,116	3,051
Show Band	3,443	3,338	4,259	2,522
Ski Club	4,252	25,217	25,644	3,825
Students of Service - Almond	933	897	1,459	371
Students of Service - O'Plaine	1,135	2,399	2,207	1,327
Spanish Club	3,250	1,899	2,598	2,551
Speech Tournament	11,727	1,669	5,996	7,400
Stadium Club	-	3,300	-	3,300
Student Council	11,073	37,943	38,471	10,545
Taste of Chicago	-	250	-	250
Thespian Troupe	6,423	15,602	12,127	9,898
Tech Crew	472	257	160	569
Yearbook - Blue Devil	19,288	11,004	16,304	13,988
Athletic Activity Accounts				
Athletic Trainer	5,235	4,033	6,188	3,080
Boys Baseball	43	4	-	47

See Accompanying Independent Auditor's Report

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
ACTIVITY FUNDS
FOR YEAR ENDED JUNE 30, 2010

	BALANCE JULY 1, 2009	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2010
Amount Due to Activity Fund Organization (Continued)				
Athletic Activity Accounts (Continued)				
Boys Basketball Clinic	\$ 2,076	\$ 6,234	\$ 5,732	\$ 2,578
Boys Cross Country	744	2,016	1,719	1,041
Boys Golf	12,390	8,270	13,021	7,639
Boys Soccer Clinic	9,143	16,308	16,157	9,294
Boys Swimming	1,845	525	525	1,845
Boys Track and Field	336	17,887	14,974	3,249
Boys Volleyball	2,407	13,680	12,701	3,386
Cheerleading	2,979	28,016	13,181	17,814
Devilettes	28,449	24,759	19,633	33,575
Football Clinic	15,275	19,882	20,336	14,821
Girls Basketball Clinic	8,434	4,131	4,478	8,087
Girls Cross Country	2,255	12,224	11,725	2,754
Girls Golf	1,146	7,946	5,314	3,778
Girls Soccer	4,979	11,994	8,962	8,011
Girls Track and Field	7,795	24,398	22,584	9,609
Girls Volleyball	4,366	14,885	19,251	-
Girls Bowling	327	921	454	794
Girls Swimming	1,329	7,386	7,581	1,134
Gymnastics Account	100	567	567	100
Softball	11,287	30,633	36,629	5,291
Tennis Clinic - Boys	4,565	8,651	12,132	1,084
Tennis Clinic - Girls	2,755	3,300	4,596	1,459
Wrestling Clinic	1,885	3,975	4,211	1,649
Convenience Accounts				
Athletic Invitational	15,022	21,548	14,380	22,190
Band Boosters	4,972	16,122	10,566	10,528
Global Fest	969	702	537	1,134
Haiti Fund	-	3,844	-	3,844
IHSA Athletic Tournaments	4,727	9,723	9,120	5,330
IHSA Speech	888	-	200	688
Mexico Trip	1,615	25,200	25,850	965
Parent Connection	5,053	1,692	1,237	5,508
Blue Devil Tech Institute	2,705	3,025	3,301	2,429
Special Ed Life Skills	4	-	-	4
Student Curriculum Account	3,490	1,549	4,989	50
Scholarship Fund Accounts				
Abbott Laboratories Account	457	-	-	457
Alfred E Hanssen	18,981	1,000	7,000	12,981
Barbara Allen Memorial	5	-	-	5
BOE Scholarship	1,582	14,091	14,000	1,673
Deborah Rohr Memorial Scholarship	1,910	90	1,000	1,000
Gilbert Clem	76	500	500	76
Jackie's Magic Show Scholarship	3,830	-	-	3,830
Kristen Pilcher Memorial	-	100	-	100
Lucile McCullough Scholarship	13,593	-	-	13,593
Marilyn L Quist	9,470	-	2,000	7,470
Thomas Wessell	4,112	-	2,000	2,112
Thomas Wright	15,856	-	1,000	14,856
Ron Krapf Scholarship	269	-	-	269
Sean Maher Scholarship	-	2,500	2,500	-
Miscellaneous	491	52,853	56,701	(3,357)
Unallocated Interest	103	2,000	-	2,103
	<u>\$ 416,231</u>	<u>\$ 929,789</u>	<u>\$ 942,667</u>	<u>\$ 403,353</u>

See Accompanying Independent Auditor's Report

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121
COMPUTATION OF OPERATING EXPENSE PER PUPIL AND
PER CAPITA TUITION CHARGE
FOR YEAR ENDED JUNE 30, 2010

EXPENDITURES:

ED	Total Expenditures	\$ 37,880,033
O&M	Total Expenditures	3,977,943
DS	Total Expenditures	8,249,371
TR	Total Expenditures	3,128,355
MR/SS	Total Expenditures	1,497,299
TORT	Total Expenditures	593,223
Total Expenditures		\$ 55,326,224

