



McGladrey & Pullen
Certified Public Accountants

School District U-46
Elgin, Illinois

Financial Report
June 30, 2005

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Education
School District U-46
Elgin, Illinois

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of School District U-46 as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1 to the financial statements, the District prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As described in Note 1, the District adopted the provisions of the Governmental Accounting Standards Board Statement No. 40 as of and for the year ended June 30, 2005.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, each major fund and the aggregate remaining fund information of School District U-46 as of June 30, 2005, and the respective changes in financial position – modified cash basis thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

The required supplementary information, which includes management's discussion and analysis on page 3 through 12, pension related information on page 38 and budgetary schedules on page 39 and 40 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the District taken as a whole. The combining and individual fund financial statements and schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements of School District U-46. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Chicago, Illinois
August 5, 2005

Required Supplemental Information

**Management's Discussion
And Analysis (MD&A)**

School District U-46

Management's Discussion and Analysis For the Year Ended June 30, 2005

The discussion and analysis of School District U-46 (the District) financial performance provides an overall review of the District's financial activities for the year ended June 30, 2005. The management of the District encourages readers to consider the information presented herein in conjunction with the financial statements to enhance their understanding of the District's financial performance. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the fiscal year by \$112,441 (net assets). Of this amount, \$24,144 represents an unrestricted deficit.
- In total, net assets increased by \$2,855, which represents a 2.6% overall increase from the prior year. This increase primarily affected the District's unrestricted net assets (deficit). This increase was the result of a decrease in the District's long-term obligation payable of \$7,727 or 2.0% along with a decrease in the District's combined capital assets and cash and investments of \$5,047 or 1.0%.
- General revenues were \$283,371 or 78.4% of all revenues. Program specific revenues, in the form of charges for services and grants, were \$78,168 or 21.6% of total revenues of \$361,539.
- Overall, the combined expenditures of the District's governmental funds were \$15,905 greater than revenues. This operating deficit decreased the District's governmental funds' combined fund balance by 14.5% to \$93,836 from \$109,740 in the prior year. Of the year-end balance, \$69,691 represents an unreserved fund balance.
- The District issued \$71,790 of General Obligation School Refunding Bonds, Series 2005. This money was used to refund portions of the 1995, 1997 and 2000 bond issues.
- The District issued \$34,000 of Working Cash Bonds in fiscal year 2004. This money continues to be used to fund the District's operations while waiting for tax and grant payments.

Overview of the Financial Statements

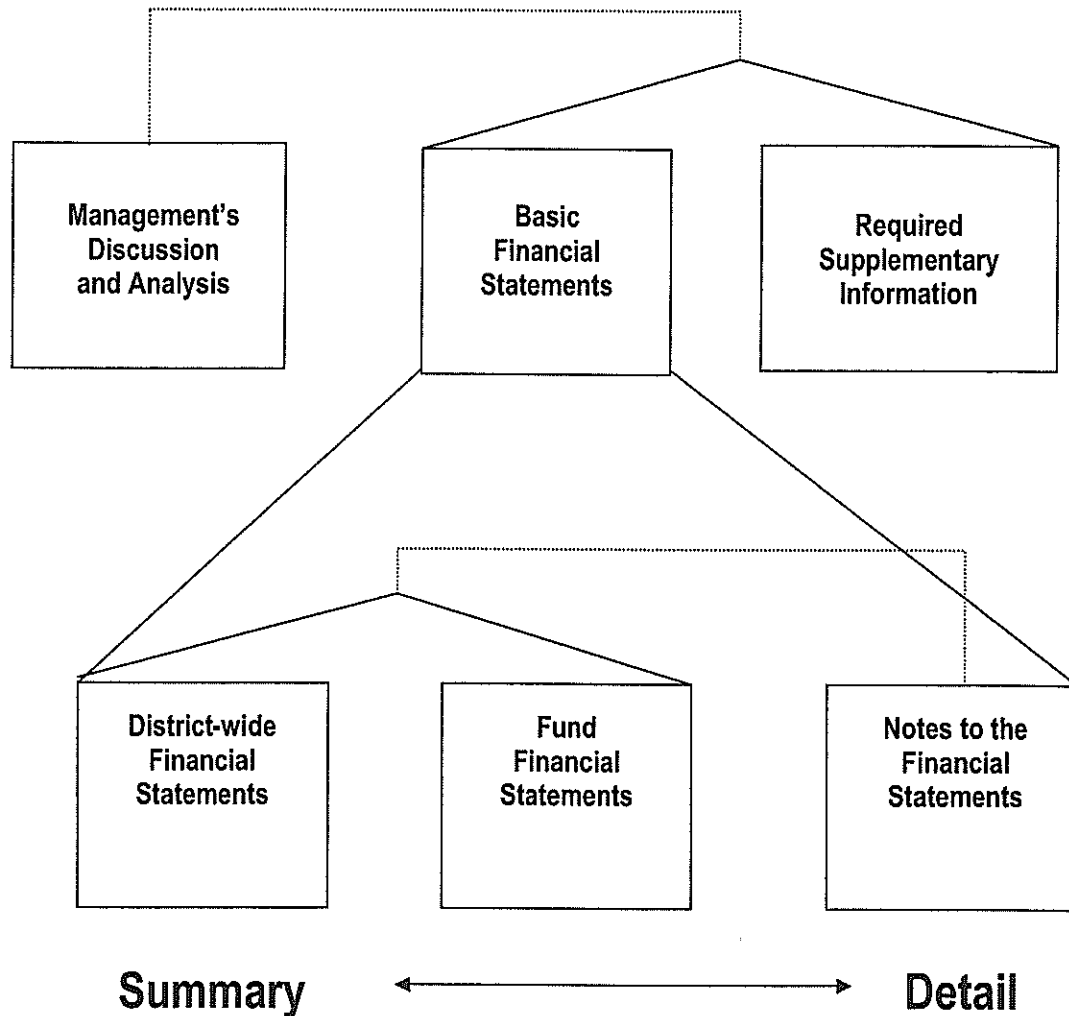
This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of three components:

- District-wide financial statements.
- Fund financial statements.
- Notes to the financial statements.

Figure 1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Organization of School District No. U-46 Annual Financial Report



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

District-Wide Financial Statements

The district-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 District 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.

School District U-46

Management's Discussion and Analysis For the Year Ended June 30, 2005

The statement of activities presents information showing how the government's net assets changed during the fiscal year being reported. All changes in net assets are reported when cash is received and disbursed. Additionally, activity related to the acquisition, depreciation and year-end balances of capital assets, as well as year-end balances and related changes in long-term debt in its government-wide financial statements are reported.

The district-wide financial statements present the District functions that are principally supported by taxes and intergovernmental revenues (governmental activities). The District has no business-type activities; that is, functions that are intended to recover all or a significant portion of their costs through user fees and charges. The District's governmental activities include instructional services (regular education, special education and other), supporting services, community services and non-programmed charges.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District funds can be divided into two categories: governmental funds and fiduciary funds (the District maintains no proprietary funds).

Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, unlike the district-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 school district's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the government'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 seven 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 of the General Fund, Working Cash Fund and the Site and Construction Fund, all of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual budget for each of the funds listed above. A budgetary comparison statement has been provided for each fund to demonstrate compliance with this budget.

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the district-wide financial statement because the resources of those funds are not available to support the District's own programs.

School District U-46

Management's Discussion and Analysis For the Year Ended June 30, 2005

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension benefits to its non-certified employees.

District-Wide Financial Analysis

Net assets. The District's net assets increased by \$2,855 or 2.6% compared to the prior year. At year-end, total net assets were \$112,441 (see Table 1).

The District's financial position is the product of many factors. However, several events of the last year stand out:

- The District continued to pay down its long-term debt by \$7,727.
- The District continued to use bond proceeds to construct, improve and expand its facilities, spending \$28,085 on capital asset additions.
- The District's expenditures to maintain and operate the facilities within Board policy and guidelines continue to exceed its primary revenues, forcing the District to fund the increase with available net assets. In an effort to continually monitor and contain total operating costs of the District, the District performed efficiency audits that highlighted various areas of cost containment reduction.

However, since the State does not provide an ongoing capital improvements budget plan the District, in the future, will be forced to issue debt to address the improvements needed for its aging facilities.

Table 1 Condensed Statement of Net Assets (In millions of dollars)		
	2005	2004
Current and other assets	\$98.4	\$114.5
Capital assets	405.1	394.1
Total assets	503.5	508.6
Long-term debt outstanding	386.4	394.3
Other liabilities	4.6	4.7
Total liabilities	391.0	399.0
Net assets:		
Invested in capital assets, net of related debt	52.6	34.3
Restricted	84.0	106.1
Unrestricted	(24.1)	(30.8)
Total net assets	\$112.5	\$109.6

School District U-46

Management's Discussion and Analysis For the Year Ended June 30, 2005

Table 2
Changes in Net Assets
(In millions of dollars)

	2005	2004
Revenues:		
Program revenues:		
Charges for Services	10.8	10.3
Operating Grants & Contributions	67.4	74.7
Capital Grants & Contributions	-	33.8
General revenues:		
Taxes	208.8	194.6
General State Aid	64.3	67.3
Other	10.3	7.5
Total revenues	361.6	388.2
Expenses:		
Instruction	211.5	195.0
Support Services	129.7	121.7
Community Services	2.1	2.4
Other	15.4	11.2
Total expenses	358.7	330.3
Increase (decrease) in net assets	2.9	57.9
Net Assets – beginning	109.6	51.7
Net Assets – ending	<u>112.5</u>	<u>109.6</u>

Changes in net assets

The District's total revenues were \$361.6. Taxes and general state aid were 75.6% of the total or \$273.1. Real estate taxes increased \$13,773 over the prior year or 7.2%. This was due mainly to a 4.3% increase in the Equalized Assessed Value (EAV).

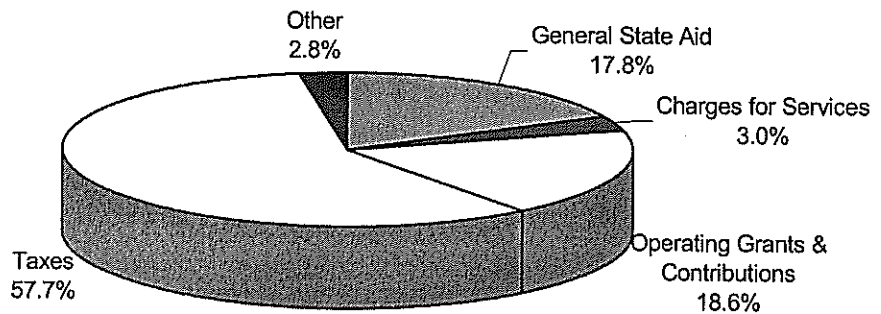
State and federal aid for specific programs brought in an additional \$67.4 of the total revenues, a decrease of \$41,123 from the prior year. This decrease was a result of decreased state funding for construction projects and special programs. Of the \$41,123, \$34,000 related to a decreased availability of capital development funds. In 2005 the Capital Development Board delayed the issuance of certain bonds for the District until the following fiscal year by approximately \$7,000. In addition the State Board of Education delayed final payments of the District's transportation grant along with several other grants until the following fiscal year.

