



815.344.1300 mchenry  
847.382.3366 barrington  
847.336.6455 gurnee  
[www.edercasella.com](http://www.edercasella.com)

**GRASS LAKE SCHOOL DISTRICT NO. 36  
STATE OF ILLINOIS**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2017**

eder, casella & co.

GRASS LAKE SCHOOL DISTRICT NO. 36  
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## INDEPENDENT AUDITOR'S OPINION

To the Board of Education  
Grass Lake School District No. 36  
Antioch, Illinois

We have audited the accompanying basic financial statements of

Grass Lake School District No. 36

as of and for the year ended June 30, 2017, 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 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 Grass Lake School District No. 36 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, Grass Lake School District No. 36 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.

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

In our opinion, 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 Grass Lake School District No. 36 as of June 30, 2017, or changes in financial position for the fiscal year then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of Grass Lake School District No. 36 as of June 30, 2017, and the revenue it received and expenditures it paid during the fiscal year then ended, on the basis of accounting described in Note 1.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grass Lake School District No. 36’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 basic financial statements. Such 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2017 on our consideration of Grass Lake School District No. 36’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 Grass Lake School District No. 36's internal control over financial reporting and compliance.

**Restriction on Use**

This report is intended solely for the information and use of management, the Board of Education, others within the organization, 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  
September 12, 2017

INDEPENDENT AUDITOR'S 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  
Grass Lake School District No. 36  
Antioch, 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

GRASS LAKE SCHOOL DISTRICT NO. 36

as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Grass Lake School District No. 36's basic financial statements, and have issued our report thereon dated September 12, 2017. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Grass Lake School District No. 36's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grass Lake School District No. 36's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 Grass Lake School District No. 36's financial statements are free from 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 the Board of Education, management, 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.  
Certified Public Accountants

McHenry, Illinois  
September 12, 2017

## BASIC FINANCIAL STATEMENTS



GRASS LAKE SCHOOL DISTRICT NO. 36  
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
ARISING FROM CASH TRANSACTIONS - REGULATORY BASIS  
ALL FUNDS AND ACCOUNT GROUPS  
AT JUNE 30, 2017

	EDUCATIONAL	OPERATIONS AND MAINTENANCE	TRANSPOR- TATION	ILLINOIS MUNICIPAL RETIREMENT/ SOCIAL SECURITY	CAPITAL PROJECTS
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 2,880,229	\$ 1,269,923	\$ 445,009	\$ 87,064	\$ 4,510,625
Investments	656,071	289,268	101,366	19,832	1,027,450
Other Current Assets	1,166	-	-	-	-
Capital Assets					
Land	-	-	-	-	-
Building and Building Improvements	-	-	-	-	-
Site Improvements and Infrastructure	-	-	-	-	-
Capitalized Equipment	-	-	-	-	-
Construction in Progress	-	-	-	-	-
Total Assets	<u>\$ 3,537,466</u>	<u>\$ 1,559,191</u>	<u>\$ 546,375</u>	<u>\$ 106,896</u>	<u>\$ 5,538,075</u>
<u>LIABILITIES AND FUND BALANCE</u>					
LIABILITIES					
Current Liabilities					
Due to Activity Fund Organizations	\$ -	\$ -	\$ -	\$ -	\$ -
Total Current Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE					
Investment in General Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance					
Reserved	-	-	-	17,217	-
Unreserved					
Designated	1,356,061	94,575	118,142	17,854	-
Undesignated	2,181,405	1,464,616	428,233	71,825	5,538,075
Total Fund Balance	<u>\$ 3,537,466</u>	<u>\$ 1,559,191</u>	<u>\$ 546,375</u>	<u>\$ 106,896</u>	<u>\$ 5,538,075</u>
Total Liabilities and Fund Balance	<u>\$ 3,537,466</u>	<u>\$ 1,559,191</u>	<u>\$ 546,375</u>	<u>\$ 106,896</u>	<u>\$ 5,538,075</u>

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

GRASS LAKE SCHOOL DISTRICT NO. 36  
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
ARISING FROM CASH TRANSACTIONS - REGULATORY BASIS  
ALL FUNDS AND ACCOUNT GROUPS  
AT JUNE 30, 2017

	WORKING CASH	FIRE PREVENTION AND SAFETY	AGENCY	GENERAL FIXED ASSETS	TOTAL (MEMORANDUM ONLY)
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 499,319	\$ 152,668	\$ 3,220	\$ -	\$ 9,848,057
Investments	113,737	34,775	-	-	2,242,499
Other Current Assets	-	-	-	-	1,166
Capital Assets					
Land	-	-	-	42,000	42,000
Building and Building Improvements	-	-	-	2,891,008	2,891,008
Site Improvements and Infrastructure	-	-	-	53,868	53,868
Capitalized Equipment	-	-	-	799,738	799,738
Construction in Progress	-	-	-	45,817	45,817
Total Assets	<u>\$ 613,056</u>	<u>\$ 187,443</u>	<u>\$ 3,220</u>	<u>\$ 3,832,431</u>	<u>\$ 15,924,153</u>
<u>LIABILITIES AND FUND BALANCE</u>					
LIABILITIES					
Current Liabilities					
Due to Activity Fund Organizations	\$ -	\$ -	\$ 3,220	\$ -	\$ 3,220
Total Current Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,220</u>	<u>\$ -</u>	<u>\$ 3,220</u>
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,220</u>	<u>\$ -</u>	<u>\$ 3,220</u>
FUND BALANCE					
Investment in General Fixed Assets	\$ -	\$ -	\$ -	\$ 3,832,431	\$ 3,832,431
Fund Balance					
Reserved	-	-	-	-	17,217
Unreserved					
Designated	19,749	-	-	-	1,606,381
Undesignated	593,307	187,443	-	-	10,464,904
Total Fund Balance	<u>\$ 613,056</u>	<u>\$ 187,443</u>	<u>\$ -</u>	<u>\$ 3,832,431</u>	<u>\$ 15,920,933</u>
Total Liabilities and Fund Balance	<u>\$ 613,056</u>	<u>\$ 187,443</u>	<u>\$ 3,220</u>	<u>\$ 3,832,431</u>	<u>\$ 15,924,153</u>

