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***RILEY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO. 18  
STATE OF ILLINOIS***

***ANNUAL FINANCIAL REPORT***

***JUNE 30, 2015***

**eder, casella & co.**

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## INDEPENDENT AUDITORS' OPINION

To the Board of Education  
Riley Community Consolidated School District No. 18  
Marengo, Illinois

We have audited the accompanying financial statements of

Riley Community Consolidated School District No. 18

as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions prescribed or permitted by the Illinois State Board of Education, as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and qualified audit opinions.

## **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 to the financial statements, to meet the financial reporting requirements of the Illinois State Board of Education, the financial statements are prepared by Riley Community Consolidated School District No. 18 in accordance with the financial reporting provisions prescribed or permitted by the Illinois State Board of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America. They are intended to assure effective legislative and public oversight of school district financing and spending activities of accountable Illinois public school districts. Also as described in Note 1, Riley Community Consolidated School District No. 18 prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

## **Basis for Qualified Opinion on Regulatory Cash Basis of Accounting**

The District does not maintain detailed historical cost records for general fixed assets; consequently, we are unable to express an opinion on the General Fixed Assets Account Group. General fixed assets are reflected in the financial statements at estimated historical cost.

## **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because the District does not maintain detailed historical cost records for general fixed assets and because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Riley Community Consolidated School District No. 18 as of June 30, 2015, or changes in financial position for the year then ended.

## **Opinion on Regulatory Cash Basis of Accounting**

In our opinion, except for the General Fixed Assets Account Group on which we are unable to express an opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of Riley Community Consolidated School District No. 18 as of June 30, 2015, and the revenue it received and expenditures it paid during the fiscal year then ended, on the basis of accounting described in Note 1.

## **Change in Accounting Principle**

As described in Note 19 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the District's basic financial statements. The supplemental

information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for the average daily attendance figure included in the computation of operating expense per pupil and per capita tuition charges, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole, on the basis of accounting described in Note 1.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2015 on our consideration of Riley Community Consolidated School District No. 18's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Riley Community Consolidated School District No. 18's internal control over financial reporting and compliance.

### **Restriction on Use**

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

*Eder, Casella & Co.*

EDER, CASELLA & CO.  
Certified Public Accountants

McHenry, Illinois  
October 8, 2015

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  
Riley Community Consolidated School District No. 18  
Marengo, Illinois

We have audited, in accordance with the 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, the basic financial statements of

Riley Community Consolidated School District No. 18

as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Riley Community Consolidated School District No. 18's basic financial statements, and have issued our report thereon dated October 8, 2015. Our opinion was adverse because the financial statements are not prepared in accordance with generally accepted accounting principles. However, the financial statements were found to be fairly stated on the cash basis of accounting, in accordance with regulatory reporting requirements established by the Illinois State Board of Education, which is a comprehensive basis of accounting other than generally accepted accounting principles. In our report, our opinion was qualified because the District does not maintain detailed historical cost records for general fixed assets.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Riley Community Consolidated School District No. 18's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the effectiveness of Riley Community Consolidated School District No. 18's internal control. Accordingly, we do not express an opinion on the effectiveness of Riley Community Consolidated School District No. 18's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Riley Community Consolidated School District No. 18'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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

### **Restriction on Use**

This report is intended solely for the information and use of management, the 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.

*Eder, Casella & Co.*

EDER, CASELLA & CO.  
Certified Public Accountants

McHenry, Illinois  
October 8, 2015



## BASIC FINANCIAL STATEMENTS

RILEY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO. 18  
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
ARISING FROM CASH TRANSACTIONS - REGULATORY BASIS  
ALL FUNDS AND ACCOUNT GROUPS  
AT JUNE 30, 2015

<u>ASSETS</u>	<u>EDUCATIONAL</u>	<u>OPERATIONS AND MAINTENANCE</u>	<u>TRANSPOR- TATION</u>	<u>ILLINOIS MUNICIPAL RETIREMENT/ SOCIAL SECURITY</u>	<u>CAPITAL PROJECTS</u>
Cash and Cash Equivalents	\$ 5,512,807	\$ 1,326,969	\$ 1,263,158	\$ 94,759	\$ 27,204
Capital Assets					
Land	-	-	-	-	-
Building and Building Improvements	-	-	-	-	-
Site Improvements and Infrastructure	-	-	-	-	-
Capitalized Equipment	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 5,512,807</b>	<b>\$ 1,326,969</b>	<b>\$ 1,263,158</b>	<b>\$ 94,759</b>	<b>\$ 27,204</b>
 <u>LIABILITIES AND FUND BALANCE</u>					
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Due to Activity Fund Organizations	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Current Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Long-Term Liabilities</b>					
<b>Total Long-Term Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
 <b>FUND BALANCE</b>					
Investment in General Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance					
Unreserved					
Designated	1,453,482	271,949	155,730	30,268	-
Undesignated	4,059,325	1,055,020	1,107,428	64,491	27,204
<b>Total Fund Balance</b>	<b>\$ 5,512,807</b>	<b>\$ 1,326,969</b>	<b>\$ 1,263,158</b>	<b>\$ 94,759</b>	<b>\$ 27,204</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 5,512,807</b>	<b>\$ 1,326,969</b>	<b>\$ 1,263,158</b>	<b>\$ 94,759</b>	<b>\$ 27,204</b>

The Notes to Financial Statements are an integral part of this statement.

RILEY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO. 18  
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
ARISING FROM CASH TRANSACTIONS - REGULATORY BASIS  
ALL FUNDS AND ACCOUNT GROUPS  
AT JUNE 30, 2015

<u>ASSETS</u>	<u>WORKING CASH</u>	<u>TORT</u>	<u>AGENCY</u>	<u>GENERAL FIXED ASSETS</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
Cash and Cash Equivalents	\$ 7,800	\$ 114,848	\$ 27,769	\$ -	\$ 8,375,314
Capital Assets					
Land	-	-	-	25,000	25,000
Building and Building Improvements	-	-	-	2,474,582	2,474,582
Site Improvements and Infrastructure	-	-	-	94,417	94,417
Capitalized Equipment	-	-	-	1,091,173	1,091,173
<b>Total Assets</b>	<b>\$ 7,800</b>	<b>\$ 114,848</b>	<b>\$ 27,769</b>	<b>\$ 3,685,172</b>	<b>\$ 12,060,486</b>
 <u>LIABILITIES AND FUND BALANCE</u>					
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Due to Activity Fund Organizations	\$ -	\$ -	\$ 27,769	\$ -	\$ 27,769
<b>Total Current Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 27,769</b>	<b>\$ -</b>	<b>\$ 27,769</b>
<b>Long-Term Liabilities</b>					
<b>Total Long-Term Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 27,769</b>	<b>\$ -</b>	<b>\$ 27,769</b>
 <b>FUND BALANCE</b>					
Investment in General Fixed Assets	\$ -	\$ -	\$ -	\$ 3,685,172	\$ 3,685,172
Fund Balance					
Unreserved					
Designated	7,787	31,146	-	-	1,950,362
Undesignated	13	83,702	-	-	6,397,183
<b>Total Fund Balance</b>	<b>\$ 7,800</b>	<b>\$ 114,848</b>	<b>\$ -</b>	<b>\$ 3,685,172</b>	<b>\$ 12,032,717</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 7,800</b>	<b>\$ 114,848</b>	<b>\$ 27,769</b>	<b>\$ 3,685,172</b>	<b>\$ 12,060,486</b>

The Notes to Financial Statements are an integral part of this statement.

