Finance & Audit Committee  
Wednesday, November 15, 2006  
12:30 p.m.  
Board Room  

Public Conference Call Access Number: 1-866-297-6391 (listen only)  
Confirmation # 1 6 2 6 7 0 4 4

AGENDA

1. Public Participation

2. Discussion Items
   a. FY08 Budget Discussion (Linda Mitchell)
   b. Update on Financial Oversight Panels and School Finance Authorities (Deb Vespa) (p. 3)

3. Decision Items
   a. Minutes of the October Finance and Audit Committee Meeting (p. 2)
   *b. Update on Financial Plan of Harrisburg CUSD #3 (Deb Vespa) (Plenary p. 47)

4. Additional Items

5. Adjourn

NOTE: At the conclusion of any discussion item in which the committee is ready to make a decision, a discussion item may be immediately moved for a decision.

* Items listed with an asterisk (*) will be discussed in committee and Board action may be taken in the plenary session.
FINANCE & AUDIT COMMITTEE
October 18, 2006
Lockport, Illinois

Committee Members Present
Ed Geppert, Chair
Brenda Holmes
Andrea Brown
Dean Clark

Other Board Members
Chris Ward
Vinni Hall
Joyce Karon

Staff Present
Randy Dunn
Linda Riley Mitchell
Ronny Wickenhauser
Melissa Oller
Tamara Morris
Deb Vespa
Lisa LaBonte

1. PUBLIC PARTICIPATION:
Lonnie Johns talked about Special Education rules.

2. DISCUSSION ITEMS

A. Calumet Park School District #132 Update
   Chris Koch discussed the financial status of Calumet Park School District #132.
   They are in the process of preparing their FY07 budget. They have planned a board meeting for
   early November. They have two public hearings scheduled, one the last week in October and the
   other, the first week of November. The district held a board meeting on October 4, 2006. They
   are planning to submit their budget to ISBE electronically by November 15, 2006. The district is
   in the process of responding to their audit findings.

B. FY08 Budget Hearing Schedule
   Ronny Wickenhauser discussed the schedule for the budget hearings. The next budget hearing
   will be held in Moline, Illinois on November 8, 2006.

C. Update on the Procurement Function including the Illinois School Purchasing Network
   Melissa Oller introduced Tamara Morris, Procurement Services Supervisor.
   Tamara talked about the School Purchasing Network. ISBE has had 524 school districts
   registered through U S Communities as of June 30, 2006.

D. Update on Schools Certified in Financial Difficulty
   Deb Vespa gave an update on the three certified schools: Divernon, Harrisburg and Winthrop
   Harbor. ISBE has not received their annual financial reports but they are not due to the State
   until November. Divernon School District has a new Superintendent that has been very
   instrumental in helping with the dissolution process. Harrisburg School District also has a new
   Superintendent who is reviewing the plan. Winthrop Harbor School District is attempting a tax
   referendum in November. If the referendum does not pass, the district would like to be
   considered for a Financial Oversight Panel.

3. DECISION ITEMS

A. Minutes of the September Finance and Audit Committee Meeting
   Minutes were approved.
B. **Operational Policy to Attach a Statement of Agency Costs to Implement Proposed Programs**

Ronny Wickenhauser discussed the items that have been received through legislation, or otherwise, to be implemented without any administrative dollars to assist in the effort. Ronny provided a draft of a statement for the Board’s consideration. He discussed drafting agency needs for implementation of any proposed legislation and who this information would be shared with. The board moved to have this matter referred to the Government Relations Committee.

C. **FY05 A-133 Statewide Single Audit and Quarterly Update Audit Findings**

Lisa LaBonte discussed three compliance audit findings from FY05. The first was the lack of control over the General Education Development Program that has been transferred to the Illinois Community College Board. Second was the non-compliance with mandated duties. Third was the Teacher’s Academy for Mathematics and Science, which ISBE did not provide new funding for in FY06.