The remaining \$21.1 came from fees charged for services and miscellaneous sources.

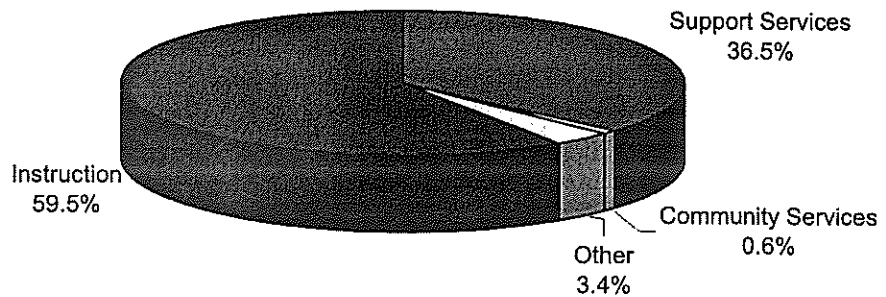
The total cost of all programs and services was \$358.7. The District's expenses are predominantly related to instruction and support services (caring for and transportation of students, etc.) These expenses accounted for 96.0% of the total (see Table 2). The District's other activities were 4.0% of total costs.

Total revenues on the Government-wide financial statements statement of activities surpassed expenditures, increasing net assets by \$2,855 over prior year.

District-Wide Revenues By Source



District-Wide Expenses



School District U-46

Management's Discussion and Analysis For the Year Ended June 30, 2005

Financial Analysis of the District's Funds

As the District completed the year, its governmental funds reported combined fund balances of \$93,836. Revenues for the District's governmental funds were \$361,540, while total expenditures were \$381,908.

The General Fund experienced a current year operating excess after other financing sources (uses) of \$6,092. This excess contributed to an improved year-end deficit fund balance of \$23,714. Factors that attributed the improvement are:

- Property taxes increased \$13,773 over the prior year or 7.2%, primarily due to an increase in the District's EAV of 4.3%.
- The District's largest expenditures (salaries and benefits) were \$250,795 or 87% of total expenditures of the General fund. Salaries and benefits increased by \$16,740 or 7.2% over the prior year. Benefits increased by \$7,460 or 12.2% from the prior year, while salaries only increased \$9,280 or 5.4% from the prior year. Aggressive budgeting measures, which started during the 2002-03 school year, continue to manifest themselves through future balanced budgets and responsible fiscal planning. This is evident by the improved fund balance as stated above.
- The District saw increased investment earnings resulting from an improved national economy.
- The District continues to focus on cost containment. As part of this process, the District changed health care providers from Professional Benefit Administrators to United Health Care in January of 2005. The District has yet to realize the impact of these savings as this change has only been in effect for 6 months of the fiscal year.
- Current year results were impacted budgetarily by the continuing deficit in the Operations and Maintenance Account which management will be addressing in the 2005 – 2006 fiscal year.

The balance in the Working Cash Fund decreased by \$243. This decrease is due primarily to the transfer of working cash funds to the general fund.

The Site and Construction Fund balance decreased by \$25,686. This was primarily due to construction costs of \$27,844 exceeding the current year revenues of \$2,158. Of the \$27,844 approximately \$5,000 of expenditures related to projects for which funding was delayed by the State until fiscal year 2006. The year-end fund balance of \$14,489 is reserved for construction projects and where appropriate major repairs of designated facilities.

School District U-46

Management's Discussion and Analysis For the Year Ended June 30, 2005

General Fund Budgetary Highlights

While the District's budget for the General Fund anticipated that expenditures would exceed revenues by \$8,068 before other financing sources (uses), the actual result for the year was an excess of revenues over expenditures of \$2,021. This is due primarily by revenues exceeding budget by \$3,261 in property taxes, and \$2,438 in restricted and unrestricted state aid. Expenditures were below the amount budgeted primarily by the amount budgeted for contingencies. Overall expenditures were below budget by \$4,496 or 1.5%.

Capital Asset and Debt Administration

Capital Assets

By the end of 2005, the District had invested \$557,461 (before accumulated depreciation of \$152,311) in a broad range of capital assets, including buildings (both school and administration facilities) property and equipment (computer, audio-visual, transportation and maintenance equipment and furniture), and land. (See Table 3.) (More detailed information about capital assets can be found in Note 4 to the financial statements.)

Depreciation expense for the year totaled \$17,051 and additions to building improvements and equipment and furniture amounted to \$28,085.

Table 3			
Capital Assets (net of depreciation)			
(in millions of dollars)			
	2005	2004	Total Percentage Change
Land	\$27.6	\$27.0	2.2%
Construction in progress	\$0.0	\$84.7	-100.0%
Depreciable buildings	\$371.3	\$276.9	34.1%
Equipment	\$6.2	\$5.5	12.7%
TOTAL	\$405.1	\$394.1	2.8%

The District's student enrollment has grown steadily over the last several years, 11.0% percent since 2000, to reach a present enrollment, as of September 30, 2004, of 39,491. To keep pace with the increasing enrollment, the District completed three elementary school buildings after the close of the 2002 fiscal year. These schools opened during fiscal year 2003. The District also began construction on three additional elementary schools, a middle school, and a high school in addition to renovations and/or additions to 11 District buildings during the year. The elementary and middle schools were opened for the start of the 2005 fiscal year. The high school is anticipated to open for the start of the 2006 fiscal year.

School District U-46

Management's Discussion and Analysis For the Year Ended June 30, 2005

Long-Term Debt

At year-end, the District had \$386.5 in general obligation bonds and other long-term debt outstanding, as shown in Table 4. (More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.)

Table 4			
<i>Outstanding Long-Term Debt (in millions of dollars)</i>			
	2005	2004	Total Percentage Change
General obligation bonds, notes and contracts	\$386.5	\$394.2	-2.0%

- In fiscal year 2005 the District issued \$71,790 in General Obligation bonds to refund portions of their 1995, 1997 and 2000 bond issues.
- The District continued to pay down its debt, retiring \$12,666 of outstanding bonds and \$1,815 of other notes and obligations.
- The District issued \$3,339 in long-term purchase contracts to finance the acquisition of equipment.
- The district's general obligations bonds have carried a rating of Aaa from Moody's.
- The state limits the amount of general obligation debt the District can issue to 13.8% of the assessed value of all taxable property within the District's limits. Outstanding debt is significantly below the current limit of \$575,704.

School District U-46

Management's Discussion and Analysis For the Year Ended June 30, 2005

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future.

- The District lost a referendum in November 2002 requesting an Operations and Maintenance tax rate increase.
- The Illinois General Assembly has imposed property tax legislation on school districts to give property taxpayers some relief by delaying tax increases each year. The legislation limits the levy increase to the lesser of the consumer price index (CPI) or five percent and mandates the use of prior year equalized assessed valuation (EAV) amounts to generate property tax receipts. This "tax cap" continues to limit the District's tax collection ability.
- New residential development within the District's boundaries will cause continued growth in student population within the District. This growth translates into expanded enrollment. The District is continually projecting enrollment, anticipating building space and staffing levels.
- The current weak economy in the state continues to affect the District's state funding levels and timing of state receipts.
- The District does not currently know the extent to which its budget will be impacted by the affects of increased fuel costs as a result of the recent catastrophes in the United States and abroad.

Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Assistant Superintendent's Office, School District U-46, 335 E. Chicago St., Elgin, IL 60120.

Basic Financial Statements

**Government-Wide
Financial Statements (GWFS)**

School District U-46

Statement of Net Assets - Modified Cash Basis
June 30, 2005

	Governmental Activities
Assets	
Cash	\$ 59,261,290
Investments	38,709,642
Inventory	430,692
Capital assets not being depreciated	27,618,638
Capital assets, net of accumulated depreciation	<u>377,531,025</u>
Total assets	<u><u>\$ 503,551,287</u></u>
Liabilities	
Unclaimed Property	\$ 978,362
Payroll deductions	3,587,728
Long-term obligations payable, due within one year:	
General obligation bonds	15,967,543
Installment notes	55,572
Purchase contracts	1,752,198
Long-term obligations payable, due in more than one year:	
General obligation bonds	365,083,840
Installment notes	318,811
Purchase contracts	<u>3,365,848</u>
Total liabilities	<u>391,109,902</u>
Net Assets	
Invested in capital assets, net of related debt	52,605,851
Restricted for:	
Inventory	430,692
Debt service	15,885,536
Working Cash	40,717,099
Special revenue	7,970,543
Capital projects	18,975,972
Unrestricted (deficit)	<u>(24,144,308)</u>
Total net assets	<u>112,441,385</u>
Total liabilities and net assets	<u><u>\$ 503,551,287</u></u>

See Notes to Financial Statements.

School District U-46

Statement of Activities - Modified Cash Basis
Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
Governmental activities:				
Instruction:				
Regular programs	\$ 122,273,162	\$ 4,028,606	\$ 1,035,420	\$ (117,209,136)
Special programs	40,375,369	-	18,875,056	(21,500,313)
Intergovernmental	669,590	-	-	(669,590)
Other instructional programs	31,956,031	-	12,724,244	(19,231,787)
State retirement contributions	16,153,122	-	16,153,122	-
Support services:				
Pupils	19,587,987	-	-	(19,587,987)
Instructional staff	19,854,703	-	1,834,781	(18,019,922)
General administration	4,636,611	-	-	(4,636,611)
School administration	18,077,013	-	-	(18,077,013)
Business	39,868,936	5,523,969	4,933,483	(29,411,484)
Central	10,418,182	972,333	-	(9,445,849)
Transportation	14,917,148	253,830	11,833,553	(2,829,765)
Facilities acquisition and construction services	2,329,344	-	-	(2,329,344)
Community services	2,113,949	-	-	(2,113,949)
Interest and fees	15,453,266	-	-	(15,453,266)
Total governmental activities	\$ 358,684,413	\$ 10,778,738	\$ 67,389,659	(280,516,016)
General revenues:				
Taxes:				
Real estate taxes, levied for general purposes				180,240,614
Real estate taxes, levied for debt service				25,750,372
Corporate property replacement taxes				2,779,771
Other				17,310
State aid-formula grants				64,287,676
Grants and contributions not restricted to specific programs				6,539,375
Investment earnings				2,198,338
Miscellaneous				1,557,965
Total general revenues				283,371,421
		Change in net assets		2,855,405
Net assets:				
July 1, 2004				109,585,980
June 30, 2005				<u>\$ 112,441,385</u>

See Notes to Financial Statements.