RILEY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO.18  
STATEMENT OF REVENUE RECEIVED, EXPENDITURES DISBURSED, OTHER  
SOURCES (USES), AND CHANGES IN FUND BALANCES -  
ALL FUNDS EXCEPT AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	EDUCATIONAL	OPERATIONS AND MAINTENANCE	TRANSPOR- TATION	ILLINOIS MUNICIPAL RETIREMENT/ SOCIAL SECURITY	CAPITAL PROJECTS	WORKING CASH	TORT	TOTAL (MEMORANDUM ONLY)
<b>REVENUE RECEIVED</b>								
Local Sources	\$ 2,948,759	\$ 480,573	\$ 390,945	\$ 72,145	\$ 8,101	\$ 12,599	\$ 65,632	\$ 3,978,754
State Sources	220,017	-	83,017	-	-	-	-	303,034
Federal Sources	243,227	-	-	-	-	-	-	243,227
On-Behalf Payments	802,468	-	-	-	-	-	-	802,468
	<u>\$ 4,214,471</u>	<u>\$ 480,573</u>	<u>\$ 473,962</u>	<u>\$ 72,145</u>	<u>\$ 8,101</u>	<u>\$ 12,599</u>	<u>\$ 65,632</u>	<u>\$ 5,327,483</u>
<b>EXPENDITURES DISBURSED</b>								
Instruction	\$ 2,061,878	\$ -	\$ -	\$ 46,355	\$ -	\$ -	\$ -	\$ 2,108,233
Support Services	433,607	199,688	350,567	63,353	261,074	-	56,011	1,364,300
Community Services	2,448	-	-	-	-	-	-	2,448
Payments to Other Districts and Governmental Units	167,792	-	-	-	-	-	-	167,792
Debt Services	-	-	73,615	-	-	-	-	73,615
On-Behalf Payments	802,468	-	-	-	-	-	-	802,468
	<u>\$ 3,468,193</u>	<u>\$ 199,688</u>	<u>\$ 424,182</u>	<u>\$ 109,708</u>	<u>\$ 261,074</u>	<u>\$ -</u>	<u>\$ 56,011</u>	<u>\$ 4,518,856</u>
<b>EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED OVER EXPENDITURES DISBURSED</b>	<u>\$ 746,278</u>	<u>\$ 280,885</u>	<u>\$ 49,780</u>	<u>\$ (37,563)</u>	<u>\$ (252,973)</u>	<u>\$ 12,599</u>	<u>\$ 9,621</u>	<u>\$ 808,627</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Abolishment or Abatement of the Working Cash Fund	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ (10,000)	\$ -	\$ -
Proceeds from Long-Term Debt	-	-	58,295	-	-	-	-	58,295
	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 58,295</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,000)</u>	<u>\$ -</u>	<u>\$ 58,295</u>
<b>EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED AND OTHER FINANCING SOURCES OVER EXPENDITURES DISBURSED AND OTHER FINANCING USES</b>	<u>\$ 756,278</u>	<u>\$ 280,885</u>	<u>\$ 108,075</u>	<u>\$ (37,563)</u>	<u>\$ (252,973)</u>	<u>\$ 2,599</u>	<u>\$ 9,621</u>	<u>\$ 866,922</u>
<b>FUND BALANCE - JULY 1, 2014</b>	<u>4,756,529</u>	<u>1,046,084</u>	<u>1,155,083</u>	<u>132,322</u>	<u>280,177</u>	<u>5,201</u>	<u>105,227</u>	<u>7,480,623</u>
<b>FUND BALANCE - JUNE 30, 2015</b>	<u>\$ 5,512,807</u>	<u>\$ 1,326,969</u>	<u>\$ 1,263,158</u>	<u>\$ 94,759</u>	<u>\$ 27,204</u>	<u>\$ 7,800</u>	<u>\$ 114,848</u>	<u>\$ 8,347,545</u>

The Notes to Financial Statements are an integral part of this statement

RILEY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO.18  
STATEMENT OF REVENUE RECEIVED  
ALL FUNDS EXCEPT AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	EDUCATIONAL	OPERATIONS AND MAINTENANCE	TRANSPOR- TATION	ILLINOIS MUNICIPAL RETIREMENT/ SOCIAL SECURITY	CAPITAL PROJECTS	WORKING CASH	TORT	TOTAL (MEMORANDUM ONLY)
<b>REVENUE RECEIVED</b>								
<b>Local Sources</b>								
Ad Valorem Taxes Levied								
Designated Purpose Levies	\$ 2,792,029	\$ 475,122	\$ 319,437	\$ 56,561	\$ -	\$ 12,569	\$ 57,440	\$ 3,713,158
Special Education Purpose Levy	44,280	-	-	-	-	-	-	44,280
FICA/Medicare Only Purposes Levy	-	-	-	13,503	-	-	-	13,503
<b>Payments in Lieu of Taxes</b>								
Corporate Personal Property Replacement Taxes	-	-	28,920	1,885	-	-	-	30,805
Interest on Investments	8,561	1,276	1,028	196	-	30	166	11,257
<b>Food Service</b>								
Sales to Pupils - Lunch	35,976	-	-	-	-	-	-	35,976
Sales to Adults	1,539	-	-	-	-	-	-	1,539
Other Food Service	757	-	-	-	-	-	-	757
<b>District/School Activity Income</b>								
Admissions - Athletic	2,405	-	-	-	-	-	-	2,405
Fees	11,957	-	-	-	-	-	-	11,957
Other District/School Activity Revenue	4,094	-	-	-	-	-	-	4,094
<b>Textbooks</b>								
Rentals - Regular Textbook	27,554	-	-	-	-	-	-	27,554
Contributions and Donations from Private Sources	8,051	-	-	-	8,101	-	-	16,152
Other Local Fees	11,443	-	-	-	-	-	-	11,443
Other Local Revenues	113	4,175	41,560	-	-	-	8,026	53,874
<b>Total Local Sources</b>	<b>\$ 2,948,759</b>	<b>\$ 480,573</b>	<b>\$ 390,945</b>	<b>\$ 72,145</b>	<b>\$ 8,101</b>	<b>\$ 12,599</b>	<b>\$ 65,632</b>	<b>\$ 3,978,754</b>
<b>State Sources</b>								
<b>Unrestricted Grants-In-Aid</b>								
General State Aid - Sec. 18-8	\$ 127,070	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 127,070
<b>Restricted Grants-In-Aid</b>								
<b>Special Education</b>								
Extraordinary	28,729	-	-	-	-	-	-	28,729
Personnel	22,276	-	-	-	-	-	-	22,276
Orphanage - Individual	38,191	-	-	-	-	-	-	38,191
Orphanage - Summer	1,816	-	-	-	-	-	-	1,816
State Free Lunch and Breakfast	435	-	-	-	-	-	-	435
<b>Transportation</b>								
Regular/Vocational	-	-	70,198	-	-	-	-	70,198
Special Education	-	-	12,819	-	-	-	-	12,819
Other Restricted Revenue from State Sources	1,500	-	-	-	-	-	-	1,500
<b>Total State Sources</b>	<b>\$ 220,017</b>	<b>\$ -</b>	<b>\$ 83,017</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 303,034</b>
<b>Federal Sources</b>								
<b>Restricted Grants-In-Aid Received Directly from the Federal Government</b>								
Other	\$ 24,028	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,028
<b>Restricted Grants-In-Aid Received Directly from the Federal Government through the State</b>								
<b>Food Service</b>								
National School Lunch Program	44,166	-	-	-	-	-	-	44,166
Special Milk Program	792	-	-	-	-	-	-	792
<b>Title I</b>								
Low Income	96,975	-	-	-	-	-	-	96,975
<b>Federal - Special Education</b>								
IDEA - Flow Through/Low Incidence	55,886	-	-	-	-	-	-	55,886
Title II - Teacher Quality	14,133	-	-	-	-	-	-	14,133
Medicaid Matching Funds - Administrative Outreach	7,247	-	-	-	-	-	-	7,247
<b>Total Federal Sources</b>	<b>\$ 243,227</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 243,227</b>
<b>Total Direct Revenue</b>	<b>\$ 3,412,003</b>	<b>\$ 480,573</b>	<b>\$ 473,962</b>	<b>\$ 72,145</b>	<b>\$ 8,101</b>	<b>\$ 12,599</b>	<b>\$ 65,632</b>	<b>\$ 4,525,015</b>

