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MILLBURN COMMUNITY CONSOLIDATED
SCHOOL DISTRICT NO. 24

WADSWORTH, LAKE COUNTY, ILLINOIS

AUDIT REPORT

JUNE 30, 2012

MILLBURN COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 24

TABLE OF CONTENTS

JUNE 30, 2012

	PAGE
INDEPENDENT AUDITOR'S REPORT	1-2
REQUIRED SUPPLEMENTAL INFORMATION:	
Management's Discussion and Analysis (M D & A)	3-11
BASIC FINANCIAL STATEMENTS:	
District-Wide Financial Statements	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements	
Balance Sheet - Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16-17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	18
Statement of Fiduciary Net Assets - Fiduciary Funds	19
Notes to Financial Statements	20-38
REQUIRED SUPPLEMENTARY INFORMATION - HISTORICAL PENSION INFORMATION:	
Illinois Municipal Retirement Fund - Analysis of Employer Contributions and Funding Progress	39
COMBINING STATEMENTS AND INDIVIDUAL FUND SCHEDULES:	
General Fund	
Combining Balance Sheet	40
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	41
Educational Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	42-46

MILLBURN COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 24

TABLE OF CONTENTS

JUNE 30, 2012

	PAGE
COMBINING STATEMENTS AND INDIVIDUAL FUND SCHEDULES: (continued)	
Working Cash Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	47
Tort Immunity Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	48
Operations and Maintenance Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	49
Transportation Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	50
Illinois Municipal Retirement Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	51
Bond and Interest Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	52
Capital Projects Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	53
Notes to Required Supplementary Information	54
SUPPLEMENTARY SCHEDULES:	
Fiduciary Funds Agency Funds - Combining Balance Sheet	55
Student Activity Funds - Schedule of Changes in Assets and Liabilities	56
Flexible Spending Account Fund Schedule of Changes in Assets and Liabilities	57
Computation of Per Capita Tuition Charge	58
FEDERAL COMPLIANCE REPORT:	
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	59-60

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Millburn Community Consolidated School District No. 24
Wadsworth, Illinois

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

MILLBURN COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 24

as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Millburn Community Consolidated School District No. 24 as of June 30, 2012, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2012 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. See pages 59 and 60. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

The management's discussion and analysis, historical pension information, and budgetary comparison information on pages 3-11 and pages 39-57 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary schedule on page 58 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

MILBURN CAIN & CO.
Certified Public Accountants

Gurnee, Illinois
October 15, 2012

REQUIRED SUPPLEMENTAL INFORMATION

MILLBURN COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 24

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

The management of Millburn Community Consolidated School District No. 24 (the District) presents this narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2012. The information presented here should be considered in conjunction with the financial statements presented elsewhere in this report.

This discussion and analysis is designed to:

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

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

Financial Highlights

- Millburn spent approximately \$392,000 on replacement equipment, including classroom computers.
- District operations for the year indicate revenues exceeding expenses by \$485,000.
- Payments during the year reduced Millburn's debt by \$2,062,000.
- Millburn issued \$5,775,000 in new bonds to advance refund \$5,620,000 in 2004 bonds, expecting to save \$339,717 over the term of the new bond issue.
- The District entered into a \$325,000 three-year lease/purchase agreement to replace classroom computers.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Millburn's basic financial statements. The District's basic financial statements consist of three components:

1. District-wide financial statements,
2. Fund financial statements and,
3. Notes to financial statements.

In addition, this report also includes other supplementary information which is presented after the notes to financial statements.

District-Wide Financial Statements

The district-wide financial statements are designed to provide readers with a broad overview of Millburn's finances presented in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the asset total and the liabilities total reported as the District's net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Millburn is improving or deteriorating.

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g., uncollected property taxes).

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). Governmental activities include instruction, support services, operation and maintenance of plant, student transportation, food services, and certain other activities and expenses such as non-programmed charges, interest and fees, and depreciation.

The district-wide financial statements can be found on pages 12 and 13 of this report.

Fund Financial Statements

Millburn's fund financial statements provide additional detail about the District's funds, focusing on its "major" funds -- not the District as a whole. For purposes of this report, the District considers all of its governmental funds as major funds. Funds are accounting devices used to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law, by bond covenants, or by contractual agreements. Still other funds are established to control and manage money for particular purposes (such as repaying its long-term debt) or to show that it is properly using certain revenues for their intended purposes.

Millburn has two categories of funds:

- **Governmental Funds** - Most of the District's basic services are included in governmental funds. These funds generally focus on (1) how cash (and other financial assets that can readily be converted to cash) flows in and out of the District and (2) the balances which are left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future for District purposes. Because the information contained in the fund financial statements does not encompass the additional long-term focus of the district-wide statements, a reconciliation statement follows the governmental funds financial statements to explain the relationship (or differences) between them.

The basic fund financial statements can be found at pages 14-18 of this report.

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

The basic fiduciary fund financial statements can be found on pages 19 and 54-57 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and also the fund financial statements. The notes to financial statements can be found on pages 20-38 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain Required Supplementary Information. A budgetary comparison statement has been provided for each fund as required supplementary information. This information can be found on pages 41-51 of this report.

Financial Analysis of the District as a Whole

Net Assets - Millburn's net assets at June 30, 2012 were \$.5 million more than they were the year before, decreasing its deficit to \$4.8 million. The following table presents a summary of the District's net assets at year-end:

Table 1
Summary of Net Assets
(In Millions)
At June 30

	<u>2012</u>	<u>2011</u>
Assets		
Current and Other Assets	\$ 10.1	\$ 9.0
Capital Assets (Net)	<u>27.9</u>	<u>28.6</u>
Total Assets	\$ <u>38.0</u>	\$ <u>37.6</u>
Liabilities		
Long-term Debt Outstanding	\$ 27.2	\$ 26.8
Other Liabilities and Deferred Revenue	<u>15.6</u>	<u>16.1</u>
Total Liabilities	\$ <u>42.8</u>	\$ <u>42.9</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 8.0	\$ 7.4
Restricted	1.7	1.4
Unrestricted	<u>(14.5)</u>	<u>(14.1)</u>
Total Net Assets	\$ <u>(4.8)</u>	\$ <u>(5.3)</u>

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

- The District spent \$392,000 to replace equipment.
- Financing for most of the capital asset purchases came from lease/purchase agreements.
- Long-term debt paid during the year included the retirement of \$1,590,000 in bonds and reduction of \$218,027 in lease/purchase obligations.
- Depreciation expense of \$1,007,614 was charged against income.

Changes in Net Assets - The District's total revenues for the fiscal year ended June 30, 2012 were \$17.9 million. The total cost of all programs and services was \$17.4 million, \$485,000 less than revenues as illustrated in the following table:

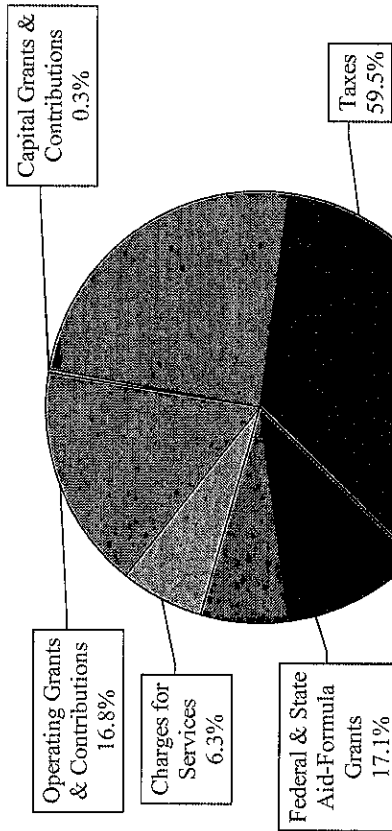
Table 2
Summary of Changes in Net Assets
(In Thousands)
For the Year Ended June 30

	2012		2011	
	Governmental Activities	Percentage of Total	Governmental Activities	Percentage of Total
Revenue				
Program Revenues				
Charges for Services	\$ 1,136	6.3%	\$ 878	5.0%
Operating Grants and Contributions	3,002	16.8%	2,896	16.5%
Capital Grants and Contributions	59	.3%	4	.0%
General Revenue				
Taxes	10,668	59.5%	10,245	58.3%
State and Federal Aid - Formula Grants	3,059	17.1%	3,352	19.1%
Investment Earnings	3	.0%	5	.0%
Gain (Loss) on Sale of Assets	(6)	.0%	202	1.1%
Total Revenue (In Thousands)	\$ <u>17,921</u>	<u>100.0%</u>	\$ <u>17,582</u>	<u>100.0%</u>
Expenses				
Instruction	\$ 9,542	54.7%	\$ 10,833	57.9%
Pupil and Instructional Services	1,674	9.6%	1,292	6.9%
Administration and Business	1,213	7.0%	1,224	6.5%
Facilities Acquisitions and Construction	---	.0%	44	.2%
Maintenance and Operations	1,902	10.9%	2,013	10.8%
Food Services	261	1.5%	284	1.5%
Transportation	1,069	6.1%	1,120	6.0%
Other and Non-programmed Charges	215	1.2%	194	1.0%
Debt Service	1,560	9.0%	1,720	9.2%
Total Expenses (In Thousands)	\$ <u>17,436</u>	<u>100.0%</u>	\$ <u>18,724</u>	<u>100.0%</u>
Change in Net Assets	\$ 485		\$ (1,142)	
Net Assets				
At July 1	<u>(5,345)</u>		<u>(4,204)</u>	
At June 30	\$ <u>(4,860)</u>		\$ <u>(5,346)</u>	

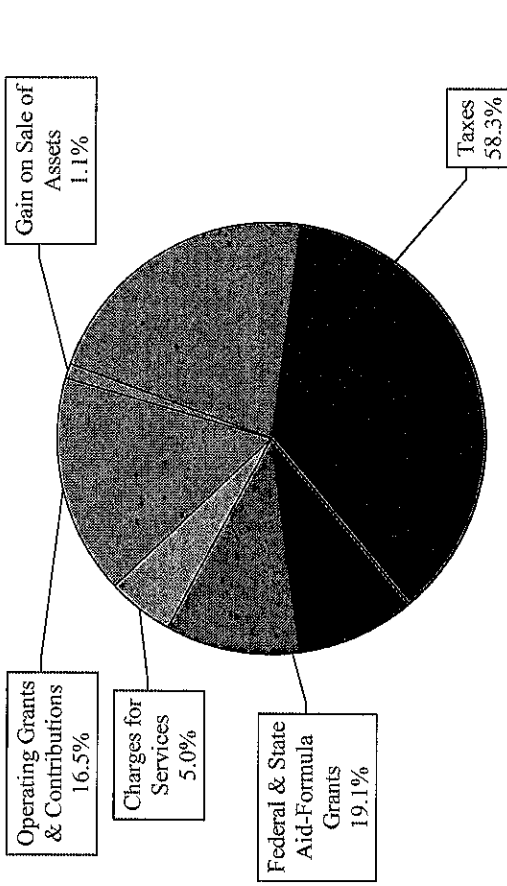
The charts which appear on the following page provide a comparative display of the composition of revenues and expenses as a percentage of the total for 2012 and 2011:

Millburn School District #24

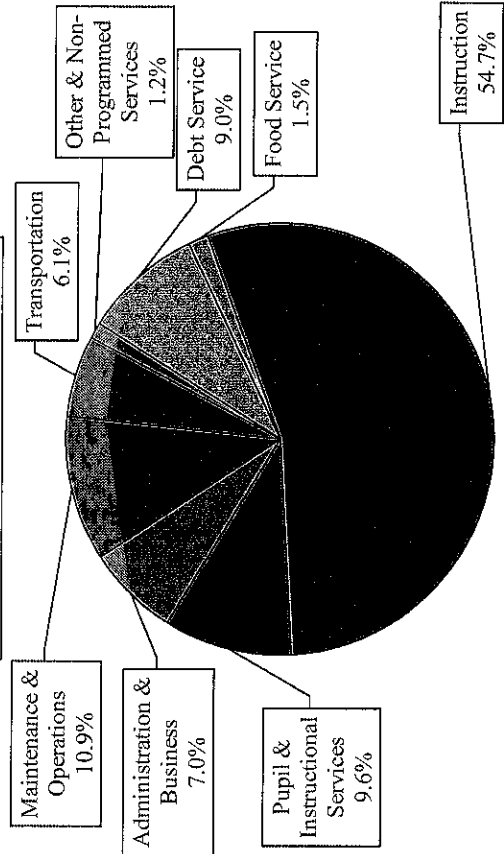
Revenue for Fiscal Year 2012



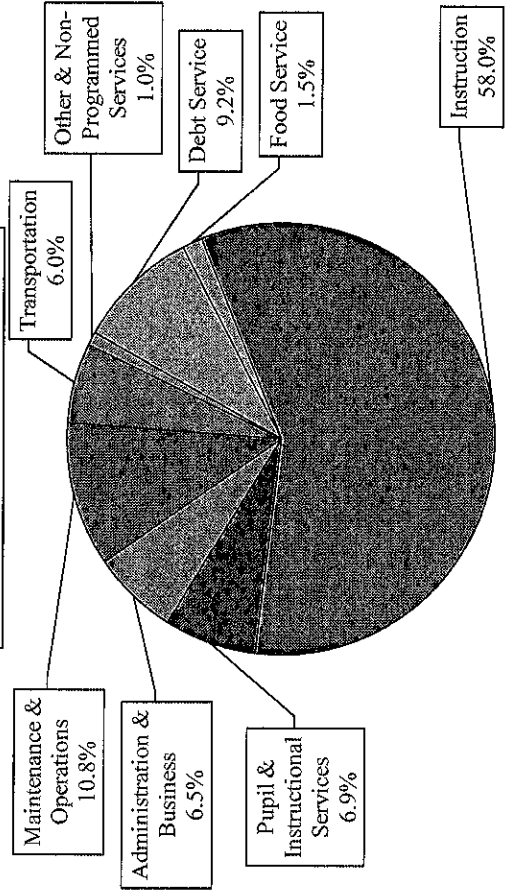
Revenue for Fiscal Year 2011



Expenses for Fiscal Year 2012



Expenses for Fiscal Year 2011



Net Cost of Governmental Activities - The following schedule presents the cost of five major and all other District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, and transportation and all other costs including depreciation and debt service, and excluding capital outlay. This schedule also shows (expressed in thousands of dollars) each activity's net cost, i.e., total cost less fees and intergovernmental aid allocable to each activity. The net is equivalent to the financial burden borne by the District's taxpayers to support each of these functions.

