

**Lemont Bromberek Combined
School District 113A
Annual Financial Report
For the Year Ended June 30, 2007**

Lemont Bromberek Combined School District 113A

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INDEPENDENT AUDITORS' REPORT

To The Board of Education
Lemont Bromberk Combined School District 113A
Lemont, Illinois

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, including the fiduciary fund, of the Lemont Bromberk Combined School District 113A as of and for the year ended June 30, 2007, which collectively comprise the School District's financial statements, as listed in the table of contents. These financial statements are the responsibility of the Lemont Bromberk Combined School District 113A's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

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

In our opinion, except for the effect on the financial statements of the item described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the Lemont Bromberk Combined School District 113A as of June 30, 2007, and the revenues it received and the expenditures it paid for the year then ended on the basis of accounting described in Note 1.

The management's discussion and analysis is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2007 on our consideration of the Lemont Bromberek Combined School District 113A's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Lemont Bromberek Combined School District 113A's basic financial statements. The individual fund financial schedules for the year ended June 30, 2007 listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic statements. The individual fund financial schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2007 and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The statistical schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Lemont Bromberek Combined School District 113A. This information has not been audited by us and, accordingly, we express no opinion on such matters.

Knuttle & Associates, P.C.

Lemont-Bromberek Combined School District 113A

Management's Discussion and Analysis

This section of the Lemont-Bromberek Combined School District 113A's (the District) annual financial report represents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2007.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis- for State and Local Governments*, issued June 1999. This is the fourth year that Lemont-Bromberek CSD 113A has complied with the GASB 34 changes, which allows us to have comparisons between the reporting years. The goal of this analysis is to provide the user with easy-to-use information about the District's financial performance during the past fiscal year.

Financial Highlights

- The District continues to receive increased Land Cash Donations. These are donations, in lieu of land for schools, made by the residential developers to offset the cost of additional facilities to accommodate additional students. For FY2007, the District received \$216,757 in Land Cash Donations in our Operations and Maintenance Fund.
- The District's IDEA grant from the federal government was continued again for this school year, which resulted in funding of approximately \$212,376.
- The renovation of Central Elementary has been completed, excluding the window replacement which will be completed in the summer of 2008. The district is funding this project with the fund balances from the Site & Construction fund as well as the Working Cash Fund.
- The district negotiated contracts with the AFT Local 604. The Certified Staff contract is for 5 years and the Support Staff contract is for 4 years.

Overview of the Financial Statements

This financial report consists of three parts – Management's Discussion and Analysis (this section), Basic Financial Statements, and Required Supplementary Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- Government-Wide Financial Statements; This consists of the *Statement of Net Assets* and the *Statement of Activities*, which provide both long-term and short-term information about the District's overall financial status.
- Fund Financial Statements; These statements focus on individual parts of the District and generally report operations in more detail than the government-wide financial statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial information.

Lemont-Bromberek Combined School District 113A

Management's Discussion and Analysis

The major features of the District's financial statements, including the portion of the District's activities they contain is shown in the following table.

Major Features of the Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary such as educational and operations and maintenance	Activities the District operates similar to private business. The District currently has no proprietary funds	Assets held by the District on behalf of someone else such as student activities monies
Required Financial Statements	Statement of Net Assets (deficit) and Statement of Activities	Balance Sheet, statement of revenues, expenditures and changes in fund balance (Deficit)	Statement of Net Assets, statement of revenues, expenses, and changes in net assets and statement of cash flows	Statement of fiduciary net assets
Accounting Basis and Measurement Focus	Actual Accounting and Economic Resources Focus	Cash basis accounting and current financial resources focus	Cash basis accounting and economic resources focus	Cash basis accounting and economic resources focus
Type of Asset/Liability Information	All Assets and Liabilities, both financial and capital; short-term and long-term	Revenues for which cash is received during the fiscal year; no capital assets or long-term liabilities included	All assets and liabilities; both financial and capital; short-term and long-term	All assets and liabilities, both short-term and long-term; funds may contain capital assets
Type of Inflow/Outflow Information	All revenue and expenses received or paid during the year	Revenues for which cash is received during the year; Expenditures when goods and services have been received and the related liability is due and payable	All revenues and expenses during the year	All additions or deductions during the years

Management's Discussion and Analysis

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Government-Wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All the current year's revenues and expenses are accounted for in the statement of activities.

Unlike a private sector company, the District cannot readily convert fixed assets to liquid assets; the District cannot sell a school building and use the cash. Districts can, and sometimes do, convert fixed assets to cash through the sale of property; however this is a rare event and not easily accomplished.

The government-wide financial statements report the District's net assets and how they have changed throughout the year. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one needs to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

The government-wide financial statements, the District's activities are presented as follows:

- *Governmental activities* – Most of the District's basic services are included here, such as regular and special education, transportation, support services, community programs, and administration. Property taxes and state formula aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds- not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs and to demonstrate compliance with regulatory requirements.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds 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 (such as working cash).

The district has two kinds of funds:

Governmental funds – Most of the District's services are included in governmental funds, which generally focus on (1) how cash, and other financial assets that can readily be converted to cash, flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer resources that can be spent in the near future to finance the District's programs. Because this information

Lemont-Bromberek Combined School District 113A

Management's Discussion and Analysis

does not encompass the additional long-term focus of the government-wide statements, additional information is included as a separate statement explaining the relationship (or differences) between them.

Fiduciary Funds – The District serves as a trustee, or fiduciary, for assets that belong to others, such as 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. These activities are excluded from the government-wide financial statements because the District cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net Assets: The following summary data is compared with data from the preceding year.

The District's total net assets decreased between June 30, 2006 and June 30, 2007. The overall decrease of \$851,556 was due to the fact that a deficit budget was adopted and that the expenditures for the year exceeded the revenues for the year by this amount. The over expenditures were paid for by fund balances that the district has in place.

The following is a summary of the District's net assets for the year ending June 30, 2007:

	Governmental Activities	Governmental Activities
	2005-2006	2006-2007
Current Assets	\$ 10,874,939	\$ 8,804,542
Capital Assets (Less Depreciation)	\$ 30,391,596	\$ 30,434,690
Total Assets	\$ 41,266,535	\$ 39,239,232
Current Liabilities (Short term debt)	\$ 1,175,746	\$ 1,118,932
Noncurrent Liabilities (Long term debt)	\$ 20,971,051	\$ 19,852,119
Total Liabilities	\$ 22,146,797	\$ 20,971,051
Net Assets (deficit)		
Invested in Capital (Net of Debt)	\$ 8,244,799	\$ 9,463,639
Restricted for Capital Projects	\$ 324,734	\$ (971,881)
Restricted for Debt Service	\$ 3,025,963	\$ 2,924,266
Unrestricted	\$ 7,524,242	\$ 6,852,157
Net Assets as Restated		
Total Net Assets	\$ 19,119,738	\$ 18,268,181
Change in Net Assets	\$ (967,778)	\$ (851,556)

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Management's Discussion and Analysis

Change in net assets: The stated change in net assets was a decrease of \$851,556. The drop in current assets is a direct result of expenditures exceeding revenues. The District anticipated increased expenses from collective bargaining agreements, but the continuing increase in the District's enrollment and expenditures coupled with the slower and smaller increase in the District's revenues result in deficit spending.