Lisa then reviewed the Statewide A-133 single audit report. ISBE had ten findings in FY05, one governmental auditing standard finding and nine federal program findings. ISBE has resolved eight of the ten findings while two are ongoing.

The audit will be reviewed by the full Board in its Plenary Session.

Adjourned
ILLINOIS STATE BOARD OF EDUCATION MEETING
January 18, 2006

TO: Finance and Audit Committee
FROM: Linda Riley Mitchell, Chief Financial Officer

Agenda Topic: Update of Financial Oversight Panels and School Finance Authorities

Materials: FACTS reports for:
- Cairo Unit School District 1 (FOP)
- Hazel Crest School District 152.5 (SFA)
- Round Lake Community Unit School District 116 (SFA)
- Venice Community Unit School District 3 (FOP)

Staff Contact(s): Debby Vespa

Purpose of Agenda Item
To update the Finance and Audit Committee with regard to the Financial Oversight Panels and the School Finance Authorities.

Relationship to/Implications for the State Board’s Strategic Plan
The agenda item is linked to Goal 3, Priority II – Develop a suite of services and interventions for assisting Illinois’ most chronically fiscally distressed school districts (along with their Financial Oversight Panels and School Finance Authorities) to resolve their financial crises.

Expected Outcome(s) of Agenda Item
This is informational only and no outcomes are expected.

Background Information
Cairo Unit School District 1 was approved a voluntary Financial Oversight Panel (FOP) by the State Board on February 6, 2003. Since the inception of the FOP, the district has incurred surplus of their revenues to expenditures. However, it is projected that for FY 2006, they may incur a deficit. This district continues to struggle with its finances as they have a declining EAV as well as a decreasing enrollment. This is evident by the percentage of funding the district receives: 15% of receipts are from local sources, 60% are from state sources and 25% are from federal sources. To attempt to alleviate this, the district superintendent has been working with other area school districts to discuss the potential of cooping classes and sharing personnel. They are already doing this for some of their classes. In addition to finances, the district has been working to realign their administrative office and have been experiencing difficulty with obtaining knowledgeable personnel with regard to payroll and accounts payable. Last year they experienced considerable difficulty with processing the tax forms and reconciling payroll. ISBE staff, personnel contracted from another school district, as well as the FOP financial administrators were brought in to complete the reconciliations as well as conduct the day-to-day tasks. Recently the district hired an employee that has previously performed this type of work and this will hopefully be better for this fiscal year. Since the district experienced surpluses for FY 2005, did not have outstanding short-term debt, and have decreased the amount of outstanding long-term debt, the district obtained the status of Financial Recognition on the Financial Profile. It is hopeful that this statue will continue for the future years to come.

Hazel Crest School District 152.5 was approved for a School Finance Authority (SFA) on December 9, 2002. Since FY 2004, this district has been experiencing a surplus of their revenues to expenditures. This district has made tremendous improvements with their finances
by restructuring their administration and closing a school. Via legislation, this SFA was also granted the authority to cancel non-labor contracts and have done so for a portion of the modular buildings they were leasing. Litigation has been brought forth with regard to the cancellation of this contract. There are some fluctuations with this district’s EAV and enrollment, but they have remained somewhat consistent over the past years. The district is no longer issuing short-term debt and continues to reduce their outstanding long-term debt. With these improvements, this district has now obtained the status of Financial Recognition on the Financial Profile and this is projected for the future as well.

Round Lake Community Unit School District 116 was approved for an SFA on August 21, 2002. Since that time the district has been experiencing a surplus of revenues to expenditures. They are no longer issuing short-term debt; however, their long-term debt will be increasing due to the passage of a building referendum. The district is in the process of renovating the previously shuttered Magee Elementary School. Since the district is experiencing increasing enrollment, this should assist with overcrowding. At the beginning of this fiscal year, the CEO issued his resignation with an effective date for the end of the school year. The SFA and the School Board are partnering together to conduct a CEO/superintendent search for the school district. It is hopeful that a highly qualified person will be hired as the SFA CEO and that he or she will assume the role of district superintendent when the SFA is phased out. This has not been discussed by the SFA for the near future, but the SFA realizes that they need to work with the local School Board so that a successful transition can be made when the time comes. This district has now obtained the status of the second highest category on the Financial Profile, Financial Review. It is hopeful that improvement will continue for this school district. However, as will other districts, this district needs to remain very conservative as they have very little industry EAV.