The Notes to Financial Statements are an integral part of this statement

RILEY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO.18  
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL  
EDUCATIONAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	BUDGET	ACTUAL
EXPENDITURES DISBURSED		
Instruction		
Regular Programs		
Salaries	\$ 1,439,200	\$ 1,335,720
Employee Benefits	383,400	352,573
Purchased Services	47,700	30,613
Supplies and Materials	95,600	88,994
Capital Outlay	12,000	1,710
Other Objects	1,100	918
Non-Capitalized Equipment	-	1,339
	<u>\$ 1,979,000</u>	<u>\$ 1,811,867</u>
Special Education Programs		
Salaries	\$ 139,818	\$ 130,742
Employee Benefits	45,220	16,091
	<u>\$ 185,038</u>	<u>\$ 146,833</u>
Remedial and Supplemental Programs K-12		
Salaries	\$ 51,288	\$ 51,975
Employee Benefits	26,425	25,307
	<u>\$ 77,713</u>	<u>\$ 77,282</u>
Interscholastic Programs		
Salaries	\$ 21,000	\$ 19,076
Employee Benefits	2,475	1,586
Supplies and Materials	1,000	54
Other Objects	4,500	5,180
	<u>\$ 28,975</u>	<u>\$ 25,896</u>
Summer School Programs		
Salaries	\$ 1,000	\$ -
Employee Benefits	171	-
	<u>\$ 1,171</u>	<u>\$ -</u>
Private Tuition - Other Objects		
Special Education Programs K-12	\$ 35,000	\$ -
	<u>\$ 35,000</u>	<u>\$ -</u>
Total Instruction	<u>\$ 2,306,897</u>	<u>\$ 2,061,878</u>
Support Services		
Pupils		
Attendance and Social Work Services		
Salaries	\$ 32,810	\$ 32,656
Employee Benefits	3,900	3,889
	<u>\$ 36,710</u>	<u>\$ 36,545</u>
Health Services		
Purchased Services	\$ 15,000	\$ 11,610
	<u>\$ 15,000</u>	<u>\$ 11,610</u>
Total Support Services - Pupils	<u>\$ 51,710</u>	<u>\$ 48,155</u>
Instructional Staff		
Improvement of Instruction Services		
Purchased Services	\$ 20,600	\$ 13,039
Supplies and Materials	100	-
	<u>\$ 20,700</u>	<u>\$ 13,039</u>
Educational Media Services		
Supplies and Materials	\$ 1,000	\$ -
Capital Outlay	3,000	-
	<u>\$ 4,000</u>	<u>\$ -</u>

The Notes to Financial Statements are an integral part of this statement.

RILEY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO.18  
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL  
EDUCATIONAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	BUDGET	ACTUAL
EXPENDITURES DISBURSED (Continued)		
Support Services (Continued)		
Instructional Staff (Continued)		
Assessment and Testing		
Supplies and Materials	\$ 1,000	\$ 569
	<u>\$ 1,000</u>	<u>\$ 569</u>
Total Support Services - Instructional Staff	<u>\$ 25,700</u>	<u>\$ 13,608</u>
General Administration		
Board of Education Services		
Salaries	\$ 5,460	\$ 5,460
Purchased Services	33,500	16,329
Supplies and Materials	1,000	2,674
Other Objects	4,000	10,535
	<u>\$ 43,960</u>	<u>\$ 34,998</u>
Executive Administration Services		
Salaries	\$ 90,200	\$ 90,150
Employee Benefits	150	-
Purchased Services	4,700	3,346
Supplies and Materials	6,000	6,061
Capital Outlay	1,500	-
Other Objects	7,100	11,086
	<u>\$ 109,650</u>	<u>\$ 110,643</u>
Total Support Services - General Administration	<u>\$ 153,610</u>	<u>\$ 145,641</u>
School Administration		
Office of the Principal Services		
Salaries	\$ 110,250	\$ 110,351
Employee Benefits	11,180	11,220
Supplies and Materials	1,000	1,135
Other Objects	750	79
	<u>\$ 123,180</u>	<u>\$ 122,785</u>
Total Support Services - School Administration	<u>\$ 123,180</u>	<u>\$ 122,785</u>
Business		
Fiscal Services		
Salaries	\$ 39,200	\$ 39,214
Purchased Services	500	-
Other Objects	2,000	1,657
	<u>\$ 41,700</u>	<u>\$ 40,871</u>
Food Services		
Salaries	\$ 33,625	\$ 33,210
Employee Benefits	100	-
Purchased Services	1,400	302
Supplies and Materials	35,000	28,280
Capital Outlay	5,000	-
Other Objects	1,250	755
	<u>\$ 76,375</u>	<u>\$ 62,547</u>
Total Support Services - Business	<u>\$ 118,075</u>	<u>\$ 103,418</u>
Total Support Services	<u>\$ 472,275</u>	<u>\$ 433,607</u>

The Notes to Financial Statements are an integral part of this statement.

RILEY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO.18  
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL  
EDUCATIONAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	BUDGET	ACTUAL
EXPENDITURES (Continued)		
Community Services		
Supplies and Materials	\$ 2,800	\$ 2,448
Total Community Services	<u>\$ 2,800</u>	<u>\$ 2,448</u>
Payments to Other Districts and Governmental Units		
Payments to Other Districts and Governmental Units (In-State)		
Payments for Special Education Programs		
Purchased Services	\$ 127,700	\$ 28,794
Other Objects	1,500	1,400
	<u>\$ 129,200</u>	<u>\$ 30,194</u>
Total Payments to Other Districts and Governmental Units (In-State)	<u>\$ 129,200</u>	<u>\$ 30,194</u>
Payments to Other Districts and Governmental Units-Tuition (In-State)		
Payments for Special Education Programs		
Other Objects	\$ 195,000	\$ 137,598
Total Payments to Other Districts and Governmental Units-Tuition (In-State)	<u>\$ 195,000</u>	<u>\$ 137,598</u>
Total Payments to Other Districts and Governmental Units	<u>\$ 324,200</u>	<u>\$ 167,792</u>
Total Direct Expenditures	<u>\$ 3,106,172</u>	<u>\$ 2,665,725</u>

The Notes to Financial Statements are an integral part of this statement.



RILEY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO.18  
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL  
OPERATIONS AND MAINTENANCE FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	BUDGET	ACTUAL
EXPENDITURES DISBURSED		
Support Services		
Business		
Operation and Maintenance of Plant Services		
Salaries	\$ 80,000	\$ 87,528
Purchased Services	106,100	49,927
Supplies and Materials	66,000	55,231
Capital Outlay	10,000	5,240
Other Objects	2,600	1,762
	<u>\$ 264,700</u>	<u>\$ 199,688</u>
Total Support Services - Business	<u>\$ 264,700</u>	<u>\$ 199,688</u>
Total Support Services	<u>\$ 264,700</u>	<u>\$ 199,688</u>
Total Direct Expenditures	<u><u>\$ 264,700</u></u>	<u><u>\$ 199,688</u></u>

The Notes to Financial Statements are an integral part of this statement.

RILEY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO.18  
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL  
TRANSPORTATION FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	BUDGET	ACTUAL
EXPENDITURES DISBURSED		
Support Services		
Business		
Pupil Transportation Services		
Salaries	\$ 92,885	\$ 93,758
Employee Benefits	1,500	991
Purchased Services	95,500	63,635
Supplies and Materials	62,500	47,407
Capital Outlay	148,654	144,154
Other Objects	1,000	622
	<u>\$ 402,039</u>	<u>\$ 350,567</u>
Total Support Services - Business	<u>\$ 402,039</u>	<u>\$ 350,567</u>
Total Support Services	<u>\$ 402,039</u>	<u>\$ 350,567</u>
Debt Services		
Interest		
Interest on Long-Term Debt		
Other Objects	\$ 1,970	\$ 1,970
Payments of Principal on Long-Term Debt		
Other Objects	82,604	71,645
Total Debt Services	<u>\$ 84,574</u>	<u>\$ 73,615</u>
Total Direct Expenditures	<u><u>\$ 486,613</u></u>	<u><u>\$ 424,182</u></u>

The Notes to Financial Statements are an integral part of this statement.

RILEY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO.18  
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL  
ILLINOIS MUNICIPAL RETIREMENT/SOCIAL SECURITY FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	BUDGET	ACTUAL
EXPENDITURES DISBURSED		
Instruction		
Regular Programs		
Employee Benefits	\$ 45,800	\$ 43,117
Special Education Programs		
Employee Benefits	2,000	1,896
Remedial and Supplemental Programs - K-12		
Employee Benefits	825	754
Interscholastic Programs		
Employee Benefits	1,000	588
Summer School Programs		
Employee Benefits	30	-
Total Instruction	<u>\$ 49,655</u>	<u>\$ 46,355</u>
Support Services		
Pupils		
Attendance and Social Work Services		
Employee Benefits	\$ 500	\$ 473
Total Supports Services - Pupils	<u>\$ 500</u>	<u>\$ 473</u>
General Administration		
Board of Education Services		
Employee Benefits	\$ 500	\$ 418
Executive Administration Services		
Employee Benefits	10,400	8,558
Total Support Services - General Administration	<u>\$ 10,900</u>	<u>\$ 8,976</u>
School Administration		
Office of the Principal Services		
Employee Benefits	\$ 5,050	\$ 4,653
Total Support Services - School Administration	<u>\$ 5,050</u>	<u>\$ 4,653</u>
Business		
Fiscal Services		
Employee Benefits	\$ 8,600	\$ 8,223
Operation and Maintenance of Plant Services		
Employee Benefits	16,400	17,030
Pupil Transportation Services		
Employee Benefits	17,400	17,086
Food Services		
Employee Benefits	7,250	6,912
Total Support Services - Business	<u>\$ 49,650</u>	<u>\$ 49,251</u>
Total Support Services	<u>\$ 66,100</u>	<u>\$ 63,353</u>
Total Direct Expenditures	<u>\$ 115,755</u>	<u>\$ 109,708</u>

The Notes to Financial Statements are an integral part of this statement.

