

**WEST AURORA SCHOOL DISTRICT 129**

**FINANCIAL STATEMENTS**

June 30, 2007

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Crowe Chizek and Company LLC  
Member Horwath International

## INDEPENDENT AUDITORS' REPORT

Board of Education  
West Aurora School District 129  
Aurora, Illinois

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of West Aurora School District 129 (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District, as of June 30, 2007, 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 a report dated October 1, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and other required supplementary information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 taken as a whole. The other supplementary information as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the District. The other supplementary information 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.

*Crowe Chizek and Company LLC*  
Crowe Chizek and Company LLC

Oak Brook, Illinois  
October 1, 2007

# **West Aurora School District 129**

## **Management's Discussion and Analysis**

### **For the Year Ended June 30, 2007**

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The discussion and analysis of West Aurora School District 129's (the District) financial performance provides an overall review of the District's financial activities for the year ended June 30, 2007. The management of the District encourages readers to consider the information presented herein in conjunction with the basic financial statements to enhance their understanding of the District's financial performance. Certain comparative information between the current year and the prior is required to be presented in the Management's Discussion and Analysis (the "MD&A").

#### **Overview of the Financial Statements**

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

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

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

#### *Government-wide financial statements*

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the government's net assets changed during the fiscal year being reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

# **West Aurora School District 129**

## **Management's Discussion and Analysis**

### **For the Year Ended June 30, 2007**

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#### *Fund financial statements*

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains 8 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the Education, Operations and Maintenance, Bond & Interest, Transportation, IMRF & Social Security, Working Cash, Site and Construction and Health and Life Safety funds. Of these funds the following have been determined to be major: General, Operations and Maintenance, Bond and Interest and Transportation.

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

Fiduciary funds are used to account for resources held for the benefit of parties outside the school district. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that for the government-wide financial statements.

# West Aurora School District 129 Management's Discussion and Analysis For the Year Ended June 30, 2007

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## Notes to the financial statements

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

## Other information

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

## District-Wide Financial Analysis

**Table 1  
Condensed Statement of Net Assets**

	<u>2006</u>	<u>2007</u>	<u>% Chg.</u>
Current & Other Assets	\$ 68,534,848	68,113,636	-1%
Capital Assets	<u>126,480,808</u>	<u>119,669,894</u>	-5%
<b>Total Assets</b>	<b><u>195,015,656</u></b>	<b><u>187,783,530</u></b>	-4%
Long-Term Debt Outstanding	136,174,372	132,830,611	-2%
Other Liabilities	<u>36,118,189</u>	<u>33,563,442</u>	-7%
<b>Total Liabilities</b>	<b><u>172,292,561</u></b>	<b><u>166,394,053</u></b>	-3%
Net Assets:			
Invested in Capital Assets, Net of Related Debt	4,006,368	4,006,368	0%
Restricted	8,847,887	9,427,889	101%
Unrestricted	<u>9,868,840</u>	<u>7,955,220</u>	-20%
<b>Total Net Assets</b>	<b>22,723,095</b>	<b>\$ 21,389,477</b>	<b>-6%</b>

Throughout the district, exterior door and window projects were completed. The district also had the opportunity to complete many asphalt projects. In addition, various abatement projects were completed during the 2006-07 school year.

The district's long-term debt and interest payable amounts continue to decrease as the district continues to adhere to their indebtedness obligations. The district's long term debt obligation was reduced \$3.4 million dollars at the end of FY07.

In March 2007, the district again issued Tax Anticipation Warrants in the amount of \$7.75 million. This outstanding debt was eliminated with the first 2006 tax distribution payment in June 2007. The passage of the operation rate in April 2007 will allow the district the opportunity to create a financial plan to reduce and eventually discontinue the need to issue Tax Anticipation Warrants in the future.