Venice Community Unit School District 3 was approved for a voluntary FOP on July 3, 2003. This district continues to struggle with their finances as they have a very low EAV and they continue to experience a deficit of revenue to expenditures. This district also continues to experience a decrease in enrollment as well. To attempt to alleviate the deficit results of operation, the operations of the district have been completely reorganized. The high school has been deactivated to E. St. Louis; high school students also have to option of attending the charter school; the elementary grades have been combined together, first with second, third with fourth, etc.; and the positions of superintendent and elementary principal have been combined together into one position. There are approximately 15 students attending E. St. Louis and 50 students attending the charter school. There are only approx. 60 students enrolled in the elementary school. The FOP is very concerned with the quality of education the students are receiving as they realize finance can be improved, but they are fearful that it is at the cost of a quality education for the students. It has also been difficult to hire knowledgeable staff for this district’s administrative office and they, like Cairo, had great difficulty in completing the tax forms for last fiscal year and ISBE staff as well as the FOP Financial Administrator has been conducting reconciliations so the auditor can complete the FY 2006 audit. For fiscal year 2005, this district received the lowest Financial Profile category, Financial Watch.

Analysis and Implications for Policy, Budget, Legislative Action and Communications
Policy Implications: None
Budget Implications: None
Legislative Action: None
Communication: None

Superintendent’s Recommendation: No recommendations

Next Steps: ISBE staff will continue to provide financial technical assistance to all Financial Oversight Panels and School Finance Authorities.
CAIRO SD #1

Superintendent: Mr. Gary Whitledge  Number of Students: 741  
School Type: Unit District  Number of Teachers: 57  
County: Alexander  Average Teacher Salary: $45,016  
Tax Cap School District: No  Average Administrator Salary: $65,139  
Low Income Rate: 96.2%  

Overall Performance - All State Tests:
- 2003 - 2004: 33.7%  (State 62.5%)
- 2004 - 2005: 38.5%  (State 65.2%)

Ave. Class Size
- Kindergarten: 15.3  (State 20.9)
- First: 15.7  (State 21.5)
- Third: 13.0  (State 22.3)
- Sixth: 14.0  (State 23.4)
- Eighth: 21.6  (State 22.9)

Revenue Sources
- Local: 15.0%  (State 62.0%)
- State: 60.0%  (State 30.0%)
- Federal: 25.0%  (State 8.0%)

2005 Tax Rates:
- Education Fund: $1.840
- Operation & Maint. Fund: $0.500
- Transportation Fund: $0.200
- Working Cash Fund: $0.050

SUMMARY OF OPERATING FUNDS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Actual Un-Audited)</td>
<td>Budget</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning Fund Balance</td>
<td>87,569</td>
<td>55,138</td>
<td>653,662</td>
<td>1,489,345</td>
<td>2,387,919</td>
<td>2,313,997</td>
</tr>
<tr>
<td>Revenues</td>
<td>7,489,449</td>
<td>8,034,154</td>
<td>8,247,009</td>
<td>8,646,971</td>
<td>8,448,613</td>
<td>8,356,072</td>
</tr>
<tr>
<td>Expenditures</td>
<td>(7,521,880)</td>
<td>(8,360,630)</td>
<td>(7,425,498)</td>
<td>(7,748,397)</td>
<td>(8,522,353)</td>
<td>(8,173,371)</td>
</tr>
<tr>
<td>Results of Operation</td>
<td>32,431</td>
<td>326,476</td>
<td>821,511</td>
<td>898,574</td>
<td>(73,922)</td>
<td>182,701</td>
</tr>
<tr>
<td>Other Sources/Uses</td>
<td>0</td>
<td>925,000</td>
<td>14,172</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other Changes to Fund Bal.</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Fund Balances</td>
<td>55,138</td>
<td>653,662</td>
<td>1,489,345</td>
<td>2,387,919</td>
<td>2,313,997</td>
<td>2,496,698</td>
</tr>
</tbody>
</table>