RILEY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO.18  
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL  
CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	BUDGET	ACTUAL
EXPENDITURES DISBURSED		
Support Services		
Business		
Facilities Acquisition and Construction Services		
Purchased Services	\$ 15,000	\$ 4,560
Supplies and Materials	2,000	-
Capital Outlay	260,000	256,514
Other Objects	3,000	-
	<u>\$ 280,000</u>	<u>\$ 261,074</u>
Total Support Services - Business	<u>\$ 280,000</u>	<u>\$ 261,074</u>
Total Support Services	<u>\$ 280,000</u>	<u>\$ 261,074</u>
Total Direct Expenditures	<u><u>\$ 280,000</u></u>	<u><u>\$ 261,074</u></u>

The Notes to Financial Statements are an integral part of this statement.

RILEY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO.18  
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL  
TORT FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	BUDGET	ACTUAL
EXPENDITURES DISBURSED		
Support Services		
General Administration		
Insurance Payments		
Purchased Services	\$ 56,400	\$ 56,011
	<u>\$ 56,400</u>	<u>\$ 56,011</u>
Total Support Services - General Administration	<u>\$ 56,400</u>	<u>\$ 56,011</u>
Total Support Services	<u>\$ 56,400</u>	<u>\$ 56,011</u>
Total Direct Expenditures	<u><u>\$ 56,400</u></u>	<u><u>\$ 56,011</u></u>

The Notes to Financial Statements are an integral part of this statement.

RILEY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 18

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Riley Community Consolidated School District No. 18's (District) accounting policies conform to the cash basis of accounting as defined by the Illinois State Board of Education Audit Guide.

A. *Principles Used to Determine Scope of Entity*

The reporting entity includes the governing board and all related organizations for which the District exercises oversight responsibility.

The District has developed criteria to determine whether outside agencies with activities which benefit its citizens, including joint agreements which serve pupils from numerous districts, should be included within its financial reporting entity. The criteria include, but are not limited to, whether the District exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

The joint agreement has been determined not to be part of the reporting entity after applying the manifesting of oversight, scope of public service and special financing relationships criteria and is therefore excluded from the accompanying financial statements because the District does not control the assets, operations, or management of the joint agreement. In addition, the District is not aware of any entity which would exercise such oversight as to result in the District being considered a component unit of the entity.

B. *Basis of Presentation – Fund Accounting*

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets and liabilities arising from cash transactions, fund balance, revenue received, and expenditures disbursed. The District maintains individual funds required by the State of Illinois.

These funds are grouped as required for reports filed with the Illinois State Board of Education. District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following funds and account groups are used by the District:

Educational Fund – The Educational Fund is the general operating fund of the District. It is used to account for all transactions that are not specifically covered in another fund. Certain expenditures that must be charged to this fund include the direct costs of instructional programs, health and attendance services, lunch programs, all costs of administration, and related insurance costs. Certain revenues that must be credited to this fund include educational tax levies, tuition, and textbook rentals. Special Education is included in this fund.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### B. *Basis of Presentation – Fund Accounting (Continued)*

Operations and Maintenance Fund – The Operations and Maintenance Fund is used to account for all costs of maintaining, improving, or repairing school buildings and property, renting buildings and property for school purposes, or paying of premiums for insurance on school buildings. Operations of this fund are generally financed by a special tax levied for these purposes.

Transportation Fund – The Transportation Fund is used to account for the costs associated with transporting pupils for any purpose. Revenue received for transportation purposes from any source must be deposited into this fund, including property taxes levied and state grants received for these purposes.

Illinois Retirement/Social Security Fund – The Illinois Retirement/Social Security Fund is used to account for costs of providing retirement benefits under Illinois Municipal Retirement Fund and Social Security if there are separate taxes levied for these purposes. If separate taxes are not levied for these purposes, then the payments shall be charged to the fund where the salaries are charged.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and contributions and donations from private sources.

Working Cash Fund – The Working Cash Fund is used to account for a separate tax levied for working cash purposes and for any bonds sold for this purpose. Cash available in this fund may be loaned to any fund of the District.

Tort Fund – The Tort Fund is used to account for the proceeds of specific revenue sources that are legally restricted for tort expenditures.

Agency Fund – The Agency Fund is used to account for Student Activity Funds and Convenience Accounts, which are assets held by the District as an agent for the students and teachers. This fund is custodial in nature and does not involve the measurement of the results of operations. The amounts due to the Activity Fund organizations are equal to the assets.

General Fixed Assets Account Group – The General Fixed Assets Account Group is used to record physical assets of the District that have a long-term (i.e. more than one year) period of usefulness.

General Long-Term Debt Account Group – The General Long-Term Debt Account Group is used to record total bonded debt and other long-term debt of the District.

#### Measurement Focus

The financial statements of all funds, except the Agency Fund and two account groups, focus on the measurement of spending or “financial flow” and the determination of changes in financial position rather than upon net income determination. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of “available spendable resources”. Fund operating statements present increases (cash receipts and other financing sources) and decreases (cash disbursements and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. *Basis of Presentation – Fund Accounting (Continued)*

General Fixed Assets and General Long-Term Debt Account Groups

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. Fixed assets used in operations are accounted for in the General Fixed Assets Account Group rather than in the funds. Long-term liabilities expected to be financed from the funds are accounted for in the General Long-Term Debt Account Group, not in the funds.

The two account groups are not “funds”. They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

C. *Basis of Accounting*

Basis of accounting refers to when revenues received and expenditures disbursed are recognized in the accounts and how they are reported on the financial statements. The District maintains its accounting records for all funds and account groups on the cash basis of accounting under guidelines prescribed by the Illinois State Board of Education. Accordingly, revenues are recognized and recorded in the accounts when cash is received. In the same manner, expenditures are recognized and recorded upon the disbursement of cash. Assets of a fund are only recorded when a right to receive cash exists which arises from a previous cash transaction. Liabilities of a fund, similarly, result from previous cash transactions.

Cash basis financial statements omit recognition of receivables and payables and other accrued and deferred items that do not arise from previous cash transactions.

Proceeds from sales of bonds are included as other financing sources in the appropriate fund on the date received. Related bond principal payable in the future is recorded at the same time in the General Long-Term Debt Account Group.

If the District utilized accounting principles generally accepted in the United States of America, the basic financial statements would be replaced with government-wide financial statements and fund financial statements. The fund financial statements would use the modified accrual basis of accounting. The government-wide financial statements would be presented on the accrual basis of accounting.

D. *Budgets and Budgetary Accounting*

The budget for all funds is prepared on the cash basis of accounting which is the same basis that is used in financial reporting. This allows for comparability between budget and actual amounts. This is an acceptable method in accordance with Chapter 105, Section 5/17-1 of the Illinois Compiled Statutes. The budget was passed on August 20, 2014 and amended on May 20, 2015.

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

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



NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. *Budgets and Budgetary Accounting (Continued)*

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

E. *Cash and Cash Equivalents and Investments*

Separate bank accounts are not maintained for all District funds. Instead, the funds maintain their uninvested cash balances in a common checking account, with accounting records being maintained to show the portion of the common bank account balance attributable to each participating fund.

Occasionally certain of the funds participating in the common bank account will incur overdrafts (deficits) in the account. Such overdrafts in effect constitute cash borrowed from other District funds and are, therefore, interfund loans which have not been authorized by School Board action.

No District fund had a cash overdraft at June 30, 2015.

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are stated at the lower of cost or market. Gains or losses on the sale of investments are recognized upon realization.

F. *Inventories*

It is the District's policy to charge all purchases of items for resale or supplies to expenditures when purchased. No inventory accounts are maintained to reflect the values of resale or supply items on hand.