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

GRASS LAKE SCHOOL DISTRICT NO. 36  
STATEMENT OF REVENUE RECEIVED, EXPENDITURES DISBURSED, OTHER  
FINANCING SOURCES (USES), AND CHANGES IN FUND BALANCES -  
ALL FUNDS EXCEPT AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	EDUCATIONAL	OPERATIONS AND MAINTENANCE	TRANSPOR- TATION	ILLINOIS MUNICIPAL RETIREMENT/ SOCIAL SECURITY	CAPITAL PROJECTS	WORKING CASH	FIRE PREVENTION AND SAFETY	TOTAL (MEMORANDUM ONLY)
REVENUE RECEIVED								
Local Sources	\$ 3,054,026	\$ 210,228	\$ 256,497	\$ 75,374	\$ 31,175	\$ 42,090	\$ 911	\$ 3,670,301
State Sources	52,823	83,964	114,255	-	-	-	-	251,042
Federal Sources	113,533	-	-	-	-	-	-	113,533
On-Behalf Payments	1,043,969	-	-	-	-	-	-	1,043,969
	<u>\$ 4,264,351</u>	<u>\$ 294,192</u>	<u>\$ 370,752</u>	<u>\$ 75,374</u>	<u>\$ 31,175</u>	<u>\$ 42,090</u>	<u>\$ 911</u>	<u>\$ 5,078,845</u>
EXPENDITURES DISBURSED								
Instruction	\$ 1,619,142	\$ -	\$ -	\$ 32,549	\$ -	\$ -	\$ -	\$ 1,651,691
Support Services	1,295,299	352,267	321,731	47,671	433,919	-	-	2,450,887
Payments to Other Districts and Governmental Units	214,837	-	-	6,416	-	-	-	221,253
On-Behalf Payments	1,043,969	-	-	-	-	-	-	1,043,969
	<u>\$ 4,173,247</u>	<u>\$ 352,267</u>	<u>\$ 321,731</u>	<u>\$ 86,636</u>	<u>\$ 433,919</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,367,800</u>
EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED OVER EXPENDITURES DISBURSED	\$ 91,104	\$ (58,075)	\$ 49,021	\$ (11,262)	\$ (402,744)	\$ 42,090	\$ 911	\$ (288,955)
OTHER FINANCING SOURCES (USES)								
Interfund Transfers	(12,900)	12,900	-	-	-	-	-	-
EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED AND OTHER FINANCING SOURCES OVER EXPENDITURES DISBURSED AND OTHER FINANCING USES	\$ 78,204	\$ (45,175)	\$ 49,021	\$ (11,262)	\$ (402,744)	\$ 42,090	\$ 911	\$ (288,955)
FUND BALANCE - JULY 1, 2016	<u>3,459,262</u>	<u>1,604,366</u>	<u>497,354</u>	<u>118,158</u>	<u>5,940,819</u>	<u>570,966</u>	<u>186,532</u>	<u>12,377,457</u>
FUND BALANCE - JUNE 30, 2017	<u>\$ 3,537,466</u>	<u>\$ 1,559,191</u>	<u>\$ 546,375</u>	<u>\$ 106,896</u>	<u>\$ 5,538,075</u>	<u>\$ 613,056</u>	<u>\$ 187,443</u>	<u>\$ 12,088,502</u>

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

GRASS LAKE SCHOOL DISTRICT NO. 36  
STATEMENT OF REVENUE RECEIVED  
ALL FUNDS EXCEPT AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	EDUCATIONAL	OPERATIONS AND MAINTENANCE	TRANSPOR- TATION	ILLINOIS MUNICIPAL RETIREMENT/ SOCIAL SECURITY	CAPITAL PROJECTS	WORKING CASH	FIRE PREVENTION AND SAFETY	TOTAL (MEMORANDUM ONLY)
<b>REVENUE RECEIVED</b>								
<b>Local Sources</b>								
Ad Valorem Taxes Levied								
Designated Purpose Levies	\$ 2,674,127	\$ 184,836	\$ 251,363	\$ 34,778	\$ -	\$ 38,662	\$ -	\$ 3,183,766
Special Education Purpose Levy	308,587	-	-	3,147	-	-	-	311,734
FICA/Medicare Only Purposes Levy	-	-	-	34,778	-	-	-	34,778
Payments in Lieu of Taxes								
Corporate Personal Property Replacement Taxes	-	11,619	-	2,424	-	-	-	14,043
Transportation Fees								
Regular Trans. Fees from Pupils or Parents (In State)	-	-	927	-	-	-	-	927
Interest on Investments	14,160	5,073	2,170	247	31,175	3,428	911	57,164
Food Service								
Sales to Pupils - Lunch	11,518	-	-	-	-	-	-	11,518
District/School Activity Income								
Admissions - Athletic	784	-	-	-	-	-	-	784
Fees	3,850	-	-	-	-	-	-	3,850
Other District/School Activity Revenue	1,855	-	-	-	-	-	-	1,855
Textbooks								
Rentals - Regular Textbook	25,793	-	-	-	-	-	-	25,793
Contributions and Donations from Private Sources	3,112	8,700	2,037	-	-	-	-	13,849
Other Local Revenues	10,240	-	-	-	-	-	-	10,240
<b>Total Local Sources</b>	<b>\$ 3,054,026</b>	<b>\$ 210,228</b>	<b>\$ 256,497</b>	<b>\$ 75,374</b>	<b>\$ 31,175</b>	<b>\$ 42,090</b>	<b>\$ 911</b>	<b>\$ 3,670,301</b>
<b>State Sources</b>								
Unrestricted Grants-In-Aid								
General State Aid - Sec. 18-8	\$ -	\$ 83,964	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,964
Other Unrestricted Grants-In-Aid from State Sources	120	-	-	-	-	-	-	120
Restricted Grants-In-Aid								
Special Education								
Private Facility Tuition	1,877	-	-	-	-	-	-	1,877
Extraordinary	17,075	-	-	-	-	-	-	17,075
Personnel	33,640	-	-	-	-	-	-	33,640
Bilingual Education								
State Free Lunch and Breakfast	111	-	-	-	-	-	-	111
Transportation								
Regular/Vocational	-	-	28,800	-	-	-	-	28,800
Special Education	-	-	85,455	-	-	-	-	85,455
<b>Total State Sources</b>	<b>\$ 52,823</b>	<b>\$ 83,964</b>	<b>\$ 114,255</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 251,042</b>
<b>Federal Sources</b>								
Restricted Grants-In-Aid Received Directly from the Federal Government through the State								
Food Service								
National School Lunch Program	\$ 11,289	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,289
School Breakfast Program	3,251	-	-	-	-	-	-	3,251
Title I								
Low Income	37,961	-	-	-	-	-	-	37,961
Federal - Special Education								
Preschool - Flow Through	1,036	-	-	-	-	-	-	1,036
IDEA - Flow Through/Low Incidence	33,675	-	-	-	-	-	-	33,675
Title II - Teacher Quality	10,232	-	-	-	-	-	-	10,232
Medicaid Matching Funds - Administrative Outreach	7,904	-	-	-	-	-	-	7,904
Medicaid Matching Funds - Fee-For-Service Program	8,185	-	-	-	-	-	-	8,185
<b>Total Federal Sources</b>	<b>\$ 113,533</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 113,533</b>
<b>Total Direct Revenue</b>	<b>\$ 3,220,382</b>	<b>\$ 294,192</b>	<b>\$ 370,752</b>	<b>\$ 75,374</b>	<b>\$ 31,175</b>	<b>\$ 42,090</b>	<b>\$ 911</b>	<b>\$ 4,034,876</b>