Note: [a] - Emergency Financial Assistance Loan in FY2003

Tax Year | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EAV</td>
<td>$19,971,062</td>
<td>$20,609,891</td>
<td>$19,907,676</td>
<td>$18,029,132</td>
<td>$17,361,557</td>
<td>$17,105,848</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Enrollment</td>
<td>935</td>
<td>925</td>
<td>855</td>
<td>830</td>
<td>764</td>
<td>741</td>
<td>686</td>
</tr>
</tbody>
</table>

Outstanding Debt

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Actual Un-Audited)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-Term Debt</td>
<td>58,111</td>
<td>549,342</td>
<td>414,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Long-Term Debt</td>
<td>1,525,000</td>
<td>2,655,000</td>
<td>2,485,000</td>
<td>2,310,000</td>
<td>2,947,222</td>
</tr>
</tbody>
</table>

Profile Score: 2.80  Profile Designation: Early Warning
Summary:

This report includes the district’s un-audited FY2006 figures. This district is comprised of two Elementary Schools and one Junior/Senior High School. Mr. Gary Whitlege is the superintendent of Cairo SD and he is in his second year there. The Financial Oversight Panel members were appointed to the panel on February 14, 2003.

Debt and Liabilities:

Currently, the District still owes approximately $628,213 (includes interest) on the State Financial Emergency Assistance Loan. Upon the completion of the District’s FY2006 Annual Financial Report, the Long Term and Short Term Debt amounts will be confirmed. However, it is estimated that they will not have any outstanding Short Term Debt and a decrease in the amount of outstanding Long-Term Debt.

Financial Risk:

The FY2007 Budget shows a surplus in the four operating funds. The 2007 Fiscal Year appears to be improving at this time. The district is experiencing decreasing enrollment and decreasing EAV. This will ultimately decrease both the GSA the district receives and the future Tax Revenues. The district is exploring sharing classes/programs with surrounding districts. The district showed an overall operating deficit for FY2006 due to not receiving the Special Education Extraordinary (3105 Function) 4th quarter categorical payment and the Pupil Transportation (3500 Function) 4th quarter categorical payment. If these two reimbursement payments had been received, the district would not have had a deficit in FY2006.

Additional Revenues:

This district can expect no increases in future revenues due to the declining enrollment and the declining Equalized Assessed Valuation.
Hazel Crest School District 152.5

Superintendent: Dr. Shiela Harrison-Williams
Number of Students: 1,132
School Type: Elementary District
Number of Teachers: 58
County: Cook
Tax Cap School District: Yes
Average Teacher Salary: $45,946 (State $55,580)
Average Administrator Salary: $88,260 (State $97,051)
Low Income Rate: 75.6% (State 40.0%)

Overall Performance - All State Tests:
2003-2004 35.0% (State 62.5%)
2004-2005 39.5% (State 65.2%)

Ave. Class Size
Kindergarten 23.0 (State 20.9)
First 23.8 (State 21.5)
Third 21.3 (State 22.3)
Sixth 21.2 (State 23.4)
Eighth 28.8 (State 22.9)

Revenue Sources
Local 52.7% (State 62.0%)
State 38.1% (State 30.0%)
Federal 9.2% (State 8.0%)

2004 EAV $105,212,560
2004 OEPP $9,093 (State $8,786)

EAV $89,346,434 $87,514,176 $105,504,270 $102,188,621 $105,212,560
Enrollment 1,189 1,132 1,093 1,158 1,132