G. *Interfund Activity*

Interfund activity is reported either as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate. All other interfund transactions are treated as transfers.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### H. *General Fixed Assets*

General fixed assets have been acquired for general governmental purposes. At the time of purchase, assets are recorded as disbursements in the funds for which the asset was purchased and capitalized at cost, if over \$1,000, in the General Fixed Assets Account Group. Donated general fixed assets are stated at estimated fair market value as of the date of acquisition. Depreciation accounting is not considered applicable (except to determine the per capita tuition charge, which is calculated on a straight-line basis with useful lives of 50 years for Buildings, 20 years for Improvements Other than Buildings, and 5 to 10 years for Equipment).

#### I. *Governmental Fund Balances*

Governmental fund balances are reported as “reserved” because they are legally segregated for a specific future use. The remaining balances are “unreserved” fund balances. From time to time, the Board agrees to set aside or “designate” resources for future uses – such as for specific capital projects. These unreserved, designated balances are based on management’s tentative plans and can be changed.

#### J. *Property Tax Calendar and Revenues*

The District’s property tax is levied each year on all taxable real property located in the District on or before the last Tuesday in December. The 2014 levy was passed by the Board on November 19, 2014. Property taxes attach as an enforceable lien on property as of January 1 and are payable in two installments early in June and early in September of the following calendar year. The District receives significant distributions of tax receipts approximately one month after these due dates.

#### K. *Total Memorandum Only*

The “Total Memorandum Only” column represents the aggregation (by addition) of the line item amounts reported for each fund and account group. No consolidating or other eliminations were made in arriving at the totals; thus they do not present consolidated information.

These totals are presented only to facilitate financial analysis and are not intended to reflect the financial position or results of operations of the District as a whole.

### NOTE 2 - DEPOSITS AND INVESTMENTS

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

The District is allowed to invest in securities as authorized by the School Code of Illinois, Chapter 30, Section 235/2 and 6; and Chapter 105, Section 5/8-7.

#### *Deposits*

*Custodial Credit Risk.* Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District has a policy that all deposits and investments in excess of any insurance shall be collateralized by pledged securities and the market value of the pledged securities shall equal or exceed the portion of deposit requiring collateralization. The District was fully collateralized as of June 30, 2015.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Building and Building Improvements	2,282,471	192,111	-	2,474,582
Site Improvements and Infrastructure	92,167	2,250	-	94,417
Capitalized Equipment	994,816	213,257	116,900	1,091,173
	<u>\$ 3,394,454</u>	<u>\$ 407,618</u>	<u>\$ 116,900</u>	<u>\$ 3,685,172</u>

NOTE 4 - CHANGES IN GENERAL LONG-TERM DEBT

Changes in general long-term debt are summarized as follows:

	Balance July 1, 2014	Additions	Retirement	Balance June 30, 2015	Amounts Due Within One Year
<b>General Long-Term Debt</b>					
Capital Leases					
Dated 7/29/2014	\$ -	\$ 58,295	\$ 58,295	\$ -	\$ -
Dated 7/29/2010	13,350	-	13,350	-	-
<b>Total General Long-Term Debt</b>	<u>\$ 13,350</u>	<u>\$ 58,295</u>	<u>\$ 71,645</u>	<u>\$ -</u>	<u>\$ -</u>

Lease certificates and capital leases payable consisted of the following at June 30, 2015:

	Maturity Date	Interest Rate	Face Amount	Carrying Amount
Capital Leases				
Dated 7/29/2010	7/29/2014	4.50%	\$ 64,000	\$ -
Dated 7/29/2014	7/29/2018	5.90%	58,295	-

NOTE 5 - DESIGNATED FUND BALANCE

The District has designated receipts from the 2014 tax levy for expenditures to be incurred during fiscal year 2016. At June 30, 2015 the following balances were designated:

Fund	Amount
Educational	\$ 1,453,482
Operations and Maintenance	271,949
Transportation	155,730
Illinois Municipal Retirement/Social Security	30,268
Working Cash	7,787
Tort	31,146
	<u>\$ 1,950,362</u>

NOTE 6 - INTERFUND LOANS

The District has no outstanding interfund loans as of June 30, 2015.

NOTE 7 - SPECIAL TAX LEVIES AND RESERVED EQUITY

*Social Security Tax Levy*

Cash receipts and the related cash disbursements of this reserved tax levy are accounted for in the Illinois Municipal Retirement/Social Security Fund. The current year disbursements exceeded the current year revenues, therefore there is no equity reserve for the year ended June 30, 2015.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - DEFICIT FUND BALANCE

No District fund had a deficit fund balance at June 30, 2015.

NOTE 9 - PROPERTY TAXES

Taxes recorded in these financial statements are from the 2014 (\$1,979,459) and 2013 (\$1,791,482) tax levies. A summary of the assessed valuation, rates, and extensions for tax years 2014, 2013, and 2012 follows:

Tax Year Assessed Valuation	2014 \$95,251,667		2013 \$98,484,336		2012 \$109,238,977	
	Rate	Extension	Rate	Extension	Rate	Extension
Purpose						
Educational	2.9396	\$ 2,800,000	2.8431	\$ 2,800,000	2.4717	\$ 2,700,000
Operations and Maintenance	0.5500	523,884	0.4315	425,000	0.3442	375,942
Transportation	0.3150	300,000	0.3477	342,447	0.3662	400,000
Municipal Retirement	0.0612	58,309	0.0559	55,000	0.0458	50,000
Working Cash	0.0157	15,000	0.0102	10,000	0.0147	16,000
Tort Immunity	0.0630	60,000	0.0559	55,000	0.0687	75,000
Special Education	0.0412	39,253	0.0508	50,000	0.0284	31,000
Social Security	0.0176	16,800	0.0102	10,000	0.0229	25,000
	<u>4.0033</u>	<u>\$ 3,813,246</u>	<u>3.8051</u>	<u>\$ 3,747,447</u>	<u>3.3623</u>	<u>\$ 3,672,942</u>

NOTE 10 - OVEREXPENDITURE OF BUDGET

For the year ended June 30, 2015 the District had no funds where actual expenditures exceeded the budget.

NOTE 11 - OPERATING LEASES

The District leases copier equipment under an operating lease. Total lease expense for fiscal year 2015 was \$3,159.

Annual requirements to cover outstanding lease agreements at June 30, 2015 are:

Year Ending June 30	Total
2016	\$ 2,991
2017	2,991
2018	2,991
2019	2,991
2020	996
	<u>\$ 12,959</u>

NOTE 12 - RETIREMENT FUND COMMITMENTS

A. *Teachers' Retirement System of the State of Illinois*

➤ **General Information About the Pension Plan**

○ **Plan Description**

The 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. TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. The Illinois Pension Code outlines the benefit provisions of TRS,

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - RETIREMENT FUND COMMITMENTS (Continued)

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

➤ **General Information About the Pension Plan** (Continued)

○ **Plan Description** (Continued)

and amendments to the plan can be made only by legislative action with the Governor's approval. The TRS Board of Trustees is responsible for the System's administration.

TRS issues a publicly available financial report that can be obtained at <http://trs.illinois.gov/pubs/cafr>; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling (888) 877-0890, option 2.

○ **Benefits Provided**

TRS provides retirement, disability, and death benefits. Tier I members have TRS or reciprocal system service prior to January 1, 2011. Tier I members qualify for retirement benefits at age 62 with five years of service, at age 60 with ten years, or age 55 with 20 years. The benefit is determined by the average of the four highest years of creditable earnings within the last ten years of creditable service and the percentage of average salary to which the member is entitled. Most members retire under a formula that provides 2.2% of final average salary up to a maximum of 75% with 34 years of service. Disability and death benefits are also provided.

Tier II members qualify for retirement benefits at age 67 with ten years of service, or a discounted annuity can be paid at age 62 with ten years of service. Creditable earnings for retirement purposes are capped and the final average salary is based on the highest consecutive eight years of creditable service rather than the last four. Disability provisions for Tier II are identical to those of Tier I. Death benefits are payable under a formula that is different from Tier I.

Essentially all Tier I retirees receive an annual 3% increase in the current retirement benefit beginning January 1 following the attainment of age 61 or on January 1 following the member's first anniversary in retirement, whichever is later. Tier II annual increases will be the lesser of 3% of the original benefit or ½% of the rate of inflation beginning January 1 following attainment of age 67 or on January 1 following the member's first anniversary in retirement, whichever is later.

○ **Contributions**

The State of Illinois maintains the primary responsibility for funding TRS. The Illinois Pension Code, as amended by Public Act 88-0593 and subsequent acts, provides that for years 2010 through 2045, the minimum contribution to the System for each fiscal year shall be an amount determined to be sufficient to bring the total assets of the System up to 90% of the total actuarial liabilities of the System by the end of fiscal year 2045.