Fund Financial Statements (FFS)

School District U-46

Statement of Assets, Liabilities and Fund Balances - Modified Cash Basis
Governmental Funds
June 30, 2005

	General Fund	Working Cash Fund	Site and Construction Fund	Bond and Interest Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash	\$ 15,581	\$ 23,934,971	\$ 6,957,219	\$ 15,885,536	\$ 12,467,983	\$ 59,261,290
Investments	31,077,262	-	7,632,380	-	-	38,709,642
Due from other funds	-	50,782,128	-	-	-	50,782,128
Inventory	430,692	-	-	-	-	430,692
Total assets	\$ 31,523,535	\$ 74,717,099	\$ 14,589,599	\$ 15,885,536	\$ 12,467,983	\$ 149,183,752
Liabilities And Fund Balances						
Liabilities						
Due to other funds	\$ 50,782,128	\$ -	\$ -	\$ -	\$ -	\$ 50,782,128
Unclaimed Property	867,295	-	100,660	-	10,407	978,362
Payroll deductions	3,587,728	-	-	-	-	3,587,728
Total liabilities	55,237,151	-	100,660	-	10,407	55,348,218
Fund balances:						
Reserved for:						
Inventory	430,692	-	-	-	-	430,692
Interfunds	-	23,713,616	-	-	-	23,713,616
Unreserved (deficit), reported in:						
General Fund	(24,144,308)	-	-	-	-	(24,144,308)
Debt service	-	-	-	15,885,536	-	15,885,536
Special revenue	-	51,003,483	-	-	7,970,543	58,974,026
Capital projects	-	-	14,488,939	-	4,487,033	18,975,972
Total fund balances	(23,713,616)	74,717,099	14,488,939	15,885,536	12,457,576	93,835,534
Total liabilities and fund balances	\$ 31,523,535	\$ 74,717,099	\$ 14,589,599	\$ 15,885,536	\$ 12,467,983	\$ 149,183,752

See Notes to Financial Statements.

School District U-46

**Reconciliation of the Governmental Funds Statement of Assets,
Liabilities and Fund Balances to the Statement of Net Assets - Modified Cash Basis
June 30, 2005**

Total fund balances - governmental funds	\$ 93,835,534
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	405,149,663
Some liabilities reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds. These activities consist of:	
General obligation bonds	(381,051,383)
Other long-term obligations	<u>(5,492,429)</u>
Net assets of governmental activities	<u>\$ 112,441,385</u>

See Notes to Financial Statements.

School District U-46

Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
Year Ended June 30, 2005

	General Fund	Working Cash Fund	Site and Construction Fund	Bond and Interest Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes	\$ 165,147,404	\$ 14	\$ -	\$ 25,750,372	\$ 15,093,196	\$ 205,990,986
Corporate property replacement taxes	2,479,771	-	-	-	300,000	2,779,771
Payments in lieu of taxes	17,310	-	-	-	-	17,310
Charges for services	10,524,908	-	-	-	253,830	10,778,738
Intergovernmental	-	-	-	-	-	-
Unrestricted state aid	64,287,676	-	-	-	11,833,553	76,121,229
Restricted state aid	39,406,992	-	-	-	-	39,406,992
Restricted federal aid	22,688,489	-	-	-	-	22,688,489
Interest	628,028	508,100	972,654	84,491	5,065	2,198,338
Other	372,607	-	1,185,358	-	-	1,557,965
Total revenues	305,553,185	508,114	2,158,012	25,834,863	27,485,644	361,539,818
Expenditures:						
Current:						
Instruction:						
Regular programs	109,480,480	-	-	-	1,223,845	110,704,325
Special programs	39,262,906	-	-	-	1,112,463	40,375,369
Other instructional programs	31,378,489	-	-	-	577,542	31,956,031
State retirement contributions	16,153,122	-	-	-	-	16,153,122
Support services:						
Pupils	18,954,969	-	-	-	633,018	19,587,987
Instructional staff	9,914,843	-	-	-	373,321	10,288,164
General administration	4,559,931	-	-	-	76,680	4,636,611
School administration	17,205,829	-	-	-	871,184	18,077,013
Business	36,619,743	-	-	-	3,895,894	40,515,637
Central	9,928,094	-	-	-	490,088	10,418,182
Transportation	-	-	-	-	14,917,148	14,917,148
Facilities acquisition and construction services	-	-	2,329,344	-	-	2,329,344
Community services	2,113,949	-	-	-	-	2,113,949
Debt service:						
Principal	55,574	-	-	12,666,261	-	12,721,835
Interest and charges	-	-	-	13,162,462	-	13,162,462
Capital outlay	7,234,169	-	25,514,592	-	532,201	33,280,962
Intergovernmental	669,590	-	-	-	-	669,590
Total expenditures	303,531,688	-	27,843,936	25,828,723	24,703,384	381,907,731
Revenues over (under) expenditures	2,021,497	508,114	(25,685,924)	6,140	2,782,260	(20,367,913)
Other financing sources (uses):						
Transfer (Out)	(20,000)	(751,260)	-	-	-	(771,260)
Transfer In	751,260	-	-	-	20,000	771,260
Bond proceeds	-	-	-	71,790,000	-	71,790,000
Premium on bonds issued	-	-	-	3,571,614	-	3,571,614
Payments to escrow agent	-	-	-	(74,237,418)	-	(74,237,418)
Purchase contracts proceeds	3,339,178	-	-	-	-	3,339,178
Total other financing sources (uses)	4,070,438	(751,260)	-	1,124,196	20,000	4,463,374
Change in fund balances	6,091,935	(243,146)	(25,685,924)	1,130,336	2,802,260	(15,904,539)
Fund balances (deficits):						
July 1, 2004	(29,805,551)	74,960,245	40,174,863	14,755,200	9,655,316	109,740,073
June 30, 2005	\$ (23,713,616)	\$ 74,717,099	\$ 14,488,939	\$ 15,885,536	\$ 12,457,576	\$ 93,835,534

See Notes to Financial Statements.

School District U-46

Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities - Modified Cash Basis
Year Ended June 30, 2005

Change in fund balances—total governmental funds	\$ (15,904,539)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the lives of the assets. This is the amount by which net capital outlays exceeded depreciation in the current period.

Cost of capital assets	\$ 28,084,933	
Depreciation expense	<u>(17,051,735)</u>	
		11,033,198

Some capital additions were financed through the issuance of long-term debt. In governmental funds, long-term debt is considered an other source of financing, but in the statement of net assets, debt is reported as a liability. In the current period, proceeds were received from:

Purchase contracts	(3,339,178)
Bond proceeds	(71,790,000)

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current period, repayments were made on:

General obligation bonds	81,041,261
Purchase contracts	1,699,089
Other obligations	<u>115,574</u>

Change in net assets of governmental activities	<u>\$ 2,855,405</u>
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See Notes to Financial Statements.

School District U-46

**Statement of Fiduciary Net Assets - Modified Cash Basis
Agency Fund
June 30, 2005**

	<u>Agency Student Activity Fund</u>
Assets	
Cash	\$ 3,886,913
Liabilities	
Due to activity fund organizations	<u>3,886,913</u>
Total net assets	<u><u>\$ -</u></u>

See Notes to Financial Statements.

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School District U-46

Notes To Financial Statements

Note 1. Nature of Operations, Financial Reporting Entity, Measurement Focus, Basis of Accounting and Basis of Presentation and Significant Accounting Policies

The District operates as a public school system governed by an elected seven-member board. The District is organized under The School Code of the State of Illinois, as amended. The District serves the communities of Bartlett, Elgin, Hanover Park, South Elgin, Streamwood, Wayne and portions of Carol Stream, St. Charles, Schaumburg, West Chicago and Hoffman Estates.

Financial Reporting Entity: Accounting principles generally accepted in the United States of America require that the financial statements of the reporting entity include: (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Statement No. 14 have been considered and there are no agencies or entities which should be presented with the District.

The District is the administrative agent for the Northern Kane County Regional Vocational System (NKCRVS). The NKCRVS is considered a separate entity for financial reporting purposes and is not considered a component unit of the District in accordance with GASB Standards; accordingly, the accounts of NKCRVS are not included in the accompanying basic financial statements.

Measurement Focus, Basis of Accounting and Basis of Presentation: The Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, in June 1999. The Statement, commonly referred to as the new reporting model, retained much of the old reporting under the present reporting model, with modifications and added new information. The two most significant additions are the Management's Discussion and Analysis (which follow the independent auditors' report) and the Government-wide Financial Statements (GWFS).

Additional information regarding the new model is included in the Management's Discussion and Analysis and the Notes to the Basic Financial Statements. Also, accounting differences between the GWFS and the Fund Financial Statements (FFS) are described in the reconciliation schedules located in the FFS section of the basic financial statements of the report.

The Governmental Accounting Standards Board (GASB) issued Statement No. 40, *Deposit and Investment Risk Disclosures*, in March 2003. This is effective for the District beginning with its year ending June 30, 2005. The Statement establishes and modifies disclosure requirements related to investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. This Statement also establishes and modifies disclosure requirements for deposit risks.

School District U-46

Notes To Financial Statements

Note 1. Nature of Operations, Financial Reporting Entity, Measurement Focus, Basis of Accounting and Basis of Presentation and Significant Accounting Policies (continued)

The accounts of the District are organized and operated on a basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The funds of the District are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

Governmental Funds

Governmental funds are used to account for the District's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets and the servicing of general long-term debt. Governmental funds include:

The **General Fund** is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. The General Fund consists of the Education Fund, Tort Immunity Fund and the Operations and Maintenance Fund.

Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specified purposes. The District's special revenue funds are the Working Cash Fund, the Transportation Fund and the IMRF/Social Security Fund.

The **Debt Service Fund** (Bond and Interest Fund) accounts for the servicing of the general long-term debt of the District.

Capital Project Funds accounts for the acquisition, construction, renovation and additions of major capital facilities. This consists of the Site and Construction Fund, and the Fire Prevention and Safety Fund.

Fiduciary fund types are used to account for assets held by the District in a trustee capacity or as an agent on behalf of others.

An **Agency Fund** is custodial in nature and does not present results of operations or have a measurement focus. The agency fund (Student Activity Fund) is used to account for assets held by the District for others in an agency capacity.

School District U-46

Notes To Financial Statements

Note 1. Nature of Operations, Financial Reporting Entity, Measurement Focus, Basis of Accounting and Basis of Presentation and Significant Accounting Policies (continued)

Government-Wide Financial Statements (GWFS)

The Government-Wide Statement of Net Assets and the Statement of Activities display information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level. The effect of material interfund activity has been eliminated from these statements.

The GWFS are reported using the modified cash basis of accounting measurement focus as explained below. The statement of net assets includes all current assets and current liabilities arising from cash transactions and all capital assets, net of accumulated depreciation, and long-term debt associated with the operation of the District.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct revenues are those that are clearly identifiable with a specific function or segment. Indirect expenses not allocated to functions are reported separately. Interest on general long-term debt is considered such an indirect expense. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and standard revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements (FFS)

Governmental Funds

Governmental fund types are accounted for using a modified cash basis of accounting measurement focus. With this measurement focus, only current assets and current liabilities arising from cash transactions are included on the balance sheet. Accordingly, revenues are recognized when received rather than when earned, and expenditures are recognized when paid rather than when the obligation is incurred, except for inventories purchased not yet issued and employees' share of payroll withholdings and unclaimed property not yet remitted to other governmental agencies at year-end. Consequently, property taxes and other revenues due, as well as amounts owed to vendors and suppliers are not included in the financial statements. Only assets representing a right to receive cash from a previous payment of cash are recorded as assets of a fund. In the same manner, only liabilities resulting from previous cash transactions are recorded as liabilities of a particular fund.