Statement of Activities

	Governmental Activities	Governmental Activities
	2005-2006	2006-2007
Revenue		
Taxes:		
Corporate Personal Property Replacement	\$ 316,184	\$ 316,185
Property Taxes, levied for general purposes	\$ 11,978,196	\$ 13,026,006
Property Taxes, levied for debt service	\$ 2,893,416	\$ 2,693,414
Property Taxes, levied for specific programs:		
Tort Immunity	\$ 0	\$ 0
Transportation	\$ 812,335	\$ 860,854
Municipal Retirement	\$ 441,495	\$ 471,260
State Aid - formula grants	\$ 860,973	\$ 1,112,729
Unrestricted investment earnings	\$ 407,441	\$ 538,550
Program Revenues:		
Charges for Services	\$ 1,424,798	\$ 1,257,408
Operating Grants	\$ 2,167,847	\$ 2,810,321
Other Revenue	\$ 0	\$ 8,500
Total Revenue	\$ 21,302,685	\$ 23,095,227
Expenses		
Instruction	\$ 10,862,185	\$ 11,596,271
Support Services	\$ 7,326,362	\$ 7,910,149
Nonprogrammed Charges	\$ 1,063,940	\$ 1,212,601
Interest on Long-Term Debt	\$ 1,486,476	\$ 1,743,265
Depreciation - Unallocated	\$ 1,239,939	\$ 1,239,939
Capital Outlay	\$ 646,768	\$ 1,527,591
Capital Assets	\$ (306,516)	\$ (1,283,033)
Principal Payments on Leases	\$ (48,691)	\$ 0
Total Expenses	\$ 22,270,463	\$ 23,946,783
Change in Net Assets	\$ (967,778)	\$ (851,556)

Lemont-Bromberek Combined School District 113A

Management's Discussion and Analysis

Changes in Net Asset: The District's total revenues for the year were \$23,095,227 which is more than the \$21.60 million budgeted. This surplus is due to the increase in a variety of sources. Local Taxes, totaling \$17,051,534, accounted for approximately 73.83% of the total. Flow through funds, in the form of IDEA grants, accounted for \$259,345, which was 1.1% of the total revenues. State Funding accounted for 14.93%, totaling \$3,447,078.

Compared to 2005-2006, our revenues have increased by \$1,792,542. Property Taxes increased by 5.75%, due to the tri-annual Cook County re-assessment. The largest increase in revenue was realized in our donations received from private parties, which increased by 69.88% from 2005-2006.

Total Expenditures for all governmental programs totaled \$25,165,624. Expenditures are predominantly related to instruction and instructional support services such as transportation and maintenance of the physical plant. In 2006-2007, our expenditures increased even further than the revenues, a trend that is expected to continue. The district will be looking at ways to increase revenues and decrease expenditures in order to reverse this trend.

Agency (Activity) Funds

Activity Funds, which include both Student Activity Funds and Various Building Funds, have continued to decrease over the year. These funds have been raised to offset upcoming capital costs around the district, and are anticipated to decrease even further in FY2007.

Financial Analysis of the District's Funds

The financial performance of the District matches the scenario that many Illinois School Districts are facing. When expenditures continuously exceed revenues over a sustained period of time, deficit spending is inevitable.

- The largest expenses of the District, salaries and benefits, are increasing at a faster pace than our largest revenue source, property taxes.
- Throughout the poor economic times that the country and the state have endured, the District has managed to earn interest on our investments. In 2006-2007, our investment earnings rose by 32.18%, totaling \$538,550.

General Fund Budgetary Highlights

Capital Assets: The District upgraded more of the teacher computers throughout the schools, and will continue to upgrade computer equipment as needed.

Transportation: The District provides transportation to and from school for every child that lives further than a mile from school, and in many cases, less than a mile. These exceptions are made on an individual basis when special circumstances prevent the student from safely walking to school. In addition to the public school students, our District also transports the students of the two major parochial schools within the District. Because of the growing population of the area, the District is transporting more students each year, which causes our expenses to rise. With the leasing of Bromberek School to the Archdiocese of Chicago, we now transport many of St. Alphonsus and St. Patrick's School across the Des Plaines River Canal, which increased our mileage and fuel consumption.

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Management's Discussion and Analysis

Long-Term Debt: The District has issued bonds for Capital Appreciation Bonds (CAB), and Limited Tax Bonds, Limited Tax Capital Appreciation Bonds, and School Bonds.

Type	Year	Amount of Issue	Amount Outstanding
CAB	1995	\$ 16,358,467	\$ 8,289,552
Limited Tax, WC	2001A	\$ 1,625,000	\$ 1,195,000
Limited Tax CAB, WC	2001B	\$ 1,068,071	\$ 669,853
CAB	2001D	\$ 6,914,760	\$ 6,487,323
CAB	2002	\$ 4,329,323	\$ 4,329,323
Total Long Term Debt		\$ 30,295,621	\$ 20,971,051

Revenue is collected by the County Assessor to cover the payments on these bonds. Bond Payments are not under the tax cap.

The District utilizes leases for certain types of equipment, including buses and copying equipment. For buses, the District enters into three-year leases on each bus. Imaging equipment is normally a five-year lease that is renegotiated near the end of the lease agreement to bring newer equipment into the District.

Factors Bearing on the District's Financial Future

The School District's Financial Profile, compiled by the Illinois State Board of Education, has listed Lemont-Bromberek CSD 113A under the "Financial Recognition" category, which is its top honor. However, there are some factors that should affect the District's long-term financial health;

- The State has increased the foundation level once again for FY2007. This increase, along with other changes to state funding, is expected to increase our state revenues.
- The type of Equalized Assessed Value that the District is realizing tax revenue from is showing a growing percentage of residential property. This kind of property obviously increases our enrollment as well, which causes expenditures to increase proportionately. Additionally, with the new 7% cap on residential equalized assessed value increases in Cook County, this will likely drive up the taxes realized by our commercial and industrial property as well as our DuPage residents.
- The number of new and proposed subdivisions within our district boundaries indicates that our enrollment should continue to grow within the next five years. However, the new growth in the District for 2006-2007 did not produce the number of students that were projected. As the subdivisions continue to develop, the District will continue to evaluate its growth plan utilizing our existing facilities and evaluate the possibilities of constructing a new facility as the student population increases.

Lemont-Bromberek Combined School District 113A

Management's Discussion and Analysis

Contacting the District's Financial Management Team

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Manager, Mr. Robert Beckwith, at Lemont-Bromberek Combined School District 113A, 16100 W. 127th St., Lemont, IL 60439.

Lemont Bromberek Combined School District 113A
Statement of Net Assets (Cash Basis)
June 30, 2007

	GOVERNMENTAL ACTIVITIES
ASSETS	
Current Assets	
Cash	\$ 8,804,542
Total Current Assets	<u>8,804,542</u>
Non-Current Assets	
Capital Assets Not Being Depreciation (Land)	3,088,405
Other Capital Assets, Net of Depreciation	<u>27,346,285</u>
Total Non-Current Assets	<u>30,434,690</u>
TOTAL ASSETS	<u>39,239,232</u>
LIABILITIES	
Current Liabilities	
Bonds Payable	<u>1,118,932</u>
Total Current Liabilities	<u>1,118,932</u>
Non-Current Liabilities	
Bonds Payable	<u>19,852,119</u>
Total Non-Current Liabilities	<u>19,852,119</u>
TOTAL LIABILITIES	<u>20,971,051</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	9,463,639
Unrestricted	<u>8,804,542</u>
TOTAL NET ASSETS	<u>\$ 18,268,181</u>

See Accompanying Notes To The Financial Statements.