Beginning Fund Balance 1,246,866 328,267 (773,671) 550,126 1,330,156 3,303,065 3,733,718
Revenues 7,023,835 7,304,644 10,161,008 10,364,674 11,195,913 11,501,371 11,778,284
Expenditures (7,942,434) (8,532,949) (14,485,144) (11,195,913) (11,070,718) (10,545,684)
Results of Operation (918,599) (1,228,305) (4,324,136) 1,972,909 430,653 1,232,600
Other Changes to Fund Bal. 0 126,367 5,647,933 0 0 0 0
Fund Balances 328,267 (773,671) 550,126 1,330,156 3,303,065 3,733,718 4,966,318

EAV $105,212,560
Operation & Maint. Fund $0.223 $0.250
Transportation Fund $0.107 $0.120
Working Cash Fund $0.045 $0.050

SUMMARY OF OPERATING FUNDS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Beginning Fund Balance</td>
<td>Revenues</td>
<td>Expenditures</td>
<td>Results of Operation</td>
<td>Other Sources/Uses</td>
<td>Fund Balances</td>
<td></td>
</tr>
<tr>
<td>Short-Term Debt</td>
<td>0</td>
<td>1,673,468</td>
<td>651,785</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Long-Term Debt</td>
<td>4,298,623</td>
<td>4,042,242</td>
<td>9,591,683</td>
<td>8,842,054</td>
<td>8,082,282</td>
<td>7,457,091</td>
<td></td>
</tr>
<tr>
<td>Short-Term Debt Limit</td>
<td>1,473,627</td>
<td>1,443,311</td>
<td>3,035,617</td>
<td>1,840,716</td>
<td>3,356,557</td>
<td>2,475,689</td>
<td></td>
</tr>
<tr>
<td>Long-Term Debt Limit</td>
<td>6,164,904</td>
<td>6,038,478</td>
<td>7,279,795</td>
<td>7,051,015</td>
<td>7,259,667</td>
<td>7,299,073</td>
<td></td>
</tr>
</tbody>
</table>

Profile Score 2.20 1.65 1.95 3.45 3.80
Profile Designation Watch Watch Watch Review Recognition

(All years were calculated using the same method used for FY 2004)

Summary:
Hazel Crest School District 152.5
Hazel Crest Schools have been under state oversight since late 2002. At that time the district was near bankruptcy. A state loan allowed the district to meet financial obligations and to restore fund balances. A large referendum was passed November 2002 to greatly increase revenue in the Educational Fund. Since that time the district has been able to have significant budget surpluses and stabilize its finances.
**Summary:**

Hazel Crest Schools have been under state oversight since late 2002. At that time the district was near bankruptcy. A state loan allowed the district to meet financial obligations and to restore fund balances. A large referendum was passed November 2002 to greatly increase revenue in the Educational Fund. Since that time the district has been able to have significant budget surpluses and stabilize its finances.

**Debt and Liabilities:**

In FY 02 and FY 03 the district needed short-term borrowing and had Tax Anticipation Warrants outstanding. Since that time period the finances have significantly improved and short-term borrowing has not been needed. The district had quite a bit of long-term borrowing before FY 03 when the state loan was received. The state loan, of approximately $4.4 million, significantly increased the debt of the district. This debt is actually a loan to the School Financial Authority and falls under its borrowing capacity. For this reason the district still does have borrowing capacity even though its financial statements reflect being over the debt limit.

**Financial Risk:**

The district has been doing very well since FY 03. The School Finance Authority has made significant reductions to expenditures and revenue was greatly enhanced by the referendum in November 2002.

**Additional Revenues/Expenditure Reductions:**

Reductions in expenditures were made by eliminating many unnecessary administrative positions. The number of teachers was reduced to reasonable levels and the amount of mobile classrooms was reduced. For a couple years two building were closed to student attendance to reduce costs. The schools have now been reopened by further reducing the number of mobile classrooms. Revenue has been significantly increased due to the referendum in November 2002 to increase funds in the Educational Fund. An error by the county clerk caused the FY 05 property tax revenue to be overstated about $200,000. The FY 06 tax levy was then reduced $200,000 to compensate the local tax payers for this error.
### Round Lake Area School District # 116

