

**VALLEY VIEW PUBLIC SCHOOLS
COMMUNITY UNIT SCHOOL DISTRICT NO. 365-U
ROMEDEVILLE, ILLINOIS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2007**

Prepared By

Finance Department

**VALLEY VIEW PUBLIC SCHOOLS
COMMUNITY UNIT SCHOOL DISTRICT NO. 365-U
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2007**

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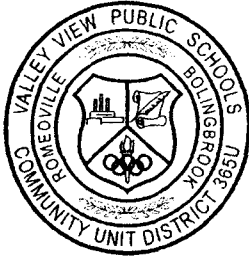
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Valley View Public Schools

Joanne Bourg
Treasurer
Administrative Services

755 Luther Drive
Romeoville, IL 60446
Phone: 815.886.2700

September 24, 2007

The Board of Education
Valley View Public Schools Community
Unit District No. 365-U
Romeoville, Illinois

With this letter, the Treasurer's office presents the Comprehensive Annual Financial Report of Valley View Public Schools Community Unit District No. 365-U for the year ended June 30, 2007. This letter of transmittal should be read in conjunction with Management's Discussion and Analysis. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the District's management. We believe this information is accurate and is presented in a manner that fairly sets forth the District's financial position and results of operations.

FINANCIAL STATEMENT PRESENTATION

To facilitate the understanding of the District's financial affairs, the Comprehensive Annual Financial Report (CAFR) is divided into the following major sections:

1. **Introductory Section:** This section includes this letter of transmittal, which summarizes the fiscal operations of the District, a list of District officials, an organizational chart and the Certificate of Achievement for Excellence in Reporting.
2. **Financial Section:** This section contains the report of the independent auditor, the Management Discussion and Analysis, the Basic Financial Statements, Notes to Financial Statements, Required Supplementary Information, and Other Supplementary Information that provide detailed information related to the basic financial statements.
3. **Statistical Section:** This section contains selected financial data and general information presented on a multi-year basis.

Valley View Community Unit District 365U - "An Uncommon Commitment to Quality in Education"

REPORTING ENTITY

The District provides a full range of school programs and services under the direction of the seven-member Board of Education. This includes early childhood, basic kindergarten through twelfth grade education in elementary, middle and high schools, special education services, alternative program, vocational and adult education, operation of student breakfast and lunch program and student transportation services. The District serves 17,816 pupils. There are 20 schools in the District - 2 high schools, 5 middle schools, 12 elementary schools and 1 early childhood center. An alternative program is housed in a middle school.

The financial statements present the District (the primary government) and, if applicable, its component units for which the elected officials are financially accountable. Financial accountability is defined as: (1) appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or (2) fiscal dependency on the primary government. There are no component units included in the District's reporting entity.

ECONOMIC CONDITION AND OUTLOOK

The District is situated thirty-five miles southwest of Chicago and 10 miles north of Joliet. The Village of Bolingbrook and Village of Romeoville are within the District's boundaries. Formerly a rural agricultural area, the District has experienced rapid residential growth. The 2006 total equalized assessed valuation of properties, within the District, is \$2,492,673,282. The median household income is \$49,249 for the Village of Bolingbrook, \$43,200 for the Village of Romeoville and \$38,664 for the State of Illinois according to the 2000 Census of Population and Housing. The District contains an area of approximately forty square miles and its current population is estimated at 107,209.

Three major highways, Interstate 55, North-South Tollway 355 and Illinois Route 53 cross the District and provide access to Chicago and surrounding suburban areas. Chicago's O'Hare International Airport and Midway Airport are approximately 25 and 20 miles, respectively from the District.

Since the 1990 U.S. Census was published, the Village of Bolingbrook's population has grown from 40,800 to an estimated 2000 population of 56,500, an increase of 33% from 1990. The Village of Romeoville's population has increased from 14,100 in 1990 to an estimated 2000 population of 21,100, an increase of 49%. At the end of 1998 the population of the State of Illinois was 12,419,293 up 8.6% over the 1990 census count of 11,430,602.