Lemont Bromberek Combined School District 113A
Statement of Activities (Cash Basis)
For the Year Ended June 30, 2007

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSES) REVENUE AND CHANGES IN NET ASSETS	
	Expenses	Charges for Services	Operating Grants		Capital Grants and Contributions
Governmental Activities					
Instruction	\$ 14,293,369	\$ 689,660	\$ 4,085,702	\$ 405,096	\$ (9,112,911)
Support Services	7,910,149	0	0	0	(7,910,149)
Interest on Long-Term Debt	1,743,265	0	0	0	(1,743,265)
TOTAL	\$ 23,946,783	\$ 689,660	\$ 4,085,702	\$ 405,096	(18,766,325)
GENERAL REVENUES					
Taxes					
Property taxes levied for general purposes					17,051,534
Replacement taxes for general purposes					316,185
Interest Income					538,550
Other Revenue					8,500
TOTAL GENERAL REVENUES					17,914,769
CHANGE IN NET ASSETS					(851,556)
NET ASSETS,					
BEGINNING OF YEAR					19,119,737
END OF YEAR					\$ 18,268,181

See Accompanying Notes To The Financial Statements.

Lemont Bromberek Combined School District 113A
Governmental Funds
Statement of Assets, Liabilities and Fund Balances Arising From Cash Transactions
June 30, 2007

	<u>Education</u>	<u>Operations & Maintenance</u>	<u>Bond and Interest</u>	<u>Working Cash</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS						
Cash	\$ (1,677,651)	\$ 1,708,967	\$ 2,924,266	\$ 5,492,942	\$ 356,018	\$ 8,804,542
Due from Activity Fund	0	0	0	0	0	0
TOTAL ASSETS	<u>(1,677,651)</u>	<u>1,708,967</u>	<u>2,924,266</u>	<u>5,492,942</u>	<u>356,018</u>	<u>8,804,542</u>
TOTAL LIABILITIES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCES (DEFICITS)						
Fund Balances, Unreserved						
Undesignated	(1,677,651)	1,708,967	0	0	0	31,316
Special Revenue Funds	0	0	0	0	1,327,899	1,327,899
Debt Service Fund	0	0	2,924,266	0	0	2,924,266
Capital Projects Fund	0	0	0	0	(971,881)	(971,881)
Permanent Fund	0	0	0	5,492,942	0	5,492,942
TOTAL FUND BALANCES	<u>(1,677,651)</u>	<u>1,708,967</u>	<u>2,924,266</u>	<u>5,492,942</u>	<u>356,018</u>	<u>8,804,542</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ (1,677,651)</u>	<u>\$ 1,708,967</u>	<u>\$ 2,924,266</u>	<u>\$ 5,492,942</u>	<u>\$ 356,018</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital Assets used in governmental funds are not financial resources and therefore are not reported in the fund financial statements.	30,434,690
Bonds Payable are reported as liabilities in the government-wide financial statements but not in the fund financial statements.	<u>(20,971,051)</u>
NET ASSETS OF GOVERNMENTAL FUNDS	<u>\$ 18,268,181</u>

See Accompanying Notes To The Financial Statements.

Lemont Bromberek Combined School District 113A
Governmental Funds
Statement of Revenues Received, Expenditures Disbursed and Changes in
Fund Balances (Deficits)
For the Year Ended June 30, 2007

	Education	Operations & Maintenance	Bond and Interest	Working Cash	Other Governmental Funds	Total
REVENUES RECEIVED						
Property Taxes	\$ 11,229,935	\$ 1,796,071	\$ 2,693,414	\$ 0	\$ 1,332,114	\$ 17,051,534
Replacement Taxes	316,185	0	0	0	0	316,185
Charges for Services	647,466	42,194	0	0	0	689,660
Donations from Private Sources	136,119	268,977	0	0	0	405,096
Payments from Other LEA's	162,652	0	0	0	0	162,652
Unrestricted State Aid	876,473	0	0	0	0	876,473
TRS On-Behalf Contributions	953,256	0	0	0	0	953,256
Restricted State Aid	1,112,729	0	0	0	768,216	1,880,945
Restricted Federal Aid	212,376	0	0	0	0	212,376
Interest	63,985	70,714	123,901	224,649	55,301	538,550
Other Revenue	0	0	0	0	8,500	8,500
TOTAL REVENUES RECEIVED	15,711,176	2,177,956	2,817,315	224,649	2,164,131	23,095,227
EXPENDITURES DISBURSED						
Current						
Instruction	11,409,407	0	0	0	186,864	11,596,271
Operations and Maintenance	0	2,228,354	0	0	0	2,228,354
Support Services	4,337,131	0	0	0	1,344,664	5,681,795
Nonprogrammed Charges	259,345	0	0	0	0	259,345
TRS On-Behalf Payments	953,256	0	0	0	0	953,256
Debt Service						
Principal	0	0	1,175,747	0	0	1,175,747
Interest	0	0	1,743,265	0	0	1,743,265
Capital Outlay	0	0	0	0	1,527,591	1,527,591
TOTAL EXPENDITURES DISBURSED	16,959,139	2,228,354	2,919,012	0	3,059,119	25,165,624
NET CHANGE IN FUND BALANCES	(1,247,963)	(50,398)	(101,697)	224,649	(894,988)	(2,070,397)
FUND BALANCES (DEFICITS),						
BEGINNING OF YEAR	(429,688)	1,759,365	3,025,963	5,268,293	1,251,006	10,874,939
END OF YEAR	\$ (1,677,651)	\$ 1,708,967	\$ 2,924,266	\$ 5,492,942	\$ 356,018	\$ 8,804,542

See Accompanying Notes To The Financial Statements.

Lemont Bromberek Combined School District 113A
Reconciliation of the Statement of Revenues Received, Expenditures Disbursed and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds (Statement of Revenues Received, Expenditures Disbursed and Changes in Fund Balances)	\$ (2,070,397)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Depreciation of Capital Assets is not considered an expenditure in the fund financial statements but is considered an expense in the government-wide statements.	(1,239,939)
Purchase of Capital Assets is considered an expenditure in the fund financial statements but is not considered an expense in the government-wide statements.	1,283,033
Principal debt payments are considered an expenditure in the fund financial statements but are not considered an expense in the government-wide statements.	<u>1,175,747</u>
Change in Net Assets of Governmental Activities (Statement of Activities)	<u>\$ (851,556)</u>

See Accompanying Notes To The Financial Statements.

Lemont Bromberek Combined School District 113A
Fiduciary Fund
Student Activity Funds
Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2007

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
ASSETS				
Cash in the Custody of the School District	\$ 29,622	\$ 87,613	\$ 80,102	\$ 37,133
TOTAL ASSETS	<u>29,622</u>	<u>87,613</u>	<u>80,102</u>	<u>37,133</u>
LIABILITIES				
Due to Other Funds				
Due to Activity Organizations	29,622	\$ 87,613	\$ 80,102	37,133
TOTAL LIABILITIES	<u>\$ 29,622</u>	<u>\$ 87,613</u>	<u>\$ 80,102</u>	<u>\$ 37,133</u>

See Accompanying Notes To The Financial Statements.

Lemont Bromberek Combined School District 113A
Notes To The Financial Statements
For The Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lemont Bromberek Combined School District 113A the "School District" operates as a public school system under the direction of its Board of Education. In meeting the educational needs of the students within its boundaries, the District also operates a school lunch program and provides student transportation services at the four schools included in the District.