LESS RECEIPTS/REVENUES OR DISBURSEMENTS/EXPENDITURES NOT APPLICABLE TO THE REGULAR K-12 PROGRAM:

TR	Summer Sch - Transp. Fees from Pupils or Parents (In State)	\$ 26,100
ED	Adult/Continuing Education Programs	34,917
ED	Summer School Programs	257,072
ED	Special Education Programs K-12 - Private Tuition	2,029,241
ED	Remedial/Supplemental Programs K-12 - Private Tuition	103,639
ED	Community Services	331
ED	Total Payments to Other District & Govt Units	1,871,432
ED	Capital Outlay	870,751
ED	Non-Capitalized Equipment	329,215
O&M	Total Payments to Other Dist & Govt Units	193,744
O&M	Capital Outlay	109,435
O&M	Non-Capitalized Equipment	1,048
DS	Payments to Other Dist & Govt Units	186,002
DS	Debt Service - Payments of Principal on Long-Term Debt	2,472,089
MR/SS	Adult/Continuing Education Programs	455
MR/SS	Summer School Programs	5,966
MR/SS	Total Payments to Other Dist & Govt Units	186,630
Total Deductions		\$ 8,678,067
Total Operating Expenses (Regular K-12)		46,648,157
9 Mo ADA (See the General State Aid Claim for 2010-2011 (ISBE 54-33, L12)		4,058.11
Estimated OEPP		\$ 11,495.04

PER CAPITA TUITION CHARGE

LESS OFFSETTING RECEIPTS/REVENUES:

TR	Regular - Transp Fees from Co-curricular Activities (In State)	\$ 5,901
ED	Total Food Service	1,537,549
ED-O&M	Total District/School Activity Income	1,133,730
ED	Other (Describe & Itemize)	15,675
ED-O&M	Rentals	47,022
ED-O&M-TR	Services Provided Other Districts	338
ED-O&M-DS-TR-MR	Payment from Other Districts	18,439
ED-O&M-TR	Total Special Education	1,590,574
ED-O&M-MR/SS	Total Career and Technical Education	4,792
ED-MR/SS	Total Bilingual Ed	32,132
ED	State Free Lunch & Breakfast	7,966
ED-O&M	Driver Education	58,958
ED-O&M-TR-MR/SS	Total Transportation	1,705,806
ED-O&M-DS-TR-MR	School Safety & Educational Improvement Block Grant	18,314
ED-MR/SS	Total Food Service	12,898
ED-O&M-TR-MR/SS	Total Title I	100,806
ED-O&M-TR-MR/SS	Total Title IV	7,943
ED-O&M-TR-MR/SS	Fed - Spec Education - IDEA - Flow Through/Low Incidence	280,787
ED-O&M-TR-MR/SS	Fed - Spec Education - IDEA - Room & Board	171,746
ED-O&M-MR/SS	Total CTE - Perkins	27,951
ED-O&M-TR-MR/SS	ARRA - IDEA - Part B - Flow-Through	646,744
ED-O&M-TR-MR/SS	Build America Bond Interest Reimbursement	560,555
ED-TR-MR/SS	Emergency Immigrant Assistance	5,500
ED-TR-MR/SS	Title III - English Language Acquisition	13,856
ED-O&M-TR-MR/SS	Title II - Teacher Quality	49,956
ED-O&M-TR-MR/SS	Medicaid Matching Funds - Administrative Outreach	31,597
ED-O&M-TR-MR/SS	Medicaid Matching Funds - Fee-for-Service Program	32,605
Total Allowance for PCTC Computation		\$ 8,120,140
Net Operating Expense for PCTC Computation		38,528,017
Total Depreciation Allowance (from page 27, Col I)		2,753,905
Total Allowance for PCTC Computation		41,281,922
9 Mo ADA		4,058.11
Total Estimated PCTC		\$ 10,172.70

Unaudited

ANNUAL FEDERAL FINANCIAL COMPLIANCE SECTION

ANNUAL FEDERAL FINANCIAL COMPLIANCE REPORT (COVER SHEET)
DISTRICT/JOINT AGREEMENT
Year Ending June 30, 2010

DISTRICT/JOINT AGREEMENT NAME Warren Township High School District No. 121	RCDT NUMBER 34-049-1210-17	CPA FIRM 9-DIGIT STATE REGISTRATION NUMBER 060-004991	
ADMINISTRATIVE AGENT IF JOINT AGREEMENT (as applicable)		NAME AND ADDRESS OF AUDIT FIRM Eder, Casella & Co. 5400 W. Elm St., Suite 203 McHenry, IL 60050	
ADDRESS OF AUDITED ENTITY (Street and/or P.O. Box, City, State, Zip Code) 34090 N. Almond Rd. Gurnee, IL 60031		E-MAIL ADDRESS cpas@edercasella.com	
		NAME OF AUDIT SUPERVISOR Michele Casella	
		CPA FIRM TELEPHONE NUMBER 815-344-1300	FAX NUMBER 815-344-1320