In July 1991 the Illinois State legislature made a number of decisions that have had a lasting effect on school finances. One in particular is the Property Tax Extension Limitation Act, which limits the annual increase in property tax extension to 5 percent, or the percent increase in the national consumer price index, whichever is less. The national consumer price index for determining the levy was as follows:

| Tax Levy Year | National Consumer Price Index |
|----------------------|--------------------------------------|
| 2007 | 2.5% |
| 2006 | 3.4% |
| 2005 | 3.3% |
| 2004 | 1.9% |
| 2003 | 2.4% |

MAJOR INITIATIVES

Since 1995, the District's student population has dramatically increased and projections are that an additional 2,500 students will come into the District through 2011. The greatest need in the mid 1990's was for elementary classroom space. Valley View Elementary School was reopened in 1996 with a 400-student capacity and, in 1999, voters authorized the construction of two new 800-student elementary schools. Pioneer Elementary opened in 2000 in Bolingbrook and Kenneth L. Hermansen Elementary opened in Romeoville in 2001.

As students advance through the grades and more families move into the rapidly growing area, the District needed to create further capacity for all students. In March 2002, the community by 67% supported a referendum to:

- Construct a new Bolingbrook High School with the capacity for students who reside in Bolingbrook within the boundaries of the District.
- Renovate and add to the Romeoville High School to create a second high school facility with sufficient space for students from Romeoville.
- Convert the existing Bolingbrook High School to a middle school.
- Convert B.J. Ward Middle School to an elementary school.

In August 2004 those projects were completed.

Additional student capacity was welcomed when Beverly Skoff Elementary School opened in August 2005 and Valley View Elementary school renovated for a District Early Childhood Center. John Lukancic Middle School was completed for opening August, 2006.

The District issued bonds totaling \$8,037,730 at an additional premium of \$6,478,367 for the purpose of renovating school facilities and to advance refund a portion of prior year bonds in fiscal year 2007.

ACCOUNTING SYSTEM AND INTERNAL CONTROL

The District's system of internal accounting control is designed to provide reasonable, but not absolute, assurance that District assets are safeguarded from unauthorized use or disposition and, that transactions are executed in accordance with generally accepted accounting principles.

In developing and evaluating the District's accounting system, consideration is given to the adequacy of internal accounting controls. The District's internal accounting controls are designed to provide reasonable, but not absolute assurance that;

- Assets are adequately safeguarded against loss from unauthorized use or disposition.
- Transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets.
- Transactions are executed in accordance with management's authorization.
- Access to assets is permitted only in accordance with management's authorization.
- The concept of reasonable assurance recognizes that:
- The cost of a control should not exceed the benefits likely to be derived and
- The evaluation of assets and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the District's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

BUDGETARY CONTROLS

Annually, the Board of Education adopts and approves a budget in accordance with the provisions of Illinois State Statutes. Budgetary control is maintained by encumbering estimated expenditures prior to the release of purchase orders to vendors. While budgetary control is maintained at the function level, management control is exercised at the object, or line item, level. All expenditures are approved by the Board of Education. An encumbrance system is used to measure the uncommitted budget item amount that is available at any time during the budget year. An obligation is made in the form of a purchase order, contract or salary commitment. When this occurs, the appropriate budgetary account and a portion of fund balance are reserved. Encumbered appropriations lapse at year-end and outstanding encumbrances are canceled at that date.

FINANCIAL CONDITION

The District has prepared financial statements following GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

As a part of the reporting model, management is responsible for preparing a Management's Discussion and Analysis of the District. The transmittal letter is designed to be read in conjunction with the Management's Discussion and Analysis. This discussion follows the Independent Auditor's Report, providing an assessment of the District finances for 2006 and a comparison to performance in 2005, a description of significant capital asset and long-term debt activity during the year and analysis of resources available for the future.