A. Reporting Entity

The School District follows the provisions of Governmental Accounting Standards Board Statement No. 39, "Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14". As defined by generally accepted accounting principles established by GASB, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate, tax-exempt entities and meet all of the following criteria:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The School District has concluded that no entities meet the criteria of Statement 39 for inclusion as a component unit. Likewise, the School District is not required to be included as a component unit of any other entity.

B. Changes in Accounting Methods

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (GASB 34). The Lemont Bromberek Combined School District 113A has implemented GASB 34 effective July 1, 2002. As a result, an entirely new financial presentation format has been implemented. The implementation of GASB 34 adds two "Government-Wide" financial statements as basic financial statements required for all governmental units. They are the Statement of Net Assets, which presents the financial condition of the governmental and business-type activities of the School District at fiscal year end, and the Statement of Activities, which presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities.

The reporting model for GASB 34 classifies funds as either governmental activities, business-type activities, or fiduciary funds. Further, all non-fiduciary funds are classified as major or non-major funds. In reporting financial condition and results of operations for governmental units, the new standard concentrates on major funds versus non-major funds.

Lemont Bromberek Combined School District 113A
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Changes in Accounting Methods (Continued)

Both new statements are prepared on the modified cash basis of accounting. Previously, the School District used the cash basis of accounting, which did not include capital assets or long-term debt. The cash basis of accounting is a comprehensive basis of accounting other than Generally Accepted Accounting Principles (GAAP).

C. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by function revenues. Direct expenses are those that are clearly identifiable with a specific function. The School District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges to residents who purchase, use or directly benefit from goods, services, or privileges provided by a given function, and grants and contributions that are restricted to meeting the operational and capital requirements of a particular function. Taxes and other income items that are not specifically related to a function are reported as general revenues.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into individual funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, 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.

Funds are organized as major funds or non-major funds within the governmental statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the entity or meets the following criteria:

- Total assets, liabilities, revenues or expenditures of the individual governmental fund are at least ten percent of the corresponding total for all funds of that category or type and
- Total assets, liabilities, revenues or expenditures of the individual governmental fund are at least five percent of the corresponding total for all governmental funds combined.

Governmental Funds (Governmental Activities)

Governmental fund types are those through which most governmental functions of the School District are financed. The School District's expendable financial resources are accounted for through governmental funds. The measurement focus is based upon determination of changes in financial position rather than upon net income determination. A brief explanation of the School District's governmental funds follows:

Lemont Bromberek Combined School District 113A
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued)

FUND FINANCIAL STATEMENTS (CONTINUED)

Governmental Funds (Governmental Activities) (Continued)

General Funds

The Educational Fund is the general operating fund of the School District. It is used to account for most of the instructional and administrative aspects of the District's operations.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenses for specific purposes.

The Operations and Maintenance Fund is used to account for the revenues of taxes levied for maintenance supplies and staff for the general upkeep of all schools within the School District.

Transportation Fund - This fund accounts for the revenues of taxes levied and related expenses for the transportation of students to and from the schools.

IMRF and Social Security Fund - This fund accounts for the revenues of taxes levied and related expenses for employer payments for retirement contributions.

Debt Service Fund

The Bond and Interest Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Fund

The Site and Construction Fund accounts for financial resources acquired through grant funds and bond issues, which are to be used for improvements and additions to school facilities and equipment.

Permanent Fund

The Working Cash Fund is used to account for the financial resources held by the School District to be used for loans for working capital requirements.

MAJOR FUNDS

The District reports the following major funds:

- Education Fund
- Operations and Maintenance Fund
- Bond and Interest Fund
- Working Cash

Lemont Bromberek Combined School District 113A
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued)

FUND FINANCIAL STATEMENTS (CONTINUED)

Governmental Funds (Governmental Activities) (Continued)

NON-MAJOR FUNDS

The District reports the following non-major funds:

- Transportation Fund
- IMRF and Social Security Fund
- Site and Construction Fund

FIDUCIARY ACTIVITIES

The Student Activity Funds account for funds collected which are held in escrow by the School District. The funds are collected by the student body and are used at their discretion.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures (or expenses) and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting also refers to the timing of the measurements made, regardless of the measurement focus applied. The government-wide Statement of Net Assets and Statement of Activities were both prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than Generally Accepted Accounting Principles (GAAP). The fund financial statements were prepared on the cash basis of accounting. Under the cash basis of accounting, revenues are recognized when collected and expenditures are recognized when paid. Furthermore, only assets, liabilities, and fund balances arising from cash transactions are recognized.

Accordingly, recognition of receivables, payables, and other accrued or deferred items is not applicable. The difference between the modified cash basis of accounting and the cash basis of accounting is that the former includes capital assets and long-term debt, which the latter does not. Standards established by Generally Accepted Auditing Standards (GAAS) require GAAP for governmental units. Conformance with GAAP would require the financial statements to be prepared on the accrual or modified accrual basis of accounting. Accordingly, these financial statements are not intended to present the financial position and results of operations in conformity with GAAP.

E. Measurement Focus

On the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the flow of economic resources measurement focus, which means all assets and liabilities (whether current or non-current) are included on the Statement of Net Assets and the operating statements present increases and decreases in net total assets.

Lemont Bromberek Combined School District 113A
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus (Continued)

In the fund financial statements, all governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

G. Budget and Budgetary Accounting

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

1. The Board of Education adopts a Budget Ordinance which serves as an operating budget.
2. Budget hearings are conducted.
3. The budget is legally enacted through passage of an ordinance no later than October 1.
4. The Board of Education may amend the budget.

H. Cash and Cash Equivalents

The School District considers all highly liquid investments with an initial maturity date within three months of the date acquired by the School District and investment pools to be cash equivalents.

I. Capital Assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

In the government-wide financial statements, the School District has adopted a capitalization threshold of \$1,000 for capital asset additions. All capital assets are valued at historical cost, or estimated historical cost if actual cost is unavailable. Donated capital assets are stated at their fair market value as of the date donated.

Lemont Bromberek Combined School District 113A
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets (Continued)

Prior to July 1, 2002, capital assets of governmental funds were accounted for in the general fixed assets account group and were not recorded directly as a part of any individual fund's financial statements. Infrastructure of governmental funds was not previously capitalized. Upon implementing GASB 34, governmental units are required to account for all capital assets, including infrastructure, in the government-wide financial statements prospectively from the date of implementation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	20 to 50 years
Improvements	10 to 20 years
Machinery and Equipment	5 to 20 years

FUND FINANCIAL STATEMENTS

In the fund financial statements, assets used in governmental fund operations are accounted for as capital outlays in the fund from which the expenditure was made. Public domain (infrastructure) assets consisting of roads, curbs and gutters, sidewalks, drainage systems, and lighting systems are not capitalized in the fund financial statements.

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

J. Property Taxes

Property taxes are levied each year on all taxable real property in the District on or before the last Tuesday in December. The 2006 tax levy was passed by the Board of Education on November 15, 2006, and attached as an enforceable lien on the property as of the preceding January 1. These taxes become due and collectible in June and September and are collected by the County Collectors of DuPage and Cook counties, who, in turn, remit to the District its respective share.

K. Interfund Receivables/Payables

Amounts due to and due from other funds can arise during the course of the School District's operations because of numerous transactions between funds to finance operations, provide services, construct assets and service debt. To the extent that these transactions have not been repaid as of June 30, 2007, an interfund receivable and payable have been recorded.

L. Transfers

During the normal course of School operations, transfers between funds arise to reimburse individual funds for expenditures/expenses incurred for the benefit of other funds. Typical expenses in the category are general administrative and maintenance expenses. At June 30, 2007, transfers within the governmental activities of the district were not required.