	<u>Total Cost</u>	<u>Net Cost</u>
Instruction	\$ 9,542	\$ 6,316
Pupil and Instructional Services	1,674	1,660
Administration and Business	1,213	1,213
Maintenance and Operations	1,902	1,659
Transportation	1,069	636
All Other	<u>2,036</u>	<u>1,755</u>
Total Cost (In Thousands)	\$ <u>17,436</u>	\$ <u>13,239</u>

Summary and Highlights

- The cost of all governmental activities for the year was \$17.4 million.
- About \$1,136,000 of the cost was paid by users of the District's programs.
- Federal and state subsidies to specific programs totaled \$3.0 million which includes \$1.8 million in state on-behalf payments.
- Most of the costs (\$10.6 million) however, were paid by the District's taxpayers.
- Replacement taxes, investment earnings, gains on sale of assets, and state and federal aid-formula grants totaled \$3.1 million.

Financial Analysis of the District's Funds

Millburn's financial performance is reflected in the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds appearing on pages 16 and 17 of this report. Total revenues were \$17.9 million compared to \$17.4 in the prior year -- an increase of \$.5 million. Total expenditures were \$17.4 million compared to \$17.9 million a year ago. Current year revenues exceeded expenditures and other financing sources and uses by \$.8 million.

Educational Fund (Pages 42-46) - Property taxes produced \$6.6 million in revenue for the Educational Fund during fiscal 2012, or 49% of all of the fund's revenue. State sources accounted for 39% of revenue at \$5.2 million, including \$1.8 million in on-behalf pension payments. Without the on-behalf pension payments, state revenues were \$3.5 million, accounting for 26% of total revenue. Federal sources provided \$.4 million, or about 3.2% of total Educational Fund revenue. Fees, earnings on investments, and other local sources of revenue produced \$1.1 million, or 8% of total revenue. Thus, property taxes and other local revenues combined accounted for \$7.7 million, or more than 58% of Educational Fund revenues.

Total Educational Fund expenditures were \$12.8 million in fiscal year 2012, \$.3 million less than they were the year before. Of the \$12.8 million, \$9.6 million, or 75%, was used for direct instruction and teachers' pensions; \$2.8 million was paid for instructional support services, administration, business, and food service; and \$.2 million was used for tuition paid to other school districts and debt service. The Educational Fund also transferred \$.2 million to the Debt Service Fund.

After taking into account the revenues of \$13.3 million and the expenditures and transfers of \$12.6 million, the Educational Fund revenues exceeded expenditures by of \$.8 million -- decreasing its year-end fund balance deficit to \$4,600,000. See pages 42-45.

Working Cash Fund (Page 47) - The Working Cash Fund received \$5,324 in taxes and earned \$1 in interest on investments.

Tort Immunity Fund (Page 48) - Revenues totaled \$47,000, consisting almost entirely of property taxes. There were no expenditures. At year-end, the fund balance was a deficit of \$22,600.

Operations and Maintenance Fund (Page 49) - As with the Educational Fund, the Operations and Maintenance Fund's largest source of revenue comes from property taxes which account for \$888,000 out of total fund revenues of \$1,073,000, or 83% of total fund revenue. Other local revenue sources account for the other 17%, or \$185,000.

Total expenditures of \$1,143,000 were \$80,000 less than last year's \$1,223,000 due primarily to a decrease in salaries and purchased services. Thus, total expenditures exceeded revenues by \$70,000. In the prior year, expenditures exceeded revenues by \$188,000.

Transportation Fund (Page 49) - Expenditures for transportation were more than revenues and other financing sources by \$96,000, generating a fund balance at year-end of \$338,000.

Total expenditures of \$1,004,000 for 2012 is \$72,000 less than the 2011 total.

Illinois Municipal Retirement Fund (Page 51) - IMRF Fund revenues for 2012 were \$567,000. Expenditures of \$482,000 were \$15,000 less than the 2011 cost of \$498,000. Revenues exceeded expenditures by \$84,000, decreasing the fund's deficit to \$91,000.

Debt Service - Bond and Interest Fund (Page 52) - Debt service funds are intended to be self-liquidating. This means that over time, revenues received from taxes should equal required expenditures. Except for timing differences where taxes are collected prior to required disbursements, the theory says there should be no accumulation of fund balances. However, accumulations do often occur when tax collections are higher than expected or when interest earnings are retained in the fund. Because of the revenue timing differences, however, analysis of annual operating results is generally not useful for the reader.

For 2012, the District's Bond and Interest Fund revenues totaled \$1,917,000. Expenditures totaled \$2,089,000. The fund received \$189,000 in transfers from other funds to pay for Debt Service expenses. The fund balance increased by \$22,000 due to the timing of revenues and bond payments.

The fund also advance refunded \$5,620,400 in 2004 bonds, issuing new bonds of \$5,775,000 at a premium of \$490,762. After paying the \$103,538 in expenses incurred to issue the bonds, Millburn transferred \$6,157,576 to a trust which will pay the 2004 issue when it comes due.

Capital Projects Fund (Page 53) - The Capital Projects Fund carried forward \$912,000 from the previous year which represents the unexpended proceeds of bonds issued for construction purposes and contributions. During the year it received grants and contributions of \$58,000 but did not expend any of its funds. The fund is expected to exhaust itself as various building projects are undertaken.

General Fund Budgetary Highlights (Pages 42-46) - The District originally budgeted general fund expenditures to total \$11,394,197. The budget was amended on June 18, 2012 to reduce total expenditures to \$11,354,197. Actual General Fund expenditures totaled \$12,884,775, including \$1,759,032 in pension payments. Net results of operations were originally expected to result in a general fund increase in fund balance of \$144,715. Actual results for the year produced an increase of \$871,232.

Capital Asset and Debt Administration

Capital Assets - At June 30, 2012, Millburn's net capital assets totaled \$27.9 million in a broad range of capital assets. These assets, which are listed in Note 2C of the notes to financial statements according to five categories (land, buildings, improvements other than buildings, equipment, and vehicles) include the District's land and buildings, athletic facilities, lab facilities, auditorium, computer and audio-visual equipment, furniture and other classroom, administrative equipment and buses. Total depreciation expense of \$1,007,614 for the year was charged to various functions on the Statement of Activities as follows:

Regular Programs	\$ 33,494
Interscholastic Programs	5,591
Instructional Staff	188,163
General Administration	40,339
Operations and Maintenance	701,421
Transportation	8,097
Food Services	<u>30,509</u>
	\$ <u>1,007,614</u>

During the year, the District invested \$391,632 in additions to its capital assets. The amounts invested in additions to capital assets were less than charges for depreciation during the year by \$702,500. The following schedule presents capital asset balances net of depreciation at June 30, 2012:

Land	\$ 826,414
Buildings	25,824,031
Improvements Other Than Buildings	307,375
Equipment	967,195
Vehicles	<u>12,147</u>
Totals	\$ <u>27,937,162</u>

Long-term Debt - During the 2012 fiscal year, the District:

1. Retired bonds in the amount of \$1,590,000;
2. Advance refunded \$5,620,000 in 2004 bonds;
3. Paid \$164,431 toward its lease/purchase obligations;
4. Lease/Purchased replacement classroom computers for \$324,864;
5. Incurred interest costs and fees of \$1,560,000.

See note 2D of the Notes to Financial Statements for details.

At June 30, 2012, Millburn's long-term debt obligations were:

General Obligation Bonds	\$ 19,573,794
Lease/Purchase Contracts and Loans	<u>330,580</u>
Total Long-term Debt Obligations at June 30, 2012	\$ <u>19,904,374</u>

In addition, the District was liable for accrued and accreted interest on its long-term debt:

Accrued and Accreted Interest on Bonds	\$ 9,286,883
Accrued Interest on Lease/Purchase Agreements	<u>8,524</u>
Total Accrued and Accreted Interest at June 30, 2012	\$ <u>9,295,407</u>

Summary and Highlights

- Property taxes continue to be the District's largest single source of revenues at \$10.6 million with locally generated fees and charges and interest earnings generating \$1.1 million. \$6.1 million was provided by state and federal aid. Thus, nearly 64% of revenue came from local sources.
- Total expenditures for all funds were \$17.4 million, \$500,000 less than the previous year. This year, expenditures included \$2.2 million spent on debt service payments.
- Total additions to capital assets were \$392,000.
- Payments on long-term debt principal totaled \$1,808,028.

Factors Bearing on the District's Future

The Millburn School District enrollment stabilized over the past several years and has now started to slowly decline. Enrollment declined by 75 students in the 2011-12 school year and is anticipated to decrease by 155 students by the 2015-16 school year. The Millburn School District has also seen a decline in Equalized Assessed Valuation (EAV) over the past three years as shown in the table below.

	Tax Year				
	2007	2008	2009	2010	2011
EAV	\$ 287,345,846	\$ 296,596,148	\$ 295,460,340	\$ 282,910,210	\$ 253,776,843
EAV Change		\$ 9,250,302	\$ (1,135,808)	\$ (12,550,130)	\$ (29,133,367)
% Change		3.22%	-.38%	-4.25%	-10.30%

As a result of the declining EAV and the financial challenges of the State of Illinois, revenues are anticipated to increase minimally while expenditures in areas such as health insurance, utilities and supplies have increased. The District has made substantial reductions in staff over the last few years (54.4 FTE since the 2009-10 school year). Unless the District is able to increase revenue, it will continue to reduce expenditures to match the growth in revenue.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, investors, and creditors with a general overview of Millburn's finances and to demonstrate its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Superintendent at 18550 Millburn Rd., Wadsworth, Illinois 60083.

BASIC FINANCIAL STATEMENTS

MILLBURN COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 24

DISTRICT-WIDE FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Governmental <u>Activities</u>
Assets	
Cash and Cash Equivalents	\$ 3,374,827
Receivables	
Property Taxes	5,414,992
Replacement Taxes	3,368
Claims and Grants	522,306
Employee Computer Purchases	5,346
Deferred Charges	
Unamortized Bond Issuance Expenses	297,015
Unamortized Refunding Expense	411,351
Capital Assets, Net of Accumulated Depreciation	
Land	826,414
Land Improvements	307,375
Buildings	25,824,031
Equipment	967,195
Transportation Equipment	12,147
Total Assets	<u>\$ 37,966,367</u>
Liabilities	
Accounts Payable	\$ 177,267
Accrued Expenses	1,011,446
Tax Anticipation Warrants Payable	500,000
Deferred Revenue	11,148,195
Non-current Liabilities	
Due Within One Year	1,986,624
Due in More Than One Year	27,213,156
Deferred Credits	
Unamortized Bond Premiums	789,532
Total Liabilities	<u>\$ 42,826,220</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	\$ 8,042,788
Restricted For:	
Debt Service	311,945
Transportation	261,806
Retirement	112,585
Capital Projects	969,945
Unrestricted	<u>(14,558,922)</u>
Total Net Assets	<u>\$ (4,859,853)</u>

See Accompanying Notes to Financial Statements.