THE FOLLOWING INFORMATION MUST BE INCLUDED IN THE A-133 SINGLE AUDIT REPORT:

- ☒ A copy of the CPA firm's most recent peer review report and acceptance letter has been submitted to ISBE (either with the audit or under separate cover).
- ☒ Financial Statements including footnotes § .310 (a)
- ☒ Schedule of Expenditures of Federal Awards including footnotes § .310 (b)
- ☒ Independent Auditor's Report § .505
- ☒ Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* § .505
- ☒ Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 § .505
- ☒ Schedule of Findings and Questioned Costs § .505 (d)
- ☒ Summary Schedule of Prior Year Audit Findings § .315 (b)
- ☒ Corrective Action Plan § .315 (c)

THE FOLLOWING INFORMATION IS HIGHLY RECOMMENDED TO BE INCLUDED:

- ☐ Copy of Federal Data Collection Form § .320 (b)



EDER, CASELLA & CO.

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CERTIFIED PUBLIC ACCOUNTANTS
5400 WEST ELM STREET, SUITE 203
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cpas@edercasella.com

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education
Warren Township High School District No. 121
Lake County, Illinois

Compliance

We have audited the compliance of

Warren Township High School District No. 121

with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. Warren Township High School District No. 121's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Warren Township High School District No. 121's management. Our responsibility is to express an opinion on Warren Township High School District No. 121's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Warren Township High School District No. 121's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Warren Township High School District No. 121's compliance with those requirements.

In our opinion, Warren Township High School District No. 121 complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Warren Township High School District No. 121 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Warren Township High School District No. 121's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of

expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Warren Township High School District No. 121's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Eder, Casella & Co.

EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
October 12, 2010

34-049-1210-17
Warren Township High School District 121
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2010

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title and Major Program Designation	CFDA Number ² (A)	ISBE Project # (1st 8 digits) or Contract #3 (B)	Receipts/Revenues		Expenditure/Disbursements ⁴		Obligations/ Encumb. (G)	Final Status (H)	Budget (I)
			Year 7/1/07-6/30/08 (C)	Year 7/1/08-6/30/09 (D)	Year 7/1/07-6/30/08 (E)	Year 7/1/08-6/30/09 (F)			
U.S. Department of Agriculture Passed Through:									
Illinois State Board of Education:									
Special Milk Program	10.556	09-4215-00	9,803	2,151	9,871	2,083		11,954	N/A
Special Milk Program (1)	10.556	10-4215-00		10,747		10,747		10,747	N/A
Subtotal CFDA "10"			9,803	12,898	9,871	12,830		22,701	
U.S. Department of Education Passed Through:									
Illinois State Board of Education:									
Title I - Low Income	84.010	10-4300-00		100,806		100,806		100,806	115,932
Special Ed - IDEA Room & Board (M)	84.027	09-4625-00	76,333	51,831	76,333	51,831		128,164	N/A
Special Ed - IDEA Room & Board (2) (M)	84.027	10-4625-00		119,915		162,524		162,524	N/A
Title IV - Safe & Drug Free Schools - Formula	84.186	10-4400-00		7,943		7,943		7,943	7,943
Title III - Lang Inst Prog - Limited Eng LIPLEP	84.365	09-4909-00	16,964	1,959	16,964	1,959		18,923	22,794
Title III - Lang Inst Prog - Limited Eng LIPLEP (2)	84.365	10-4909-00		11,897		11,897		11,897	25,671
Title III - Immigrant Education Program (IEP) (2)	84.365	10-4905-00		5,500		5,500		5,500	5,500
Title II - Teacher Quality	84.367	10-4932-00		49,956		49,956		49,956	49,956
ARRA - General State Aid (M)	84.394	10-4850-00		342,591		342,591		342,591	N/A
ARRA - General State Aid - Education SFSF (M)	84.397	10-4870-00		113,466		113,466		113,466	N/A

(1) Project End Date 9/30/2010

(2) Project End Date 8/31/2010

- (M) Program was audited as a major program as defined by OMB Circular A-133.

The accompanying notes are an integral part of this schedule.

¹ To meet state or other requirements, auditees may decide to include certain nonfederal awards (for example, state awards) in this schedule. If such nonfederal data are presented, they should be segregated and clearly designated as nonfederal. The title of the schedule should also be modified to indicate that nonfederal awards are included.

² When the CFDA number is not available, the auditee should indicate that the CFDA number is not available and include in the schedule the program's name and, if applicable, other identifying number.