Differences occur from the manner in which the FFS and the GWFS are prepared due to the inclusion of capital asset and long-term debt activity. FFS, therefore, include a reconciliation with brief explanations to the GWFS.

School District U-46

Notes To Financial Statements

Note 1. Nature of Operations, Financial Reporting Entity, Measurement Focus, Basis of Accounting and Basis of Presentation and Significant Accounting Policies (continued)

Basis of Accounting

The District maintains its accounts and prepares its annual budget on the modified cash basis of accounting which varies from accounting principles generally accepted in the United States of America in that revenues and expenditures are recognized when received and paid, respectively, rather than when earned or incurred. Under this modified cash basis of accounting, other assets and liabilities that arise from cash transactions, including amounts due to/from other governments and interfund debt, are reported on both the GWFS and FFS. Additionally, under this basis of accounting, the District reports activity related to the acquisition, depreciation and year-end balances of capital assets, as well as year-end balances and related changes in long-term debt in its GWFS.

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *working cash fund* accounts for the resources accumulated to enable the District to have on hand at all times sufficient cash to meet the demands of ordinary and necessary expenditures.

The *site and construction fund* is a capital projects fund used to account for bond proceeds and interest revenue to be used for the construction and/or renovation of new and existing schools.

The significant accounting policies followed by the District include the following:

Real estate taxes

Property taxes are levied each year on all taxable real property in the District on or before the last Tuesday in December. The 2004 tax levy was passed by the Board of Education on December 15, 2004, and attached as an enforceable lien on the property as of the preceding January 1. The taxes become due and collectible in March and September 2005 in Cook County and in June and September 2005 in DuPage County and Kane County, and are collected by the County Collector, who in turn returns to the District its respective share. The District receives the remittances from the County Treasurer approximately one month after collection. Property taxes are recorded upon receipt.

School District U-46

Notes To Financial Statements

Note 1. Nature of Operations, Financial Reporting Entity, Measurement Focus, Basis of Accounting and Basis of Presentation and Significant Accounting Policies (continued)

Investments

The investments are stated at fair value.

Inventories

Inventories are stated at fair value.

Capital Assets

Capital assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used based on the following estimated useful lives:

Buildings	40 years
Transportation equipment	5 years
Other equipment	3 – 5 years

Compensated Absences

The District records compensated absences when paid in cash. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. No amount of material compensated absences existed at year-end that were required to be reported in the GWFS.

School District U-46

Notes To Financial Statements

Note 1. Nature of Operations, Financial Reporting Entity, Measurement Focus, Basis of Accounting and Basis of Presentation and Significant Accounting Policies (continued)

Long-Term Liabilities

In the GWFS, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are recognized in the period the bonds are issued.

In the FFS, bond premiums and discounts, as well as issuance costs, are recognized in the period the bonds are issued. Bond proceeds are reported as another financing source net of applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Restricted Net Assets

For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

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

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and, therefore, are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves are established for inventory, tort immunity, debt service and capital projects.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting 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.

Elimination and Reclassification

In the process of aggregating data for the Government-wide Statement of Activities, some amounts reported as interfund activities and balances in the funds were eliminated or reclassified.

School District U-46

Notes To Financial Statements

Note 2. Budgets and Budgetary Information

Annual budgets are adopted for all governmental fund types. The annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America at the fund level. All budgets lapse at fiscal year end.

On or before July 1 of each year, the Superintendent is to submit for review by the Board of Education a proposed budget for the school year commencing on that date. After reviewing the proposed budget, the Board of Education holds public hearings and a final budget must be prepared and adopted no later than September 30.

The appropriated budget is prepared by fund and by function. The Board of Education may make transfers between functions within a fund not exceeding in the aggregate 10% of the total of such fund, and may amend the total budget following the same procedures required to adopt the original budget. The legal level of budgetary control is at the fund level. No supplemental budget was required and there were no transfers between functions during the year.

For budgetary purposes, the District does not recognize as revenues received the retirement contributions made by the State to the Teachers' Retirement System of the State of Illinois (TRS) on behalf of the District as well as the related expenditures paid.

The following schedule reconciles the revenues received and expenditures paid on the budgetary basis with the amounts presented in accordance with the comprehensive basis of accounting used by the District for the General Fund.

Revenues received - Budgetary basis	\$ 289,400,063
Unbudgeted retirement contributions made by the State	<u>16,153,122</u>
Revenues received - Modified cash basis	<u>\$ 305,553,185</u>
Expenditures paid - Budgetary basis	\$ 287,378,566
Unbudgeted retirement contributions to TRS	<u>16,153,122</u>
Expenditures paid - Modified cash basis	<u>\$ 303,531,688</u>

School District U-46

Notes To Financial Statements

Note 3. Cash and Investments

Substantially all cash and investments are deposits and investments maintained in pooled accounts held in the name of the District.

a) Deposits

State statutes authorize the District to make deposits in interest bearing depository accounts in federally insured and/or state chartered banks, savings and loan association and credit unions. As of June 30, 2005, the District had deposits with federally insured financial institutions of \$63,148,203 with bank balances totaling \$71,026,095.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2005, \$63,986,654 of the District's bank balance of \$71,026,095 was exposed to custodial credit risk because it was uninsured or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

b) Investments

As of June 30, 2005, the District had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)
Illinois School District Liquid Asset Fund	\$ 7,632,380	Less than 1
Government Money Market Fund Investments	31,077,262	N/A
Total	<u>\$ 38,709,642</u>	

Interest rate risk. The District's investment policy does not limit its investment portfolio to specific maturities.

Credit risk. State statutes authorize the District to invest directly in obligations of, or obligations guaranteed by, the United States Treasury or agencies of the United States and short-term obligations of corporations organized in the United States with assets exceeding \$500,000,000.

The District is also authorized to invest in the Illinois School District Liquid Asset Fund Plus and the Illinois Funds, which invests member deposits, on a pooled basis, primarily in short-term certificates of deposits and in high-rated, short-term obligations of major United States corporations and banks. The Illinois School District Liquid Asset Fund Plus and Illinois Fund are rated AAAM by Standard & Poor's.

Concentration of credit risk. The District has no investment policy related to the concentration of credit risk.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Illinois School District Liquid Asset Fund Plus and the pooled cash and investments held by the District are not subject to custodial credit risk.

School District U-46

Notes To Financial Statements

Note 3. Cash and Investments (continued)

The above deposits and investments with a total carrying value of \$101,857,845 are presented in the basic financial statements as cash and investments as follows:

Statement of Net Assets, governmental activities:

Cash	\$ 59,261,290
Investments	38,709,642
Statement of Fiduciary Net Assets, agency fund	3,886,913
	<u>\$ 101,857,845</u>

Note 4. Capital Assets

Capital asset balances and activity for the year ended June 30, 2005, are as follows:

	Balance July 1, 2004	Additions	Retirements	Balance June 30, 2005
Governmental activities:				
Land	\$ 26,971,653	\$ 646,985	\$ -	\$ 27,618,638
Buildings	379,617,017	104,707,022	-	484,324,039
Transportation equipment	13,807,637	2,720,295	1,151,116	15,376,816
Other equipment	25,427,102	4,713,927	-	30,141,029
Construction in progress	84,703,296	-	84,703,296	-
Total capital assets	530,526,705	112,788,229	85,854,412	557,460,522
Less accumulated depreciation:				
Buildings	102,686,447	10,313,818	-	113,000,265
Transportation equipment	10,615,171	1,549,813	1,151,116	11,013,868
Other equipment	23,108,622	5,188,104	-	28,296,726
Total accumulated depreciation	136,410,240	17,051,735	1,151,116	152,310,859
Governmental activities				
Capital assets, net	\$ 394,116,465	\$ 95,736,494	\$ 84,703,296	\$ 405,149,663

School District U-46

Notes To Financial Statements

Note 4. Capital Assets (continued)

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 8,866,902
Support services	7,332,246
Community services	852,587
	<u>\$ 17,051,735</u>

Note 5. Long-Term Obligations

The following is a summary of activity for the general obligation bonds for the year ended June 30, 2005:

Type	Balance July 1, 2004	Issuances/ Additions	Retirements/ Deletions	Balance June 30, 2005	Principal due within one year
General Obligation Bonds	\$ 390,302,644	\$ 71,790,000	\$ 81,041,261	\$ 381,051,383	\$ 15,967,543
Installment notes payable	429,957	-	55,574	374,383	55,572
Claims payable	60,000	-	60,000	-	-
Purchase contracts	3,477,957	3,339,178	1,699,089	5,118,046	1,752,198
	<u>\$ 394,270,558</u>	<u>\$ 75,129,178</u>	<u>\$ 82,855,924</u>	<u>\$ 386,543,812</u>	<u>\$ 17,775,313</u>

The retirements of claims payable and purchase contracts have been recorded as support services expenditures on page 17 of the FFS Statement of Revenues, Expenditures, and Changes in Fund Balance – Modified Cash Basis – Governmental Funds.

On February 24, 2005, the District issued \$71,790,000 in General Obligation School Refunding Bonds, Series 2005, with an average interest rate of 4.20 percent to advance refund \$20,175,000 of outstanding General Obligation School Bonds, Series 2000 with an average interest of 6.24 percent, \$22,825,000 of School Bonds, Series 1997 with an average interest of 5.58 percent, and \$25,375,000 of School Bonds, Series 1995 with an average interest of 5.67 percent. The proceeds of \$74,237,418 (net of premium of \$3,571,614 and issuance costs of \$1,124,196) were used to purchase U.S. government securities. The U.S. government securities were deposited in an irrevocable trust with an escrow agent to provide for certain future debt service payments on the refunded bonds. As a result, those bond payments are considered defeased and the liability for those bonds has been removed from the District's financial statements. The refunding resulted in an economic gain of approximately \$4,347,000 and had the net effect of decreasing District future debt service by approximately \$4,891,000 while maintaining the overall life of the bonds at 15.5 years.