MILLBURN COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 24

DISTRICT-WIDE FINANCIAL STATEMENTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

		Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction					
Regular Programs	\$ 5,449,829	\$ 344,253	\$ 7,303	\$ ---	\$ (5,098,273)
Special Programs	1,802,666	75,833	762,870	---	(963,963)
Interscholastic Programs	73,088	92,906	---	---	19,818
Summer Programs	11,446	3,712	---	---	(7,734)
Gifted Programs	199,468	---	---	---	(199,468)
Bilingual Programs	34,083	---	---	---	(34,083)
Special Education Tuition	86,299	---	---	---	(86,299)
State Retirement Contributions	1,759,632	---	1,759,032	---	---
Support Services					
Pupils	1,075,051	---	---	---	(1,075,051)
Instructional Staff	599,074	---	14,050	---	(585,024)
General Administration	488,124	---	---	---	(488,124)
School Administration	578,382	---	---	---	(578,382)
Business	146,409	---	---	---	(146,409)
Operations and Maintenance	1,902,217	184,755	---	58,808	(1,658,654)
Transportation	1,069,144	22,151	411,012	---	(635,981)
Food Services	260,568	231,601	47,931	---	18,964
Central Services	52,712	---	---	---	(52,712)
Community Services	73,916	180,786	---	---	106,870
Non-Programmed Services	214,790	---	---	---	(214,790)
Interest and Fees	<u>1,559,868</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>(1,559,868)</u>
Total Governmental Activities	\$ <u>17,436,166</u>	\$ <u>1,135,997</u>	\$ <u>3,002,198</u>	\$ <u>58,808</u>	\$ <u>(13,239,163)</u>
General Revenues					
Taxes					
Real Estate Taxes - General					\$ 8,732,675
Real Estate Taxes - Debt Service					1,916,929
Corporate Personal Property Replacement Tax					18,464
State and Federal Aid					
Formula Grants					3,059,492
Investment Earnings					3,106
Gain (Loss) on Sale of Assets					<u>(6,068)</u>
Total General Revenues					\$ <u>13,724,598</u>
Change in Net Assets (Deficit)					\$ 485,435
Net Assets - July 1, 2011					<u>(5,345,288)</u>
Net Assets - June 30, 2012					\$ <u>(4,859,853)</u>

See Accompanying Notes to Financial Statements.

MILLBURN COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 24
FUND FINANCIAL STATEMENTS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Operations and Maintenance	Debt Service	Transportation	IMRF	Capital Projects	Totals
Assets							
Cash	\$ 537,601	\$ 137,439	\$ 1,360,160	\$ 196,739	\$ 171,684	\$ 969,704	\$ 3,373,327
Investments	---	---	---	---	---	1,500	1,500
Receivables							
Property Taxes	3,539,071	495,921	1,020,321	123,925	235,754	---	5,414,992
Replacement Taxes	3,368	---	---	---	---	---	3,368
Accounts Receivable	239,124	---	---	---	---	---	239,124
Claims and Grants	---	---	---	283,182	---	---	283,182
Employees' Computer Purchases	5,346	---	---	---	---	---	5,346
Total Assets	<u>\$ 4,324,510</u>	<u>\$ 633,360</u>	<u>\$ 2,380,481</u>	<u>\$ 603,846</u>	<u>\$ 407,438</u>	<u>\$ 971,204</u>	<u>\$ 9,320,839</u>
Liabilities and Fund Balances							
Liabilities							
Accounts Payable	\$ 140,902	\$ 31,845	\$ ---	\$ 4,520	\$ ---	\$ ---	\$ 177,267
Tax Anticipation Warrants Payable	500,000	---	---	---	---	---	500,000
Accrued Expenses	941,815	36,847	---	9,865	22,919	---	1,011,446
Deferred Revenue	7,362,496	999,913	2,058,048	251,831	475,907	---	11,148,195
Total Liabilities	<u>\$ 8,945,213</u>	<u>\$ 1,068,605</u>	<u>\$ 2,058,048</u>	<u>\$ 266,216</u>	<u>\$ 498,826</u>	<u>\$ ---</u>	<u>\$ 12,836,908</u>
Fund Balances (Deficit)							
Restricted For							
Debt Service	\$ ---	\$ ---	\$ 311,945	\$ ---	\$ ---	\$ ---	\$ 311,945
Transportation	---	---	---	261,806	---	---	261,806
Retirement	---	---	---	---	28,035	---	28,035
Capital Projects	---	---	---	---	---	969,945	969,945
Assigned For							
Transportation	---	---	---	75,824	---	---	75,824
Debt Service	---	---	10,488	---	---	---	10,488
Capital Projects	---	---	---	---	---	1,259	1,259
Unassigned	(4,620,703)	---	---	---	(119,423)	---	(5,175,371)
Total Fund Balances (Deficit)	<u>\$ (4,620,703)</u>	<u>\$ (435,245)</u>	<u>\$ 322,433</u>	<u>\$ 337,630</u>	<u>\$ (91,388)</u>	<u>\$ 971,204</u>	<u>\$ (3,516,069)</u>
Total Liabilities and Fund Balances	<u>\$ 4,324,510</u>	<u>\$ 633,360</u>	<u>\$ 2,380,481</u>	<u>\$ 603,846</u>	<u>\$ 407,438</u>	<u>\$ 971,204</u>	<u>\$ 9,320,839</u>

See Accompanying Notes to Financial Statements.

MILLBURN COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 24

FUND FINANCIAL STATEMENTS

RECONCILIATION OF THE GOVERNMENTAL FUNDS

BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2012

Total Fund Balances (Deficit) - Governmental Funds \$ (3,516,069)

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

The cost of capital assets (land, buildings, furniture, and equipment)
purchased or constructed is reported as an expenditure in
governmental funds. The Statement of Net Assets includes those
capital assets among the assets of the School District as a whole.

Cost of Capital Assets	\$ 38,466,602	
Depreciation Expense to Date	<u>(10,529,440)</u>	27,937,162

Long-term liabilities applicable to the School District's governmental
activities are not due and payable in the current period and accordingly
are not reported as fund liabilities. All liabilities -- both current and
long-term -- are reported in the Statement of Net Assets.

Balance at June 30, 2012 is:

Bonds Payable	\$ 19,573,794	
Lease/Purchase Contracts	330,580	
Accreted and Accrued Interest Payable	<u>9,295,407</u>	(29,199,781)

Deferred charges consisting of unamortized bond issuance expenses are
not reported on the fund financial statements since such items have
been charged there as expenses when paid rather than amortized
ratably over the period of the indebtedness.

708,367

Deferred credits consisting of premiums received on the sale of bonds
have been recognized as other financing sources on the fund
financial statements when received rather than amortized over the
period of the indebtedness.

(789,532)

Net Assets of Governmental Activities \$ (4,859,853)

See Accompanying Notes to Financial Statements.

MILLBURN COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 24
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General	Operations and Maintenance	Debt Service	Transportation	IMRF	Capital Projects	Totals
Revenues							
Local Sources	\$ 7,780,585	\$ 1,072,991	\$ 1,916,929	\$ 468,823	\$ 567,843	\$ 58,808	\$ 11,865,979
State Sources	3,464,731	---	---	411,012	---	---	3,875,743
Federal Sources	426,915	---	---	---	---	---	426,915
On-Behalf Payments	1,759,032	---	---	---	---	---	1,759,032
Total Revenues	\$ 13,431,263	\$ 1,072,991	\$ 1,916,929	\$ 879,835	\$ 567,843	\$ 58,808	\$ 17,927,669
Expenditures							
Instruction							
Regular Programs	\$ 5,674,216	\$ ---	\$ ---	\$ ---	\$ 69,659	\$ ---	\$ 5,743,875
Special Programs	1,738,237	---	---	---	95,369	---	1,833,606
Interscholastic Programs	67,512	---	---	---	735	---	68,247
Summer Programs	11,136	---	---	---	310	---	11,446
Gifted Programs	197,084	---	---	---	2,384	---	199,468
Bilingual Program	33,739	---	---	---	344	---	34,083
Special Education Tuition	86,299	---	---	---	---	---	86,299
State Retirement Contributions	1,759,032	---	---	---	---	---	1,759,032
Support Services							
Pupils	1,032,288	---	---	---	42,763	---	1,075,051
Instructional Staff	418,944	---	---	---	14,705	---	433,649
General Administration	476,049	---	---	---	12,075	---	488,124
School Administration	500,793	---	---	---	37,250	---	538,043
Business	144,925	---	---	---	1,676	---	146,601
Food Services	230,059	---	---	---	---	---	230,059
Operations and Maintenance	14,808	1,113,319	---	---	78,859	---	1,206,986
Transportation	---	---	---	966,732	94,315	---	1,061,047
Central Services	52,712	---	---	---	---	---	52,712
Community Services	65,675	---	---	---	11,523	---	77,198
Non-Programmed Charges	163,321	30,143	---	---	21,326	---	214,790
Debt Service							
Principal	---	---	1,774,135	33,893	---	---	1,808,028
Interest and Fees	28,455	---	314,976	3,326	---	---	346,757
Total Expenditures	\$ 12,695,284	\$ 1,143,462	\$ 2,089,111	\$ 1,003,951	\$ 483,293	\$ ---	\$ 17,415,101
Excess or (Deficiency) of Revenues Over Expenditures	\$ 735,979	\$ (70,471)	\$ (172,182)	\$ (124,116)	\$ 84,550	\$ 58,808	\$ 512,568

See Accompanying Notes to Financial Statements.

MILLBURN COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 24
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General	Operations and Maintenance	Debt Service	Transportation	IMRF	Capital Projects	Totals
Other Financing Sources (Uses)							
Proceeds of Loans and Leases	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 324,864
Proceeds of Bond Issue	324,864	---	5,775,000	---	---	---	5,775,000
Premium on Bonds Sold	---	---	490,762	---	---	---	490,762
Proceeds From Sale of Assets	---	---	---	28,000	---	---	28,000
Transfers In	---	---	(6,157,576)	---	---	---	189,511
Payment to Refund Bonds	---	---	(130,538)	---	---	---	(6,157,576)
Underwriting Costs	---	---	---	---	---	---	(103,538)
Transfers Out	(189,511)	---	---	---	---	---	(189,511)
Total Other Financing Sources (Uses)	\$ 135,353	\$ ---	\$ 194,159	\$ 28,000	\$ ---	\$ ---	\$ 357,512
Excess or (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	\$ 871,332	\$ (70,471)	\$ 21,977	\$ (96,116)	\$ 84,550	\$ 58,808	\$ 870,080
Fund Balances - July 1, 2011	(5,492,035)	364,774	300,456	433,746	(175,938)	912,396	(4,386,149)
Fund Balances (Deficits) - June 30, 2012	\$ (4,620,703)	\$ (435,245)	\$ 322,433	\$ 337,630	\$ (91,388)	\$ 971,204	\$ (3,516,069)

See Accompanying Notes to Financial Statements.

MILLBURN COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 24

FUND FINANCIAL STATEMENTS

RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

Net Change in Fund Balances - Total Governmental Funds \$ 870,080

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

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

Depreciation Expense	\$ (1,077,614)	
Capital Outlays	<u>391,632</u>	(615,982)

Interest, accrued and accreted, during the year on certain of the District's bond issues and lease/purchase contracts which was not charged to expense on the fund financial statements	(1,222,275)
---	-------------

The Fund Financial Statements report only the proceeds from the sale of assets, whereas the Statement of Activities charges off the book value of the assets sold.	(34,068)
--	----------

Net amortization of bond issuance expenses and bond premium not included in the Fund Financial Statements.

Bond Premium Amortization	\$ 37,577	
Bond Issuance Expense Amortization	(19,271)	
Refunding Expenses	<u>(9,142)</u>	9,164

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	1,808,028
--	-----------

Proceeds of lease/purchase agreements reported as revenue in the Fund Financial Statements not included in the Statement of Activities.	(324,864)
---	-----------

Net proceeds to the District arising from the advance refunding bond issue.	<u>(4,648)</u>
---	----------------

Change in Net Assets of Governmental Activities \$ 485,435

See Accompanying Notes to Financial Statements.

MILLBURN COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 24

FUND FINANCIAL STATEMENTS

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

FIDUCIARY FUNDS

JUNE 30, 2012

	Student Activity Fund
Assets	
Cash and Investments	\$ <u>46,744</u>
Liabilities	
Due to Student Groups	\$ 32,117
Unremitted Payroll Deductions	<u>14,627</u>
	\$ <u>46,744</u>

See Accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the District

Millburn Community Consolidated School District No. 24 is a K-8 public school system located in the eastern part of North Central Lake County, Illinois. The District serves portions of the Villages of Lindenhurst, Old Mill Creek, Wadsworth, and unincorporated areas in the vicinity. The District operates from two locations in Old Mill Creek. Enrollment for 2012 was more than 1,500 students.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to local governmental units of this type. The following is a summary of Millburn's more significant accounting policies:

A. Reporting Entity

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The definition of a component unit is a legally separate organization for which the District is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District is financially accountable if it appoints a voting majority of the organization's governing body and

1. It is able to impose its will on that organization or
2. There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District.

The District also may be financially accountable if an organization is fiscally dependent on the District regardless of whether the organization has:

1. A separately elected governing board,
2. A governing board appointed by a higher level of government, or
3. A jointly appointed board.