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - RETIREMENT FUND COMMITMENTS (Continued)

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

➤ **General Information About the Pension Plan** (Continued)

○ **Contributions** (Continued)

year ended June 30, 2015 was 9.4% of creditable earnings. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the employer.

• **On-Behalf Contributions to TRS**

The State of Illinois makes employer pension contributions on behalf of the District. For the year ended June 30, 2015, State of Illinois contributions recognized by the District were based on the State's proportionate share of the collective net pension liability associated with the District, and the District recognized revenue and expenditures of \$785,272 in pension contributions from the State of Illinois.

• **2.2 Formula Contributions**

Employers contribute 0.58% of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2015 were \$9,778.

• **Federal and Special Trust Fund Contributions**

When TRS members are paid from federal and special trust funds administered by the employer, there is a statutory requirement for the employer to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that has been in effect since the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the State contribution rate to TRS. Public Act 98-0674 now requires the two rates to be the same.

For the year ended June 30, 2015, the District pension contribution was 33.00% of salaries paid from federal and special trust funds. For the year ended June 30, 2015, salaries totaling \$57,858 were paid from federal and special trust funds that required District contributions of \$19,093.

• **Employer Retirement Cost Contributions**

Under GASB Statement No. 68, contributions that an employer is required to pay because of a TRS member retiring are categorized as specific liability payments. The employer is required to make a one-time contribution to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the member's age and salary. The maximum employer ERO contribution under the current program is 146.5% and applies when the member is age 55 at retirement. For the year ended June 30, 2015, the District paid \$0 to TRS for employer ERO contributions.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - RETIREMENT FUND COMMITMENTS (Continued)

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

➤ **General Information About the Pension Plan** (Continued)

○ **Contributions** (Continued)

• **Employer Retirement Cost Contributions** (Continued)

The employer is also required to make a one-time contribution to TRS for members granted salary increases over 6% if those salaries are used to calculate a retiree's final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2015, the District paid \$0 to TRS for employer contributions due on salary increases in excess of 6% and \$0 for sick leave days granted in excess of the normal annual allotment.

➤ **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the District has a liability for its proportionate share of the net pension liability (first amount shown below) that reflected a reduction for State pension support provided to the District. The State's support and total are for disclosure purposes only. The District's proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

State's proportionate share of the net pension liability	\$ 9,753,640
District's proportionate share of the net pension liability	488,111
Total Net Pension Liability	<u>\$ 10,241,751</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 and rolled forward to June 30, 2014. The District's proportion of the net pension liability was based on the District's share of contributions to TRS for the measurement year ended June 30, 2014, relative to the projected contributions of all participating TRS employers and the State during that period. At June 30, 2014, the District's proportion was 0.0008021%.

The net pension liability as of the beginning of this first measurement period under GASB Statement No. 68 was measured as of June 30, 2013, and the total pension liability was based on the June 30, 2013 actuarial valuation without any roll-up. The District's proportion of the net pension liability as of June 30, 2013 was based on the District's share of contributions to TRS for the measurement year ended June 30, 2013, relative to the projected contributions of all participating TRS employers and the State during that period. At June 30, 2013, the District's proportion was 0.0008361%.

For the year ended June 30, 2015, the District recognized pension expense of \$785,272 and revenue of \$785,272 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - RETIREMENT FUND COMMITMENTS (Continued)

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

➤ **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Outflows of Resources
Differences between expected and actual experience	\$ 258	\$ -	\$ 258
Net difference between projected and actual earnings on pension investments	-	(24,531)	(24,531)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(17,159)	(17,159)
Employer contributions subsequent to the measurement date	28,871	-	28,871
	<u>\$ 29,129</u>	<u>\$ (41,690)</u>	<u>\$ (12,561)</u>

\$28,871 of deferred outflows of resources related to pensions results from employer contributions subsequent to the measurement date. Other deferred outflows of resources and deferred inflows of resources related to pensions will be part of the pension expense in future years as follows:

Year Ending June 30	
2016	\$ 10,235
2017	10,235
2018	10,235
2019	10,235
2020	492
	<u>\$ 41,432</u>

○ **Actuarial Assumptions**

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	5.75%, average including inflation
Investment Rate of Return	7.5%, net of pension plan investment expenses, including inflation

Mortality rates were based on the RP-2000 White Collar Table with projections using scale AA that vary by member group.

For GASB disclosure purposes, the actuarial assumptions for the years ended June 30, 2014 and 2013 were assumed to be the same. However, for funding purposes, the actuarial valuations for those two years were different. The actuarial assumptions used in the June 30, 2014 valuation were based on updates to economic assumptions adopted in 2014 which lowered the investment return assumption from 8.0% to 7.5%. The salary increase and inflation assumptions were also lowered. The actuarial assumptions used in the June 30, 2013 valuation were based on the 2012 actuarial experience analysis and first adopted in the June 30, 2012 valuation. The investment return assumption was lowered from 8.5% to



NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - RETIREMENT FUND COMMITMENTS (Continued)

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

➤ **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

○ **Actuarial Assumptions** (Continued)

8.0% and the salary increase and inflation assumptions were also lowered. Mortality assumptions were adjusted to anticipate continued improvement in mortality.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class that were used by the actuary are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. large cap	18.0%	8.23%
Global equity excluding U.S.	18.0%	8.58%
Aggregate bonds	16.0%	2.27%
U.S. TIPS	2.0%	3.52%
NCREIF	11.0%	5.81%
Opportunistic real estate	4.0%	9.79%
ARS	8.0%	3.27%
Risk Parity	8.0%	5.57%
Diversified inflation strategy	1.0%	3.96%
Private Equity	14.0%	13.03%
Total	100.0%	

○ **Discount Rate**

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and State contributions will be made at the current statutorily-required rates.

Based on those assumptions, TRS's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members and all benefit recipients. Tier I's liability is partially-funded by Tier II members, as the Tier II member contribution is higher than the cost of Tier II benefits. Due to this subsidy, contributions from future members in excess of the service cost are also included in the determination of the discount rate. Therefore, the long-term expected rate of return on TRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 12 - RETIREMENT FUND COMMITMENTS (Continued)

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

➤ **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

○ **Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point-higher (8.5%) than the current rate.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Employer's proportionate share of the net pension liability	\$ 602,794	\$ 488,111	\$ 393,141

○ **TRS Fiduciary Net Position**

Detailed information about the TRS's fiduciary net position as of June 30, 2014 is available in the separately issued TRS *Comprehensive Annual Financial Report*.

B. *Illinois Municipal Retirement Fund*

➤ **Plan Description**

The District's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The District's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position and required supplementary information. That report may be obtained on-line at [www.imrf.org](http://www.imrf.org).

➤ **Benefits Provided**

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired before January 1, 2011 are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - RETIREMENT FUND COMMITMENTS (Continued)

B. *Illinois Municipal Retirement Fund* (Continued)

➤ **Benefits Provided** (Continued)

benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last ten years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired on or after January 1, 2011 are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last ten years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

➤ **Employees Covered by Benefit Terms**

All appointed employees of a participating employer who are employed in a position normally requiring 600 hours (1,000 hours for certain employees hired after 1981) or more of work in a year are required to participate. At December 31, 2014, the measurement date, the District's membership consisted of:

Retirees and beneficiaries currently receiving benefits	16
Inactive plan members entitled to but not yet receiving benefits	7
Active plan members	15
Total	38

➤ **Contributions**

As set by statute, the District's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The District's annual contribution rate for calendar year 2014 was 13.08%. For the fiscal year ended June 30, 2015, the District contributed \$51,820 to the Plan. The District also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - RETIREMENT FUND COMMITMENTS (Continued)

B. *Illinois Municipal Retirement Fund* (Continued)

➤ **Net Pension Liability**

The components of the net pension liability of the IMRF as of December 31, 2014, calculated in accordance with GASB Statement No. 68, were as follows:

Total Pension Liability	\$	1,993,346
IMRF Fiduciary Net Pension		1,752,463
District's Net Pension Liability		240,883
IMRF Fiduciary Net Pension as a Percentage of the Total Pension Liability		87.92%

See the Schedule of Changes in the Employer's Net Pension Liability and Related Ratios in the Supplemental Financial Information following the notes to the financial statements for additional information related to the funded status of the Plan.

➤ **Actuarial Assumptions**

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2014 using the following actuarial methods and assumptions.