School District U-46

Notes To Financial Statements

Note 5. Long-Term Obligations (continued)

At June 30, 2005, general long-term debt consisted of the following:

General Obligation Bonds - payable by the Debt Service Fund:

\$39,900,000, 1995 Construction Bonds due in annual installments of \$3,625,000 to \$4,250,000 through 2007 with interest due semiannually at 5.25% to 9.0%.	\$ 7,875,000
\$14,999,900, 1996 Capital Appreciation School Building Bonds due in annual installments of \$351,564 to \$1,677,178 through 2014 with interest yielding 6.185%	9,602,778
\$39,500,000, 1997 School Building Bonds due in annual installments of \$500,000 to \$13,825,000 through 2012 with interest due semiannually at 5.05% to 7.8%	16,175,000
\$32,300,000, 1998 School Building Bonds due in annual installments of \$100,000 to \$13,000,000 through 2015 with interest due semiannually at 4.15% to 5.45%	31,650,000
\$18,300,000, 1999 School Building Bonds due in annual installments of \$250,000 to \$7,000,000 through 2019 with interest due semiannually at 5.05% to 5.25%	17,050,000
\$57,999,743 2001 Construction Bonds due in annual installments of \$982,125 to \$14,072,352 through 2016 with interest due semiannually at 5.2% to 9.0%.	54,064,207
\$54,499,619, 2002 Illinois Development Finance Authority Program Revenue Bonds due in annual installments of \$373,209 to \$14,528,432 in years 2016 through 2021 with interest due annually in years of maturity at a rate yielding 5.3789%	54,499,619
\$22,625,000 2003 School Bonds due in annual installments of \$830,000 to \$4,875,000 through 2009 with interest due semiannually at 2.0% to 3.25%	20,275,000
\$65,999,779, 2003 Capital Appreciation School Bonds due in annual installments of \$847,515 to \$18,975,627 beginning in fiscal year 2009 through 2023 with interest due annually in years of maturity at a rate yielding 3.45% to 5.37%	65,999,779
\$12,000,000, 2003 General Obligation Limited Tax School Bonds due in annual installments of \$1,930,000 to \$2,885,000 through 2009 with interest due semi-annually in years of maturity at a rate yielding 2.50% to 3.125%	10,070,000
\$22,000,000, 2003 General Obligation Limited Tax School Bonds due in annual installments of \$3,500,000 to \$5,390,000 beginning in fiscal year 2010 through 2014 with interest due semi-annually in years of maturity at a rate yielding 5.00% to 5.60%	22,000,000
\$71,790,000, 2005 General Obligation School Refunding Bonds with \$1,265,000 due in January 2006 and annual installments ranging from \$365,000 to \$15,085,000 beginning in fiscal year 2008 through 2020 with interest due semi-annually at rates ranging from 3.00% to 5.00%.	71,790,000

Total General Obligation Bonds

381,051,383

School District U-46

Notes To Financial Statements

Note 5. Long-Term Obligations (continued)

Installment Notes

\$105,280, 1992; Interest Free Asbestos Abatement Federal note, payable from the Operations and Maintenance Fund, due in semiannual installments of \$2,915 to \$2,949 through 2011 \$ 35,147

\$895,049, 1995; Interest Free Asbestos Abatement Federal note, payable from the Operations and Maintenance Fund, due in annual installments of \$49,724 through 2012 339,237

Total Installment Notes 374,384

Purchase contracts payable, payable from various funds 5,118,046

Total \$ 386,543,813

As of June 30, 2005, the future annual debt service requirements on the outstanding debt, including interest of \$303,225,936, are as follows:

Due in Fiscal Year	General Obligation Bonds	Installment Notes Payable	Long-Term Purchase Contracts	Total
2006	\$ 26,481,285	\$ 55,572	\$ 1,879,798	\$ 28,416,655
2007	26,821,944	55,572	1,449,896	28,327,412
2008	28,084,093	55,572	1,252,054	29,391,719
2009	30,270,140	55,572	317,882	30,643,594
2010	32,138,597	55,572	142,150	32,336,319
2011	33,785,871	96,524	448,979	34,331,374
2012	36,531,268	-	-	36,531,268
2013	38,366,546	-	-	38,366,546
2014	40,287,509	-	-	40,287,509
2015	36,335,752	-	-	36,335,752
2016	38,149,000	-	-	38,149,000
2017	40,058,350	-	-	40,058,350
2018	42,065,950	-	-	42,065,950
2019	44,173,500	-	-	44,173,500
2020	46,389,800	-	-	46,389,800
2021	48,710,000	-	-	48,710,000
2022	51,150,000	-	-	51,150,000
2023	44,105,000	-	-	44,105,000
	\$ 683,904,605	\$ 374,384	\$ 5,490,759	\$ 689,769,748

Notes To Financial Statements

Note 5. Long-Term Obligations (continued)

As of June 30, 2005, the legal debt limit of the District was \$575,703,963, based upon 13.8 percent of its estimated 2004 equalized assessed valuation of \$4,171,767,848. The debt limit less outstanding debt of \$381,051,383 results in a legal debt margin of \$194,652,580 as of June 30, 2005.

Note 6. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is self-insured for the above risks. For property related risks, the District maintains excess insurance coverage to cover claims in excess of \$100,000 per occurrence and \$300,000 in aggregate. The amount of coverage has not decreased nor have the amount of settlements exceeded coverage in any of the past three fiscal years. It is not the policy of the District to purchase a majority of the medical insurance needed to cover its employees. Instead, management believes it is more economical to manage its risks by funding a self-insurance account and by having an outside agency administer its medical claims. The district does not assume unlimited liability for medical claims. As of June 30, 2005, the District had purchased (stop-loss) insurance to cover claims in excess of \$200,000 per person per year and approximately \$26,000,000 per year in the aggregate. Estimated claims liabilities outstanding at June 30, 2005, based on historical cost information, total \$2,362,514, and these claims are expected to be paid from current available resources. Settled claims have not exceeded coverage in any of the past three fiscal years.

Note 7. Retirement Fund Commitments

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

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

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate for June 30, 2005 was 9 percent of creditable earnings. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer.

In addition, virtually all members pay a contribution to the Teachers' Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not a part of this retirement plan. The employer THIS Fund contribution was 0.5 percent during the year ended June 30, 2005 and the member THIS Fund health insurance contribution was 0.75 percent.

Notes To Financial Statements

Note 7. Retirement Fund Commitments (continued)

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

- ♦ **On-behalf contributions.** The State of Illinois makes employer pension contributions on behalf of the District. For the year ended June 30, 2005, State of Illinois contributions were based on 11.76 percent of creditable earnings, and the District recognized revenue and expenditures of \$16,153,122 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2004 and 2003, the State of Illinois contribution rates as percentages of creditable earnings were 13.98 percent (\$18,199,329) and 13.01 percent (\$20,130,113), respectively.

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

- ♦ **2.2 formula contributions.** For the years ended June 30, 2005 and 2004, employers contributed 0.58 percent of creditable earnings for the 2.2 formula change. Contributions for the years ended June 30, 2005 and 2004 were \$832,505 and \$804,130, respectively.

For the year ended June 30, 2003, part of the employer's 2.2 formula contribution (0.58 percent of pay) was reduced as a result of a new employer THIS Fund contribution for retiree health insurance (0.4 percent of pay). The remaining 0.18 percent was submitted to TRS. Contributions for the year ended June 30, 2003 were \$283,500.

- ♦ **Federal and trust fund contributions.** When TRS members are paid from federal and trust funds administered by the District, there is a statutory requirement for the District to pay employer pension contributions from those funds. For the three years ended June 30, 2005, the employer pension contribution was 10.5 percent of salaries paid from those funds. For the year ended June 30, 2005, salaries totaling \$6,178,911 were paid from federal and trust funds that required employer contributions of \$648,786. For the years ended June 30, 2004 and 2003, required District contributions were \$888,483 and \$291,040, respectively.

- ♦ **Early Retirement Option.** 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. No member or employer contributions are required if the member has 34 years of service.

The maximum employer payment of 100 percent of the member's highest salary used in the calculation of final average salary is required if the member is 55 years old. For the year ended June 30, 2005, the District paid \$2,303,567 for employer contributions under the ERO. For the years ended June 30, 2004 and 2003, the District paid \$1,712,087 and \$1,433,880 respectively.

Public Act 94-0004, which was signed into law on June 1, 2005, contained a number of provisions affecting employer and active member contributions. Most will not be effective or impact the financial statements until the year ending June 30, 2006. The changes are summarized below:

- ♦ **Active member contributions.** The active member contribution rate will increase from the current 9.0 percent of creditable earnings to 9.4 percent beginning July 1, 2005. The increase is to help cover the cost of the new ERO program and will be refunded if the member does not retire under the ERO.

Note 7. Retirement Fund Commitments (continued)

- ♦ **State/federal contributions.** Under a policy adopted by the Board of Trustees before Public Act 94-0004 was enacted, the employer contribution rate for employees paid from federal funds will be the same rate as paid by the state. Under Public Act 94-0004, the state contribution rate for fiscal year 2006 was reduced to 7.06 percent of pay. Therefore, the employer contribution rate for employees paid from federal funds in fiscal year 2006 will be 7.06, a decrease from the current 10.5 percent.

- ♦ **New employer contributions**

Salary increases over 6 percent. If employers grant salary increases in excess of 6 percent that are used in the final average salary calculations, the employer will make a lump-sum contribution to the TRS to cover the cost of the portion of the benefit due to salary increases over 6 percent. Public Act 94-0004 exempts salary increases granted under contracts and collective bargaining agreements in effect on June 1, 2005.

Sick leave in excess of normal allotment. If employers grant sick leave near retirement in excess of the normal annual allotment and that sick leave is counted as service credit, the employer will make a lump-sum contribution to TRS. The act exempts sick leave granted under contracts and collective bargaining agreements in effect on June 1, 2005.

- ♦ **Early Retirement option.** In addition to the changes described above, the following changes were made to ERO:
 - ♦ Both active member and employer ERO contribution rates are increased. For employers, the maximum contribution increases from the current 100 percent of the member's highest salary used in the calculation of the average final salary to 117.5 percent.
 - ♦ The waiver of member and employer ERO contributions when the member has 34 years of service ended with the program that expired June 30, 2005.
 - ♦ A "Pipeline ERO" program provided for members to retire under the same terms as the ERO that expired June 30, 2005, provided they meet certain conditions and retire on or before July 1, 2007.
 - ♦ Public Act 94-0004 provides for a review of the member and employer ERO contributions every five years to ensure that the program is revenue neutral.

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, 2004. The report for the year ended June 30, 2005, is expected to be available in late 2005.

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 www.trs.state.il.us.

School District U-46

Notes To Financial Statements

Note 7. Retirement Fund Commitments (continued)

Illinois Municipal Retirement

The District's defined benefit pension plan, the Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code established the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a financial report that includes financial statements and required supplementary information. That report may be obtained at www.imrf.org/pubs/pubs_homepage.htm or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The member rate is established by state statute. The District is required to contribute at an actuarially determined rate. The employer rate for the year ended June 30, 2005 was 9.02 percent. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The remaining amortization period at December 31, 2004 was 10 years.

For the year ended June 30, 2005, the District's annual pension cost of \$3,168,103 was equal to the District's required and actual contributions. The required contribution was determined as part of the December 31, 2002, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) postretirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15 percent corridor. The assumptions used for the 2004 actuarial valuation and schedule of funding progress were based on the 1999-2001-experience study.

Trend Information

Fiscal Year Ending June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed
2004	\$ 3,168,103	100%
2003	3,527,256	100%
2002	3,473,440	100%

The actuarial assumptions used to determine the pension benefit obligation for 2004 are based on the 1999-2001 experience study. The principal changes were:

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

School District U-46

Notes To Financial Statements

Note 8. Debt Defeasance

In prior years, the District advance refunded certain general obligation bonds by placing a portion of the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. As of June 30, 2005, the outstanding balance of all defeased bonds totals \$20,175,000.

Note 9. Other Financial Disclosures (FFS Level Only)

Due to/from other funds

The interfund debt balances as of June 30, 2005, are as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Major Governmental:		
General	\$ -	\$ 50,782,128
Working Cash	50,782,128	-
	<u>\$ 50,782,128</u>	<u>\$ 50,782,128</u>

The interfund debt balances reflect operating loans which are expected to be resolved in the following fiscal year.