There are no component units, as defined by GASB, which are included in Millburn's reporting entity. Even though there are local government agencies within the geographic area served by the District, such as municipalities, libraries and other entities, these agencies have been excluded from the report because they are legally separate and the District is not financially accountable for them.

Furthermore, the District is not included as a component unit in the financial statements of any other governmental reporting entity as defined by GASB pronouncements.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

District-wide and Fund Financial Statements

The district-wide financial statements identified as the Statement of Net Assets and the Statement of Activities report information on all of Millburn's non-fiduciary activities. The effect of any interfund activity has been eliminated from them. The governmental activities column reports activities that are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include:

1. Charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and
2. Grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported as general revenues instead.

Fund Financial Statements

Millburn's accounts in the governmental fund financial statements are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures. Fund accounting segregates funds according to their intended purpose, and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Separate financial statements are provided for all governmental funds and fiduciary funds even though the fiduciary funds are excluded from the district-wide financial statements.

C. Measurement Focus and Basis of Accounting

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental funds are used to account for the District's general government activities. Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual. They are susceptible to accrual when they are both "measurable and available." "Measurable" means that the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Management considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Also, in accordance with GASB No. 24, on-behalf payments made by the State to the Teachers' Retirement System have been recognized in the financial statements.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting (continued)

Property taxes, replacement taxes, certain state and federal aid, and interest on investments are susceptible to accrual. Other receipts become measurable and available when cash is received by the District and are recognized as revenue at that time.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and accordingly, when such funds are received they are recorded as deferred revenues until earned.

Governmental funds include the following major funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund consists of the following:

Educational Fund - This account is used for most of the instructional and administrative aspects of the District's operations. The revenue consists primarily of property taxes, local fees, and state and federal aid.

Working Cash Fund - This fund accounts for financial resources held by the District to be used as temporary interfund loans for working capital requirements to the General Fund and the Transportation Fund. Money loaned by the Working Cash Fund to other funds must be repaid within two years. As allowed by the School Code of Illinois, this fund may be permanently abolished and become a part of the Educational Account within the General Fund or it may be partially abated to the General Fund, Special Revenue Funds, or Debt Service Funds.

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

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than those accounted for in the Debt Service Fund, Capital Projects Funds, or Fiduciary Funds) that are legally restricted to expenditures for specified purposes.

Each of Millburn's Special Revenue Funds has been established as a separate fund in accordance with the fund structure required by the State of Illinois for local educational agencies. These funds account for local property taxes restricted to specific purposes. A brief description of the District's Special Revenue Funds follows:

Operations and Maintenance Fund - This account is used for expenditures made for operations of plant and maintenance and repair of District property. Revenue is derived primarily from property taxes and rents.

Transportation Fund - This fund accounts for all revenue and expenditures made for student transportation. Revenue is derived primarily from local property taxes and state reimbursement grants.

Municipal Retirement/Social Security Fund - This fund accounts for the District's portion of pension contributions to the Illinois Municipal Retirement Fund, payments to Medicare for certified employees, and payments to the Social Security System for non-certified employees. Revenue to finance the contributions is derived primarily from local property taxes and personal property replacement taxes.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. A brief description of Millburn's Debt Service Fund is as follows:

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting (continued)

Bond and Interest Fund - This fund accounts for the periodic principal and interest payments on Millburn's bond issues. Local property taxes levied specifically for debt service is the fund's primary revenue source. The Fund also pays all other debt service obligations, except for obligations of the Transportation Fund which are paid directly by that fund. Other funds transfer amounts sufficient to cover payments not funded by a direct tax levy.

Capital Projects Fund - The Capital Projects Fund (formerly known as the Site and Construction Fund) is used to account for the financial resources to be used for the acquisition and construction and/or additions to major capital facilities. The principal source of financing is the District's issuance of bonds for this purpose. Impact fees collected from builders and developers are also deposited in this fund.

Fiduciary Fund Types (Trust and Agency Funds) - Fiduciary Funds (Trust and Agency Funds) are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds.

Agency Funds - The Agency Funds include Student Activity Funds, Flexible Spending Accounts, and Other Agency Funds. These funds are custodial in nature and do not involve the measurement of the results of operations. Although the Board of Education has the ultimate responsibility for Activity Funds, they are not local education agency funds. Student Activity Funds account for assets held by the District which are owned, operated and managed generally by the student body, under the guidance and direction of adults or a staff member, for educational, recreational or cultural purposes. Flexible Spending Accounts account for assets that are held on behalf of District employees to cover medical expenses.

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

D. Budgets and Budgetary Accounting

The District follows procedures mandated by Illinois State law and District Board policy to establish the budgetary data reflected in its financial statements. The modified accrual basis budgeted amounts in this report are the result of full compliance with the following procedures:

For each fund, total fund expenditures disbursed may not legally exceed the budgeted amounts. The budget lapses at the end of each fiscal year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to July 1, the Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing on that date. The operating budget includes proposed expenditures disbursed and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally adopted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year.
5. The Board of Education may not legally spend more than budgeted expenditures by fund. However, it may make transfers between the various items in any fund not exceeding in the aggregate 10% of the total of such fund as set forth in the budget.
6. The Board of Education may amend the budget (in other ways) by the same procedures required of its original adoption.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets and Budgetary Accounting (continued)

The budget for 2011-12 was adopted on September 19, 2011, and was amended on June 18, 2012.

E. Assets, Liabilities and Net Assets or Equity

Deposits and Investments

State statutes authorize the District to invest in obligations of the U.S. Treasury, certain highly-rated commercial paper, corporate bonds, certificates of deposit, repurchase agreements, and The Illinois Fund). Investments are stated at fair value. Changes in the fair value of investments are recorded as investment income.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." These amounts are eliminated in the governmental activities column in the statement of net assets.

Property Tax Revenues

The District must file its tax levy with the Lake County Clerk by the last Tuesday in December of each year. The levy filed in December becomes a lien on all taxable real property located in the District as of the preceding January 1. Thus, the owner of real property on January 1 in any year is liable for taxes of that year. Millburn's 2011 tax levy was approved during the November 21, 2011 board meeting.

The following are the actual rates levied per \$100 of assessed valuation:

Purpose	Actual		
	2011 Levy	2010 Levy	2009 Levy
Educational	2.725	2.351	2.180
Tort Immunity	.030	.016	.014
Special Education	.064	.053	.048
Operations and Maintenance	.395	.314	.290
Transportation	.099	.158	.146
SEDOL IMRF	.005	.008	.008
Working Cash	.001	.002	.001
Municipal Retirement	.110	.111	.102
Social Security	.073	.076	.070
Debt Service	<u>.813</u>	<u>.678</u>	<u>.593</u>
Totals	<u>4.315</u>	<u>3.767</u>	<u>3.452</u>

The District is subject to "Tax Cap" limitations affecting the five collar counties surrounding Cook County, Illinois. Under the "Tax Cap" the total of the District's tax levies not including bond levies may not increase by more than the lesser of 5% of the prior year total or the prior year percentage of increase in the Consumer Price Index. However, levies may increase beyond these limitations to the extent that any increase in assessed valuation is represented by annexations or new building.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Property Tax Revenues (continued)

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

Tax Year	2011	2010	2009
Assessed Valuation	\$ 253,776,843	\$ 282,912,210	\$ 295,460,340
Extensions			
Purpose			
Educational	\$ 6,915,419	\$ 6,651,266	\$ 6,441,035
Tort Immunity	76,133	45,266	41,364
Special Education	162,417	149,943	141,821
Operations and Maintenance	1,002,419	888,344	856,835
Transportation	251,239	447,001	431,372
SEDOL IMRF	12,689	22,633	23,637
Working Cash	2,538	5,658	2,955
Municipal Retirement	279,154	314,033	301,370
Social Security	185,257	215,013	206,822
Debt Service	<u>2,063,206</u>	<u>1,918,145</u>	<u>1,752,080</u>
Totals	\$ <u>10,950,471</u>	\$ <u>10,657,302</u>	\$ <u>10,199,291</u>
Collections	\$ <u>5,508,104</u>	\$ <u>5,331,021</u>	\$ <u>10,202,175</u>
Percentage of Extensions Collected	50.30%	99.93%	100.03%

The District has a statutory tax rate limit in the various operating funds subject to change only upon the approval of its voters. Further, Millburn is subject to the Property Tax Extension Limitation Act which, in general, limits the increase in the amount of taxes to be extended each year to the lesser of 5% or the percentage increase in the Consumer Price Index for the preceding year. Certain bond issue levies and referendum approved increases are exempt from this limitation.

Property taxes are collected by the Lake County Treasurer who remits to Millburn its share of the collections. Taxes levied in one year are billed in May of the following year, payable in two installments. The first installment due date is usually during the first week in June and the second installment is usually due during the first week in September. Property taxes are normally received by the District within 90 days of each installment due date.

The 2011 property tax levy is recorded as a receivable net of estimated uncollectible amounts. The balance receivable at year-end is the amount of the taxes levied net of the estimated uncollectible amounts minus collections received to that date. Millburn defers recognition of revenue on the 2011 tax levy until the 2012-13 fiscal year as that is the year the 2011 levy was intended to finance operations. This deferral includes collections of 2011 taxes received prior to the end of the 2011-12 fiscal year.

Personal Property Replacement Taxes

Personal property replacement taxes are first allocated to the Municipal Retirement/Social Security Fund as required by Illinois statute, with the balance allocated to the remaining funds at the discretion of the District. If the Municipal Retirement/Social Security Fund does not levy a property tax for a particular year, then no replacement taxes are allocated to it for that year.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Prepaid Items

Certain payments to vendors for goods and services that reflect costs applicable to future accounting periods are recorded as prepaid items in both the district-wide and fund financial statements.

Capital Assets

Capital assets, which include land, land improvements, building, building improvements, vehicles, machinery, equipment, and construction in progress are reported in the district-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$500 and an estimated useful life of five years or more. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Depreciation of capital assets is provided using the straight-line method over the following estimated useful lives as established by the Illinois State Board of Education. The District chose to use the same useful lives as the State Board of Education.

<u>Assets</u>	<u>Years</u>
Buildings	50
Improvements (other than buildings)	20
Equipment	5-10
Vehicles	5

The District does not depreciate land and construction in progress.

Compensated Absences

Employees who work a twelve-month year are entitled to be compensated for vacation time. Vacations are usually taken within the fiscal year. The entire compensated absences liability is reported on the district-wide financial statements.

For the governmental funds, the current portion of the compensated absences is the amount that is normally expected to be paid using expendable available resources. These amounts are recorded in the fund from which the employees who have accumulated vacation leave are paid.

Due to the nature of the policies on sick leave, and the fact that any liability is contingent upon future events and cannot be reasonably estimated, no liability is provided in the financial statements for accumulated unpaid sick leave.

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. However, bond premiums, discounts and bond issuance costs for bonds issued prior to July 1, 2003 when the District was using the cash basis of accounting were charged to expense at the time of issuance and are not amortized or netted against liabilities.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Long-term Obligations (continued)

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

District-Wide Fund Net Assets

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

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

Governmental Fund Balances

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Governmental Fund Balances (continued)

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

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

Property Tax Calendar and Revenues

Property taxes are levied each calendar year on all taxable real property located in the District on or before the last Tuesday in December. The 2011 tax levy was passed by the Board on November 21, 2011. Property taxes attach as an enforceable lien on property as of January 1 of the calendar year and are payable in two installments early in June and in September of the following calendar year. The District receives significant distributions of tax receipts approximately one month after these dates.

Estimates

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

Comparative Data

Comparative totals for the prior year have not been presented in selected sections of the accompanying financial statements.

Eliminations and Reclassifications

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

Excess of Expenditures Over Budget

For the year ended June 30, 2012, the Debt Service (Bond and Interest) Fund spent more than budgeted. The over-expenditure occurred because the budget did not include debt service payments on the District's lease/purchase agreements which were covered by transfers from other funds.

NOTE 2 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

Millburn is allowed to invest in securities as authorized by Chapter 30, Sections 235/1 through 235/7, and Chapter 105, Section 518-7 of the *Illinois Compiled Statutes*.

Deposits

Deposits with financial institutions are fully insured or collateralized by securities held in the District's name.

At June 30, 2012, the carrying amount of the District's deposits was \$3,374,827 which included \$300 in petty cash. The bank balance was \$3,388,264.

NOTES TO FINANCIAL STATEMENTS (continued)

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

A. Deposits and Investments (continued)

Deposits (continued)

In addition to the District's deposits described above, the activity funds and flexible spending account it administers had cash balances at June 30, 2012 with a carrying value of \$46,744 and a bank balance of \$49,412. All activity fund and flexible spending account balances were covered by FDIC insurance.

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

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

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

B. Loans Receivable

The Board of Education has authorized the purchase and financing of personal computer equipment by District employees. At June 30, 2012, the balance receivable from employees for such purchases was \$5,346.

C. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital Assets Not Being Depreciated:				
Land	\$ 826,414	\$ ---	\$ ---	\$ 826,414
Capital Assets Being Depreciated:				
Buildings	\$ 33,029,987	\$ ---	\$ ---	\$ 33,029,987
Improvements Other Than Buildings	572,604	---	---	572,604
Equipment	4,123,164	391,632	469,688	3,997,108
Vehicles	40,489	---	48,000	40,489
Total Capital Assets Being Depreciated	\$ 37,766,244	\$ 391,632	\$ 517,688	\$ 37,640,188
Less: Accumulated Depreciation For:				
Buildings	\$ 6,548,886	\$ 657,070	\$ ---	\$ 7,205,956
Improvements Other Than Buildings	233,538	31,691	---	265,229
Equipment	3,188,377	310,756	469,220	3,029,913
Vehicles	34,645	8,097	14,400	28,342
Total Accumulated Depreciation	\$ 10,005,446	\$ 1,007,614	\$ 483,620	\$ 10,529,440
Net Capital Assets Being Depreciated	\$ 27,760,798	\$ (615,982)	\$ (34,068)	\$ 27,110,748
Net Governmental Activities Capital Assets	\$ 28,587,212	\$ (615,982)	\$ (34,068)	\$ 27,937,162

NOTES TO FINANCIAL STATEMENTS (continued)

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

C. Capital Assets (continued)

Depreciation is included on the Statement of Activities as a charge to income of \$1,007,614 allocable to the following functions:

Regular Programs	\$ 33,494
Interscholastic Programs	5,591
Instructional Staff	188,163
General Administration	40,339
Operations and Maintenance	701,421
Transportation	8,097
Food Services	<u>30,509</u>
	\$ <u>1,007,614</u>

D. Long-term Debt

Millburn's long-term debt consisted of bonded debt and lease/purchase contracts during the 2012 fiscal year. A description of that debt follows:

1. The District issued General Obligation School Bonds on May 1, 1999, for \$9,326,744. The issue was to finance the costs of school building additions and to pay costs of issuing the bonds. The issue provided for the serial retirement of principal on December 1 of each year beginning December 1, 2006 through December 1, 2016, with interest rates varying from 4.40% to 5.30%, payable on July 1 and December 1 beginning with July 1, 1999.

On October 15, 2009, the District advance refunded a portion (\$1,840,000) of this issue and issued \$1,825,000 of Series 2009 Bonds to save on future principal and interest payments.

2. On May 1, 2004, Millburn School issued \$15,984,547 in building bonds. Included in this issue were \$6,075,000 in current interest bonds which mature on January 1, 2007 through 2010 and 2019 and 2020. These current interest bonds bear interest ranging from 3.25% to 5% per annum, payable semi-annually on July 1 and January 1. The balance of the bonds issued are capital appreciation bonds totaling \$9,909,546.75 which begin maturing on January 1, 2017 and annually thereafter until fully paid, except there is no maturity due on January 1, 2020 when the final payment is made on the current interest bonds. The capital appreciation bonds accrete at interest rates ranging from 5.11% to 6.9%, depending on maturity.

On May 1, 2012, the District advance refunded a portion (\$5,620,000) of this issue and issued \$5,775,000 in 2012 bonds to save on future principal and interest payments. See the Advance Refunding section below for further information.

NOTES TO FINANCIAL STATEMENTS (continued)

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

D. Long-term Debt (continued)

At June 30, 2012, the annual debt service requirements to service bonded debt were:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 764,662	\$ 1,273,546	\$ 2,038,208
2014	713,763	1,188,122	1,901,875
2015	1,375,794	1,213,144	2,588,938
2016	1,075,882	1,545,118	2,621,000
2017	1,429,127	1,536,873	2,966,000
2018	1,486,454	1,719,546	3,206,000
2019	2,606,562	889,438	3,496,000
2020	3,630,000	145,200	3,775,200
2021	1,694,306	2,415,694	4,110,000
2022	1,711,576	2,728,424	4,440,000
2023	1,716,466	3,078,534	4,795,000
2024	<u>1,369,202</u>	<u>3,805,798</u>	<u>5,175,000</u>
	\$ <u>19,573,794</u>	\$ <u>21,539,427</u>	\$ <u>41,113,221</u>

Advance Refunding

On May 2, 2012, the District issued \$5,775,000 in general obligation bonds to advance refund a \$5,620,000 bond issue dated May 1, 2004. The new bonds bear interest at the rate of 2% on \$125,000 maturing within one year and a 4% on the remainder. The refunded bonds bear interest at the rate of 5% and mature \$1,995,000 on January 1, 2019 and \$3,625,000 on January 1, 2020. The general obligation refunding bonds were issued at par plus a premium of \$490,762 and, after paying issuance costs of \$103,537, the net proceeds were \$6,162,225. After retaining \$4,649 in its debt service fund, \$6,157,576 was used to purchase U.S. government securities which were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the refunded bonds mature. The advance refunding met the requirements of an in-substance debt defeasance and the refunded bonds were removed from Millburn's district-wide financial statements.

As a result of the advance refunding, the District reduced its total debt service requirements by \$339,717 which resulted in an economic gain of \$311,717.

Prior Year's Debt Defeasance

In prior years, Millburn has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt matures. For financial reporting purposes, the debt has been considered defeased, and therefore removed as a liability from the Millburn's district-wide financial statements. As of June 30, 2012, the amount of prior year defeased debt outstanding amounted to \$235,000.

Lease/Purchase Agreements

On August 15, 2008, Millburn School leased a 2008 27-passenger bus from The State Bank of the Lakes. The lease calls for five annual installments of \$8,098 plus interest at 5% beginning on July 1, 2009. The bus was sold in July of 2011 and the debt was retired.

On October 19, 2009, the District leased a 2009 12-passenger Chevy bus from State Bank of the Lakes. The lease calls for five installments of \$9,600, plus interest at 5%, beginning on July 1, 2010.

NOTES TO FINANCIAL STATEMENTS (continued)

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

D. Long-term Debt (continued)

Lease/Purchase Agreements (continued)

On February 2, 2009, Millburn leased seven copiers and peripheral equipment for \$104,816 from PMA Leasing, Inc. for use at Millburn West. The lease calls for 60 monthly payments of \$1,978, including interest at 5% beginning March 3, 2009 and ending February 5, 2014.

On May 6, 2010, the District leased two copiers from Tech Star America for \$51,666. The lease calls for 45 monthly payments of \$1,285, including interest at 6%, beginning on June 6, 2010.

On April 18, 2008, the District leased approximately 117 Apple computers with payments of \$68,192.66 at an interest rate of 4.7641 beginning on October 19, 2008. This debt was retired in 2012.

On June 15, 2011, Millburn leased 261 Apple computers and peripheral equipment. Total payments during the life of the lease equal \$324,864 including interest at 3%. The lease calls for payments of \$85,000 each. The first payment was paid on July 15, 2011. Subsequent payments are due on July 15 of each year until July 15, 2014.

At June 30, 2012, the annual debt service requirements to service lease/purchase debt were:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 124,268	\$ 10,928	\$ 135,196
2014	114,147	6,231	120,378
2015	<u>92,165</u>	<u>2,916</u>	<u>95,081</u>
	\$ <u>330,580</u>	\$ <u>20,075</u>	\$ <u>350,655</u>

For the year ended June 30, 2012, changes in long-term debt are summarized as follows:

<u>Type of Debt</u>	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Payments and Defeasements</u>	<u>Balance June 30, 2012</u>	<u>Due in One Year</u>
General Obligation Bonds:					
Dated: 05-01-99	\$ 3,654,248	\$ ---	\$ 1	\$ 3,654,247	\$ 639,662
05-01-04	15,529,547	---	5,620,000	9,909,547	---
10-15-09	1,825,000	---	1,590,000	235,000	---
05-01-12	---	5,775,000	---	5,775,000	125,000
Deferred Charges 10-15-09	9,000	---	9,000	---	---
Bus Lease 08-15-08	24,293	---	24,293	---	---
Bus Lease 10-19-09	38,400	---	9,600	28,800	9,600
Copier Lease 02-02-09	59,143	---	21,262	37,881	22,350
Copier Lease 05-06-10	36,816	---	13,580	23,236	14,418
Apple Computer Lease 04-18-08	65,091	---	65,091	---	---
Apple Computer Lease 06-15-11	---	324,864	84,201	240,663	77,900
Totals	\$ <u>21,241,538</u>	\$ <u>6,099,864</u>	\$ <u>7,437,028</u>	\$ <u>19,904,374</u>	\$ <u>888,930</u>

NOTES TO FINANCIAL STATEMENTS (continued)

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

D. Long-term Debt (continued)

Lease/Purchase Agreements (continued)

Type of Debt		Balance July 1, 2011	Additions	Payments	Balance June 30, 2012	Due In One Year
Accreted and Accrued Interest:						
Accreted Interest						
Bonds Dated	05-01-99	\$ 3,408,341	\$ 262,226	\$ ---	\$ 3,670,567	\$ 1,051,087
Bonds Dated	05-01-04	4,745,916	832,317	---	5,578,233	---
Accrued Interest						
Bonds	Various	12,850	449,066*	422,833	38,083	38,083
Bus Leases	Various	3,008	1,758	3,326	1,440	1,440
Copier Leases	Various	1,923	9,195	10,838	280	280
Computer Leases	Various	620	10,498	4,314	6,804	6,804
Tax Anticipation Warrants		8,556	28,455	8,556	---	---
Totals		\$ 8,181,214	\$ 1,593,515*	\$ 449,867	\$ 9,295,407	\$ 1,097,694

*Does not include amortization of bond issuance costs and bond premiums. Inclusion of these items reduced interest costs on the bonds by \$18,164.

NOTE 3 - OTHER INFORMATION

A. Risk Management

Millburn is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District is a member of a public entity risk pool, described below, that provides property and liability coverage and purchases commercial insurance for other risks. Claims settlements have not exceeded coverages for any of the three preceding years and there has been no significant reduction in coverage since last year.

Health Care Benefits

Millburn provides health care benefits to its employees through Cooperative 90's, a cooperative organization which includes a number of other governmental units among its members. The organization employs a third-party administrator which provides claims payment and management services. The District's liability for individual claims is limited and cumulative losses are covered by stop-loss insurance. Millburn can be liable for additional contributions to Cooperative 90's should funds be insufficient to cover the cooperative's obligations. However, none have been required in previous years.

Public Entity Risk Pool

The District is a member of the Collective Liability Insurance Cooperative (CLIC) which insures all of Millburn's property, general liability, automobile, employee dishonesty, pollution, and workers' compensation claims up to specified limits. CLIC is a separate entity, with more than 150 Illinois school district members, which sets rates and purchases commercial excess and stop-loss coverage. The District pays annual premiums to CLIC for coverage. Supplementary payments may also be required upon determination by CLIC's Board of Directors that the annual premiums are insufficient to fund the operations of the pool. No such supplemental payments have been required by CLIC in its 20-plus years of existence.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 3 - OTHER INFORMATION (continued)

B. Joint Agreements

The District participates with other Illinois school districts in certain cooperative educational organizations, known as joint agreements. These joint agreements are owned by the participants and are operated for the specific purposes stated in the joint agreement document, e.g., Special Education, Vocational Education, Insurance Pool, etc. This District has, in accordance with the generally accepted practice of other Illinois school districts, charged the cost of its investment to current expenditures in the year paid. The investment is not capitalized and it is unclear whether the District would receive any return on its investment should it choose to withdraw from any of the joint agreements. Complete separate financial statements for any organization in which the District participates may be obtained directly from the organization by contacting the administrative District.

NOTE 4 - RETIREMENT FUND COMMITMENTS

The District participates in two retirement systems; the Teachers Retirement System of the State of Illinois (TRS) and the Illinois Municipal Retirement Fund (IMRF).

A. Teachers' Retirement System of the State of Illinois

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

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

TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate for the year ended June 30, 2012 was 9.4% of creditable earnings. The same contribution rate applies to members whose first contributing service is on or after January 1, 2011, the effective date of the benefit changes contained in Public Act 96-0889. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. The active member contribution rate was also 9.4% for the years ended June 30, 2011 and 2010.

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

- On-Behalf Contributions to TRS - The State of Illinois makes employer pension contributions on behalf of the District. For the year ended June 30, 2012, State of Illinois contributions were based on 24.91% of creditable earnings not paid from federal funds, and the District recognized revenue and expenditures of \$1,713,629 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2011 and June 30, 2010, the State of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 23.10% (\$1,774,654) and 23.38% (\$1,771,397), respectively.

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

- 2.2 Formula Contributions - Employers contribute .58% of total creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ended June 30, 2012 were \$39,900. Contributions for the years ending June 30, 2011 and June 30, 2010 were \$44,558 and \$43,944, respectively.

NOTE 4 - RETIREMENT FUND COMMITMENTS (continued)

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

- Federal and Special Trust Fund Contributions - When TRS members are paid from federal and special trust funds administered by the District, there is a statutory requirement for the District to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective in the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the state contribution rate to TRS.