Assumptions	
Inflation	3.50%
Price Inflation	2.75%
Salary Increases	3.75% - 14.50% including inflation
Interest Rate	7.50%
Asset Valuation Method	Market value of assets
Projected Retirement Age	Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.

The IMRF-specific rates for Mortality (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For Disabled Retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

➤ **Long-Term Expected Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - RETIREMENT FUND COMMITMENTS (Continued)

B. *Illinois Municipal Retirement Fund* (Continued)

➤ **Long-Term Expected Rate of Return** (Continued)

percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Projected Return
Equities	63.2%	7.60%
International Equities	2.6%	7.80%
Fixed Income	23.5%	3.00%
Real Estate	4.3%	6.15%
Alternatives	4.5%	
Private Equity		8.50%
Hedge Funds		5.25%
Commodities		2.75%
Cash	1.9%	2.25%
	100.0%	

➤ **Single Discount Rate**

The projection of cash flow used to determine this Single Discount Rate assumed that the Plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this discount rate, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.56%; and resulting single discount rate is 7.50%.

➤ **Discount Rate Sensitivity**

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the District calculated using the discount rate of 7.50% as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability	\$ 488,257	\$ 240,883	\$ 34,808

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - RETIREMENT FUND COMMITMENTS (Continued)

B. *Illinois Municipal Retirement Fund* (Continued)

➤ **Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2015, the District's pension expense is \$57,360. At June 30, 2015, the District's deferred outflows of resources and deferred inflows of resources related to pension from the following sources were as follows:

<b>Expense in Future Periods</b>	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
Differences between expected and actual experience	\$ -	\$ 4,707	\$ (4,707)
Assumption changes	59,820	-	59,820
Net difference between projected and actual earnings on pension investments	18,817	-	18,817
Total deferred amounts to be recognized in pension expense in future periods	\$ 78,637	\$ 4,707	\$ 73,930
Pension contributions made subsequent to the measurement date	28,656	-	28,656
Total deferred amounts related to pensions	<u>\$ 107,293</u>	<u>\$ 4,707</u>	<u>\$ 102,586</u>

Deferred outflows of resources and deferred inflows of resources related to pensions will be part of the pension expense in future years as follows:

Year Ending December 31	Net Deferred Outflows of Resources
2015	\$ 30,870
2016	30,870
2017	7,485
2018	4,705
2019	-
Thereafter	-
	<u>\$ 73,930</u>

C. *Social Security*

Employees not qualifying for coverage under the Teachers' Retirement System of the State of Illinois or the Illinois Municipal Retirement Fund are considered "non-participating employees". These employees and those qualifying for coverage under the Illinois Municipal Retirement Fund are covered under Social Security. The District paid the total required contribution for the current fiscal year.

NOTE 13 - POST EMPLOYMENT BENEFIT COMMITMENTS

*Teacher Health Insurance Security Fund (THIS)*

The District participates in the Teacher Health Insurance Security (THIS) Fund (Plan), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan that was established by the Illinois legislature for the benefit of Illinois public school teachers employed outside the City of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants not enrolled in Medicare

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 13 - POST EMPLOYMENT BENEFIT COMMITMENTS (Continued)

*Teacher Health Insurance Security Fund (THIS) (Continued)*

may participate in the state administered participating provider option plan or choose from several managed care options. Annuitants who are enrolled in Medicare Parts A and B may be eligible to enroll in a Medicare Advantage plan.

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

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

➤ **On behalf contributions to THIS Fund**

The State of Illinois makes employer retiree health insurance contributions on behalf of the District. State contributions are intended to match contributions to the THIS Fund from active members which were 1.02% of pay during the year ended June 30, 2015. State of Illinois contributions were \$17,196, and the District recognized revenue and expenditures of this amount during the year.

➤ **Employer contributions to THIS Fund**

The District also makes contributions to the THIS Fund. The District THIS Fund contribution was 0.76% during the year ended June 30, 2015. For the year ended June 30, 2015, the District paid \$12,812 to the THIS Fund, which was 100% of the required contribution.

The publicly available financial report of the THIS Fund may be found on the website of the Illinois Auditor General: <http://www.auditor.illinois.gov/Audit-Reports/ABC-List.asp>. The current reports are listed under “Central Management Services”. Prior reports are available under “Healthcare and Family Services”.

NOTE 14 - INTERFUND TRANSFERS

The District’s permanent transfers during the year ended June 30, 2015 were as follows:

From	To	Amount
Authorized Transfers:		
Working Cash Fund	Educational Fund	\$ 10,000
Total Permanent Transfers		\$ 10,000

The purpose of the transfer from the Working Cash Fund was to move money to the fund with the most need.

NOTE 15 - JOINT VENTURE - SPECIAL EDUCATION DISTRICT OF McHENRY COUNTY (SEDOM)

The District and seventeen other districts within McHenry County have entered into a joint agreement to provide special education programs and services to the students enrolled.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 15 - JOINT VENTURE – SPECIAL EDUCATION DISTRICT OF McHENRY COUNTY (SEDOM)  
(Continued)

Each member district has a financial responsibility for annual and special assessments as established by the management council.

A summary of financial condition (cash basis) of SEDOM at June 30, 2014 (most recent information available) is as follows:

Assets	<u>\$ 12,068,828</u>
Liabilities	\$ 250,486
Fund Equity	<u>11,818,342</u>
	<u>\$ 12,068,828</u>
Revenues Received	\$ 20,681,589
Expenditures Disbursed	20,705,044
Other Financing Sources/(Uses)	<u>390,000</u>
Net Increase/(Decrease) in Fund Balance	<u>\$ 366,545</u>

Complete financial statements for SEDOM can be obtained from the Administrative Offices at 1200 Claussen Drive, Woodstock, Illinois 60098.

NOTE 16 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; and injuries to employees.

The District is a member of the Collective Liability Insurance Cooperative (CLIC), a joint risk management pool of school Districts through which property, general liability, automobile liability, crime, excess property, excess liability, and boiler and machinery coverage is provided in excess of specified limits for the members, acting as a single insurable unit.

The relationship between the District and CLIC is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The District is contractually obligated to make all annual and supplementary contributions for CLIC, to report claims on a timely basis, cooperate with CLIC, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by CLIC. Members have a contractual obligation to fund any deficit of CLIC attributable to a membership year during which they were a member.

CLIC is responsible for administering the self-insurance program and purchasing excess insurance according to the direction of the Board of Directors. CLIC also provides its members with risk management services, including the defense of and settlement of claims, and establishes reasonable and necessary loss of reduction and prevention procedures to be followed by the members.

The District is insured under a retrospectively-rated policy for workers' compensation coverage. Whereas, the initial premium may be adjusted based on actual experience. Adjustments in premiums are recorded when paid or received.

During the year ended June 30, 2015, there were no significant reductions in insurance coverage. Also, there have been no settlement amounts that have exceeded insurance coverage. During the year ended June 30, 2015, there were no significant adjustments in premiums based on actual experience.



NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 17 - CONTINGENCIES

The District is not aware of any pending litigation or potential nondisclosed liabilities that management believes would have a material adverse effect on the financial statements.

NOTE 18 - LEGAL DEBT LIMITATION

The Illinois School Code limits the amount of indebtedness to 6.9% of the most recent available equalized assessed valuation (EAV) of the District. The District's legal debt limitation is as follows:

2014 EAV	\$ 95,251,667
Rate	<u>6.90%</u>
Debt Margin	\$ 6,572,365
Current Debt	<u>-</u>
Remaining Debt Margin	<u><u>\$ 6,572,365</u></u>

NOTE 19 - CHANGE IN ACCOUNTING PRINCIPLE

Effective in the year ended June 30, 2015, the District has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

NOTE 20 - SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 8, 2015, the date on which the financial statements were available to be issued.

SUPPLEMENTAL FINANCIAL INFORMATION

RILEY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 18  
ILLINOIS MUNICIPAL RETIREMENT FUND  
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION  
LIABILITY AND RELATED RATIOS  
JUNE 30, 2015

	6/30/15 *
TOTAL PENSION LIABILITY	
Service Cost	\$ 47,161
Interest	134,130
Differences Between Expected and Actual Experience	(6,942)
Changes in Assumptions	88,221
Benefit Payments, Including Refunds of Member Contributions	(77,662)
Net Change in Total Pension Liability	\$ 184,908
 Total Pension Liability - Beginning	 1,808,438
 Total Pension Liability - Ending	 \$ 1,993,346
 PLAN FIDUCIARY NET POSITION	
Contributions - Employer	\$ 50,431
Contributions - Employee	17,350
Net Investment Income	100,252
Benefit Payments, Including Refunds of Member Contributions	(77,662)
Other	13,678
Net Change in Plan Fiduciary Net Position	\$ 104,049
 Plan Net Position - Beginning	 1,648,414
 Plan Net Position - Ending	 \$ 1,752,463
 District's Net Pension Liability	 \$ 240,883
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.92%
 Covered-Employee Payroll	\$ 385,559
 Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	62.48%

\* This information presented is based on the actuarial valuation performed as of the December 31 year end prior to the fiscal year end listed above.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years for which information is available.