FUNDS MANAGEMENT AND RISK MANAGEMENT

Funds Management

The District's cash management philosophy continues to place an emphasis on the protection of principal while maximizing its rate of return. Deposits are initially made to an interest bearing checking account. Cash funds in excess of current requirements are then invested in accordance with the laws of the State of Illinois and Board policy. Interest income for all governmental fund types excluding the Capital Projects Fund was \$6,423,338; equivalent to the amount needed to provide one hundred twenty full year teaching positions.

When there are funds to invest, additional revenue can be earned, but if the money is needed for day-to-day cash flow the District must become the borrower. This scenario reduces revenues and increases expenditures, which is exactly the opposite of the outcome desired of the District's cash management program. It would have taken a 25 cent property tax rate increase to yield this year's total interest income.

Risk Management

The District is exposed to various risks of loss related to injuries to employees and illnesses of employees. The District is self-insured for workers' compensation and health claim risks. It is accounted for in the General Fund. Under this program the Fund provides coverage up to a maximum of \$175,000 for each health claim. The District purchases commercial insurance for claims in excess of the coverage provided by the programs for workers' compensation and health claims.

The District is exposed to a variety of accidental losses and has established a risk management strategy that attempts to minimize losses and the carrying cost of insurance. Risk control techniques have been established to reduce possible losses to property owned or under the control of the District. The primary technique used for risk financing is the purchase of insurance policies from commercial insurers that include a deductible amount. Should losses occur, the portion of the uninsured loss is not expected to be significant with respect to the financial position of the District.

STAFFING

Education is a "labor intensive" industry. The great majority of its discretionary dollars are spent on salaries. Staffing ratios are critical indicators. The pupil teacher ratio at the elementary grades was 22.1 and at the secondary grades 20.1.

INDEPENDENT AUDIT

Wermer, Rogers, Doran & Ruzon LLC have audited the financial records of the District for the fiscal year ended June 30, 2007, and their report is included in the Financial Section of this report.

AWARDS

The District received the Lincoln Foundation for Business Excellence 2000 commitment to Excellence Award, which is a state quality award.

The Association of School Business Officials International awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006.

The Certificate of Achievement for Excellence in Financial Reporting is a prestigious national award-recognizing conformance with the highest standards for preparation of school district financial reports. In order to be awarded a Certificate of Achievement, a school district must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy generally accepted accounting principles.

A Certificate of Excellence is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Excellence Program requirements, and we are submitting it to Association of School Business Officials International to determine its eligibility for another certificate.

ACKNOWLEDGMENT

I would like to take this opportunity to thank all the wonderful people that work for the District and contributed in the preparation of this report. I would also like to thank the Valley View Board of Education for their support in conducting the financial operations of the District in a most responsible manner.

Respectfully submitted,



Joanne R. Bourg, C.P.A.
Treasurer

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**VALLEY VIEW PUBLIC SCHOOLS
COMMUNITY UNIT DISTRICT 365-U**

DISTRICT OFFICIALS

**Romeoville and Bolingbrook, Illinois
For the fiscal year ended June 30, 2007**

BOARD OF EDUCATION

| | | Term Expires |
|---------------------------------|-----------------------|---------------------|
| Mark S. Cothron | President | 2009 |
| William Taylor | Vice-President | 2009 |
| Elizabeth "Liz" Campbell | Secretary | 2009 |
| David F. Carlson | Member | 2011 |
| Michael Evans | Member | 2011 |
| Steven Quigley | Member | 2011 |

DISTRICT ADMINISTRATION

| | |
|---------------------------------------|---------------------------------------------------------------------------------------|
| Phillips W. Schoffstall, Ed.D. | Superintendent |
| Chris Israelson | Assistant Superintendent, Human Resources |
| Gary Grizaffi | Assistant Superintendent, Administrative Services |
| Lou Cavallo, Ph.D. | Assistant Superintendent, Division of Middle & Secondary Education |
| Nancy Hayes | Assistant Superintendent, Division of Elementary Education |