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

GRASS LAKE SCHOOL DISTRICT NO. 36  
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL  
EDUCATIONAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017

	BUDGET	ACTUAL
EXPENDITURES DISBURSED		
Instruction		
Regular Programs		
Salaries	\$ 1,054,375	\$ 1,027,040
Employee Benefits	141,260	124,109
Purchased Services	21,000	25,207
Supplies and Materials	126,700	67,273
Non-Capitalized Equipment	10,000	-
	<u>\$ 1,353,335</u>	<u>\$ 1,243,629</u>
Special Education Programs		
Salaries	\$ 91,262	\$ 75,100
Employee Benefits	11,700	7,550
Supplies and Materials	2,900	2,330
Other Objects	600	617
	<u>\$ 106,462</u>	<u>\$ 85,597</u>
Interscholastic Programs		
Salaries	\$ 21,100	\$ 20,173
Employee Benefits	225	173
Purchased Services	3,100	3,055
Supplies and Materials	21,750	18,928
Other Objects	2,500	1,435
	<u>\$ 48,675</u>	<u>\$ 43,764</u>
Summer School Programs		
Salaries	\$ 30,000	\$ 23,768
Employee Benefits	450	308
Supplies and Materials	500	417
	<u>\$ 30,950</u>	<u>\$ 24,493</u>
Gifted Programs		
Salaries	\$ 80,650	\$ 80,472
Supplies and Materials	1,472	423
Other Objects	1,050	-
	<u>\$ 83,172</u>	<u>\$ 80,895</u>
Truant Alternative and Optional Programs		
Other Objects	<u>\$ 50,000</u>	<u>\$ -</u>
	<u>\$ 50,000</u>	<u>\$ -</u>
Private Tuition - Other Objects		
Special Education Programs K-12	<u>\$ -</u>	<u>\$ 140,764</u>
	<u>\$ -</u>	<u>\$ 140,764</u>
Total Instruction	<u>\$ 1,672,594</u>	<u>\$ 1,619,142</u>
Support Services		
Pupils		
Attendance and Social Work Services		
Salaries	\$ 67,811	\$ 68,603
Employee Benefits	8,500	7,745
Purchased Services	1,150	558
Supplies and Materials	2,000	762
Other Objects	500	348
	<u>\$ 79,961</u>	<u>\$ 78,016</u>
Health Services		
Salaries	\$ 34,636	\$ 34,533
Employee Benefits	28	24
Purchased Services	200	15
Supplies and Materials	1,000	1,275
	<u>\$ 35,864</u>	<u>\$ 35,847</u>

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

GRASS LAKE SCHOOL DISTRICT NO. 36  
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL  
EDUCATIONAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017

	BUDGET	ACTUAL
EXPENDITURES DISBURSED (Continued)		
Support Services (Continued)		
Pupils (Continued)		
Psychological Services		
Purchased Services	\$ 60,000	\$ 64,969
	<u>\$ 60,000</u>	<u>\$ 64,969</u>
Speech Pathology and Audiology Services		
Purchased Services	\$ 52,000	\$ 56,685
Supplies and Materials	300	-
	<u>\$ 52,300</u>	<u>\$ 56,685</u>
Other Support Services - Pupils		
Purchased Services	\$ 26,000	\$ 23,738
	<u>\$ 26,000</u>	<u>\$ 23,738</u>
Total Support Services - Pupils	<u>\$ 254,125</u>	<u>\$ 259,255</u>
Instructional Staff		
Improvement of Instruction Services		
Purchased Services	\$ 97,600	\$ 66,593
	<u>\$ 97,600</u>	<u>\$ 66,593</u>
Educational Media Services		
Supplies and Materials	\$ 4,250	\$ 3,365
	<u>\$ 4,250</u>	<u>\$ 3,365</u>
Total Support Services - Instructional Staff	<u>\$ 101,850</u>	<u>\$ 69,958</u>
General Administration		
Board of Education Services		
Salaries	\$ 42,150	\$ 41,286
Employee Benefits	7,500	7,487
Purchased Services	101,000	168,157
Supplies and Materials	12,000	6,633
Other Objects	13,900	8,823
	<u>\$ 176,550</u>	<u>\$ 232,386</u>
Executive Administration Services		
Salaries	\$ 113,875	\$ 124,050
Employee Benefits	35,000	36,035
Purchased Services	5,200	5,209
Supplies and Materials	500	117
Other Objects	3,500	1,875
	<u>\$ 158,075</u>	<u>\$ 167,286</u>
Total Support Services - General Administration	<u>\$ 334,625</u>	<u>\$ 399,672</u>
School Administration		
Office of the Principal Services		
Salaries	\$ 81,500	\$ 102,057
Employee Benefits	31,000	35,311
Purchased Services	1,000	525
Supplies and Materials	5,000	4,237
Other Objects	1,750	1,598
	<u>\$ 120,250</u>	<u>\$ 143,728</u>
Total Support Services - School Administration	<u>\$ 120,250</u>	<u>\$ 143,728</u>

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

GRASS LAKE SCHOOL DISTRICT NO. 36  
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL  
EDUCATIONAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017