**West Aurora School District 129**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2007**

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**Table 2**  
**Changes in Net Assets**

	<u>2006</u>	<u>2007</u>	<u>% Chg.</u>
<b>Revenues:</b>			
<i>Program Revenues</i>			
Charges for Services	\$ 3,480,388	\$ 3,316,439	-5%
Operating Grants & Contributions	25,673,927	25,984,174	1%
Capital Grants & Contributions	1,082,711	296,381	-73%
<i>General Revenues</i>			
Property Taxes	56,151,731	62,347,629	8%
State Aid - Formula Grants	22,395,278	23,949,214	7%
Other	<u>2,904,716</u>	<u>4,190,953</u>	44%
<b>Total Revenues</b>	<b><u>111,688,751</u></b>	<b><u>120,084,790</u></b>	7%
<b>Expenses:</b>			
Instruction	52,851,450	67,638,221	28%
Pupil & Support Services	5,284,309	5,928,733	12%
Administration & Business	21,865,334	15,833,286	-28%
Transportation	6,471,856	6,669,120	3%
Operations & Maintenance	9,300,875	9,163,614	-1%
Other	<u>12,773,584</u>	<u>17,057,747</u>	34%
<b>Total Expenses</b>	<b><u>108,547,408</u></b>	<b><u>122,290,721</u></b>	13%
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 3,141,343</b>	<b>\$ (2,209,896)</b>	<b>-176%</b>

As indicated in the above chart, the expenses for FY07 exceeded the revenues thus reducing the district's net assets by 6%.

**West Aurora School District 129  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007**

**Table 3  
FY 07 Operating Revenue & Expense vs. Prior Year**

	<u>FY 06</u>	<u>FY 07</u>	<u>Variance Fav/(Unfav)</u>	<u>% Chg. Fav/(Unfav)</u>
<b>Revenues:</b>				
Education	\$ 81,621,307	\$ 92,185,018	\$ 10,563,711	13%
Operation & Maintenance	7,914,566	8,567,655	653,089	8%
Debt Service	10,001,866	11,121,439	1,119,573	11%
Transportation	5,555,363	5,517,282	(38,081)	-1%
IMRF / Soc. Sec.	2,584,925	2,705,738	120,813	5%
Site & Construction	1,916,147	109,983	(1,806,164)	-94%
Working Cash	82,613	149,257	66,644	81%
Health & Life Safety	<u>83,567</u>	<u>68,228</u>	<u>(15,339)</u>	-18%
<b>Total Revenue</b>	<b><u>109,760,354</u></b>	<b><u>120,424,600</u></b>	<b><u>10,664,246</u></b>	<b>10%</b>
<b>Expenses:</b>				
Education	83,315,400	91,124,630	-7,809,230	-9%
Operation & Maintenance	7,422,502	7,843,883	(421,381)	-5%
Debt Service	10,059,344	9,777,258	282,086	3%
Transportation	5,851,841	5,864,355	(12,494)	0%
IMRF / Soc. Sec.	2,371,659	2,212,862	158,797	7%
Site & Construction	8,759,786	1,531,696	7,228,090	472%
Health & Life Safety	<u>1,259,795</u>	<u>485,334</u>	<u>774,461</u>	160%
<b>Total Expense</b>	<b><u>119,040,327</u></b>	<b><u>118,840,018</u></b>	<b><u>200,309</u></b>	<b>0%</b>
<b>Revenue +/- Expense:</b>				
Education	(1,694,093)	1,060,388	2,754,481	161%
Operation & Maintenance	492,064	723,772	231,708	47%
Debt Service	(57,478)	1,344,181	1,401,695	2439%
Transportation	(296,478)	(347,073)	(50,595)	17%
IMRF / Soc. Sec.	213,266	492,876	279,610	131%
Site & Construction	(6,843,639)	(1,421,713)	5,421,926	79%
Working Cash	82,613	149,257	66,644	81%
Health & Life Safety	<u>(1,176,228)</u>	<u>(417,106)</u>	<u>759,122</u>	65%
<b>Total Revenue +/- Expense</b>	<b>\$ (9,279,973)</b>	<b>\$ 1,584,582</b>	<b>\$ 10,864,555</b>	<b>116%</b>