OFFICIAL ISSUING REPORT

Joanne R. Bourg, C.P.A. **Treasurer**

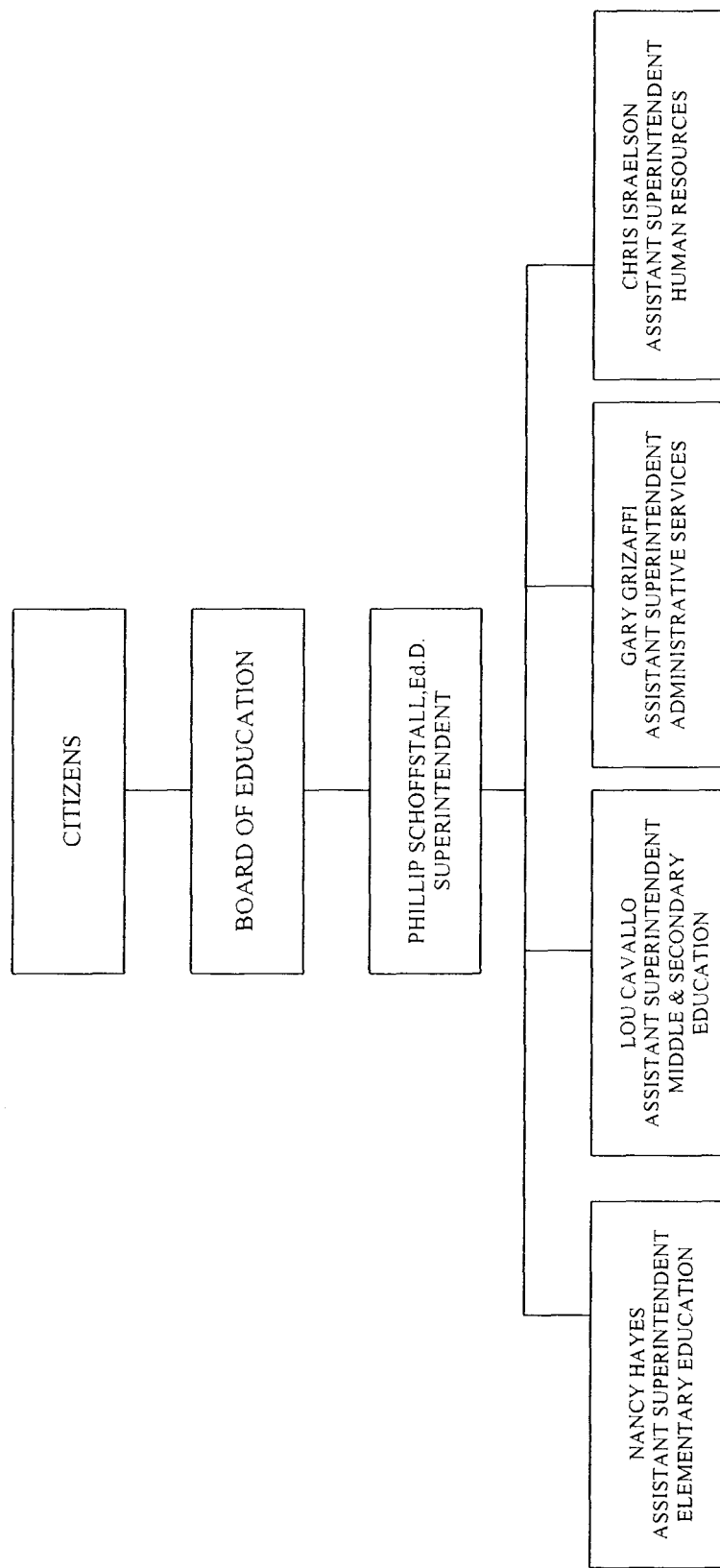
DEPARTMENT ISSUING REPORT

Finance Department

**Emmie D. Dunn Administrative Center
755 Luther Drive
Romeoville, Illinois 60446**

**VALLEY VIEW PUBLIC SCHOOLS
COMMUNITY UNIT DISTRICT NO. 365U**

ORGANIZATION CHART



**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

VALLEY VIEW PUBLIC SCHOOLS COMMUNITY UNIT SCHOOL DIST-365U

**For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2006**

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director



WERMER, ROGERS, DORAN & RUZON LLC CERTIFIED PUBLIC ACCOUNTANTS

755 ESSINGTON ROAD, JOLIET, ILLINOIS 60435 • 815/730-6250 • FAX 815/730-6257 • WWW.WRDR.COM

To the Board of Education
Valley View Public Schools
Community Unit District No. 365-U
755 Luther Drive
Romeoville, Illinois 60446

Report of Independent Auditors

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Valley View Public Schools Community Unit District No. 365-U (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 audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type 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 and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2007 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, the budgetary comparison schedule and the historical pension 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. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, according, we express no opinion on them.

Werner, Rogers, Osann + Reppert, LLC

September 24, 2007

**REQUIRED SUPPLEMENTARY INFORMATION –
MANAGEMENT'S DISCUSSION AND ANALYSIS**

VALLEY VIEW PUBLIC SCHOOLS
COMMUNITY UNIT SCHOOL DISTRICT NO. 365-U

Management's Discussion and Analysis
June 30, 2007

We offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Valley View Public Schools Community Unit School District 365-U for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- Total District assets of Governmental and Business-Type Activities exceeded its liabilities at June 30, 2007 by \$168,938,975. Of this amount, \$43,589,798 is unrestricted and available to meet District obligations.
- Total District net assets of Governmental and Business-Type Activities increased by \$7,569,388 for the year ended June 30, 2007.
- District combined fund balances at June 30, 2007 was \$156,500,412; a decrease of \$5,956,632 over the prior fiscal year primarily due to site and construction expenditures. The majority of total fund balance, \$100,381,730 is unreserved in the general fund. There is \$35,185,808 reserved for capital projects and \$2,050,040 reserved for fire prevention and safety.