For the year ended June 30, 2012, the employer pension contribution was 24.91% of salaries paid from federal and special trust funds. For the years ended June 30, 2011 and 2010, the employer contribution was 23.10% and 23.38% of salaries paid from federal and special trust funds, respectively. For the year ended June 30, 2012, no salaries were paid from federal and special trust funds that required employer contributions. For the years ended June 30, 2011 and June 30, 2010, there were no required district contributions.

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

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

For the year ended June 30, 2012, the District paid nothing to TRS for employer contributions under the ERO program. For the years ended June 30, 2011 and June 30, 2010, the District paid nothing in employer ERO contributions.

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

For the year ended June 30, 2012, the District paid nothing to TRS for employer contributions due on salary increases in excess of 6%. For the years ended June 30, 2011 and June 30, 2010, the District paid nothing in employer contributions due on salary increases in excess of 6%.

If an employer grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary reported by the granting employer during the four-year sick leave review period, and the TRS total normal cost rate (17.83% of salary during the year ended June 30, 2012).

For the year ended June 30, 2012, the District paid nothing to TRS for sick leave days granted in the excess of the normal annual allotment. For the years ended June 30, 2011 and June 30, 2010, the District paid nothing in employer contributions granted for sick leave days.

TRS financial information, an explanation of TRS benefits, and descriptions of member, employer and state funding requirements can be found in the TRS *Comprehensive Annual Financial Report* for the year ended June 30, 2011. The report for the year ended June 30, 2012 is expected to be available in late 2012.

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

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 4 - RETIREMENT FUND COMMITMENTS (continued)

B. THIS Fund

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

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. The Illinois Department of Healthcare and Family Services (HFS) and the Illinois Department of Central Management Services (CMS) administer the plan with the cooperation of TRS. Effective July 1, 2012, in accordance with Executive Order 12-01, the plan is administered by CMS with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to the TRS who are not employees of the State make a contribution to THIS Fund.

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

- On-Behalf Contributions to THIS Fund - The State of Illinois makes employer retiree health insurance contributions on behalf of the District. State contributions are intended to match contributions to THIS Fund from active members which were .88% of pay during the year ended June 30, 2012. State of Illinois contributions were \$60,537 and the District recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2011 and June 30, 2010 were .88% and .84% of pay, respectively. State contributions on behalf of District employees were \$67,606 and \$63,643, respectively.

- Employer Contributions to THIS Fund - The District also makes contributions to the THIS Fund. The District THIS contribution was .66% during the years ended June 30, 2012 and June 30, 2011, and .63% during the years ended June 30, 2010. For the year ended June 30, 2012, the District paid \$45,403 to the THIS Fund. For the years ended June 30, 2011 and June 30, 2010, the District paid \$50,704 and \$47,732, respectively, which was 100% of the required contribution.

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

C. Illinois Municipal Retirement Fund

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

As set by statute, the District's regular plan members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual required contribution rate for calendar year 2011 was 11.78%. The District also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 4 - RETIREMENT FUND COMMITMENTS (continued)

C. Illinois Municipal Retirement Fund (continued)

The required contribution for calendar year 2011 was \$218,842.

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/11	\$ 218,842	100%	\$ ---
12/31/10	195,120	100%	---
12/31/09	195,706	100%	---

The required contribution for 2011 was determined as part of the December 31, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2009 included: (a) 7.5% investment rate of return (net of administrative and direct investment expenses); (b) projected salary increases of 4.00% a year, attributable to inflation; (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit; and (d) post-retirement benefit increases of 3% annually. The actuarial value of the District's regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The District's regular plan's unfunded actuarial accrued liability at December 31, 2009 is being amortized as a level percentage of projected payroll on an open 30-year basis.

As of December 31, 2011, the most recent actuarial valuation date, the regular plan was 63.75% funded. The actuarial accrued liability for benefits was \$2,979,508 and the actuarial value of assets was \$1,899,299, resulting in an underfunded actuarial accrued liability (UAAL) of \$1,080,209. The covered payroll for calendar year 2011 (annual payroll of active employees covered by the plan) was \$1,857,746 and the ratio of the UAAL to the covered payroll was 58%.

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

D. Social Security

Employees not qualifying for coverage under the Illinois Teachers' Retirement System or the Illinois Municipal Retirement Fund are considered "non-participating employees". These employees and those qualifying for coverage under the Illinois Municipal Retirement Fund are covered under Social Security. The total employer contribution for the year ended June 30, 2011 was \$244,314.

NOTE 5 - TAX ANTICIPATION WARRANTS PAYABLE

The District issued tax anticipation warrants in 2011-12 to insure its expenses were paid in a timely manner. The District has warrants payable of \$500,000 as of June 30, 2012.

NOTE 6 - POST-EMPLOYMENT BENEFIT COMMITMENTS

A. Retiree Paid Insurance

Plan Overview - The District provides post-employment benefits other than pensions ("OPEB") to employees who meet certain criteria. The Plan, a single-employer defined benefit plan, provides medical, dental and vision benefits to retirees and their covered eligible dependents. All active employees who retire directly from the District and meet the eligibility criteria may participate. The District pays 100% of retirees health insurance premiums for the first four years following retirement for those who choose to be covered. The cost to the District for the 2011-12 fiscal year was \$20,728.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 7 - LEGAL DEBT LIMITATION

The Illinois School Code limits the amount of indebtedness to 6.90%, or in some instances 15.00%, of the most recent available equalized assessed valuation (EAV) of the District. The District's legal debt limitation is as follows:

	<u>At 6.90%</u>	<u>At 15.00%</u>
2011 EAV	\$ 253,776,843	\$ 253,776,843
Rate	<u>6.90%</u>	<u>15.00%</u>
Debt Margin	\$ 17,510,602	\$ 38,066,526
Current Debt	<u>485,580</u>	<u>19,418,794</u>
Remaining Debt Margin	\$ <u>17,025,022</u>	\$ <u>18,647,732</u>

The Illinois State Board of Education has granted the District a waiver on the 6.90% limitation to permit certain debt to be subject to the 15.00% limitation..

NOTE 8 - SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 15, 2012, the date on which the financial statements were available to be issued.

At the February 22, 2012 board meeting, Millburn entered into a three-year lease for its fleet of buses at a total three-year cost of \$473,170. The lease becomes effective July 2012.

NOTE 9 - INTERFUND TRANSFERS

Interfund transfers for the year totaled \$189,511. These transfers were from the General Fund to the Debt Service Fund to cover payments due on the District's lease/purchase agreements.

**REQUIRED SUPPLEMENTARY INFORMATION -
HISTORICAL PENSION INFORMATION**

MILLBURN COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 24

ILLINOIS MUNICIPAL RETIREMENT FUND

ANALYSIS OF EMPLOYER CONTRIBUTIONS
AND FUNDING PROGRESS (UNAUDITED)

JUNE 30, 2012

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
12/31/11	\$ 1,899,299	\$ 2,979,508	\$ 1,080,209	63.75%	\$ 1,857,746	58.15%
12/31/10	1,718,932	2,696,371	977,439	63.75%	1,743,698	56.06%
12/31/09	1,398,916	2,517,518	1,118,602	55.57%	1,905,611	58.70%

On a market value basis, the actuarial value of assets as of December 31, 2011 is \$1,811,487. On a market basis, the funded ratio would be 60.80%.

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

MILLBURN COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 24

GENERAL FUND

COMBINING BALANCE SHEET

JUNE 30, 2012

	<u>Educational</u>	<u>Working Cash</u>	<u>Tort Immunity</u>	<u>Total</u>
Assets				
Cash	\$ 517,912	\$ 3,762	\$ 15,927	\$ 537,601
Receivables				
Property Taxes	3,500,254	1,430	37,387	3,539,071
Replacement Taxes	3,368	---	---	3,368
Claims and Grants	239,124	---	---	237,124
Employee's Computer Purchases	<u>5,346</u>	<u>---</u>	<u>---</u>	<u>5,346</u>
 Total Assets	 \$ <u>4,266,004</u>	 \$ <u>5,192</u>	 \$ <u>53,314</u>	 \$ <u>4,324,510</u>
 Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 140,902	\$ ---	\$ ---	\$ 140,902
Tax Anticipation Warrants Payable	500,000	---	---	500,000
Accrued Expenses	941,815	---	---	941,815
Deferred Revenue	<u>7,284,021</u>	<u>2,532</u>	<u>75,943</u>	<u>7,362,496</u>
Total Liabilities	\$ <u>8,866,738</u>	\$ <u>2,532</u>	\$ <u>75,943</u>	\$ <u>8,945,213</u>
 Fund Balances				
Unrestricted				
Undesignated (Deficit)	\$ <u>(4,600,734)</u>	\$ <u>2,660</u>	\$ <u>(22,629)</u>	\$ <u>(4,620,703)</u>
 Total Liabilities and Fund Balances	 \$ <u>4,266,004</u>	 \$ <u>5,192</u>	 \$ <u>53,314</u>	 \$ <u>4,324,510</u>

MILLBURN COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 24

GENERAL FUND

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Educational</u>	<u>Working Cash</u>	<u>Tort Immunity</u>	<u>Total</u>
Revenues				
Local Sources	\$ 7,728,092	\$ 5,325	\$ 47,168	\$ 7,780,585
State Sources	3,464,731	---	---	3,464,731
Federal Sources	<u>426,915</u>	<u>---</u>	<u>---</u>	<u>426,915</u>
Total Direct Revenues	\$ 11,619,738	\$ 5,325	\$ 47,168	\$ 11,672,231
Revenue For On-Behalf Payments	<u>1,759,032</u>	<u>---</u>	<u>---</u>	<u>1,759,032</u>
Total Revenues	\$ <u>13,378,770</u>	\$ <u>5,325</u>	\$ <u>47,168</u>	\$ <u>13,431,263</u>
Expenditures				
Instruction	\$ 7,808,223	\$ ---	\$ ---	\$ 7,808,223
Support Services	2,870,578	---	---	2,870,578
Community Services	65,675	---	---	65,675
Non-Programmed Charges	163,321	---	---	163,321
Debt Service	<u>28,455</u>	<u>---</u>	<u>---</u>	<u>28,455</u>
Total Direct Expenditures	\$ 10,936,252	\$ ---	\$ ---	\$ 10,936,252
Expenditures For On-Behalf Payments	<u>1,759,032</u>	<u>---</u>	<u>---</u>	<u>1,759,032</u>
Total Expenditures	\$ <u>12,695,284</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>12,695,284</u>
Excess or (Deficiency) of Revenues Cash Expenditures	\$ <u>683,486</u>	\$ <u>5,325</u>	\$ <u>47,168</u>	\$ <u>735,979</u>
Other Financing Sources (Uses)				
Proceeds of Loans and Leases	\$ 324,864	\$ ---	\$ ---	\$ 324,864
Transfers Out	<u>(189,511)</u>	<u>---</u>	<u>---</u>	<u>(189,511)</u>
Total Other Financing Sources (Uses)	\$ <u>135,353</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>135,353</u>
Excess or (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	\$ 818,839	\$ 5,325	\$ 47,168	\$ 871,332
Fund Balance - July 1, 2011	<u>(5,419,573)</u>	<u>(2,665)</u>	<u>(69,797)</u>	<u>(5,492,035)</u>
Fund Balance (Deficit) - June 30, 2012	\$ <u>(4,600,734)</u>	\$ <u>2,660</u>	\$ <u>(22,629)</u>	\$ <u>(4,620,703)</u>

MILLBURN COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 24

EDUCATIONAL FUND

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual
	Original	Final	
Revenues (Page 43)			
Local Sources	\$ 7,834,304	\$ 7,834,304	\$ 7,728,092
Flow-Through Sources	114,168	114,168	---
State Sources	3,300,370	3,300,370	3,464,731
Federal Sources	<u>238,675</u>	<u>238,675</u>	<u>426,915</u>
Total Direct Revenues	\$ 11,487,517	\$ 11,487,517	\$ 11,619,738
Revenue For On-Behalf Payments	---	<u>1,750,000</u>	<u>1,759,032</u>
Total Revenues	\$ <u>11,487,517</u>	\$ <u>13,237,517</u>	\$ <u>13,378,770</u>
Expenditures (Pages 44-46)			
Instruction	\$ 8,064,580	\$ 8,024,580	\$ 7,808,223
Support Services	2,781,010	2,937,010	2,870,578
Community Services	161,860	161,860	65,675
Non-Programmed Charges	180,747	180,747	163,321
Debt Service	<u>50,000</u>	<u>50,000</u>	<u>28,455</u>
Total Direct Expenditures	\$ 11,238,197	\$ 11,354,197	\$ 10,936,252
Expenditures For On-Behalf Payments	---	<u>1,750,000</u>	<u>1,759,032</u>
Total Expenditures	\$ <u>11,238,197</u>	\$ <u>13,104,197</u>	\$ <u>12,695,284</u>
Excess or (Deficiency) of Revenues Cash Expenditures	\$ <u>249,320</u>	\$ <u>133,320</u>	\$ <u>683,486</u>
Other Financing Sources (Uses)			
Transfers In	\$ 7,209	\$ 7,209	\$ ---
Transfers Out	---	---	(189,511)
Proceeds of Loans and Leases	---	---	<u>324,864</u>
Total Other Financing Sources (Uses)	\$ <u>7,209</u>	\$ <u>7,209</u>	\$ <u>135,353</u>
Excess or (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	\$ <u>256,529</u>	\$ <u>140,529</u>	\$ 818,839
Fund Balance - July 1, 2011			<u>(5,419,573)</u>
Fund Balance (Deficit) - June 30, 2012			\$ <u>(4,600,734)</u>