See Accompanying Independent Auditors' Opinion

RILEY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 18  
ILLINOIS MUNICIPAL RETIREMENT FUND  
SCHEDULE OF EMPLOYER CONTRIBUTION  
JUNE 30, 2015

	6/30/2015 *
Actuarial Determined Contribution	\$ 50,432
Contributions in Relation to Actuarially Determined Contribution	50,431
Contribution Deficiency/(Excess)	\$ 1
Covered-Employee Payroll	\$ 385,559
Contributions as a Percentage of Covered-Employee Payroll	13.08%

**Notes to Schedule:**

***Actuarial Method and Assumptions Used on the Calculation of the 2014 Contribution Rate \****

Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

**Actuarial Cost Method:** Aggregate entry age = normal

**Amortization Method:** Level percentage of payroll, closed

**Remaining Amortization Period:** 29-year closed period

**Asset Valuation Method:** 5-year smoothed market; 20% corridor

**Wage Growth:** 4%

**Price Inflation:** 3%, approximate; No explicit price inflation assumption is used in this valuation.

**Salary Increases:** 4.40% to 16%, including inflation

**Investment Rate of Return:** 7.50%

**Retirement Age:** Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2011 valuation pursuant to an experience study of the period 2008 to 2010.

**Mortality:** RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward ten years.

\*Based on Valuation Assumptions used in the December 31, 2012 actuarial valuation; note two year lag between valuation and rate setting.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years for which information is available.

RILEY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 18  
 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS  
 SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE  
 OF THE NET PENSION LIABILITY  
 JUNE 30, 2015

	6/30/2015 *
Employer's portion of the Net Pension Liability	0.0008021%
Employer's proportionate share of the Net Pension Liability	\$ 488,111
State's proportionate share of the Net Pension Liability associated with the employer	9,753,640
Total	\$ 10,241,751
Employer's Covered-Employee Payroll	\$ 1,581,020
Employer's proportionate share of the Net Pension Liability as a percentage of Covered-Employee Payroll	30.87%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	43.00%

\* - The amounts presented were determined as of the prior fiscal-year end

**Changes of Assumptions:** Amounts reported in 2014 reflect an investment rate of return of 7.5%, an inflation rate of 3.0% and real return of 4.5%, and a salary increase assumption of 5.75%. In 2013, assumptions used were an investment rate of return of 8.0%, an inflation rate of 3.25% and real return of 4.75%, and salary increases of 6.00%. However, the total pension liability at the beginning and end of the year was calculated using the same assumptions, so the difference due to actuarial assumptions was not calculated or allocated.

RILEY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 18  
 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS  
 SCHEDULE OF EMPLOYER CONTRIBUTION  
 JUNE 30, 2015

	<u>6/30/2015 *</u>
Contractually-required contribution	\$ 28,871
Contributions in relation to the contractually - required contribution	<u>28,871</u>
Contribution deficiency/(excess)	<u><u>\$ -</u></u>
Employer's Covered-Employee Payroll	\$ 1,581,020
Contributions as a percentage of Covered-Employee Payroll	1.83%

\* - This information is based on the actuarial valuation performed as of the prior June 30 year end.

RILEY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO.18  
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

ASSETS	<u>BALANCE JULY 1, 2014</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE JUNE 30, 2015</u>
Cash and Cash Equivalents	<u>\$ 31,659</u>	<u>\$ 37,479</u>	<u>\$ 41,369</u>	<u>\$ 27,769</u>
<b>LIABILITIES</b>				
Amount Due to Activity				
Class of 2012	\$ 515	\$ -	\$ -	\$ 515
Class of 2013	1,050	-	-	1,050
Class of 2014	2,096	-	1,613	483
Class of 2015	2,697	7,856	7,457	3,096
Class of 2016	395	5,710	3,587	2,518
Class of 2017	335	540	539	336
Class of 2018	160	-	-	160
Class of 2019	168	-	-	168
Class of 2020	169	-	-	169
Class of 2021	168	444	444	168
Class of 2022	-	224	224	-
Yearbook	3,921	3,353	2,625	4,649
Learning Center Fund	974	60	79	955
Jump-Rope-For-Heart	24	932	932	24
Special Needs	4,074	-	10	4,064
Art Fund	5	1,695	1,697	3
Music Program	4,247	13,330	16,226	1,351
Riley Against Drugs	1,078	-	-	1,078
Riley Humanitarian Award	689	-	50	639
General Fund	8,869	3,319	5,886	6,302
Interest Fund	25	16	-	41
	<u>\$ 31,659</u>	<u>\$ 37,479</u>	<u>\$ 41,369</u>	<u>\$ 27,769</u>

See Accompanying Independent Auditors' Opinion

RILEY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO.18  
COMPUTATION OF OPERATING EXPENSE PER PUPIL AND  
PER CAPITA TUITION CHARGE  
FOR THE YEAR ENDED JUNE 30, 2015

<b>OPERATING EXPENSE PER PUPIL</b>		
<b>EXPENDITURES:</b>		
ED	Total Expenditures	\$ 2,665,725
O&M	Total Expenditures	199,688
DS	Total Expenditures	-
TR	Total Expenditures	424,182
MR/SS	Total Expenditures	109,708
TORT	Total Expenditures	56,011
	<b>Total Expenditures</b>	<b>\$ 3,455,314</b>

**LESS RECEIPTS/REVENUES OR DISBURSEMENTS/EXPENDITURES NOT APPLICABLE TO THE REGULAR K-12 PROGRAM:**

ED	Community Services	2,448
ED	Total Payments to Other District & Govt Units	167,792
ED	Capital Outlay	1,710
ED	Non-Capitalized Equipment	1,339
O&M	Capital Outlay	5,240
TR	Debt Service - Payments of Principal on Long-Term Debt	71,645
TR	Capital Outlay	144,154
	<b>Total Deductions</b>	<b>\$ 394,328</b>
	<b>Total Operating Expenses (Regular K-12)</b>	<b>3,060,986</b>
	<b>9 Mo ADA (See the General State Aid Claim for 2014-2015 (ISBE 54-33, L12))</b>	<b>298.16</b>
	<b>Estimated OEPP *</b>	<b>\$ 10,266.25</b>

<b>PER CAPITA TUITION CHARGE</b>		
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**LESS OFFSETTING RECEIPTS/REVENUES:**

ED	Total Food Service	\$ 38,272
ED-O&M	Total District/School Activity Income	18,456
ED	Rentals - Regular Textbooks	27,554
ED	Other Local Fees (Describe & Itemize)	11,443
ED-O&M-TR	Total Special Education	91,012
ED	State Free Lunch & Breakfast	435
ED-O&M-TR-MR/SS	Total Transportation	83,017
ED-O&M-DS-TR-MR/SS-Tort	Other Restricted Revenue from State Sources	1,500
ED-O&M-TR-MR/SS	Total Restricted Grants-In-Aid Received Directly from Federal Govt	24,028
ED-MR/SS	Total Food Service	44,958
ED-O&M-TR-MR/SS	Total Title I	96,975
ED-O&M-TR-MR/SS	Fed - Spec Education - IDEA - Flow Through/Low Incidence	55,886
ED-O&M-TR-MR/SS	Title II - Teacher Quality	14,133
ED-O&M-TR-MR/SS	Medicaid Matching Funds - Administrative Outreach	7,247
	<b>Total Allowance for PCTC Computation</b>	<b>\$ 514,916</b>
	<b>Net Operating Expense for PCTC Computation</b>	<b>2,546,070</b>
	<b>Total Depreciation Allowance (from page 27, Col I)</b>	<b>106,503</b>
	<b>Total Allowance for PCTC Computation</b>	<b>2,652,573</b>
	<b>9 Mo ADA</b>	<b>298.16</b>
	<b>Total Estimated PCTC *</b>	<b>\$ 8,896.47</b>

Unaudited