- Total general revenues of the governmental activities were \$159,580,308 for the year ended June 30, 2007, of which 72% was received from local property taxes.
- Total capital assets of Governmental and Business-Type Activities net of depreciation were \$299,852,186 or 54% of total assets.
- Total liabilities increased by \$17,458,279 or an increase of 4.75% over the prior year.

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to the Valley View Public Schools basic financial statements. The District's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements- The government-wide financial statements are designed to provide readers with a broad view of the Valley View Public Schools finances, in a manner similar to private industry.

- The Statement of Net Assets presents information on all of the Valley View Public Schools assets and liabilities, with the difference reported as net assets. Over time, increase or decreases in net assets may serve as a useful indicator of whether the financial position of the Valley View Public Schools 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes.)

Both of the government-wide financial statements reflect functions of the Valley View Public Schools that are principally supported by property taxes. The school food program is considered

VALLEY VIEW PUBLIC SCHOOLS
COMMUNITY UNIT SCHOOL DISTRICT NO. 365-U

Management's Discussion and Analysis
June 30, 2007

a business-type activity. The governmental activities of the District include instruction, support services, community services, nonprogrammed charges and debt service interest. The government-wide financial statements include only the Valley View Public Schools. There are no other organizations or agencies whose financial statements should be combined and presented with the financial statements of the District.

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

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

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

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

The Valley View Public Schools maintains five 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 balance for the General Fund, Bond and Interest Fund and the Site and Construction Fund, which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Valley View Public Schools adopts an annual appropriated budget for its General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.

- **Proprietary Fund-**The District maintains a Food Service Fund to account for the sales of food to students and adults. The District operates this activity similar to that of a business. The food service fund is the District's only proprietary fund.

The basic proprietary fund financial statements can be found on pages 17 through 19 of this report.