MILLBURN COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 24

EDUCATIONAL FUND

SCHEDULE OF REVENUES

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual
	Original	Final	
Revenues			
Local Sources			
Property Taxes			
General Levies	\$ 6,749,266	\$ 6,749,266	\$ 6,646,419
Special Education Levies	157,293	157,293	150,159
Corporate Personal Property Replacement Taxes	18,000	18,000	2,364
Tuition	67,000	67,000	85,264
Earnings on Investments	600	600	59
Food Services	286,500	286,500	231,601
District/School Activities	90,000	90,000	95,829
Textbooks	227,095	227,095	246,313
Contributions	2,000	2,000	10,016
Other	<u>236,550</u>	<u>236,550</u>	<u>260,068</u>
	\$ <u>7,834,304</u>	\$ <u>7,834,304</u>	\$ <u>7,728,092</u>
Flow-Through Sources			
From State Sources	\$ <u>114,168</u>	\$ <u>114,168</u>	\$ <u>---</u>
State Sources			
General State Aid	\$ 2,845,121	\$ 2,845,121	\$ 2,845,074
Special Education	434,194	434,194	611,311
Bilingual Education	8,505	8,505	6,099
State Free Lunch and Breakfast	700	700	1,043
Other Grants In Aid	<u>11,850</u>	<u>11,850</u>	<u>1,204</u>
	\$ <u>3,300,370</u>	\$ <u>3,300,370</u>	\$ <u>3,464,731</u>
Federal Sources			
National School Lunch	\$ 43,200	\$ 43,200	\$ 46,888
ARRA Jobs Funding	---	---	167,694
IDEA Flow-Through	---	---	96,715
ARRA Preschool Special Ed	---	---	19,225
ARRA IDEA Flow-Through Special Ed	---	---	3,711
ARRA Title II	163,475	163,475	---
Safe and Drug Free Schools	---	---	23,788
Title II - Teacher Quality	12,000	12,000	14,050
Medicaid Matching	<u>20,000</u>	<u>20,000</u>	<u>54,844</u>
	\$ <u>238,675</u>	\$ <u>238,675</u>	\$ <u>426,915</u>
Total Direct Cash Revenue	\$ 11,487,517	\$ 11,487,517	\$ 11,619,738
Revenue For On-Behalf Payments	---	<u>1,750,000</u>	<u>1,759,032</u>
Total Revenues	\$ <u>11,487,517</u>	\$ <u>13,237,517</u>	\$ <u>13,378,770</u>

MILLBURN COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 24

EDUCATIONAL FUND

SCHEDULE OF EXPENDITURES

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2012

Expenditures	Budget		Actual
	Original	Final	
Instruction			
Regular Programs			
Salaries	\$ 4,643,027	\$ 4,603,027	\$ 4,207,999
Employee Benefits	1,192,034	1,192,034	968,205
Purchased Services	61,500	61,500	33,732
Supplies and Materials	79,843	79,843	110,315
Capital Outlay	10,800	10,800	324,864
Other Objects	1,700	1,700	25,688
Termination Benefits	<u>36,300</u>	<u>36,300</u>	<u>3,413</u>
	\$ <u>6,025,204</u>	\$ <u>5,985,204</u>	\$ <u>5,674,216</u>
Special Education Programs			
Salaries	\$ 1,347,510	\$ 1,347,510	\$ 1,484,754
Employee Benefits	133,565	133,565	166,347
Purchased Services	2,000	2,000	22,085
Supplies and Materials	22,846	22,846	31,758
Capital Outlay	---	---	30,940
Tuition	<u>3,000</u>	<u>3,000</u>	<u>2,353</u>
	\$ <u>1,508,921</u>	\$ <u>1,508,921</u>	\$ <u>1,738,237</u>
Interscholastic Programs			
Salaries	\$ 77,500	\$ 77,500	\$ 49,365
Employee Benefits	960	960	274
Purchased Services	13,000	13,000	10,759
Supplies and Materials	4,500	4,500	3,989
Capital Outlay	---	---	750
Other Objects	<u>1,000</u>	<u>1,000</u>	<u>2,375</u>
	\$ <u>96,960</u>	\$ <u>96,960</u>	\$ <u>67,512</u>
Summer School			
Salaries	\$ 35,000	\$ 35,000	\$ 10,165
Employee Benefits	434	434	44
Supplies and Materials	<u>2,200</u>	<u>2,200</u>	<u>927</u>
	\$ <u>37,634</u>	\$ <u>37,634</u>	\$ <u>11,136</u>
Gifted Programs			
Salaries	\$ 176,250	\$ 176,250	\$ 176,978
Employee Benefits	23,691	23,691	19,634
Supplies and Materials	500	500	246
Other Objects	<u>---</u>	<u>---</u>	<u>226</u>
	\$ <u>200,441</u>	\$ <u>200,441</u>	\$ <u>197,084</u>
Bilingual Programs			
Salaries	\$ 56,400	\$ 56,400	\$ 31,111
Employee Benefits	520	520	200
Supplies and Materials	<u>3,500</u>	<u>3,500</u>	<u>2,428</u>
	\$ <u>60,420</u>	\$ <u>60,420</u>	\$ <u>33,739</u>
Special Education Private Tuition Programs			
Other Objects	\$ <u>135,000</u>	\$ <u>135,000</u>	\$ <u>86,299</u>
Total Instruction	\$ <u>8,064,580</u>	\$ <u>8,024,580</u>	\$ <u>7,808,223</u>

MILLBURN COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 24

EDUCATIONAL FUND

SCHEDULE OF EXPENDITURES

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual
	Original	Final	
Expenditures (continued)			
Support Services			
Pupils			
Salaries	\$ 932,092	\$ 932,092	\$ 914,053
Employee Benefits	91,105	91,105	68,010
Purchased Services	19,000	19,000	22,330
Supplies and Materials	23,100	23,100	27,895
Capital Outlay	2,500	2,500	---
	<u>\$ 1,067,797</u>	<u>\$ 1,067,797</u>	<u>\$ 1,032,288</u>
Instructional Staff			
Salaries	\$ 156,230	\$ 156,230	\$ 203,448
Employee Benefits	65,800	65,800	73,352
Purchased Services	74,704	74,704	73,978
Supplies and Materials	64,552	64,552	45,428
Capital Outlay	85,950	85,950	22,738
Other Objects	2,865	2,865	---
	<u>\$ 450,101</u>	<u>\$ 450,101</u>	<u>\$ 418,944</u>
General Administration			
Salaries	\$ 119,600	\$ 119,600	\$ 141,440
Employee Benefits	32,830	32,830	49,431
Purchased Services	158,300	314,300	270,852
Supplies and Materials	1,300	1,300	3,652
Other Objects	14,000	14,000	10,674
	<u>\$ 326,030</u>	<u>\$ 482,030</u>	<u>\$ 476,049</u>
School Administration			
Salaries	\$ 334,150	\$ 334,150	\$ 415,635
Employee Benefits	92,556	92,556	80,059
Purchased Services	10,900	10,900	3,017
Supplies and Materials	1,500	1,500	1,511
Other Objects	---	---	571
	<u>\$ 439,106</u>	<u>\$ 439,106</u>	<u>\$ 500,793</u>
Business			
Salaries	\$ 97,500	\$ 97,500	\$ 100,522
Employee Benefits	11,898	11,898	5,566
Purchased Services	29,715	29,715	35,064
Supplies and Materials	4,250	4,250	3,350
Capital Outlay	2,000	2,000	192
Other Objects	---	---	231
	<u>\$ 145,363</u>	<u>\$ 145,363</u>	<u>\$ 144,925</u>
Food Services			
Salaries	\$ 8,000	\$ 8,000	\$ 185
Employee Benefits	100	100	1
Purchased Services	225,827	225,827	224,754
Supplies and Materials	31,000	31,000	4,565
Other Objects	500	500	554
	<u>\$ 265,427</u>	<u>\$ 265,427</u>	<u>\$ 230,059</u>

MILLBURN COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 24

EDUCATIONAL FUND

SCHEDULE OF EXPENDITURES

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual
	Original	Final	
Expenditures (continued)			
Support Services (continued)			
Central			
Purchased Services	\$ 32,500	\$ 32,500	\$ 43,350
Supplies and Materials	49,650	49,650	6,044
Capital Outlay	5,000	5,000	3,282
Other Objects	36	36	36
	<u>\$ 87,186</u>	<u>\$ 87,186</u>	<u>\$ 52,712</u>
Operations and Maintenance			
Employee Benefits	\$ ---	\$ ---	\$ 14,808
Total Support Services	<u>\$ 2,781,010</u>	<u>\$ 2,937,010</u>	<u>\$ 2,870,578</u>
Community Services			
Salaries	\$ 99,500	\$ 99,500	\$ 59,931
Employee Benefits	35,360	35,360	---
Purchased Services	7,000	7,000	1,369
Supplies and Materials	20,000	20,000	3,238
Other Objects	---	---	1,137
	<u>\$ 161,860</u>	<u>\$ 161,860</u>	<u>\$ 65,675</u>
Non-Programmed Charges			
Payments For Programs			
Purchased Services	\$ 24,700	\$ 24,700	\$ 19,492
Other Objects	156,047	156,047	143,829
	<u>\$ 180,747</u>	<u>\$ 180,747</u>	<u>\$ 163,321</u>
Debt Service			
Other Objects - Interest	\$ 50,000	\$ 50,000	\$ 28,455
Total Direct Expenditures	<u>\$ 11,238,197</u>	<u>\$ 11,354,197</u>	<u>\$ 10,936,252</u>
Expenditures For On-Behalf Payments	<u>---</u>	<u>1,750,000</u>	<u>1,759,032</u>
Total Expenditures	<u>\$ 11,238,197</u>	<u>\$ 13,104,197</u>	<u>\$ 12,695,284</u>

MILLBURN COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 24

WORKING CASH FUND

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		
	Original	Final	Actual
Revenues			
Local Sources			
Property Taxes	\$ 5,679	\$ 5,679	\$ 5,324
Earnings on Investments	<u>30</u>	<u>30</u>	<u>1</u>
Total Revenues	\$ <u>5,709</u>	\$ <u>5,709</u>	\$ <u>5,325</u>
Expenditures	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>
Excess or (Deficiency) of			
Revenues Over Expenditures	\$ <u><u>5,709</u></u>	\$ <u><u>5,709</u></u>	\$ 5,325
Fund Balance - July 1, 2011			<u>(2,665)</u>
Fund Balance (Deficit) - June 30, 2012			\$ <u><u>2,660</u></u>

MILLBURN COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 24

TORT IMMUNITY FUND

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual
	Original	Final	
Revenues			
Local Sources			
Property Taxes	\$ 45,136	\$ 48,000	\$ 44,728
Earnings on Investments	50	---	2,440
Total Revenues	\$ 45,186	\$ 48,000	\$ 47,168
Expenditures			
Support Services			
Purchased Services			
Insurance Premiums	\$ 156,000	\$ ---	\$ ---
Excess or (Deficiency) of Revenues Over Expenditures	\$ (110,814)	\$ 48,000	\$ 47,168
Fund Balance - July 1, 2011			(69,797)
Fund Balance - June 30, 2012			\$ (22,629)

MILLBURN COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 24

OPERATIONS AND MAINTENANCE FUND

SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual
	Original	Final	
Revenues			
Local Sources			
Property Taxes	\$ 901,095	\$ 901,095	\$ 888,177
Earnings on Investments	400	400	59
Other Revenue	<u>125,000</u>	<u>125,000</u>	<u>184,755</u>
Total Revenues	\$ <u>1,026,495</u>	\$ <u>1,026,495</u>	\$ <u>1,072,991</u>
Expenditures			
Support Services			
Operation and Maintenance of Plant			
Salaries	\$ 495,212	\$ 495,212	\$ 457,757
Employee Benefits	107,087	107,087	79,960
Purchased Services	470,000	470,000	226,942
Supplies and Materials	70,000	70,000	339,801
Capital Outlay	15,000	15,000	6,190
Other Objects	<u>3,000</u>	<u>3,000</u>	<u>2,669</u>
Total Support Services	\$ <u>1,160,299</u>	\$ <u>1,160,299</u>	\$ <u>1,113,319</u>
Non-Programmed Charges	\$ <u>20,000</u>	\$ <u>20,000</u>	\$ <u>30,143</u>
Total Expenditures	\$ <u>1,180,299</u>	\$ <u>1,180,299</u>	\$ <u>1,143,462</u>
Excess or (Deficiency) of Revenue Over Expenditures	\$ <u>(153,804)</u>	\$ <u>(153,804)</u>	\$ (70,471)
Fund Balance - July 1, 2011			<u>(364,774)</u>
Fund Balance - June 30, 2012			\$ <u>(435,245)</u>