³ When awards are received as a subrecipient, the identifying number assigned by the pass-through entity should be included in the schedule.

⁴ Circular A-133 requires that the value of federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end be included in either the schedule or a note to the schedule. Although it is not required, Circular A-133 states that it is preferable to present this information in the schedule (versus the notes to the schedule). If the auditee presents non-cash assistance in the notes to the schedule, the auditor should be aware that such amounts must still be included in part III of the data collection form.

34-049-1210-17
Warren Township High School District 121
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2010

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title and Major Program Designation	CFDA Number ² (A)	ISBE Project # (1st 8 digits) or Contract #3 (B)	Receipts/Revenues		Expenditure/Disbursements ⁴		Obligations/ Encumb. (G)	Final Status (H)	Budget (I)
			Year 7/1/07-6/30/08 (C)	Year 7/1/08-6/30/09 (D)	Year 7/1/07-6/30/08 (E)	Year 7/1/08-6/30/09 (F)			
U.S. Department of Education Passed Through:									
Special Education District of Lake County:									
Special Education IDEA - Flow Through (M)	84.027	10-4620-00		280,787		280,787		280,787	280,787
ARRA - IDEA-Part B Flow-Through (M)	84.391	10-4857-00		646,744		646,744		646,744	646,744
U.S. Department of Education Passed Through									
Lake County Area Vocational System Tech Campus:									
Perkins - Title III	84.048	10-4799-00		27,000		27,000		27,000	N/A
Career and Technical Education - Tech Prep	84.243	10-4770-00		951		951		951	N/A
Subtotal CFDA "84"			93,297	1,761,346	93,297	1,803,955		1,897,252	
U.S. Department of Health and Human Services Passed									
Through Illinois Department of Healthcare & Family Services:									
Medicaid Matching	93.778	10-4991-00		31,597		31,597		31,597	N/A
Total Federal Assistance			103,100	1,805,841	103,168	1,848,382		1,951,550	

(1) Project End Date 9/30/2010

(2) Project End Date 8/31/2010

• (M) Program was audited as a major program as defined by OMB Circular A-133.

The accompanying notes are an integral part of this schedule.

¹ To meet state or other requirements, auditees may decide to include certain nonfederal awards (for example, state awards) in this schedule. If such nonfederal data are presented, they should be segregated and clearly designated as nonfederal. The title of the schedule should also be modified to indicate that nonfederal awards are included.

² When the CFDA number is not available, the auditee should indicate that the CFDA number is not available and include in the schedule the program's name and, if applicable, other identifying number.

³ When awards are received as a subrecipient, the identifying number assigned by the pass-through entity should be included in the schedule.

⁴ Circular A-133 requires that the value of federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end be included in either the schedule or a note to the schedule. Although it is not required, Circular A-133 states that it is preferable to present this information in the schedule (versus the notes to the schedule). If the auditee presents non-cash assistance in the notes to the schedule, the auditor should be aware that such amounts must still be included in part III of the data collection form.

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Warren Township High School District No. 121 and is presented on the GAAP basis of accounting. The information in this schedule is presented in accordance with requirements of the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2- SUBRECIPIENTS

The District did not provide federal awards to subrecipients during the year ended June 30, 2010.

NOTE 3 - NON-CASH ASSISTANCE, INSURANCE, AND LOANS

Non-cash assistance is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the commodities received and disbursed. During the year ended June 30, 2010, the District received and disbursed \$0 of food commodities.

There was no federal insurance in effect during the year, nor any federal loans or loan guarantees outstanding at year end.

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

- 1) Summary of auditor's results:
 - a) An unqualified opinion report was issued.
 - b) No significant deficiencies or material weaknesses were reported in the 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*.
 - c) No noncompliance which is material to the financial statements was disclosed by the audit of the financial statements.
 - d) No significant deficiencies or material weaknesses in internal control over major programs were disclosed by the audit.
 - e) An unqualified opinion report on compliance for major programs was issued.
 - f) The audit disclosed no audit findings which the auditor is required to report.
 - g) The major programs identified were Special Education – IDEA Room & Board/ Flow-Through (CFDA #84.027); ARRA – IDEA – Part B Flow-Through (CFDA #84.391); ARRA – General State Aid (CFDA #84.394); and ARRA – General State Aid – Education SFSF (CFDA # 84.397).
 - h) The dollar threshold to distinguish between Type A and Type B programs was \$300,000.
 - i) Warren Township High School District No. 121 does not qualify as a low-risk auditee.
- 2) There were no findings relating to the financial statements which are required to be reported.
- 3) There were no findings and questioned costs for federal awards which are required to be reported.

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

There were no prior year audit findings.

WARREN TOWNSHIP HIGH SCHOOL DISTRICT NO. 121
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2010

There are no current year audit findings.