- **Fiduciary Funds-**Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the

VALLEY VIEW PUBLIC SCHOOLS
COMMUNITY UNIT SCHOOL DISTRICT NO. 365-U

Management's Discussion and Analysis
June 30, 2007

government-wide financial statement because the resources of those funds are not available to support the Valley View Public Schools' own programs. The District maintains an Agency Fund-Student Activity Funds to account for resources held for student activities and groups. Agency Funds are custodial in nature and do not involve measurement of result of operations.

Notes to the financial statement- The notes provide additional information that is essential to full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 21 through 44 of this report.

Required Supplementary Information is presented concerning the District's General Fund budgetary schedule and the IMRF (Illinois Municipal Retirement Fund) pension schedule. The District adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison schedule has been provided the General Fund to demonstrate compliance with this budget. The IMRF pension schedule has been provided to present IMRF's progress in funding its obligation to provide pension benefits to District employees. Required supplementary information can be found on pages 45-47 of this report.

Other Supplementary information- In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information concerning the District beginning on page 48

District-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of Governmental Activities exceed liabilities by \$164,669,517 at June 30, 2007.

The following table reflects the condensed statement of net assets:

**VALLEY VIEW PUBLIC SCHOOLS
COMMUNITY UNIT SCHOOL DISTRICT NO. 365-U**

Management's Discussion and Analysis
June 30, 2007

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------------------------------|-------------------------|-----------------------|--------------------------|---------------------|-----------------------|-----------------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Assets | | | | | | |
| Current and Other Assets | \$ 249,632,196 | \$ 249,484,422 | \$ 3,900,039 | \$ 3,720,462 | \$ 253,532,235 | \$ 253,204,884 |
| Capital Assets | 299,422,409 | 274,801,506 | 429,777 | 350,364 | 299,852,186 | 275,151,870 |
| Total Assets | <u>549,054,605</u> | <u>524,285,928</u> | <u>4,329,816</u> | <u>4,070,826</u> | <u>553,384,421</u> | <u>528,356,754</u> |
| Liabilities | | | | | | |
| Long-Term Liabilities | 308,915,665 | 286,652,295 | - | - | 308,915,665 | 286,652,295 |
| Other Liabilities | 75,469,423 | 80,235,139 | 60,358 | 99,733 | 75,529,781 | 80,334,872 |
| Total Liabilities | <u>384,385,088</u> | <u>366,887,434</u> | <u>60,358</u> | <u>99,733</u> | <u>384,445,446</u> | <u>366,987,167</u> |
| Net Assets | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 107,546,051 | 87,726,983 | 429,777 | 350,364 | 107,975,828 | 88,077,347 |
| Restricted | 17,373,349 | 24,236,131 | - | - | 17,373,349 | 24,236,131 |
| Unrestricted | 39,750,117 | 45,435,380 | 3,839,681 | 3,620,729 | 43,589,798 | 49,056,109 |
| Total Net Assets | <u>\$ 164,669,517</u> | <u>\$ 157,398,494</u> | <u>\$ 4,269,458</u> | <u>\$ 3,971,093</u> | <u>\$ 168,938,975</u> | <u>\$ 161,369,587</u> |

The largest portion of the District's net assets (52%) reflects our investment in capital assets (land, buildings and improvements and furniture and equipment); less any related debt (general obligation bonds and obligations under capital leases less unspent bond proceeds) used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets totaled \$17,373,349. These assets are restricted for tort, fire prevention and safety projects, debt service and capital projects.

Unrestricted net assets totaled \$39,750,117. These assets may be used to meet ongoing obligations to students, employees and creditors.

At the end of the fiscal year, the District had positive balances in all three categories of net assets.

Total net assets of the District Governmental Activities increased \$7,271,023 at June 30, 2007. The net change is a result of increased property tax revenue, payments in lieu of taxes, general state aid, and investment earnings offset by higher instructional costs, support services and interest on debt.

Business-type activities will be discussed later in the proprietary fund section.