MILLBURN COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 24

TRANSPORTATION FUND

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		
	Original	Final	Actual
Revenues			
Local Sources			
Property Taxes	\$ 448,471	\$ 448,471	\$ 446,219
Earnings on Investments	150	150	453
Other Revenue	35,000	35,000	22,151
Total Local Sources	\$ 483,621	\$ 483,621	\$ 468,823
State Sources			
Regular	\$ 492,377	\$ 492,377	\$ 306,612
Special Education	42,642	42,642	104,400
Total State Sources	\$ 535,019	\$ 535,019	\$ 411,012
Total Revenues	\$ 1,018,640	\$ 1,018,640	\$ 879,835
Expenditures			
Support Services			
Pupil Transportation			
Salaries	\$ 552,205	\$ 568,205	\$ 557,462
Employee Benefits	70,000	48,000	55,251
Purchased Services	17,000	47,911	275,137
Supplies and Materials	113,640	86,455	78,704
Capital Outlay	230,000	226,274	---
Other Objects	11,000	37,000	178
Total Support Services	\$ 993,845	\$ 1,013,845	\$ 966,732
Debt Services			
Interest	\$ ---	\$ ---	\$ 3,326
Principal	---	---	33,893
Total Debt Services	\$ ---	\$ ---	\$ 37,219
Total Expenditures	\$ 993,845	\$ 1,013,845	\$ 1,003,951
Excess or (Deficiency) of Revenues Over Expenditures	\$ 24,795	\$ 4,795	\$ (124,116)
Other Financing Sources (Uses)			
Sale of Bus	---	---	28,000
Excess or (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	\$ 24,795	\$ 4,795	\$ (96,116)
Fund Balance - July 1, 2011			433,746
Fund Balance - June 30, 2012			\$ 337,630

MILLBURN COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 24

ILLINOIS MUNICIPAL RETIREMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual
	Original	Final	
Revenues			
Local Sources			
Property Taxes	\$ 552,327	\$ 529,514	\$ 551,649
Personal Property Replacement Taxes	---	22,813	16,100
Earnings on Investments	---	---	94
Total Revenues	\$ <u>552,327</u>	\$ <u>552,327</u>	\$ <u>567,843</u>
Expenditures			
Instruction	\$ 167,232	\$ 177,232	\$ 168,801
Support Services	288,220	288,220	281,643
Community Services	---	10,000	11,523
Non-Programmed Charges - Special Education	<u>22,813</u>	<u>22,813</u>	<u>21,326</u>
Total Expenditures	\$ <u>478,265</u>	\$ <u>498,265</u>	\$ <u>483,293</u>
Excess or (Deficiency) of			
Revenues Over Expenditures	\$ <u>74,062</u>	\$ <u>54,062</u>	\$ 84,550
Fund Balance - July 1, 2011			<u>(175,938)</u>
Fund Balance - June 30, 2012			\$ <u>(91,388)</u>

MILLBURN COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 24

DEBT SERVICE FUND

BOND AND INTEREST FUND

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual
	Original	Final	
Revenues			
Local Sources			
Property Taxes	\$ 2,026,605	\$ 2,026,605	\$ 1,916,929
Earnings on Investments	<u>1,500</u>	<u>1,500</u>	<u>---</u>
Total Revenues	\$ <u>2,028,105</u>	\$ <u>2,028,105</u>	\$ <u>1,916,929</u>
Expenditures			
Debt Service			
Interest	\$ 438,051	\$ 438,051	\$ 312,126
Principal	1,480,000	1,480,000	1,774,135
Debt Service Fees	<u>2,500</u>	<u>2,500</u>	<u>2,850</u>
Total Expenditures	\$ <u>1,920,551</u>	\$ <u>1,920,551</u>	\$ <u>2,089,111</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ <u>107,554</u>	\$ <u>107,554</u>	\$ <u>(172,182)</u>
Other Financing Sources (Uses)			
Bond Proceeds	\$ ---	\$ ---	\$ 5,775,000
Payment to Refunded Debt Escrow Agent	---	---	(6,157,576)
Premium on Bonds Sold	---	---	490,792
Underwriting Costs	---	---	(103,538)
Transfers In	<u>---</u>	<u>---</u>	<u>189,511</u>
Total Other Financing Sources (Uses)	\$ <u>---</u>	\$ <u>---</u>	\$ <u>194,159</u>
Excess or (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	\$ <u>107,554</u>	\$ <u>107,554</u>	\$ 21,977
Fund Balance - July 1, 2011			<u>300,456</u>
Fund Balance - June 30, 2012			\$ <u>322,433</u>

MILLBURN COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 24

CAPITAL PROJECTS FUND

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
Revenues			
Local Sources			
Contributions and Grants	\$ <u>---</u>	\$ <u>---</u>	\$ <u>58,808</u>
Expenditures			
Facilities Acquisition			
Capital Outlay	\$ <u>100,000</u>	\$ <u>100,000</u>	\$ <u>---</u>
Excess or (Deficiency) of			
Revenues Over Expenditures	\$ <u>(100,000)</u>	\$ <u>(100,000)</u>	\$ <u>58,808</u>
Fund Balance - July 1, 2011			<u>912,396</u>
Fund Balance - June 30, 2012			\$ <u>971,204</u>

MILLBURN COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 24

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2012

NOTE 1 - BUDGETARY PROCESS

The District follows procedures mandated by Illinois State law and District Board policy to establish the budgetary data reflected in its financial statements. The budget was passed on September 19, 2011 and was amended on June 18, 2012. The modified accrual basis budgeted amounts in this report are the result of full compliance with the following procedures:

For each fund, total expenditures may not legally exceed the budgeted amounts. The budget lapses at the end of each fiscal year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing on that date. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally adopted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year.
5. The Board of Education may make transfers between the various items in any fund not exceeding in the aggregate 10% of the total of such fund as set forth in the budget.
6. The Board of Education may amend the budget (in other ways) by the same procedures required of its original adoptions.

NOTE 2 - EXCESS OF EXPENDITURES OVER BUDGET

For the year ended June 30, 2012, only the expenditures of the Debt Service (Bond and Interest) Fund exceeded the budget:

The over-expenditure occurred because the budget did not include debt service payments on the District's lease/purchase agreements which were covered by transfers from other funds.

SUPPLEMENTARY SCHEDULES

FIDUCIARY FUNDS
TRUST AND AGENCY FUNDS

Trust Funds are used to account for assets held by the District in a trustee capacity. Agency funds are used to account for assets held by the District as an agent for individuals, private organizations, other governments, and/or other funds.

Activity Fund - To account for monies donated by students to fund student events.

Flexible Spending Account Fund - To account for monies withheld for flexible spending benefits from employees wages and subsequent remittance to pay expenses.

MILLBURN COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 24

FIDUCIARY FUNDS

AGENCY FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2012

	<u>Agency</u>		
	<u>Activity Funds</u>	<u>Flexible Spending Account Fund</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ <u>32,117</u>	\$ <u>14,627</u>	\$ <u>46,744</u>
 Total Assets	 \$ <u>32,117</u>	 \$ <u>14,627</u>	 \$ <u>46,744</u>
 Liabilities and Fund Balances			
Liabilities			
Due To Student Groups	\$ 32,117	\$ ---	\$ 32,117
Unremitted Payroll Deductions	<u>---</u>	<u>14,627</u>	<u>14,627</u>
Total Liabilities	\$ <u>32,117</u>	\$ <u>14,627</u>	\$ <u>46,744</u>
 Total Liabilities and Fund Balances	 \$ <u>32,117</u>	 \$ <u>14,627</u>	 \$ <u>46,744</u>

MILLBURN COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 24

STUDENT ACTIVITY FUNDS

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2012

	Balance July 1, 2011	Receipts	Disbursements	Balance June 30, 2012
Millburn Central				
Band	\$ 2,667	\$ 4,578	\$ 4,055	\$ 3,190
Athletics	10,688	40,344	38,936	12,096
Field Trips	396	61,540	61,830	106
Grants	347	488	1,023	(188)
Middle School	557	21,465	17,609	4,413
Principal	1,249	14,759	10,408	5,600
Student Council	2,491	1,715	1,830	2,376
Sunshine	66	---	26	40
Yearbook	<u>4,584</u>	<u>12,097</u>	<u>15,774</u>	<u>907</u>
	\$ <u>23,045</u>	\$ <u>156,986</u>	\$ <u>151,491</u>	\$ <u>28,540</u>
Millburn West				
Athletics	\$ (368)	\$ 3,605	\$ 3,360	\$ (123)
Field Trips	811	25,187	25,785	213
Middle School	821	2,366	1,426	1,761
Principal	2,317	3,181	4,519	979
Student Council	34	2,650	2,650	34
Sunshine	635	1,154	1,079	710
Yearbook	<u>6,947</u>	<u>5,359</u>	<u>12,303</u>	<u>3</u>
	\$ <u>11,197</u>	\$ <u>43,502</u>	\$ <u>51,122</u>	\$ <u>3,577</u>
Totals	\$ <u>34,242</u>	\$ <u>200,488</u>	\$ <u>202,613</u>	\$ <u>32,117</u>

MILLBURN COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 24

FLEXIBLE SPENDING ACCOUNT FUND

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Assets

Cash and Cash Equivalents -	
Beginning Balance	\$ 8,457
Additions	66,850
Disbursements	<u>(60,680)</u>
Cash and Cash Equivalents - Ending Balance	\$ <u>14,627</u>

Liabilities

Unremitted Payroll Deductions Payable -	
Beginning Balance	\$ 8,457
Additions	66,850
Disbursements	<u>(60,680)</u>
Ending Balance	\$ <u>14,627</u>

MILLBURN COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 24

COMPUTATION OF PER CAPITA TUITION CHARGE

FOR THE YEAR ENDED JUNE 30, 2012

Total Expenditures

Educational Fund	\$ 10,936,252	
Operations and Maintenance Fund	1,143,462	
Bond and Interest Fund	8,350,225	
Transportation Fund	1,003,951	
Municipal Retirement Fund	<u>483,293</u>	\$21,917,183

Less: Receipts or Expenditures Not Applicable**To Operating Expense of Regular Term**

Special Education Programs	\$ 236,121	
Summer School	11,446	
Pre-K Special Education Tuition	86,299	
Community Services	77,198	
Capital Outlay (Education, Building, and Transportation Funds)	388,956	
Lease/Purchase Principal Retired	33,893	
Bond Principal Retired	7,394,135	
Payments to Other Districts and Governments	<u>214,790</u>	<u>8,442,838</u>

Operating Expense of Regular Program \$ 13,474,345

Average Daily Attendance 1,461.84

Net Operating Expense Per Pupil \$ 9,217.39

Deductions For Computation of Tuition Charges**(Revenue Offsetting Expense of a Special Activity)**

State Transportation Aid	\$ 417,672	
Special Education	611,311	
District/School Activity	95,829	
Food Services	278,489	
Textbooks	246,313	
Other Local Fees	180,786	
Rentals	167,705	
Other Grants-In-Aid	<u>272,433</u>	<u>2,270,538</u>

Net Operating Expenses For Tuition Computation \$ 11,203,807

Add: Total Depreciation Allowance 1,007,614

Total Allowance For Tuition Computation \$ 12,211,421

Average Daily Attendance 1,461.84

Per Capita Tuition Charge \$ 8,353.46

NOTE: These computations are prepared from the District's Annual Financial Report which it files with the Illinois State Board of Education on a regulatory basis of accounting. The regulatory basis is different than the basis of accounting used in this report.

FEDERAL COMPLIANCE REPORT

MILBURN CAIN & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS
4237 GROVE AVENUE
GURNEE, ILLINOIS 60031
PHONE: (847) 336-6455
FAX: (847) 336-9594

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education
Millburn Community Consolidated School District No. 24
Wadsworth, Illinois

We have audited the financial statements of

MILLBURN COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 24
WADSWORTH, ILLINOIS

as of and for the year ended June 30, 2012, and have issued our report thereon dated October 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Millburn Community Consolidated School District No. 24's (the District's) internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

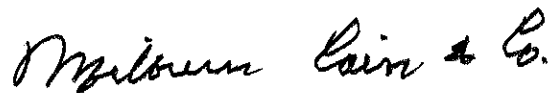
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Millburn Community Consolidated School District No. 24's financial statements are free of material misstatement, we performed tests on its compliance with certain provisions of laws, regulations, contracts and grants agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

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



MILBURN CAIN & CO.
Certified Public Accountants

Gurnee, Illinois
October 15, 2012