	BUDGET	ACTUAL
EXPENDITURES DISBURSED (Continued)		
Support Services (Continued)		
Business (Continued)		
Fiscal Services		
Salaries	\$ 80,121	\$ 81,141
Employee Benefits	9,500	7,519
Purchased Services	42,050	39,808
Supplies and Materials	5,500	5,704
Other Objects	1,130	705
Non-Capitalized Equipment	3,500	-
	<u>\$ 141,801</u>	<u>\$ 134,877</u>
Food Services		
Salaries	\$ 18,250	\$ 16,120
Purchased Services	35,100	28,222
	<u>\$ 53,350</u>	<u>\$ 44,342</u>
Total Support Services - Business	<u>\$ 195,151</u>	<u>\$ 179,219</u>
Central		
Information Services		
Salaries	\$ 40,000	\$ 40,106
Employee Benefits	8,000	6,865
Purchased Services	55,000	69,419
Supplies and Materials	55,000	42,450
Capital Outlay	10,000	-
Non-Capitalized Equipment	111,000	84,627
	<u>\$ 279,000</u>	<u>\$ 243,467</u>
Total Support Services - Central	<u>\$ 279,000</u>	<u>\$ 243,467</u>
Total Support Services	<u>\$ 1,285,001</u>	<u>\$ 1,295,299</u>
Payments to Other Districts and Governmental Units		
Payments to Other Districts and Governmental Units (In-State)		
Payments for Special Education Programs		
Other Objects	\$ 6,800	\$ 9,729
	<u>\$ 6,800</u>	<u>\$ 9,729</u>
Total Payments to Other Districts and Governmental Units (In-State)	<u>\$ 6,800</u>	<u>\$ 9,729</u>
Payments to Other Districts and Governmental Units-Tuition (In-State)		
Other Objects		
Payments for Special Education Programs	\$ 275,000	\$ 205,108
Total Payments to Other Districts and Governmental Units-Tuition (In-State)	<u>\$ 275,000</u>	<u>\$ 205,108</u>
Total Payments to Other Districts and Governmental Units	<u>\$ 281,800</u>	<u>\$ 214,837</u>
Total Direct Expenditures	<u><u>\$ 3,239,395</u></u>	<u><u>\$ 3,129,278</u></u>

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

GRASS LAKE SCHOOL DISTRICT NO. 36  
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL  
OPERATIONS AND MAINTENANCE FUND  
FOR THE YEAR ENDED JUNE 30, 2017

	BUDGET	ACTUAL
EXPENDITURES DISBURSED		
Support Services		
Business		
Operation and Maintenance of Plant Services		
Salaries	\$ 45,000	\$ 43,987
Employee Benefits	8,000	7,346
Purchased Services	256,823	171,088
Supplies and Materials	64,000	57,586
Capital Outlay	125,000	47,300
Non-Capitalized Equipment	5,000	24,960
	<u>\$ 503,823</u>	<u>\$ 352,267</u>
 Total Support Services - Business	 <u>\$ 503,823</u>	 <u>\$ 352,267</u>
 Total Support Services	 <u>\$ 503,823</u>	 <u>\$ 352,267</u>
 Total Direct Expenditures	 <u><u>\$ 503,823</u></u>	 <u><u>\$ 352,267</u></u>

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



GRASS LAKE SCHOOL DISTRICT NO. 36  
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL  
TRANSPORTATION FUND  
FOR THE YEAR ENDED JUNE 30, 2017

	BUDGET	ACTUAL
EXPENDITURES DISBURSED		
Support Services		
Business		
Pupil Transportation Services		
Salaries	\$ 15,528	\$ 16,916
Employee Benefits	4,200	4,846
Purchased Services	319,000	299,969
Total Support Services - Business	<u>\$ 338,728</u>	<u>\$ 321,731</u>
Total Support Services	<u>\$ 338,728</u>	<u>\$ 321,731</u>
Total Direct Expenditures	<u><u>\$ 338,728</u></u>	<u><u>\$ 321,731</u></u>

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

GRASS LAKE SCHOOL DISTRICT NO. 36  
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL  
ILLINOIS MUNICIPAL RETIREMENT/SOCIAL SECURITY FUND  
FOR THE YEAR ENDED JUNE 30, 2017

	BUDGET	ACTUAL
EXPENDITURES DISBURSED		
Instruction		
Regular Programs		
Employee Benefits	\$ 26,700	\$ 29,268
Special Education Programs		
Employee Benefits	3,900	996
Interscholastic Programs		
Employee Benefits	1,100	794
Summer School Programs		
Employee Benefits	500	350
Gifted Programs		
Employee Benefits	1,200	1,141
Total Instruction	<u>\$ 33,400</u>	<u>\$ 32,549</u>
Support Services		
Pupils		
Attendance and Social Work Services		
Employee Benefits	\$ 1,000	\$ 966
Health Services		
Employee Benefits	5,850	5,826
Total Supports Services - Pupils	<u>\$ 6,850</u>	<u>\$ 6,792</u>
General Administration		
Board of Education Services		
Employee Benefits	\$ 7,000	\$ 6,758
Executive Administration Services		
Employee Benefits	1,750	1,718
Total Support Services - General Administration	<u>\$ 8,750</u>	<u>\$ 8,476</u>
School Administration		
Office of the Principal Services		
Employee Benefits	\$ 1,200	\$ 2,770
Total Support Services - School Administration	<u>\$ 1,200</u>	<u>\$ 2,770</u>
Business		
Fiscal Services		
Employee Benefits	\$ 14,800	\$ 13,600
Operation and Maintenance of Plant Services		
Employee Benefits	7,700	7,428
Pupil Transportation Services		
Employee Benefits	240	234
Food Services		
Employee Benefits	2,545	2,215
Total Support Services - Business	<u>\$ 25,285</u>	<u>\$ 23,477</u>
Central		
Information Services		
Employee Benefits	\$ 8,000	\$ 6,156
Total Support Services - Central	<u>\$ 8,000</u>	<u>\$ 6,156</u>
Total Support Services	<u>\$ 50,085</u>	<u>\$ 47,671</u>

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

GRASS LAKE SCHOOL DISTRICT NO. 36  
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL  
ILLINOIS MUNICIPAL RETIREMENT/SOCIAL SECURITY FUND  
FOR THE YEAR ENDED JUNE 30, 2017

	BUDGET	ACTUAL
EXPENDITURES DISBURSED (Continued)		
Payments to Other Districts and Governmental Units		
Payments for Special Education Programs		
Employee Benefits	\$ 5,798	\$ 6,416
Total Payments to Other Districts and Governmental Units	<u>\$ 5,798</u>	<u>\$ 6,416</u>
 Total Direct Expenditures	 <u>\$ 89,283</u>	 <u>\$ 86,636</u>

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

GRASS LAKE SCHOOL DISTRICT NO. 36  
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL  
CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2017

	BUDGET	ACTUAL
EXPENDITURES DISBURSED		
Support Services		
Business		
Facilities Acquisition and Construction Services		
Purchased Services	\$ 300,000	\$ 422,624
Capital Outlay	5,500,000	7,717
Other Objects	10,000	3,578
Total Support Services - Business	<u>\$ 5,810,000</u>	<u>\$ 433,919</u>
Total Support Services	<u>\$ 5,810,000</u>	<u>\$ 433,919</u>
Total Direct Expenditures	<u><u>\$ 5,810,000</u></u>	<u><u>\$ 433,919</u></u>

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

GRASS LAKE SCHOOL DISTRICT NO. 36  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Grass Lake School District No. 36'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.