VALLEY VIEW PUBLIC SCHOOLS
COMMUNITY UNIT SCHOOL DISTRICT NO. 365-U

Management's Discussion and Analysis
June 30, 2007

Condensed Statement of Activities - Below are the District's revenues and expenses for the fiscal year ended June 30, 2007 and 2006. These two main components are subtracted to determine the changes in net assets.

| Revenue | Governmental Activities | | Business-type Activities | | Total | |
|---------------------------------------|-------------------------|-----------------------|--------------------------|---------------------|-----------------------|-----------------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2005 |
| Program Revenues | | | | | | |
| Charges For Services | \$ 2,039,234 | \$ 1,705,553 | \$ 3,658,126 | \$ 3,746,665 | \$ 5,697,360 | \$ 5,452,218 |
| Operating Grants and Contributions | 29,315,049 | 24,401,004 | 2,894,746 | 2,454,457 | 32,209,795 | 26,855,461 |
| Capital Grants and Contributions | 599,604 | 3,323,595 | - | - | 599,604 | 3,323,595 |
| General Revenue | | | | | | |
| Property Taxes | 115,266,955 | 105,265,091 | - | - | 115,266,955 | 105,265,091 |
| Payments in Lieu of Taxes | 10,260,415 | 9,404,479 | - | - | 10,260,415 | 9,404,479 |
| General State Aid | 25,344,320 | 23,812,660 | - | - | 25,344,320 | 23,812,660 |
| Investment Earnings | 8,601,019 | 5,822,375 | 211,388 | 120,473 | 8,812,407 | 5,942,848 |
| Other General Revenues | 107,599 | 420,988 | 30,044 | - | 137,643 | 420,988 |
| Total Revenues | <u>191,534,195</u> | <u>174,155,745</u> | <u>6,794,304</u> | <u>6,321,595</u> | <u>198,328,499</u> | <u>180,477,340</u> |
| Expenses | | | | | | |
| Instruction | 103,653,755 | 88,764,623 | - | - | 103,653,755 | 88,764,623 |
| Support Services | 54,622,378 | 52,801,792 | - | - | 54,622,378 | 52,801,792 |
| Community Services | 44,013 | 40,021 | - | - | 44,013 | 40,021 |
| Nonprogrammed Charges | 727,980 | 765,482 | - | - | 727,980 | 765,482 |
| State On-Behalf Contributions to TRS | 7,500,000 | 4,807,000 | - | - | 7,500,000 | 4,807,000 |
| Interest on Long-Term Debt | 17,715,046 | 16,807,125 | - | - | 17,715,046 | 16,807,125 |
| Food Services | - | - | 6,495,939 | 5,793,123 | 6,495,939 | 5,793,123 |
| Total Expenses | <u>184,263,172</u> | <u>163,986,043</u> | <u>6,495,939</u> | <u>5,793,123</u> | <u>190,759,111</u> | <u>169,779,166</u> |
| Excess of Revenues Over Expenses | 7,271,023 | 10,169,702 | 298,365 | 528,472 | 7,569,388 | 10,698,174 |
| Special Item - Gain on Sale of Assets | - | 6,764,533 | - | - | - | 6,764,533 |
| Increase in Net Assets | 7,271,023 | 16,934,235 | 298,365 | 528,472 | 7,569,388 | 17,462,707 |
| Net Assets, Beginning of Year | 157,398,494 | 140,464,259 | 3,971,093 | 3,442,621 | 161,369,587 | 143,906,880 |
| Net Assets, End of Year | <u>\$ 164,669,517</u> | <u>\$ 157,398,494</u> | <u>\$ 4,269,458</u> | <u>\$ 3,971,093</u> | <u>\$ 168,938,975</u> | <u>\$ 161,369,587</u> |

Revenue is divided into two major components: Program revenue and General revenue. Program revenue is defined as charges for services and sales, operating and capital grants and contributions. General revenue includes property taxes, payments in lieu of taxes, unrestricted grants, such as general state aid and investment earnings.

Our largest source of revenue continues to be local property taxes. Payments in lieu of taxes vary depending on the strength of the state economy. Unrestricted general state aid is a formula that will vary each year. Higher interest rates drive interest earnings.