Lemont Bromberek Combined School District 113A
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2007

NOTE 2 - CASH

The School District is allowed to invest in securities as authorized by the Illinois Revised Statutes, Chapter 85, Section 902 and 906.

The School District maintains a cash and investment pool that is available for use by all funds. The portion of each fund in this pool is displayed on the combined balance sheet as "Cash."

A. Deposits

At June 30, 2007, the carrying amount of the School District's deposits was \$ 8,804,542 and the bank balance was \$9,197,585. The deposits are categorized in accordance with risk factors created by governmental reporting standards.

	Carrying Amount	Bank Balance
Category #1	\$ 202,177	\$ 202,177
Category #2	8,602,365	8,995,408
Category #3	<u>0</u>	<u>0</u>
 Total Cash	 <u>\$ 8,804,542</u>	 <u>\$ 9,197,585</u>

Category #1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name.

Category #2 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or its trust department or agent in the School District's name.

Category #3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or its trust department or agent but not in the School District's name.

Lemont Bromberek Combined School District 113A
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2007

NOTE 3 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2007 is as follows. Total depreciation expense for the year ended June 30, 2007 was \$1,239,939.

	Balance July 1, 2006	Additions	Dispositions	Balance June 30, 2007
Assets Not Subject to Depreciation				
Land	\$ 1,507,281	\$ 0	\$ 0	\$ 1,507,281
Construction in Process	301,721	1,279,403	0	1,581,124
	<u>1,809,002</u>	<u>1,279,403</u>	<u>0</u>	<u>3,088,405</u>
Assets Subject to Depreciation				
Land Improvements	35,637	0	0	35,637
Buildings	36,627,990	0	0	36,627,990
Equipment	4,701,629	0	0	4,701,629
Transportation Equipment	212,587	3,630	0	216,217
	<u>41,577,843</u>	<u>3,630</u>	<u>0</u>	<u>41,581,473</u>
Less Accumulated Depreciation:				
Land Improvements	(19,344)	(1,740)	0	(21,084)
Buildings	(9,228,236)	(1,025,040)	0	(10,253,276)
Equipment	(3,568,164)	(208,179)	0	(3,776,343)
Transportation Equipment	(179,505)	(4,980)	0	(184,485)
Total Accumulated Depreciation	<u>(12,995,249)</u>	<u>(1,239,939)</u>	<u>0</u>	<u>(14,235,188)</u>
Subtotal	<u>28,582,594</u>	<u>(1,236,309)</u>	<u>0</u>	<u>27,346,285</u>
Net Capital Assets	<u>\$ 30,391,596</u>	<u>\$ 43,094</u>	<u>\$ 0</u>	<u>\$ 30,434,690</u>

Lemont Bromberek Combined School District 113A
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2007

NOTE 4 – DEBT COMMITMENTS

A. Debt Transactions

The following is a summary of long-term debt transactions for the year ended June 30, 2007:

	Debt Payable		Principal	Debt Payable	Amount
	July 1,	New	Paid	June 30,	Due Within
	2006	Debt		2007	One Year
General Obligation Bonds:					
Series 2001D CAB	\$ 6,503,009	\$ 0	\$ 15,686	\$ 6,487,323	\$ 0
Series 2002 CAB	4,329,323	0	0	4,329,323	0
Series 2001A Limited CAB	1,270,000	0	75,000	1,195,000	75,000
Series 2001B Limited CAB	727,011	0	57,158	669,853	57,158
Series 1995 School Building	9,317,455	0	1,027,903	8,289,552	986,774
Total Long Term Debt	<u>\$ 22,146,798</u>	<u>\$ 0</u>	<u>\$ 1,175,747</u>	<u>\$ 20,971,051</u>	<u>\$ 1,118,932</u>

J. General Obligation Bonds

General Obligation Bonds, Series 2001D, Capital Appreciation Bonds

Originally issued for \$6,914,760, provides for annual principal installments each December 1st. Interest is payable annually at rates varying from 4.3% to 5.29%.

General Obligation Bonds, Series 2002, Capital Appreciation Bonds

Originally issued for \$4,329,323, provides for principal installments beginning December 1, 2019. Interest will be payable annually at rates varying from 5.2% to 5.3% beginning December 1, 2019.

General Obligation Bonds, Series 2001A Limited Capital Appreciation Bonds

Originally issued for \$1,625,000, provides for annual principal installments each December 1st. Interest is payable semi-annually at rates varying from 3.5% to 5.0%.

General Obligation Bonds, Series 2001B, Limited Capital Appreciation Bonds

Originally issued for \$1,068,071, provides for annual principal installments each December 1st. Interest is payable annually at rates varying from 3.8% to 5.4%.

General Obligation Bonds, Series 1995 School Building Bonds

Originally issued for \$16,358,467, provides for annual principal installments each December 1st. Interest is payable annually at 9.0%.

Lemont Bromberek Combined School District 113A
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2007

NOTE 4 - DEBT COMMITMENTS (CONTINUED)

C. Annual Principal and Interest Requirements

The schedule of principal and interest for long-term debt is as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 1,118,932	\$ 1,909,751	\$ 3,028,683
2009	1,082,233	2,092,193	3,174,426
2010	1,106,345	2,423,802	3,530,147
2011	1,070,569	2,625,442	3,696,011
2012	1,034,692	2,836,808	3,871,500
2013-2017	6,018,416	17,267,862	23,286,278
2018-2022	9,539,865	15,453,824	24,993,689
	<u>\$ 20,971,052</u>	<u>\$ 44,609,682</u>	<u>\$ 65,580,734</u>

NOTE 5 - RETIREMENT FUND COMMITMENTS

Teachers' Retirement System

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

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

TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate through June 30, 2007 was 9.4 percent of creditable earnings. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer.

In addition, virtually all employers and members pay a contribution to the Teachers' Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not a part of this retirement plan. The employer THIS Fund contribution was 0.6 percent during the year ended June 30, 2007, and the member THIS fund health insurance contribution was 0.80 percent.

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

- **On-behalf contributions**

The State of Illinois makes employer pension contributions on behalf of the District. For the year ended June 30, 2007, State of Illinois contributions were based on 9.78 percent of creditable earnings, and the District recognized revenue and expenditures of \$953,256 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2006 and 2005, the State of Illinois contribution rates as percentages of creditable earnings were 7.06 percent (\$662,551) and 11.76% percent (\$1,054,320), respectively.

Lemont Bromberek Combined School District 113A
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2007

NOTE 5 - RETIREMENT FUND COMMITMENTS (CONTINUED)

Teachers' Retirement System (Continued)

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

- **2.2 formula contributions**

For the years ended June 30, 2006 and 2005, employers contributed 0.58 percent of creditable earnings for the 2.2 formula change. Contributions for the years ended June 30, 2007, 2006, and 2005 were \$56,533, \$54,431, and \$54,431, respectively.

- **Federal and trust fund contributions**

When TRS members are paid from federal and trust funds administered by the District, there is a statutory requirement for the District to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was effective in the fiscal year ended June 30, 2007, employer contributions for employees paid from federal and trust funds will be the same as the state contribution rate to TRS.

For the year ended June 30, 2007, the employer pension contribution was 9.78 percent of salaries paid from federal and trust funds. For the year ended June 30, 2007, the employer pension contribution was 9.78 percent of salaries paid from those funds. For the year ended June 30, 2007, salaries totaling \$43,538 were paid from federal and trust funds that required employer contributions of \$4,258. For the years ended June 30, 2006 and June 30, 2005, required district contributions were \$2,274 and \$4,120, respectively.