Interfund transfers

Transfers for the year ended June 30, 2005 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General	\$ 751,260	\$ 20,000
Working Cash		751,260
Nonmajor Governmental Funds:		
IMRF/Social Security	20,000	-
	<u>\$ 771,260</u>	<u>\$ 771,260</u>

Transfers were used to move unrestricted receipts from the working cash fund to the general fund and from the general fund to other funds to finance various programs as allowed by State Statutes.

Deficit fund balances

Major governmental, General Fund had a \$23,713,616 deficit fund balance as of June 30, 2005.

District management expects to fund this deficit with future revenues and budget cuts.

School District U-46

Notes To Financial Statements

Note 10. Contingencies

The District received financial awards from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2005.

Note 11. Commitments

At June 30, 2005, the District had approximately \$14,208,052 in outstanding construction project commitments.

Note 12. Litigation

The District is a defendant in various lawsuits wherein substantial amounts are claimed. In the opinion of the District's legal council, these suits are without substantial merit and should not result in judgments, which in aggregate would have a material adverse effect on the District's financial statements.

Note 13. Pronouncements Issued But Not Yet Adopted

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, will be effective for the District beginning with its year ending June 30, 2006. This Statement requires governments to report the effects of capital asset impairment in their financial statements when it occurs and requires all governments to account for insurance recoveries in the same manner.

GASB Statement No. 43, *Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans*. This Statement establishes uniform financial reporting standards for other post employment benefit plans (OPEB plans) and supersedes existing guidance. The provisions of the Statement will be effective in phases using the same criteria applied in the implementation of the new governmental reporting model, starting with periods beginning after December 15, 2005. The District must adopt Statement No. 43 by its fiscal year ending June 30, 2006.

GASB Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, establishes standards for the measurement, recognition, and display of OPEB expenses/ expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information. The District is required to implement this Statement for the year ending June 30, 2008.

GASB Statement No. 46, *Net Assets Restricted by Legislation, an Amendment of GASB Statement No. 34*, clarifies the definition of "legally enforceable enabling legislation" as established in GASB Statement No. 34, and requires the government to separately disclose the portion of net assets that is restricted by enabling legislation. This Statement will become effective for the year ending June 30, 2007.

GASB Statement No. 47, *Accounting for Termination Benefits*, establishes accounting standards for voluntary and involuntary termination benefits, including termination benefits provided through a defined benefit other post employment benefit plan (OPEB). For those termination benefits provided through a defined benefit OPEB plan, this Statement must be implemented concurrently with Statement No. 45. For all other termination benefits, this Statement will become effective for the year ending June 30, 2007.

Management has not currently determined what impact, if any, these GASB statements 42, 43, 45, 46 and 47 may have on its financial statements.

Required Supplemental Information

School District U-46
Schedule of Funding Progress

Illinois Municipal Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded (Overfunded) AAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/04	\$ 75,666,381	\$ 73,882,121	\$ (1,784,260)	102.42	% \$ 34,005,999	(5.25) %
12/31/03	75,607,130	79,537,100	3,929,970	95.06	42,428,550	9.26
12/31/02	74,023,230	76,272,517	2,249,287	97.05	43,082,770	5.22
12/31/01	69,256,906	67,347,167	(1,909,739)	102.84	38,438,046	(4.97)
12/31/00	62,971,744	60,033,466	(2,938,278)	104.89	35,247,350	(8.34)
12/31/99	56,027,413	55,400,196	(627,217)	101.13	31,256,971	(2.01)

School District U-46

Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual - Budgetary Basis - Modified Cash Basis
General Fund
Year Ended June 30, 2005

	Original and Final Budget	Actual	Variance
Revenues:			
Property taxes	\$ 161,886,871	\$ 165,147,404	\$ 3,260,533
Corporate property replacement taxes	2,100,000	2,479,771	379,771
Payments in lieu of taxes	-	17,310	17,310
Charges for services	11,546,445	10,524,908	(1,021,537)
Intergovernmental	100,000	-	(100,000)
Unrestricted state aid	61,485,332	64,287,676	2,802,344
Restricted state aid	26,457,517	23,253,870	(3,203,647)
Restricted federal aid	19,849,206	22,688,489	2,839,283
Interest	346,000	628,028	282,028
Other	35,000	372,607	337,607
Total revenues	283,806,371	289,400,063	5,593,692
Expenditures:			
Current:			
Instruction:			
Regular programs	119,746,216	109,480,480	10,265,736
Special programs	34,854,110	39,262,906	(4,408,796)
Other instructional programs	24,495,218	31,378,489	(6,883,271)
Support services:			
Pupils	19,149,665	18,954,969	194,696
Instructional staff	9,483,034	9,914,843	(431,809)
General administration	5,465,076	4,559,931	905,145
School administration	18,392,232	17,205,829	1,186,403
Business	38,800,863	36,619,743	2,181,120
Central	9,771,224	9,928,094	(156,870)
Community services	1,985,287	2,113,949	(128,662)
Debt Service:			
Principal	55,574	55,574	-
Capital outlay	6,342,566	7,234,169	(891,603)
Contingencies	2,803,030	-	2,803,030
Intergovernmental	530,000	669,590	(139,590)
Total expenditures	291,874,095	287,378,566	4,495,529
Revenues over (under) expenditures	(8,067,724)	2,021,497	10,089,221
Other financing sources (uses):			
Transfer (out)	-	(20,000)	(20,000)
Transfer in	-	751,260	751,260
Proceeds from purchase contracts	-	3,339,178	3,339,178
Change in fund balance	\$ (8,067,724)	6,091,935	\$ 14,159,659
Fund balance:			
July 1, 2004		(29,805,551)	
June 30, 2005		<u>\$ (23,713,616)</u>	

School District U-46

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - Modified Cash Basis
Working Cash Fund
Year Ended June 30, 2005

	Original and Final Budget	Actual	Variance
Revenues			
Property taxes	\$ -	\$ 14	\$ 14
Interest	120,000	508,100	388,100
Total revenues	120,000	508,114	388,114
Other financing (uses)			
Transfers (out)	-	(751,260)	(751,260)
Change in fund balance	\$ 120,000	(243,146)	\$ (363,146)
Fund balance:			
July 1, 2004		74,960,245	
June 30, 2005		\$ 74,717,099	

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Supplemental Information

School District U-46

Statement of Assets, Liabilities and Fund Balances
General Fund, by Accounts
June 30, 2005

	Educational Account	Operations and Maintenance Account	Total
Assets			
Cash	\$ 14,800	\$ 781	\$ 15,581
Investments	31,077,262	-	31,077,262
Inventory	430,692	-	430,692
Total assets	\$ 31,522,754	\$ 781	\$ 31,523,535
Liabilities and Fund Balances			
Liabilities			
Due to other funds	\$ 34,396,601	\$ 16,385,527	\$ 50,782,128
Unclaimed property	867,295	-	867,295
Accrued Liabilities	3,553,611	34,117	3,587,728
Total liabilities	38,817,507	16,419,644	55,237,151
Fund Balances			
Reserved for:			
Inventory	430,692	-	430,692
Unreserved (deficit)	(7,725,445)	(16,418,863)	(24,144,308)
Total fund balances	(7,294,753)	(16,418,863)	(23,713,616)
Total liabilities and fund balances	\$ 31,522,754	\$ 781	\$ 31,523,535

School District U-46

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Modified Cash Basis
General Fund, By Accounts
Year Ended June 30, 2005

	Educational Account	Operations and Maintenance Account	Total
Revenues			
Property taxes	\$ 150,133,553	\$ 15,013,851	\$ 165,147,404
Corporate property replacement taxes	2,479,771	-	2,479,771
Payments in lieu of taxes	17,310	-	17,310
Charges for services	9,605,713	919,195	10,524,908
Intergovernmental	-	-	-
Unrestricted state aid	62,287,676	2,000,000	64,287,676
Restricted state aid	39,406,992	-	39,406,992
Restricted federal aid	22,688,489	-	22,688,489
Interest	623,778	4,250	628,028
Other	372,607	-	372,607
Total revenues	287,615,889	17,937,296	305,553,185
Expenditures			
Current:			
Instruction:			
Regular programs	109,480,480	-	109,480,480
Special programs	39,262,906	-	39,262,906
Other instructional programs	31,378,489	-	31,378,489
Support services:			
Pupils	18,954,969	-	18,954,969
Instructional staff	9,914,843	-	9,914,843
General administration	4,559,931	-	4,559,931
School administration	17,205,829	-	17,205,829
Business	16,216,352	20,403,391	36,619,743
Central	9,928,094	-	9,928,094
Community services	2,113,949	-	2,113,949
Debt Service:			
Principal	-	55,574	55,574
Capital outlay	3,398,870	3,835,299	7,234,169
State Retirement Contributions	16,153,122	-	16,153,122
Intergovernmental	669,590	-	669,590
Total expenditures	279,237,424	24,294,264	303,531,688
Revenues over (under) expenditures	8,378,465	(6,356,968)	2,021,497
Other financing sources (uses)			
Transfers (Out)	(20,000)	-	(20,000)
Transfers In	751,260	-	751,260
Proceeds from purchase contracts	-	3,339,178	3,339,178
Change in fund balance	9,109,725	(3,017,790)	6,091,935
Fund balance (deficit):			
July 1, 2004	(16,404,478)	(13,401,073)	(29,805,551)
June 30, 2005	\$ (7,294,753)	\$ (16,418,863)	\$ (23,713,616)

School District U-46

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis
 Budget and Actual - Budgetary Basis
 General Fund, By Accounts
 Year Ended June 30, 2005

	Educational Accounts		Operations, Building and Maintenance Accounts		Total	
	Budget	Actual	Budget	Actual	Budget	Actual
Revenues						
Property taxes	\$ 146,865,271	\$ 150,133,553	\$ 15,021,600	\$ 15,013,851	\$ 161,886,871	\$ 165,147,404
Corporate property replacement taxes	2,100,000	2,479,771	-	-	2,100,000	2,479,771
Payments in lieu of taxes	-	17,310	-	-	-	17,310
Charges for services	10,821,445	9,605,713	725,000	919,195	11,546,445	10,524,908
Intergovernmental	100,000	-	-	-	100,000	-
Unrestricted state aid	59,485,332	62,287,676	2,000,000	2,000,000	61,485,332	64,287,676
Restricted state aid	26,457,517	23,253,870	-	-	26,457,517	23,253,870
Restricted federal aid	19,849,206	22,688,489	-	-	19,849,206	22,688,489
Interest	341,500	623,778	4,500	4,250	346,000	628,028
Other	35,000	372,607	-	-	35,000	372,607
Total revenues	266,055,271	271,462,767	17,751,100	17,937,296	283,806,371	289,400,063
Expenditures						
Current:						
Instruction:						
Regular programs	119,746,216	109,480,480	-	-	119,746,216	109,480,480
Special programs	34,854,110	39,262,906	-	-	34,854,110	39,262,906
Other instructional programs	24,495,218	31,378,489	-	-	24,495,218	31,378,489
Support services:						
Pupils	19,149,665	18,954,969	-	-	19,149,665	18,954,969
Instructional staff	9,483,034	9,914,843	-	-	9,483,034	9,914,843
General administration	5,465,076	4,559,931	-	-	5,465,076	4,559,931
School administration	18,392,232	17,205,829	-	-	18,392,232	17,205,829
Business	15,575,644	16,216,352	23,225,219	20,403,391	38,800,863	36,619,743
Central	9,771,224	9,928,094	-	-	9,771,224	9,928,094
Community services	1,985,287	2,113,949	-	-	1,985,287	2,113,949
Debt Service:						
Principal	-	-	55,574	55,574	55,574	55,574
Capital outlay	5,692,566	3,398,870	650,000	3,835,299	6,342,566	7,234,169
Contingencies	2,303,030	-	500,000	-	2,803,030	-
Intergovernmental	530,000	669,590	-	-	530,000	669,590
Total expenditures	267,443,302	263,084,302	24,430,793	24,294,264	291,874,095	287,378,566
Revenues over (under) expenditures	(1,388,031)	8,378,465	(6,679,693)	(6,356,968)	(8,067,724)	2,021,497
Other financing sources (uses)						
Transfers (Out)	-	(20,000)	-	-	-	(20,000)
Transfers In	-	751,260	-	-	-	751,260
Proceeds from purchase contracts	-	-	-	3,339,178	-	3,339,178
Change in fund balance	\$ (1,388,031)	9,109,725	\$ (6,679,693)	(3,017,790)	\$ (8,067,724)	6,091,935
Fund balance (deficit):						
July 1, 2004		(16,404,478)		(13,401,073)		(29,805,551)
June 30, 2005		<u>\$ (7,294,753)</u>		<u>\$ (16,418,863)</u>		<u>\$ (23,713,616)</u>