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 or renting buildings and property for school purposes. Operations of this fund are generally financed by a special tax levied for these purposes and contributions and donations from private sources.

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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

Illinois Municipal Retirement/Social Security Fund – The Illinois Municipal 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.

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.

Fire Prevention and Safety Fund – The Fire Prevention and Safety Fund is used to account for the proceeds of specific revenue sources that are legally restricted for fire prevention and safety projects.

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.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 30, 2016.

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:

1. At a date no later than the first regular meeting in August, 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 that have not been authorized by School Board action.

No District fund had a cash overdraft at June 30, 2017.

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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

### 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 fund for which the asset was purchased and capitalized at cost, if over \$5,000, 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 2016 levy was passed by the Board on December 13, 2016. 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. Taxes recorded in these financial statements are from the 2016 (\$1,782,226) and 2015 (\$1,748,052) tax levies.

### 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.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

### *Investments*

As of June 30, 2017, the District had the following investments and maturities:

Investment	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	5 - 10	More Than 10
State Investment Pool	\$ 5,839,769	\$ 5,839,769	\$ -	\$ -	\$ -

The fair value of investments in the State Investment Pool is the same as the value of pool shares. The State Investment Pool is not SEC-registered, but does have regulatory oversight through the State of Illinois.

*Interest Rate Risk.* This District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments based on credit risk. The District has no investment policy that would further limit its investment choices. As of June 30, 2017, the District's investments were rated as follows:

Investment	Credit Rating	Rating Source
State Investment Pool	AAAm	Standard and Poor's

### **NOTE 3 - FAIR VALUE MEASUREMENT**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2017:

State Investment Pools of \$5,839,769 are valued using quoted market prices (Level 1 inputs)

### **NOTE 4 - CHANGES IN GENERAL FIXED ASSETS**

A summary of changes in general fixed assets follows:

	Balance July 1, 2016	Additions	Deletions	Other Adjustments	Balance June 30, 2017
Land	\$ 42,000	\$ -	\$ -	\$ -	\$ 42,000
Building and Building Improvements	2,891,008	-	-	-	2,891,008
Site Improvements and Infrastructure	53,868	-	-	-	53,868
Capitalized Equipment	790,538	9,200	-	-	799,738
Construction in Progress	63,349	45,817	-	(63,349)	45,817
	<u>\$ 3,840,763</u>	<u>\$ 55,017</u>	<u>\$ -</u>	<u>\$ (63,349)</u>	<u>\$ 3,832,431</u>

Note: The District determined in fiscal year 2017 that the construction in progress amount from fiscal year 2016 should not be capitalized and taken off the fixed asset schedule. As a result, in fiscal year 2017 we will show this amount in the "Other Adjustments" column above.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### NOTE 5 - 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 Illinois Municipal Retirement/Social Security Fund reflects a reserve in the amount of \$17,217 representing the unexpended portion of property and replacement taxes at June 30, 2017. The "reserved" balance consists of the following:

Receipts	
Property Taxes	\$ 34,778
Replacement Taxes	2,159
Total Receipts	<u>\$ 36,937</u>
Expenditures	
Social Security	\$ 47,427
Total Expenditures	<u>\$ 47,427</u>
Receipts Over/(Under) Expenditures	<u>\$ (10,490)</u>
Reserved at July 1, 2016	27,707
Reserved at June 30, 2017	<u><u>\$ 17,217</u></u>

### NOTE 6 - DESIGNATED FUND BALANCE

The District has designated receipts from the 2016 tax levy for expenditures to be incurred during fiscal year 2017. At June 30, 2017 the following balances were designated:

Fund	Amount
Educational	\$ 1,356,061
Operations and Maintenance	94,575
Transportation	118,142
Illinois Municipal Retirement/Social Security	17,854
Working Cash	19,749
	<u><u>\$ 1,606,381</u></u>

### NOTE 7 - DEFICIT FUND BALANCE

No District fund had a deficit fund balance at June 30, 2017.

### NOTE 8 - PROPERTY TAXES

A summary of the past three years' assessed valuations, tax rates, and extensions follows:

Tax Year	2016		2015		2014	
Assessed Valuation	\$79,400,491		\$77,262,273		\$79,448,404	
	Rates	Extensions	Rates	Extensions	Rates	Extensions
Purpose						
Educational	3.3408	\$ 2,652,631	3.5000	\$ 2,704,180	3.4424	\$ 2,734,924
Operations and Maintenance	0.2330	185,002	0.2394	185,001	0.5401	429,075
Working Cash	0.0487	38,631	0.0500	38,631	0.0491	39,016
Transportation	0.2911	231,101	0.3535	273,134	0.5906	469,241
Municipal Retirement	0.0440	34,925	0.0452	34,926	0.0440	34,925
Social Security	0.0440	34,925	0.0452	34,926	0.0440	34,925
SEDOL Municipal Retirement	-	-	0.0083	6,417	0.0073	5,798
Special Education	0.3892	309,050	0.4000	309,049	0.3926	311,877
	<u>4.3907</u>	<u>\$ 3,486,265</u>	<u>4.6417</u>	<u>\$ 3,586,262</u>	<u>5.1101</u>	<u>\$ 4,059,781</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### NOTE 9 - OVEREXPENDITURE OF BUDGET

No District funds had expenditures that exceeded the budget during fiscal year 2017.

### NOTE 10 - OPERATING LEASES

The District currently has two operating leases in effect for a copier and computer equipment. Detail information is as follows:

Item	Lease Term	Payment	Remaining Aggregate Lease Payments	
			Year Ending June 30	Amount
Lanier Copier	60 month	\$1,395	2018	\$ 41,881
HP Lease	3 years	\$25,141	2019	41,881
			2020	16,740
			2021	1,395
				<u>\$ 101,897</u>

Rental expense for the year ended June 30, 2017 was \$41,881.

### NOTE 11 - RETIREMENT FUND COMMITMENTS

#### A. *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. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. 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 is available for download 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 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

## NOTES TO THE FINANCIAL STATEMENTS (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 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, 2016, the measurement date, the District's membership consisted of:

Retirees and beneficiaries currently receiving benefits	15
Inactive plan members entitled to but not yet receiving benefits	25
Active plan members	<u>14</u>
Total	<u><u>54</u></u>

### 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 2016 was 9.62%. For the fiscal year ended June 30, 2017, the District contributed \$32,789 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.