- **Early Retirement Option**

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

Under Public Act 94-0004, a "Pipeline ERO" program is provided for members to retire under the same terms as the ERO program that expired June 30, 2005, provided they meet certain conditions and retire on or before July 1, 2007. If members do not meet these conditions, they can retire under the "Modified ERO" program which requires higher member and employer contributions to TRS. Also, under the Modified ERO, Public Act 94-00004 eliminates the waiver of member and employer ERO contributions that had been in effect for members with 34 years of service (unless the member qualifies for the Pipeline ERO).

Under the Modified ERO, the maximum contribution is 117.5 percent. Both the 100 percent and 117.5 percent maximums apply when the member is age 55 at retirement.

For the year ended June 30, 2007, the district paid \$56,591 to TRS for employer contributions under the Pipeline ERO and Modified ERO programs. For the years ended June 30, 2006 and June 30, 2005, the district did not have any retirements under these programs.

- **Salary increases over 6 percent and excess sick leave**

If an employer grants salary increases over 6 percent 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 percent. For the year ended June 30, 2007, the district paid \$0 to TRS for employer contributions due on salary increases in excess of 6 percent. For the year ended June 30, 2006, the district paid \$0 in employer contributions due on salary increases in excess in 6 percent.

**Lemont Bromberek Combined School District 113A
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2007**

NOTE 5 - RETIREMENT FUND COMMITMENTS (CONTINUED)

Teachers' Retirement System (Continued)

If an employer grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary used to calculate final average salary, and the TRS total normal cost rate (17.60 percent of salary during the year ended June 30, 2007). For the year ended June 30, 2007, the district paid \$0 to TRS for sick leave days granted in the excess of the normal annual allotment. For the year ended June 30, 2006, the district paid \$0 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, 2006. The report for the year ended June 30, 2007, is expected to be available in late 2007.

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

Illinois Municipal Retirement Fund

The Lemont Bromberek Combined School District 113A's multiple-employer defined benefit pension plan, Illinois Municipal Retirement (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly.

IMRF issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained at www.imrf.org/pubs/pubs_homepage.htm or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The member rate is established by state statute. Lemont Bromberek Combined School District 113A is required to contribute at an actuarially determined rate. The employer rate for calendar year 2006 was 10.34 percent of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on an open basis). The amortization period at December 31, 2006 was 26 years.

For December 31, 2006, Lemont Bromberek Combined School District 113A's annual pension cost of \$241,059 was equal to the School District's required and actual contributions. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2006 actuarial valuation were based on the 2002-2004 experience study.

Lemont Bromberek Combined School District 113A
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2007

NOTE 5 – RETIREMENT FUND COMMITMENTS (CONTINUED)

Illinois Municipal Retirement Fund (Continued)

Actual Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligations
12/31/06	\$ 241,059	100%	\$ 0
12/31/05	221,465	100%	0
12/31/04	206,492	100%	0
12/31/03	166,194	100%	0
12/31/02	160,672	100%	0
12/31/01	152,107	100%	0
12/31/00	149,344	100%	0
12/31/99	143,680	100%	0
12/31/98	141,520	100%	0
12/31/97	108,394	100%	0

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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)
12/31/06	4,156,152	4,561,370	405,218	91.12%	2,331,329	17.38%
12/31/05	3,621,464	4,096,971	475,507	88.39%	2,241,550	21.21%
12/31/04	3,121,159	3,717,277	596,118	83.96%	2,162,222	27.57%
12/31/03	2,932,125	3,421,503	489,378	85.70%	1,973,805	24.79%
12/31/02	2,705,370	3,014,149	308,779	89.76%	1,877,014	16.45%
12/31/01	2,831,723	2,801,210	(30,513)	101.09%	1,832,617	0.00%
12/31/00	2,516,856	2,512,237	(4,619)	100.18%	1,728,521	0.00%
12/31/99	2,052,031	2,052,117	86	100.00%	1,596,451	0.01%
12/31/98	1,571,470	1,747,700	176,230	89.92%	1,526,641	11.54%
12/31/97	1,212,609	1,446,349	233,740	83.84%	1,396,889	16.73%

On a market value basis, the actuarial value of assets as of December 31, 2006 is \$4,439,384. On a market basis, the funded ratio would be 97.33%.

Digest of Changes

The actuarial assumptions used to determine the actuarial accrued liability for 2006 are based on the 2002-2004 Experience Study.

The principal changes were:

- The 1994 Group Annuity Mortality implemented.
- For Regular members, fewer normal and early retirements are expected to occur.

SLEP Member contribution rate changed from 6.50% to 7.50% effective June 1, 2006.

Lemont Bromberek Combined School District 113A
Notes To The Financial Statements (Continued)
For The Year Ended June 30, 2007

NOTE 6 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The District has purchased commercial insurance to cover all risks of loss related to general liability, auto liability, property damage, theft and workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7 – EXPENDITURES IN EXCESS OF BUDGET

For the year ended June 30, 2007, expenditures exceeded authorized budget amounts in the following funds:

	Budget Expenditures	Actual Expenditures
Educational Fund	\$ 15,642,541	\$ 16,959,139
Operations and Maintenance Fund	1,984,582	2,228,354
Bond and Interest Fund	2,843,120	2,919,012
Transportation Fund	1,142,119	1,214,228
Site and Construction Fund	0	1,296,615

The School District does not budget for the on-behalf employer pension contributions made by the State of Illinois directly to TRS. For the year ended June 30, 2007, the School District recorded this contribution as a revenue and expenditure in the Educational Fund amounting to \$953,256, creating an excess budget overrun.

NOTE 8 - DEFICIT FUND BALANCE

For the year ended June 30, 2007, the following funds had deficit fund balances:

Educational Fund	\$ (1,677,651)
IMRF and Social Security	(14,794)
Site and Construction	(971,881)

NOTE 9 - TORT IMMUNITY EXPENDITURES

The following tort immunity expenditures exist at June 30, 2007:

Unemployment Insurance	\$ 2,552
Liability Insurance	60,841
Workers Compensation	<u>138,647</u>
	<u>\$ 202,040</u>

These expenditures are reported in the Educational Fund of the District.

MAJOR FUNDS

Governmental Funds

Educational Fund - to account for most of the instructional and administrative aspects of the District's operations.

Operations and Maintenance Fund - to account for the revenues of taxes levied for maintenance supplies and staff for the general upkeep of all schools within the School District.

Bond and Interest Fund - to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Working Cash Fund - to account for financial resources held by the District to be used for loans for working capital requirements.