CEO: Dennis Stonewall  
Number of Students: 6,405  
School Type: Unit  
Number of Teachers: 311  
County: Lake  
Average Teacher Salary: $54,404  
Tax Cap School District: Yes  
Average Administrator Salary: $78,757  
Low Income Rate: 55.1%

#### Overall Performance - All State Tests:

- **2003-2004**: 50.8% (State 62.5%)
- **2004-2005**: 55.1% (State 65.2%)

#### # of Schools in Improvement Status

- 1

#### Revenue Sources

- **Local**: 49.6% (State 62.0%)
- **State**: 45.7% (State 30.0%)
- **Federal**: 4.7% (State 8.0%)

#### Average Class Size

- Kindergarten: 23.4 (State 20.9)
- First: 24.3 (State 21.5)
- Third: 25.1 (State 22.3)
- Sixth: 24.6 (State 23.4)
- Eighth: 24.4 (State 22.9)

#### 2004 Tax Rates

- **Extended rates**:  
  - Education Fund: $3.455  
  - Operation & Maint. Fund: $0.500  
  - Transportation Fund: $0.200
- **Maximum rates available**:  
  - Education Fund: $3.690  
  - Transportation Fund: $0.500

#### SUMMARY OF OPERATING FUNDS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Fund Balance</td>
<td>(6,289,084)</td>
<td>(924,952)</td>
<td>948,050</td>
<td>1,601,522</td>
<td>5,395,265</td>
<td>7,898,514</td>
</tr>
<tr>
<td>Revenues</td>
<td>38,341,592</td>
<td>38,786,198</td>
<td>39,155,151</td>
<td>46,234,340</td>
<td>50,112,881</td>
<td>50,793,112</td>
</tr>
<tr>
<td>Expenditures</td>
<td>(38,984,518)</td>
<td>(36,913,196)</td>
<td>(38,501,679)</td>
<td>(42,442,047)</td>
<td>(44,700,931)</td>
<td>(46,628,439)</td>
</tr>
<tr>
<td>Results of Operation</td>
<td>(642,926)</td>
<td>1,873,002</td>
<td>653,472</td>
<td>3,792,293</td>
<td>5,411,950</td>
<td>4,164,673</td>
</tr>
<tr>
<td>Other Sources/Uses</td>
<td>6,007,058</td>
<td>0</td>
<td>0</td>
<td>1,450</td>
<td>136,457</td>
<td>0</td>
</tr>
<tr>
<td>Other Changes to Fund Bal.</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>(3,045,158)</td>
<td>0</td>
</tr>
<tr>
<td>Fund Balances</td>
<td>(924,952)</td>
<td>948,050</td>
<td>1,601,522</td>
<td>5,395,265</td>
<td>7,898,514</td>
<td>12,063,187</td>
</tr>
<tr>
<td>EAV</td>
<td>$305,546,932</td>
<td>$329,945,858</td>
<td>$358,971,320</td>
<td>$406,805,417</td>
<td>$417,799,345</td>
<td>$0.500</td>
</tr>
<tr>
<td>Enrollment</td>
<td>5,855</td>
<td>6,086</td>
<td>6,047</td>
<td>6,333</td>
<td>6,405</td>
<td></td>
</tr>
</tbody>
</table>

#### Outstanding Debt

- **Short-Term Debt**: 13,770,000  
- **Long-Term Debt**: 40,360,859  
- **Short-Term Debt Limit**: 11,401,484  
- **Long-Term Debt Limit**: 42,165,477

#### Profile Score

- 1.90  
- 2.60  
- 2.50  
- 3.15  
- 3.25

(All years were calculated using the same method used for FY 2004)
Summary:
Round Lake Area Schools were certified to be in Financial Difficulty April 16, 1992. An Oversight Panel was formed in 2000 which was replaced by a School Finance Authority in August 2002. The legislation forming the SFA included language to remove tax caps for the district for one year. Since that time each year has resulted in surpluses. The district has steadily made large improvements to its financial position since that time. The district CEO has submitted his resignation at the end of this school year. The school board and SFA are jointly selecting a search firm to assist with searching for a new CEO/superintendent.