### Net Pension Liability

The components of the net pension liability of the IMRF as of December 31, 2016, calculated in accordance with GASB Statement No. 68, were as follows:

Total Pension Liability	\$	1,213,748
IMRF Fiduciary Net Position		1,175,283
District's Net Pension Liability		38,465
IMRF Fiduciary Net Position as a Percentage of the Total Pension Liability		96.83%

See the Schedule of Changes in the Employer's Net Pension Liability and Related Ratios in the Supplemental 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, 2016 using the following actuarial methods and assumptions.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Assumptions

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 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 as of December 31, 2016:

Asset Class	Target Allocation	Projected Return
Equities	38.0%	6.85%
International Equities	17.0%	6.75%
Fixed Income	27.0%	3.00%
Real Estate	8.0%	5.75%
Alternatives	9.0%	
Private Equity		7.35%
Hedge Funds		5.25%
Commodities		2.65%
Cash	1.0%	2.25%
	<u>100.0%</u>	

### 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).

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the purpose of this discount rate, the expected rate of return on plan investments is 7.50%; the municipal bond rate is 3.78%; and resulting single discount rate is 7.50%.

### Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A)-(B)
Balances at December 31, 2015	\$ 1,356,613	\$ 1,253,295	\$ 103,318
Changes for the year:			
Service Cost	\$ 38,041	\$ -	\$ 38,041
Interest on the Total Pension Liability	99,339	-	99,339
Differences Between Expected and Actual Experience of the Total Pension Liability	(182,622)	-	(182,622)
Changes of Assumptions	(2,484)	-	(2,484)
Contributions - Employer	-	31,292	(31,292)
Contributions - Employee	-	14,638	(14,638)
Net Investment Income	-	85,900	(85,900)
Benefit Payments, Including Refunds of Employee Contributions	(95,139)	(95,139)	-
Other (Net Transfer)	-	(114,703)	114,703
Net Changes	\$ (142,865)	\$ (78,012)	\$ (64,853)
Balances at December 31, 2016	\$ 1,213,748	\$ 1,175,283	\$ 38,465

### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability	\$ 173,841	\$ 38,465	\$ (73,426)

### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the District's pension expense is \$100,266. At June 30, 2017, the District's deferred outflows of resources and deferred inflows of resources related to pension from the following sources were as follows:

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
<b>Expense in Future Periods</b>			
Differences between expected and actual experience	\$ 2,420	\$ 100,122	\$ (97,702)
Changes of assumptions	310	1,362	(1,052)
Net difference between projected and actual earnings on pension plan investments	61,015	-	61,015
Total deferred amounts to be recognized on pension expense in future periods	\$ 63,745	\$ 101,484	\$ (37,739)
Pension contributions made subsequent to the measurement date	16,733	-	16,733
Total deferred amounts related to pensions	\$ 80,478	\$ 101,484	\$ (21,006)

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

Year Ending December 31	Net Deferred Outflows of Resources
2017	\$ (59,586)
2018	3,442
2019	18,015
2020	390
2021	-
Thereafter	-
	<u>\$ (37,739)</u>

### B. *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, 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.htm>; 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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 year ended June 30, 2016 was 9.4% of creditable earnings. On July 1, 2016, the rate dropped to 9.0% of pay due to the expiration of the Early Retirement Option (ERO). 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, 2017, 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 \$1,029,206 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, 2017 were \$7,575.

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, 2017, the District pension contribution was 38.54% of salaries paid from federal and special trust funds. For the year ended June 30, 2017, salaries totaling \$0 were paid from federal and special trust funds that required District contributions of \$0.

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 program that ended on June 30, 2016 is 146.5% and applies when the member is age 55 at retirement. For the year ended June 30, 2017, the District paid \$0 to TRS for employer ERO contributions for retirements that occurred before July 1, 2016.

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, 2017, 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, 2017, 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:



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

State's proportionate share of the net pension liability	\$ 10,480,064
District's proportionate share of the net pension liability	156,087
Total	<u>\$ 10,636,151</u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 and rolled forward to June 30, 2016. 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, 2016, relative to the contributions of all participating TRS employers and the State during that period. At June 30, 2016, the District's proportion was 0.0001977%, which was a decrease of 0.0003431% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$1,029,206 and revenue of \$1,029,206 for support provided by the State. At June 30, 2017, the deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Inflows of Resources
Differences between expected and actual experience	\$ 1,154	\$ (106)	\$ 1,048
Net difference between projected and actual earnings on pension investments	4,410	-	4,410
Assumption changes	13,406	-	13,406
Changes in proportion and differences between employer contributions and proportionate share of contributions	42,363	(234,424)	(192,061)
Employer contributions subsequent to the measurement date	7,575	-	7,575
	<u>\$ 68,908</u>	<u>\$ (234,530)</u>	<u>\$ (165,622)</u>

\$7,575 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	
2018	\$ (37,066)
2019	(37,066)
2020	(51,929)
2021	(38,716)
2022	(8,420)
	<u>\$ (173,197)</u>

### Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	varies by amount of service credit
Investment Rate of Return	7.0%, net of pension plan investment expenses, including inflation

Mortality rates were based on the RP-2014 White Collar Table with adjustments as appropriate for TRS experience. The rates are used on a fully-generational basis using projection table MP-2014.

For the June 30, 2016 valuation, the investment return assumption was lowered from 7.5% to 7.0%. Salary increase assumptions were lowered from their 2015 levels. Other assumptions were based on the 2015 experience analysis which increased retirement rates, improved mortality assumptions and made other changes.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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. equities large cap	14.4%	6.94%
U.S. equities small/mid cap	3.6%	8.09%
International equities developed	14.4%	7.46%
Emerging market equities	3.6%	10.15%
U.S. bonds core	10.7%	2.44%
International debt developed	5.3%	1.70%
Real estate	15.0%	5.44%
Commodities (real return)	11.0%	4.28%
Hedge funds (absolute return)	8.0%	4.16%
Private Equity	14.0%	10.63%
	<u>100.0%</u>	

### Discount Rate

At June 30, 2016, the discount rate used to measure total pension liability was a blended rate of 6.83%, which was a change from the June 30, 2015 rate of 7.47%. 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 at June 30, 2016 was not 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. Despite the subsidy, all projected future payments were not covered, so a slightly lower long-term expected rate of return on TRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

At June 30, 2015, the discount rate used to measure the total pension liability was 7.47%. The discount rate was lower than the actuarially-assumed rate of return on investments that year as well because TRS's fiduciary net position and the subsidy provided by Tier II were not sufficient to cover all projected benefit payments.

### 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 6.83%, 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 (5.83%) or 1-percentage-point-higher (7.83%) than the current rate.