Lemont Bromberek Combined School District 113A
Educational Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES RECEIVED				
Property Taxes	\$ 11,516,986	\$ 11,516,986	\$ 11,229,935	\$ (287,051)
Replacement Taxes	295,000	295,000	316,185	21,185
Charges for Services	680,054	680,054	647,466	(32,588)
Donations from Private Sources	172,000	172,000	136,119	(35,881)
Payments from Other LEA's	367,480	367,480	162,652	(204,828)
Unrestricted State Aid	866,350	866,350	876,473	10,123
Restricted State Aid	791,455	791,455	1,112,729	321,274
Restricted Federal Aid	182,201	182,201	212,376	30,175
TRS On-Behalf Contributions	0	0	953,256	953,256
Interest	45,000	45,000	63,985	18,985
TOTAL REVENUES RECEIVED	14,916,526	14,916,526	15,711,176	794,650
EXPENDITURES DISBURSED				
Current				
Instruction	10,811,995	10,811,995	11,409,407	(597,412)
Support Services	4,422,138	4,422,138	4,337,131	85,007
Nonprogrammed Charges	408,408	408,408	259,345	149,063
TRS On-Behalf Payments	0	0	953,256	(953,256)
TOTAL EXPENDITURES DISBURSED	15,642,541	15,642,541	16,959,139	(1,316,598)
NET CHANGE IN FUND BALANCE	\$ (726,015)	\$ (726,015)	(1,247,963)	\$ (521,948)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR			(429,688)	
END OF YEAR			\$ (1,677,651)	

Lemont Bromberek Combined School District 113A
Operations and Maintenance Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance
	Original	Final		With Final Budget
REVENUES RECEIVED				
Property Taxes	\$ 1,711,022	\$ 1,711,022	\$ 1,796,071	\$ 85,049
Rentals	35,000	35,000	42,194	7,194
Other Local Revenues	229,000	229,000	268,977	39,977
Interest	11,500	11,500	70,714	59,214
TOTAL REVENUES RECEIVED	1,986,522	1,986,522	2,177,956	191,434
EXPENDITURES DISBURSED				
Operations and Maintenance				
Salaries	787,932	787,932	754,077	33,855
Employee Benefits	133,140	133,140	275,397	(142,257)
Purchased Services	460,651	460,651	594,263	(133,612)
Supplies and Materials	527,859	527,859	530,404	(2,545)
Capital Outlay	75,000	75,000	74,213	787
TOTAL EXPENDITURES DISBURSED	1,984,582	1,984,582	2,228,354	(243,772)
NET CHANGE IN FUND BALANCE	\$ 1,940	\$ 1,940	(50,398)	\$ (52,338)
FUND BALANCE,				
BEGINNING OF YEAR			<u>1,759,365</u>	
END OF YEAR			<u>\$ 1,708,967</u>	

Lemont Bromberek Combined School District 113A
Educational Fund
Schedule of Expenditures Disbursed
Budget and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
EXPENDITURES DISBURSED				
Instruction				
Regular Programs				
Salaries	\$ 5,766,380	\$ 5,766,380	\$ 5,969,512	\$ (203,132)
Employee Benefits	1,605,345	1,605,345	1,837,562	(232,217)
Purchased Services	773,475	773,475	40,739	732,736
Supplies and Materials	474,923	474,923	347,458	127,465
Capital Outlay	20,000	20,000	8,584	11,416
Special Education Programs				
Salaries	1,219,820	1,219,820	1,380,205	(160,385)
Employee Benefits	405,310	405,310	393,471	11,839
Purchased Services	65,400	65,400	879,651	(814,251)
Supplies and Materials	11,000	11,000	11,255	(255)
Capital Outlay	10,000	10,000	1,854	8,146
Gifted/Bilingual Programs				
Salaries	248,316	248,316	308,150	(59,834)
Employee Benefits	59,447	59,447	67,482	(8,035)
Other	2,450	2,450	1,520	930
Interscholastic Programs				
Salaries	93,010	93,010	114,098	(21,088)
Employee Benefits	9,788	9,788	651	9,137
Purchased Services	4,000	4,000	1,653	2,347
Supplies and Materials	17,200	17,200	14,787	2,413
Summer School Programs				
Salaries	22,000	22,000	30,272	(8,272)
Other	4,131	4,131	503	3,628
Total Instruction	10,811,995	10,811,995	11,409,407	(597,412)
Support Services - Pupils				
Salaries	769,222	769,222	687,894	81,328
Employee Benefits	184,639	184,639	146,542	38,097
Purchased Services	82,600	82,600	147,366	(64,766)
Supplies and Materials	16,075	16,075	5,191	10,884
Capital Outlay	14,750	14,750	1,642	13,108
Support Services - Subtotal Forward	1,067,286	1,067,286	988,635	78,651

Lemont Bromberek Combined School District 113A
Educational Fund
Schedule of Expenditures Disbursed (Continued)
Budget and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance
	Original	Final		With Final Budget
Support Services - Forwarded	\$ 1,067,286	\$ 1,067,286	\$ 988,635	\$ 78,651
Support Services - Instructional Staff				
Educational Media Services				
Salaries	503,841	503,841	416,001	87,840
Employee Benefits	112,374	112,374	127,170	(14,796)
Purchased Services	171,210	171,210	156,454	14,756
Supplies and Materials	85,785	85,785	81,716	4,069
Capital Outlay	69,600	69,600	47,425	22,175
Support Services - General Administration				
Board of Education Services				
Salaries	286,834	286,834	282,296	4,538
Employee Benefits	97,449	97,449	82,325	15,124
Purchased Services	349,067	349,067	448,517	(99,450)
Other	42,000	42,000	39,799	2,201
Support Services - School Administration				
Office of the Principal Services				
Salaries	686,225	686,225	723,661	(37,436)
Employee Benefits	174,771	174,771	182,855	(8,084)
Other	16,200	16,200	13,686	2,514
Support Services - Business				
Salaries	221,120	221,120	230,169	(9,049)
Employee Benefits	42,802	42,802	45,645	(2,843)
Purchased Services	490,774	490,774	467,833	22,941
Supplies and Materials	2,800	2,800	2,944	(144)
Capital Outlay	2,000	2,000	0	2,000
Total Support Services	<u>4,422,138</u>	<u>4,422,138</u>	<u>4,337,131</u>	<u>85,007</u>
Nonprogrammed Charges	<u>408,408</u>	<u>408,408</u>	<u>259,345</u>	<u>149,063</u>
TRS On-Behalf Payments	<u>0</u>	<u>0</u>	<u>953,256</u>	<u>(953,256)</u>
TOTAL EXPENDITURES DISBURSED	<u>\$ 15,642,541</u>	<u>\$ 15,642,541</u>	<u>\$ 16,959,139</u>	<u>\$ (1,316,598)</u>

Lemont Bromberek Combined School District 113A
Bond and Interest Fund
Schedule of Revenues Received, Expenditures Disbursed and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES RECEIVED				
Property Taxes	\$ 2,825,120	\$ 2,825,120	\$ 2,693,414	\$ (131,706)
Interest	18,000	18,000	123,901	105,901
TOTAL REVENUES RECEIVED	<u>2,843,120</u>	<u>2,843,120</u>	<u>2,817,315</u>	<u>(25,805)</u>
EXPENDITURES DISBURSED				
Debt Service				
Principal	1,118,589	1,118,589	1,175,747	(57,158)
Interest	1,724,531	1,724,531	1,743,265	(18,734)
TOTAL EXPENDITURES DISBURSED	<u>2,843,120</u>	<u>2,843,120</u>	<u>2,919,012</u>	<u>(75,892)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 0</u>	<u>\$ 0</u>	(101,697)	<u>\$ (101,697)</u>
FUND BALANCE, BEGINNING OF YEAR			<u>3,025,963</u>	
END OF YEAR			<u>\$ 2,924,266</u>	

Lemont Bromberek Combined School District 113A
Working Cash Fund
Schedule of Revenues Received, Expenditures Disbursed and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES RECEIVED				
Interest	\$ 70,000	\$ 70,000	\$ 224,649	\$ 154,649
TOTAL REVENUES RECEIVED	<u>70,000</u>	<u>70,000</u>	<u>224,649</u>	<u>154,649</u>
TOTAL EXPENDITURES DISBURSED	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET CHANGE IN FUND BALANCE	<u>\$ 70,000</u>	<u>\$ 70,000</u>	<u>224,649</u>	<u>\$ 154,649</u>
FUND BALANCE, BEGINNING OF YEAR			<u>5,268,293</u>	
END OF YEAR			<u>\$ 5,492,942</u>	

NON-MAJOR FUNDS

Special Revenue Funds

Transportation Fund - to account for the revenues of taxes levied and related expenses for the transportation of students to and from the schools.