Debt and Liabilities:
In past years Round Lake Area Schools required a great deal of short-term debt. Even as late as FY 01 through FY 03 the short-term debt was near or over capacity. Because of significant surpluses the short-term debt has been reduced and at June 30, 2005 no short-term debt was evident. The district has a history of using a large amount of long-term debt. At the end of FY 05 approximately $20 million of long-term debt capacity was available. Since that time the district has sold $17 million dollars to refurbish Magee School and make improvements to a couple other buildings, including a lot of work at the high school. This has resulted in the district being close to its long-term debt capacity.

Financial Risk:
When Magee School is renovated and reopened a strain on keeping expenditure increases in line with revenue increases could be created. However, the district’s enrollment continues to increase and this re-opening of Magee School should alleviate overcrowding. An audit adjustment by External Assurance seems to require at least $1.4 of state funds to be subtracted from future reimbursements beginning in FY 08. External Assurance may also decide to look at reimbursement claims for additional years. The district is currently in contract negotiations with the union which represents almost all employees in the district, including both certified and non-certified personnel. The resulting salary increases may add to the difficulty of balancing future years’ budgets.

Additional Revenues/Expenditure Reductions:
The legislation creating the School Finance Authority included language to remove tax caps for one year. This has greatly increased the local property taxes collected. During the past several years CEO Dennis Stonewall and CFO Walter Korpan have worked on various projects to reduce expenditures. The transportation system has become much more efficient saving a significant amount of money. The administration has been realigned to save money and better serve the school district. Expenditures for purchased services, supplies, and material have been scrutinized and reduced when possible. A lot of effort has been made to monitor grants to make sure all possible revenue is received.
FACTS Report

VENICE CUSD #3  41-057-0030-26

EL only  Current Enr.
Superintendent:  Ms. Beverly Young  Number of Students:  100  60
School Type:  Unit District  Number of Teachers:  14
County:  Madison  Average Teacher Salary:  $49,046  (State $55,558)
Tax Cap School District:  No  Average Administrator Salary:  $82,124  (State $97,051)
Low Income Rate:  93.0%  (State 40.0%)

Overall Performance - All State Tests:
2003 - 2004 26.4%  (State 62.5%)
2004 - 2005 41.5%  (State 65.2%)

Ave. Class Size
Kindergarten 8.0  (State 20.9)
First 6.0  (State 21.5)
Third 9.0  (State 22.3)
Sixth 9.0  (State 23.4)
Eighth 18.0  (State 22.9)
High School 18.0  (State 19.7)

Revenue Sources
Local 38.7%  (State 62.0%)
State 43.1%  (State 30.0%)
Federal 18.2%  (State 8.0%)

2005 Tax Rates:
Education Fund $2.650 $2.650
Operation & Maint. Fund $0.435 $0.435
Transportation Fund $0.200 $0.200
Working Cash Fund $0.050 $0.050

SUMMARY OF OPERATING FUNDS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Fund Balance</td>
<td>277,124</td>
<td>368,714</td>
<td>(25,285)</td>
<td>199,907</td>
<td>358,850</td>
<td>0</td>
</tr>
<tr>
<td>Revenues</td>
<td>3,540,731</td>
<td>3,679,606</td>
<td>3,907,846</td>
<td>3,151,142</td>
<td>2,933,779</td>
<td></td>
</tr>
<tr>
<td>Expenditures</td>
<td>(3,449,141)</td>
<td>(4,073,605)</td>
<td>(3,932,654)</td>
<td>(3,392,199)</td>
<td>(2,871,213)</td>
<td></td>
</tr>
<tr>
<td>Results of Operation</td>
<td>91,590</td>
<td>(393,999)</td>
<td>(24,808)</td>
<td>(241,057)</td>
<td>0</td>
<td>62,566</td>
</tr>
<tr>
<td>Other Sources/Uses</td>
<td>0</td>
<td>0</td>
<td>250,000</td>
<td>400,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other Changes to Fund Bal.</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Fund Balances</td>
<td>368,714</td>
<td>(25,285)</td>
<td>199,907</td>
<td>358,850</td>
<td>a</td>
<td>b</td>
</tr>
</tbody>
</table>