	1% Decrease 5.83%	Current Discount Rate 6.83%	1% Increase 7.83%
Employer's proportionate share of the net pension liability	\$ 190,900	\$ 156,087	\$ 127,653

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### TRS Fiduciary Net Position

Detailed information about the TRS's fiduciary net position as of June 30, 2016 is available in the separately issued TRS *Comprehensive Annual Financial Report*.

#### 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 12 - POST EMPLOYMENT BENEFIT COMMITMENTS**

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

The District participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit post-employment healthcare plan that was established by the Illinois legislature for the benefit of retired 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 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. 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 the 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 the 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 1.12% of pay during the year ended June 30, 2017. State of Illinois contributions were \$14,763, and the District recognized revenue and expenditures of this amount during the year.

- Employer contributions to the THIS Fund

The District also makes contributions to the THIS Fund. The District THIS Fund contribution was 0.84% during the year ended June 30, 2017. For the year ended June 30, 2017, the District paid \$11,072 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" (<http://www.auditor.illinois.gov/Audit-Reports/CMS-THISF.asp>). Prior reports are available under "Healthcare and Family Services" (<http://www.auditor.illinois.gov/Audit-Reports/HEALTHCARE-FAMILY-SERVICES-Teacher-Health-Ins-Sec-Fund.asp>).

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### NOTE 13 - INTERFUND TRANSFERS

The following funds were transferred for the year ended June 30, 2017:

Transfer From	Transfer To	Amount
Educational Fund	Operations and Maintenance Fund	\$ 12,900

A transfer was made to move excess interest earnings from the Educational Fund to the fund with the most need.

### NOTE 14 - JOINT VENTURE – SPECIAL EDUCATION DISTRICT OF LAKE COUNTY (SEDOL)

The District and thirty-two other districts within Lake County have entered into a joint agreement to provide special education programs and services to the students enrolled. Each member district has a financial responsibility for annual and special assessments as established by the management council.

A summary of the Statement of Net Position of SEDOL at June 30, 2016 (most recent information available) is as follows:

Assets	\$ 64,479,032
Deferred Outflows of Resources	6,627,620
	<u>\$ 71,106,652</u>
Liabilities	\$ 25,632,826
Deferred Inflows of Resources	2,612,534
Fund Equity	42,861,292
	<u>\$ 71,106,652</u>
Revenues Received	\$ 72,241,356
Expenditures Disbursed	75,160,997
Net Increase/(Decrease) in Fund Balance	<u>\$ (2,919,641)</u>

Complete financial statements for SEDOL can be obtained from the Administrative Offices at 18160 Gages Lake Road, Gages Lake, Illinois 60030-1819.

### NOTE 15 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance to handle these risks of loss. During fiscal year 2017, there was no significant reduction in insurance coverage for any category. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years.

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, 2017, there were no significant adjustments in premiums based on actual experience.

### NOTE 16 - CONTINGENCIES

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

### NOTE 17 - 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:

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

2016 EAV	\$	79,400,491
Rate		<u>6.90%</u>
Debt Margin	\$	5,478,634
Current Debt		<u>-</u>
Remaining Debt Margin	\$	<u><u>5,478,634</u></u>

## SUPPLEMENTAL INFORMATION

GRASS LAKE SCHOOL DISTRICT NO. 36  
ILLINOIS MUNICIPAL RETIREMENT FUND  
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION  
LIABILITY AND RELATED RATIOS  
JUNE 30, 2017

	6/30/2017 *	6/30/2016 *	6/30/2015 *
<b>TOTAL PENSION LIABILITY</b>			
Service Cost	\$ 38,041	\$ 32,288	\$ 41,745
Interest on the Total Pension Liability	99,339	94,657	89,648
Differences Between Expected and Actual Experience	(182,622)	22,176	(46,952)
Changes of Assumptions	(2,484)	2,832	62,070
Benefit Payments, Including Refunds of Member Contributions	(95,139)	(82,566)	(67,436)
Net Change in Total Pension Liability	<u>\$ (142,865)</u>	<u>\$ 69,387</u>	<u>\$ 79,075</u>
 Total Pension Liability - Beginning	 <u>1,356,613</u>	 <u>1,287,226</u>	 <u>1,208,151</u>
Total Pension Liability - Ending	<u>\$ 1,213,748</u>	<u>\$ 1,356,613</u>	<u>\$ 1,287,226</u>
 <b>PLAN FIDUCIARY NET POSITION</b>			
Contributions - Employer	\$ 31,292	\$ 30,585	\$ 28,455
Contributions - Member	14,638	14,352	13,507
Net Investment Income	85,900	6,255	74,867
Benefit Payments, Including Refunds of Member Contributions	(95,139)	(82,566)	(67,436)
Other (Net Transfers)	(114,703)	14,804	(19,599)
Net Change in Plan Fiduciary Net Position	<u>\$ (78,012)</u>	<u>\$ (16,570)</u>	<u>\$ 29,794</u>
 Plan Net Position - Beginning	 <u>1,253,295</u>	 <u>1,269,865</u>	 <u>1,240,071</u>
Plan Net Position - Ending	<u>\$ 1,175,283</u>	<u>\$ 1,253,295</u>	<u>\$ 1,269,865</u>
 District's Net Pension Liability	 <u>\$ 38,465</u>	 <u>\$ 103,318</u>	 <u>\$ 17,361</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 96.83%	 92.38%	 98.65%
 Covered-Valuation Payroll	 \$ 325,286	 \$ 318,937	 \$ 300,161
 Employer's Net Pension Liability as a Percentage of Covered-Valuation Payroll	 11.82%	 32.39%	 5.78%

\* 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 Auditor's Opinion

GRASS LAKE SCHOOL DISTRICT NO. 36  
ILLINOIS MUNICIPAL RETIREMENT FUND  
SCHEDULE OF EMPLOYER CONTRIBUTION  
JUNE 30, 2017

	6/30/2017 *	6/30/2016 *	6/30/2015 *
Actuarially-Determined Contribution	\$ 31,293	\$ 30,586	\$ 28,455
Contributions in Relation to Actuarially-Determined Contribution	31,292	30,585	28,455
Contribution Deficiency/(Excess)	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -</u>
Covered-Valuation Payroll	\$ 325,286	\$ 318,937	\$ 300,161
Contributions as a Percentage of Covered-Valuation Payroll	9.62%	9.59%	9.48%

**Notes to Schedule:**

***Actuarial Method and Assumptions Used on the Calculation of the 2016 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:** 27-year closed period

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

**Wage Growth:** 3.5%

**Price Inflation:** 2.75%, approximate; No explicit price inflation assumption is used in this valuation.

**Salary Increases:** 3.75% to 14.50%, 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 2014 valuation pursuant to an experience study of the period 2011 to 2013.