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School District U-46

Combining Statement of Certain Assets, Liabilities and Fund Balances - Modified Cash Basis - By Fund Type
Nonmajor Governmental Funds
June 30, 2005

	Special Revenue Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Transportation Fund	IMRF/ Social Security Fund	Fire Prevention and Safety Fund	
Assets				
Cash	\$ 7,972,555	\$ 8,395	\$ 4,487,033	\$ 12,467,983
Liabilities And Fund Balances				
Liabilities				
Unclaimed property	\$ 10,407	\$ -	\$ -	\$ 10,407
Fund Balances:				
Unreserved:				
Capital projects	-	-	4,487,033	4,487,033
Special revenue	7,962,148	8,395	-	7,970,543
Total fund balances	7,962,148	8,395	4,487,033	12,457,576
Total liabilities and fund balances	\$ 7,972,555	\$ 8,395	\$ 4,487,033	\$ 12,467,983

School District U-46

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Modified Cash Basis - By Fund Type
Nonmajor Governmental Funds
Year Ended June 30, 2005

	Special Revenue Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Transportation Fund	IMRF/ Social Security Fund	Fire Prevention and Safety Fund	
Revenues:				
Property taxes	\$ 4,921,260	\$ 8,678,063	\$ 1,493,873	\$ 15,093,196
Corporate property replacement taxes	-	300,000	-	300,000
Charge for services	253,830	-	-	253,830
State Aid	11,833,553	-	-	11,833,553
Interest	1,971	2,529	565	5,065
Total revenues	17,010,614	8,980,592	1,494,438	27,485,644
Expenditures:				
Current:				
Instruction:				
Regular programs	-	1,223,845	-	1,223,845
Special programs	-	1,112,463	-	1,112,463
Other instructional programs	-	577,542	-	577,542
Support services:				
Pupils	-	633,018	-	633,018
Instructional staff	-	373,321	-	373,321
General administration	-	76,680	-	76,680
School administration	-	871,184	-	871,184
Business	-	3,895,894	-	3,895,894
Transportation	14,917,148	-	-	14,917,148
Central	-	490,088	-	490,088
Capital outlay	404,778	-	127,423	532,201
Total expenditures	15,321,926	9,254,035	127,423	24,703,384
Revenues over (under) expenditures	1,688,688	(273,443)	1,367,015	2,782,260
Other financing sources (uses)				
Transfers In	-	20,000	-	20,000
Change in fund balance	1,688,688	(253,443)	1,367,015	2,802,260
Fund balance:				
July 1, 2004	6,273,460	261,838	3,120,018	9,655,316
June 30, 2005	\$ 7,962,148	\$ 8,395	\$ 4,487,033	\$ 12,457,576

School District U-46

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - Modified Cash Basis
Transportation Fund
Year Ended June 30, 2005

	Original and Final Budget	Actual	Variance
Revenues			
Property taxes	\$ 4,716,086	\$ 4,921,260	\$ 205,174
Charges for services	277,000	253,830	(23,170)
Restricted state aid	13,141,861	11,833,553	
Interest	2,000	1,971	(29)
Total revenues	<u>18,136,947</u>	<u>17,010,614</u>	<u>181,975</u>
Expenditures			
Current:			
Support services,			
Transportation	14,634,093	14,917,148	
Capital outlay	25,000	404,778	(379,778)
Contingencies	100,000	-	100,000
Total expenditures	<u>14,759,093</u>	<u>15,321,926</u>	<u>(279,778)</u>
Change in fund balance	<u>\$ 3,377,854</u>	1,688,688	<u>\$ (97,803)</u>
Fund balance:			
July 1, 2004		<u>6,273,460</u>	
June 30, 2005		<u>\$ 7,962,148</u>	

School District U-46

**Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - Modified Cash Basis
IMRF/Social Security Fund
Year Ended June 30, 2005**

	Original and Final Budget	Actual	Variance
Revenues			
Property taxes	\$ 9,478,748	\$ 8,678,063	\$ (800,685)
Corporate property replacement taxes	300,000	300,000	-
Interest	2,500	2,529	29
Total revenues	<u>9,781,248</u>	<u>8,980,592</u>	<u>(800,656)</u>
Expenditures			
Current:			
Instruction:			
Regular programs	1,525,959	1,223,845	302,114
Special programs	1,012,917	1,112,463	(99,546)
Other instructional programs	532,644	577,542	(44,898)
Support services:			
Pupils	722,772	633,018	89,754
Instructional staff	354,253	373,321	(19,068)
General administration	102,104	76,680	25,424
School administration	884,330	871,184	13,146
Business	4,089,608	3,895,894	193,714
Central	433,474	490,088	(56,614)
Community services	121,766	-	121,766
Total expenditures	<u>9,779,827</u>	<u>9,254,035</u>	<u>525,792</u>
Revenues over (under) expenditures	1,421	(273,443)	(1,326,448)
Other financing sources (uses)			
Transfers In	-	20,000	(20,000)
Change in fund balance	<u>\$ 1,421</u>	<u>(253,443)</u>	<u>\$ (274,864)</u>
Fund balance:			
July 1, 2004		<u>261,838</u>	
June 30, 2005		<u>\$ 8,395</u>	

School District U-46

Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual - Modified Cash Basis
 Fire Prevention and Safety Fund
 Year Ended June 30, 2005

	Original and Final Budget	Actual	Variance
Revenues			
Property taxes	\$ 1,013,531	\$ 1,493,873	\$ 480,342
Interest	500	565	65
Total revenues	<u>1,014,031</u>	<u>1,494,438</u>	<u>480,407</u>
Expenditures			
Capital outlay	<u>4,128,112</u>	<u>127,423</u>	<u>4,000,689</u>
Change in fund balance	<u>\$ (3,114,081)</u>	<u>1,367,015</u>	<u>\$ 4,481,096</u>
Fund Balance:			
July 1, 2004		<u>3,120,018</u>	
June 30, 2005		<u>\$ 4,487,033</u>	

School District U-46

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual - Modified Cash Basis

Site and Construction Fund

Year Ended June 30, 2005

	Original and Final Budget	Actual	Variance
Revenues			
Restricted state aid	\$ 7,689,757	\$ -	\$ (7,689,757)
Other	1,042,000	1,185,358	143,358
Interest	100,000	972,654	872,654
Total revenues	<u>8,831,757</u>	<u>2,158,012</u>	<u>(6,673,745)</u>
Expenditures:			
Current:			
Support services:			
Salaries	397,522	395,517	2,005
Employee benefits	70,066	46,542	23,524
Purchased services	1,174,819	1,875,443	(700,624)
Supplies and material	4,500	11,842	(7,342)
Capital outlay	17,142,587	25,514,592	(8,372,005)
Total expenditures	<u>18,789,494</u>	<u>27,843,936</u>	<u>(9,054,442)</u>
Change in fund balance	<u>\$ (9,957,737)</u>	(25,685,924)	<u>\$ 2,380,697</u>
Fund balance			
July 1, 2004		<u>40,174,863</u>	
June 30, 2005		<u>\$ 14,488,939</u>	

School District U-46

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - Modified Cash Basis
Bond and Interest Fund
Year Ended June 30, 2005

	Original and Final Budget	Actual	Variance
Revenues			
Property taxes	\$ 24,674,764	\$ 25,750,372	\$ 1,075,608
Interest	7,250	84,491	77,241
Total revenues	<u>24,682,014</u>	<u>25,834,863</u>	<u>1,152,849</u>
Expenditures			
Debt service:			
Principal	12,666,261	12,666,261	-
Interest and charges	12,038,266	13,162,462	(1,124,196)
Total expenditures	<u>24,704,527</u>	<u>25,828,723</u>	<u>(1,124,196)</u>
Revenues over (under) expenditures	(22,513)	6,140	28,653
Other Financing sources (uses):			
Bond Proceeds	-	71,790,000	71,790,000
Premium on Bonds Issued	-	3,571,614	3,571,614
Payment to escrow agent	-	(74,237,418)	(74,237,418)
Change in fund balance	<u>\$ (22,513)</u>	<u>1,130,336</u>	<u>\$ 1,152,849</u>
Fund balance:			
July 1, 2004		<u>14,755,200</u>	
June 30, 2005		<u>\$ 15,885,536</u>	