IMRF and Social Security Fund - to account for the revenues of taxes levied and related expenses for employer payments for retirement contributions.

Capital Projects Fund

Site and Construction Fund - to account for the financial resources acquired through grant funds and bond issues, which are used for the improvements and additions to school facilities and equipment.

Lemont Bromberek Combined School District 113A
Non-Major Funds
Combining Schedule of Assets, Liabilities and Fund Balances
Arising From Cash Transactions
June 30, 2007

	Special Revenue Funds		Capital Projects	Total
	Transportation	IMRF and Social Security	Site and Construction	
ASSETS				
Cash	\$ 1,342,693	\$ (14,794)	\$ (971,881)	\$ 356,018
TOTAL ASSETS	<u>1,342,693</u>	<u>(14,794)</u>	<u>(971,881)</u>	<u>356,018</u>
TOTAL LIABILITIES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCES				
Fund Balances				
Unreserved, Special Revenue Funds	1,342,693	(14,794)	0	1,327,899
Unreserved, Capital Projects Fund	<u>0</u>	<u>0</u>	<u>(971,881)</u>	<u>(971,881)</u>
TOTAL FUND BALANCES	<u>1,342,693</u>	<u>(14,794)</u>	<u>(971,881)</u>	<u>356,018</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,342,693</u>	<u>\$ (14,794)</u>	<u>\$ (971,881)</u>	<u>\$ 356,018</u>

Lemont Bromberek Combined School District 113A
Non-Major Funds
Combining Schedule of Revenues Received, Expenditures Disbursed and
Changes in Fund Balances
For the Year Ended June 30, 2007

	Special Revenue Funds		Capital Projects	Total
	Transportation	IMRF and Social Security	Site and Construction	
REVENUES RECEIVED				
Property Taxes	\$ 860,854	\$ 471,260	\$ 0	\$ 1,332,114
Restricted State Aid	768,216	0	0	768,216
Other Local Revenue	8,500	0	0	8,500
Interest	55,301	0	0	55,301
TOTAL REVENUES RECEIVED	1,692,871	471,260	0	2,164,131
EXPENDITURES DISBURSED				
Current				
Instruction	0	186,864	0	186,864
Support Services	983,252	361,412	0	1,344,664
Capital Outlay	230,976	0	1,296,615	1,527,591
TOTAL EXPENDITURES DISBURSED	1,214,228	548,276	1,296,615	3,059,119
NET CHANGE IN FUND BALANCES	478,643	(77,016)	(1,296,615)	(894,988)
FUND BALANCES, BEGINNING OF YEAR	864,050	62,222	324,734	1,251,006
END OF YEAR	\$ 1,342,693	\$ (14,794)	\$ (971,881)	\$ 356,018

Lemont Bromberek Combined School District 113A
Transportation Fund
Schedule of Revenues Received, Expenditures Disbursed and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>With</u>
				<u>Final Budget</u>
REVENUES RECEIVED				
Property Taxes	\$ 749,376	\$ 749,376	\$ 860,854	\$ 111,478
Restricted State Aid	457,700	457,700	768,216	310,516
Other Local Revenue	6,000	6,000	8,500	2,500
Interest	8,000	8,000	55,301	47,301
TOTAL REVENUES RECEIVED	<u>1,221,076</u>	<u>1,221,076</u>	<u>1,692,871</u>	<u>471,795</u>
EXPENDITURES DISBURSED				
Support Services				
Salaries	441,751	441,751	458,685	(16,934)
Employee Benefits	9,973	9,973	21,346	(11,373)
Purchased Services	300,003	300,003	353,326	(53,323)
Supplies and Materials	158,000	158,000	149,895	8,105
Capital Outlay	232,392	232,392	230,976	1,416
TOTAL EXPENDITURES DISBURSED	<u>1,142,119</u>	<u>1,142,119</u>	<u>1,214,228</u>	<u>(72,109)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 78,957</u>	<u>\$ 78,957</u>	478,643	<u>\$ 399,686</u>
FUND BALANCE,				
BEGINNING OF YEAR			<u>864,050</u>	
END OF YEAR			<u>\$ 1,342,693</u>	

Lemont Bromberek Combined School District 113A
IMRF and Social Security Fund
Schedule of Revenues Received, Expenditures Disbursed and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES RECEIVED				
Property Taxes	\$ 526,709	\$ 526,709	\$ 471,260	\$ (55,449)
Interest	4,000	4,000	0	(4,000)
TOTAL REVENUES RECEIVED	<u>530,709</u>	<u>530,709</u>	<u>471,260</u>	<u>(59,449)</u>
EXPENDITURES DISBURSED				
Instruction				
Employee Benefits	172,860	172,860	186,864	(14,004)
Support Services				
Employee Benefits	356,324	356,324	361,412	(5,088)
TOTAL EXPENDITURES DISBURSED	<u>529,184</u>	<u>529,184</u>	<u>548,276</u>	<u>(19,092)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 1,525</u>	<u>\$ 1,525</u>	<u>(77,016)</u>	<u>\$ (78,541)</u>
FUND BALANCE, BEGINNING OF YEAR			<u>62,222</u>	
END OF YEAR			<u>\$ (14,794)</u>	

Lemont Bromberek Combined School District 113A
Site and Construction Fund
Schedule of Revenues Received, Expenditures Disbursed and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance
	Original	Final		With Final Budget
REVENUES RECEIVED				
Interest	\$ 30,000	\$ 30,000	\$ 0	\$ (30,000)
TOTAL REVENUES RECEIVED	<u>30,000</u>	<u>30,000</u>	<u>0</u>	<u>(30,000)</u>
TOTAL EXPENDITURES DISBURSED	<u>0</u>	<u>0</u>	<u>1,296,615</u>	<u>(1,296,615)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>(1,296,615)</u>	<u>\$ (1,326,615)</u>
FUND BALANCE,				
BEGINNING OF YEAR			<u>324,734</u>	
END OF YEAR			<u>\$ (971,881)</u>	

Lemont Bromberek Combined School District 113A
Computation of Legal Debt Margin
June 30, 2007

Assessed Valuation - 2005 Tax Year	<u>\$ 995,904,884</u>
Statutory Debt Limitation - 6.9% of Assessed Valuation	68,717,437
Total Debt	<u>20,971,051</u>
Legal Debt Margin	<u>\$ 47,746,386</u>



**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
Lemont Bromberek Combined School District 113A
Lemont, Illinois

We have audited the financial statements of Lemont Bromberek Combined School District 113A as of and for the year ended June 30, 2007, and have issued our report thereon dated the same date as this report. 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 Lemont Bromberek Combined School District 113A's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lemont Bromberek School District 113A's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lemont Bromberek Combined School District 113A's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We have identified 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 Lemont Bromberek Combined School District 113A's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Lemont Bromberek School District 113A in a separate letter dated September 19, 2007.

This report is intended solely for the information and use of management, others within the Lemont Bromberek Combined School District 113A, Board of Education, the Illinois State Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Knuttle & Associates, P.C.