[a] $250,000 Emergency Financial Assistance Loan received
[a] $400,000 Working Cash Bond Issue; Abolished to Ed Fund

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006 EAV</th>
</tr>
</thead>
<tbody>
<tr>
<td>EAV</td>
<td>$7,311,284</td>
<td>$7,797,677</td>
<td>$8,274,088</td>
<td>$8,972,871</td>
<td>$8,915,382</td>
<td>$10,207,901</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Enrollment</td>
<td>325</td>
<td>285</td>
<td>250</td>
<td>157</td>
<td>107</td>
<td>100</td>
<td>60</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-Term Debt</td>
<td>0</td>
<td>0</td>
<td>161,422</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Long-Term Debt</td>
<td>293,381</td>
<td>214,743</td>
<td>170,639</td>
<td>270,000</td>
<td>622,224</td>
<td></td>
</tr>
<tr>
<td>Short-Term Debt Limit</td>
<td>160,958</td>
<td>171,666</td>
<td>182,154</td>
<td>197,538</td>
<td>196,272</td>
<td>224,727</td>
</tr>
<tr>
<td>Long-Term Debt Limit</td>
<td>1,008,957</td>
<td>1,076,079</td>
<td>1,141,824</td>
<td>1,238,256</td>
<td>1,230,323</td>
<td>1,408,690</td>
</tr>
</tbody>
</table>

| Profile Score | 2.20 | 3.45 | 1.65 | 2.65 | 2.55 |
| Profile Designation | Watch | Review | Watch | Early Warning | Watch |

Venice CUSD 3 FACTS 10_02_06.xls
Summary:

This report includes the district’s un-audited FY2006 figures. The Financial Oversight Panel was appointed on July 3, 2003. This district is comprised of one Elementary School and a de-activated high school. For the de-activated High School, the children attend either the East Side Senior High School (East St. Louis SD #189) or the Lincoln Charter School. Ms. Beverly Young is the Superintendent/Principal of Venice SD. This is her first year as superintendent after serving the 2005-06 school year as the elementary principal at the district. The district chose to combine classrooms as a cost-saving measure beginning in the 2005-2006 school year. This school year (2006-2007) is the first year the district has a combined Superintendent / Principal. Beginning with this school year, the district has moved the elementary pupils to the first floor of the Lincoln Charter School (the 2nd floor houses the Lincoln Charter school pupils). The Honorable Harry Briggs, Regional Superintendent, operated the Lincoln Charter School.

Debt and Liabilities:

Currently, the District still owes approximately $169,962 (includes interest) on the State Financial Emergency Assistance Loan. Upon the completion of the District’s Annual Financial Report, the Long Term and Short Term Debt amounts will be confirmed. The district vacated the High School building when they de-activated due to Health/Life/Safety concerns. The H.S. building was condemned due to these issues.

Financial Risk:

The district is experiencing declining enrollment. The district is a hold harmless district and continues to receive the same General State Aid amount over the last several years. The district experienced an extremely high Operating Expense per Pupil cost. We expect this to come down in the 2006 Fiscal Year due to the district combining classrooms and cutting expenditures. Due to the district’s small size, (both elementary and high school) there are curriculum issues. Will the students be properly prepared for a trade or for college? The district’s finances have stabilized, however, that has come with the cost of combined classrooms and a charter school with limited course offerings.

Additional Revenues:

This District is a Hold Harmless General State Aid district. Even though the district’s enrollment / ADA has been declining, the district continues to receive the same amount of GSA $’s as they did in 1997-1998. If the district were to receive actual GSA, they would be on the Alternate Method of General State Aid Funding. The district receives a considerable amount of Corporate Personal Property Replacement Tax (approximately $900K).