**Mortality:** RP-2014 Blue Collar Healthy Mortality Table, adjusted to match current IMRF experience. For disabled lives, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). 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.

\*Based on Valuation Assumptions used in the December 31, 2014 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.

See Accompanying Independent Auditor's Opinion



GRASS LAKE SCHOOL DISTRICT NO. 36  
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS  
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
JUNE 30, 2017

	<u>6/30/2017 *</u>	<u>6/30/2016 *</u>	<u>6/30/2015 *</u>
Employer's proportion of the Net Pension Liability	0.0001977%	0.0005408%	0.0006789%
Employer's proportionate share of the Net Pension Liability	\$ 156,087	\$ 354,276	\$ 413,174
State's proportionate share of the Net Pension Liability associated with the employer	<u>10,480,064</u>	<u>9,245,809</u>	<u>7,877,349</u>
Total	<u>\$ 10,636,151</u>	<u>\$ 9,600,085</u>	<u>\$ 8,290,523</u>
Employer's Covered-Employee Payroll	\$ 1,315,466	\$ 1,426,888	\$ 1,317,782
Employer's proportionate share of the Net Pension Liability as a percentage of Covered-Employee Payroll	11.87%	24.83%	31.35%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	36.40%	41.50%	43.00%

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

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.

**Changes of Assumptions:**

For the 2016 measurement year, the assumed investment rate of return was of 7.0%, including an inflation rate of 2.5% and a real return of 4.5%. Salary increases were assumed to vary by service credit.

For the 2015 measurement year, the assumed investment rate of return was 7.5%, including an inflation rate of 3.0% and a real return of 4.5%. Salary increases were assumed to vary by service credit. Various other changes in assumptions were adopted based on the experience analysis for the three-year period ending June 30, 2014.

For the 2014 measurement year, the assumed investment rate of return was also 7.5%, including an inflation rate of 3.0% and a real return of 4.5%. However, salary increases were assumed to vary by age.

See Accompanying Independent Auditor's Opinion

GRASS LAKE SCHOOL DISTRICT NO. 36  
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS  
SCHEDULE OF EMPLOYER CONTRIBUTION  
JUNE 30, 2017

	<u>6/30/2017 *</u>	<u>6/30/2016 *</u>	<u>6/30/2015 *</u>
Statutorily-required Contribution	\$ 7,630	\$ 18,709	\$ 18,944
Contributions in Relation to the statutorily - required contribution	<u>7,658</u>	<u>18,949</u>	<u>18,709</u>
Contribution deficiency/(excess)	<u>\$ (28)</u>	<u>\$ (240)</u>	<u>\$ 235</u>
Employer's covered-employee payroll	\$ 1,315,466	\$ 1,426,888	\$ 1,317,782
Contributions as a percentage of covered-employee payroll	0.58%	1.33%	1.42%

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.

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

GRASS LAKE SCHOOL DISTRICT NO. 36  
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>BALANCE</u> <u>JULY 1, 2016</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2017</u>
<b>A S S E T S</b>				
Cash and Cash Equivalents	<u>\$ 3,128</u>	<u>\$ 7,677</u>	<u>\$ 7,585</u>	<u>\$ 3,220</u>
<b>L I A B I L I T I E S</b>				
Amount Due to Activities	<u>\$ 3,128</u>	<u>\$ 7,677</u>	<u>\$ 7,585</u>	<u>\$ 3,220</u>

See Accompanying Independent Auditor's Opinion

GRASS LAKE SCHOOL DISTRICT NO. 36  
COMPUTATION OF OPERATING EXPENSE PER PUPIL  
AND PER CAPITA TUITION CHARGE  
FOR THE YEAR ENDED JUNE 30, 2017

<b>OPERATING EXPENSE PER PUPIL</b>			
<b>EXPENDITURES:</b>			
ED	Total Expenditures	\$	3,129,278
O&M	Total Expenditures		352,267
TR	Total Expenditures		321,731
MR/SS	Total Expenditures		86,636
	<b>Total Expenditures</b>	<b>\$</b>	<b>3,889,912</b>

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

ED	1600	Summer School Programs	\$	24,493
ED	1912	Special Education Programs K-12 - Private Tuition		140,764
ED	4000	Total Payments to Other District & Govt Units		214,837
ED	-	Non-Capitalized Equipment		84,627
O&M	-	Capital Outlay		47,300
O&M	-	Non-Capitalized Equipment		24,960
MR/SS	1600	Summer School Programs		350
MR/SS	4000	Total Payments to Other Dist & Govt Units		6,416
		<b>Total Deductions</b>	<b>\$</b>	<b>543,747</b>
		<b>Total Operating Expenses (Regular K-12)</b>		<b>3,346,165</b>
		<b>9 Mo ADA (See the General State Aid Claim for 2014-2015 (ISBE 54-33, L12))</b>		<b>147.51</b>
		<b>Estimated OEPP *</b>	<b>\$</b>	<b>22,684.33</b>

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

TR	1411	Regular - Transp Fees from Pupils or Parents (In State)	\$	927
ED	1600	Total Food Service		11,518
ED-O&M	1700	Total District/School Activity Income		6,489
ED	1811	Rentals - Regular Textbooks		25,793
ED-O&M-TR	3100	Total Special Education		52,592
ED	3360	State Free Lunch & Breakfast		111
ED-O&M-TR-MR/SS	3500	Total Transportation		114,255
ED-MR/SS	-	Total Food Service		14,540
ED-O&M-TR-MR/SS	-	Total Title I		37,961
ED-O&M-TR-MR/SS	4620	Fed - Spec Education - IDEA - Flow Through/Low Incidence		33,675
ED-O&M-TR-MR/SS	4932	Title II - Teacher Quality		10,232
ED-O&M-TR-MR/SS	4991	Medicaid Matching Funds - Administrative Outreach		7,904
ED-O&M-TR-MR/SS	4992	Medicaid Matching Funds - Fee-for-Service Program		8,185
		<b>Total Allowance for PCTC Computation</b>	<b>\$</b>	<b>324,182</b>
		<b>Net Operating Expense for PCTC Computation</b>		<b>3,021,983</b>
		<b>Total Depreciation Allowance (from page 27, Col I)</b>		<b>108,285</b>
		<b>Total Allowance for PCTC Computation</b>		<b>3,130,268</b>
		<b>9 Mo ADA</b>		<b>147.51</b>
		<b>Total Estimated PCTC *</b>	<b>\$</b>	<b>21,220.72</b>

Unaudited