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School District U-46

Schedule of Bond Debt and Annual Interest Requirements
June 30, 2005

	Total	2006	2007	2008	2009	2010	Thereafter
August 1995 issue:							
Principal	\$ 7,875,000	\$ 3,625,000	\$ 4,250,000	\$ -	\$ -	\$ -	\$ -
Interest	955,313	572,813	382,500	-	-	-	-
	<u>8,830,313</u>	<u>4,197,813</u>	<u>4,632,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
April 1996 issue:							
Principal	9,602,778	1,028,393	1,017,179	1,015,956	1,002,084	995,005	4,544,161
Interest	12,632,223	826,607	932,822	1,054,044	1,167,916	1,294,995	7,355,839
	<u>22,235,001</u>	<u>1,855,000</u>	<u>1,950,001</u>	<u>2,070,000</u>	<u>2,170,000</u>	<u>2,290,000</u>	<u>11,900,000</u>
April 1997 issue:							
Principal	16,175,000	625,000	700,000	1,025,000	-	-	13,825,000
Interest	7,813,550	1,199,775	1,168,213	1,132,162	1,078,350	1,078,350	2,156,700
	<u>23,988,550</u>	<u>1,824,775</u>	<u>1,868,213</u>	<u>2,157,162</u>	<u>1,078,350</u>	<u>1,078,350</u>	<u>15,981,700</u>
February 1998 issue:							
Principal	31,650,000	150,000	200,000	250,000	250,000	300,000	30,500,000
Interest	14,763,073	1,645,662	1,639,062	1,630,163	1,618,912	1,607,413	6,621,861
	<u>46,413,073</u>	<u>1,795,662</u>	<u>1,839,062</u>	<u>1,880,163</u>	<u>1,868,912</u>	<u>1,907,413</u>	<u>37,121,861</u>
February 1999 issue:							
Principal	17,050,000	-	-	-	-	-	17,050,000
Interest	11,242,000	863,000	863,000	863,000	863,000	863,000	6,927,000
	<u>28,292,000</u>	<u>863,000</u>	<u>863,000</u>	<u>863,000</u>	<u>863,000</u>	<u>863,000</u>	<u>23,977,000</u>
March 2001 issue:							
Principal	54,064,207	2,349,150	2,417,350	2,444,525	3,013,239	3,021,560	40,818,383
Interest	45,830,793	650,850	832,650	1,015,475	1,476,761	1,718,440	40,136,617
	<u>99,895,000</u>	<u>3,000,000</u>	<u>3,250,000</u>	<u>3,460,000</u>	<u>4,490,000</u>	<u>4,740,000</u>	<u>80,955,000</u>
March 2002 issue:							
Principal	54,499,619	-	-	-	-	-	54,499,619
Interest	75,345,381	-	-	-	-	-	75,345,381
	<u>129,845,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,845,000</u>
March 2003A issue:							
Principal	20,275,000	4,720,000	5,110,000	5,570,000	4,875,000	-	-
Interest	1,534,102	584,064	466,062	325,538	158,438	-	-
	<u>21,809,102</u>	<u>5,304,064</u>	<u>5,576,062</u>	<u>5,895,538</u>	<u>5,033,438</u>	<u>-</u>	<u>-</u>
March 2003B issue:							
Principal	65,999,779	-	-	-	847,516	4,435,536	60,716,727
Interest	98,835,222	-	-	-	302,485	1,909,464	96,623,273
	<u>164,835,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,150,001</u>	<u>6,345,000</u>	<u>157,340,000</u>
December 2003 C issue:							
Principal	10,070,000	2,205,000	2,395,000	2,585,000	2,885,000	-	-
Interest	774,765	289,322	227,582	167,706	90,155	-	-
	<u>10,844,765</u>	<u>2,494,322</u>	<u>2,622,582</u>	<u>2,752,706</u>	<u>2,975,155</u>	<u>-</u>	<u>-</u>
December 2003 D issue:							
Principal	22,000,000	-	-	-	-	3,500,000	18,500,000
Interest	8,544,660	1,175,290	1,175,290	1,175,290	1,175,290	1,175,290	2,668,210
	<u>30,544,660</u>	<u>1,175,290</u>	<u>1,175,290</u>	<u>1,175,290</u>	<u>1,175,290</u>	<u>4,675,290</u>	<u>21,168,210</u>
February 2005 Issue:							
Principal	71,790,000	1,265,000	-	4,785,000	6,660,000	7,650,000	51,430,000
Interest	24,582,140	2,706,359	3,045,234	3,045,234	2,805,994	2,589,544	10,389,775
	<u>96,372,140</u>	<u>3,971,359</u>	<u>3,045,234</u>	<u>7,830,234</u>	<u>9,465,994</u>	<u>10,239,544</u>	<u>61,819,775</u>
Total all issues:							
Principal	381,051,383	15,967,543	16,089,529	17,675,481	19,532,839	19,902,101	291,883,890
Interest	302,853,222	10,513,742	10,732,415	10,408,612	10,737,301	12,236,496	248,224,656
	<u>\$ 683,904,605</u>	<u>\$ 26,481,285</u>	<u>\$ 26,821,944</u>	<u>\$ 28,084,093</u>	<u>\$ 30,270,140</u>	<u>\$ 32,138,597</u>	<u>\$ 540,108,546</u>

School District U-46

Schedule of Tax Levies - Five Years
June 30, 2005

	Kane	Cook	DuPage	Total	Total Collections	Balance Uncollected	Collections as a Percentage of Tax Extended
2004 levy:							
Equalized Assessed Valuation	\$ 1,677,248,456	\$ 1,413,593,357	\$ 1,080,926,035	\$ 4,171,767,848			
Education	\$ 54,197,625	\$ 63,405,828	\$ 34,706,373	\$ 152,309,826	\$ 69,050,911	\$ 83,258,915	
Operations and maintenance	5,758,582	6,195,955	3,679,472	15,634,009	7,329,431	8,304,578	
Transportation	1,689,184	2,833,353	1,079,845	5,602,382	2,150,447	3,451,935	
Working cash	-	-	-	-	-	-	
IMRF	2,138,893	751,949	1,044,175	3,935,017	2,431,512	1,503,505	
Tort immunity	1,898,026	3,406,485	1,123,082	6,427,593	2,334,906	4,092,687	
Bond and interest	9,845,486	6,685,228	6,281,261	22,811,975	12,522,558	10,289,417	
Special Education	614,249	621,516	402,104	1,637,869	790,488	847,381	
Life Safety	589,679	490,749	383,729	1,464,157	766,803	707,354	
Social Security	2,138,893	751,949	1,044,175	3,935,017	2,431,512	1,503,505	
	\$ 78,870,617	\$ 85,143,012	\$ 49,744,216	\$ 213,757,845	\$ 99,798,568	\$ 113,959,277	46.69%
2003 levy:							
Equalized Assessed Valuation	\$ 1,576,533,429	\$ 1,413,593,357	\$ 1,009,843,005	\$ 3,999,969,791			
Education	\$ 55,449,834	\$ 56,367,084	\$ 32,933,000	\$ 144,749,918	\$ 140,219,314	\$ 4,530,604	
Operations and maintenance	5,912,000	5,450,760	3,480,929	14,843,689	14,615,652	228,037	
Transportation	1,576,533	2,647,840	1,111,837	5,336,210	4,770,911	565,299	
Working cash	-	-	-	-	-	-	
IMRF	1,576,533	848,156	1,272,402	3,697,091	4,040,407	(343,316)	
Tort immunity	1,617,523	1,644,265	940,164	4,201,952	4,062,831	139,121	
Bond and interest	9,334,654	10,251,990	5,944,946	25,531,590	24,542,882	988,708	
Special Education	630,613	555,280	371,822	1,557,515	1,545,704	11,811	
Life Safety	788,267	632,320	-	1,420,587	1,275,596	144,991	
Social Security	1,576,533	848,156	1,272,402	3,697,091	4,040,407	(343,316)	
	\$ 78,462,490	\$ 79,245,851	\$ 47,327,302	\$ 205,035,643	\$ 199,113,704	\$ 5,921,939	97.11%
2002 levy:							
Equalized Assessed Valuation	\$ 1,422,742,761	\$ 1,401,053,108	\$ 916,982,047	\$ 3,740,777,916			
Education	\$ 50,170,178	\$ 50,284,000	\$ 30,389,702	\$ 130,843,880	\$ 131,430,112	\$ (586,232)	
Operations and maintenance	5,335,285	4,718,960	3,153,501	13,207,746	13,274,884	(67,138)	
Transportation	2,444,272	2,514,200	1,470,839	6,429,311	6,457,390	(28,079)	
Working cash	355,686	618,880	240,249	1,214,815	1,215,140	(325)	
IMRF	1,880,866	1,547,200	1,149,895	4,577,961	4,602,490	(24,529)	
Tort immunity	1,422,743	952,894	1,426,824	3,802,461	3,822,380	(19,919)	
Bond and interest	7,596,024	7,861,500	4,729,793	20,187,317	20,274,131	(86,814)	
Special Education	544,910	502,840	331,948	1,379,698	1,386,392	(6,694)	
Life Safety	570,520	618,880	238,415	1,427,815	1,436,013	(8,198)	
Social Security	1,880,866	1,547,200	1,151,729	4,579,795	4,604,323	(24,528)	
	\$ 72,201,350	\$ 71,166,554	\$ 44,282,895	\$ 187,650,799	\$ 188,503,255	\$ (852,456)	100.45%

Note: Cumulative collections may exceed 100% in one year due to the timing of extensions and receipts and may be reallocated in the following year.

School District U-46

Schedule of Tax Levies - Five Years
June 30, 2005

	Kane	Cook	DuPage	Total	Total Collections	Balance Uncollected	Collections as a Percentage of Tax Extended
2001 levy:							
Equalized Assessed Valuation	\$ 1,309,374,391	\$ 1,280,892,295	\$ 837,212,261	\$ 3,427,478,947			
Education	\$ 47,509,685	\$ 48,639,695	\$ 30,452,759	\$ 126,602,139	\$ 125,764,438	\$ 837,701	
Operations and maintenance	4,454,197	4,502,706	2,855,731	11,812,634	11,734,883	77,751	
Transportation	2,067,334	2,089,491	1,321,958	5,478,783	5,442,776	36,007	
Working cash	594,069	600,851	381,769	1,576,689	1,541,198	35,491	
IMRF	1,128,941	1,139,165	722,514	2,990,620	2,970,993	19,627	
Tort immunity	1,548,199	1,564,665	990,422	4,103,286	4,076,324	26,962	
Bond and interest	6,853,963	7,404,509	4,418,806	18,677,278	18,403,334	273,944	
Special Education	474,468	480,681	305,582	1,260,731	1,252,433	8,298	
Life Safety	557,247	562,838	356,652	1,476,737	1,640,113	(163,376)	
Social Security	1,520,593	1,535,236	972,841	4,028,670	4,002,216	26,454	
	\$ 66,708,696	\$ 68,519,837	\$ 42,779,034	\$ 178,007,567	\$ 176,828,708	\$ 1,178,859	99.34%
2000 levy:							
Equalized Assessed Valuation	\$ 1,223,671,715	\$ 1,058,566,876	\$ 776,594,701	\$ 3,058,823,292			
Education	\$ 44,794,950	\$ 46,852,339	\$ 27,972,581	\$ 119,619,870	\$ 118,159,432	\$ 1,460,438	
Operations and maintenance	4,199,641	4,392,035	2,622,527	11,214,203	11,047,668	166,535	
Transportation	1,929,730	2,073,553	1,209,919	5,213,202	5,368,446	(155,244)	
Working cash	560,442	586,159	350,240	1,496,841	1,470,151	26,690	
IMRF	1,051,134	1,130,704	659,320	2,841,158	2,936,584	(95,426)	
Tort immunity	1,445,155	1,552,787	907,051	3,904,994	3,822,964	82,030	
Bond and interest	6,420,606	6,951,055	4,050,666	17,422,327	17,762,519	(340,192)	
Special Education	447,864	468,451	278,794	1,195,109	1,172,164	22,945	
Life Safety	520,060	558,813	326,166	1,405,039	1,456,892	(51,853)	
Social Security	1,418,236	1,524,252	890,743	3,833,231	3,593,083	240,148	
	\$ 62,787,819	\$ 66,090,148	\$ 39,268,007	\$ 168,145,974	\$ 166,789,903	\$ 1,356,071	99.19%

Note: Cumulative collections may exceed 100% in one year due to the timing of extensions and receipts and may be reallocated in the following year.