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***BIG HOLLOW SCHOOL DISTRICT NO. 38
STATE OF ILLINOIS***

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

eder, casella & co.

BIG HOLLOW SCHOOL DISTRICT NO. 38

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INDEPENDENT AUDITOR'S OPINION

To the Board of Education
Big Hollow School District No. 38
Ingleside, Illinois

We have audited the accompanying basic financial statements of

Big Hollow School District No. 38

as of and for the year ended June 30, 2017, and the related notes to the financial statements.

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 of 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 District'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 District'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 audit opinion.

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

As described in Note 1, the financial statements are prepared by Big Hollow School District No. 38 on the basis of the financial reporting provisions of the Illinois State Board of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Illinois State Board of Education. Also as described in Note 1, Big Hollow School District No. 38 prepares its financial statements on the cash basis

of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

Basis for Opinion on Regulatory Cash Basis of Accounting

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because 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 Big Hollow School District No. 38 as of June 30, 2017, or changes in financial position for the year then ended.

Opinion on Regulatory Cash Basis of Accounting

In our opinion, except for the General Fixed Assets Account Group on which we are unable to express an opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of Big Hollow School District No. 38 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 the District’s basic financial statements. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 29, 2017 on our consideration of Big Hollow School District No. 38’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 Big Hollow School District No. 38'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 District, 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 29, 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
Big Hollow School District No. 38
Ingleside, 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

Big Hollow School District No. 38

as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Big Hollow School District No. 38's basic financial statements, and have issued our report thereon dated September 29, 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. In our report, our opinion was qualified because the District does not maintain detailed historical cost records for general fixed assets.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Big Hollow School District No. 38'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 Big Hollow School District No. 38's internal control. Accordingly, we do not express an opinion on the effectiveness of Big Hollow School District No. 38'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control which we consider to be material weaknesses. These were: 1) Material journal entries were made during the course of the audit; 2) Checks printed with electronic signatures are not reviewed by the signer; and 3) Activity Funds reconciliations are not reviewed.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Big Hollow School District No. 38'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.

Eder, Casella & Co.
EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
September 29, 2017

BASIC FINANCIAL STATEMENTS

BIG HOLLOW SCHOOL DISTRICT NO. 38
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS - REGULATORY BASIS
ALL FUNDS AND ACCOUNT GROUPS
AT JUNE 30, 2017

<u>ASSETS</u>	<u>Educational</u>	<u>Operations and Maintenance</u>	<u>Debt Services</u>	<u>Transportation</u>	<u>Illinois Municipal Retirement/ Social Security</u>	<u>Capital Projects</u>
Cash and Cash Equivalents	\$ 2,535,959	\$ 593,967	\$ 2,684,704	\$ 514,582	\$ 32,341	\$ 1,328,334
Capital Assets						
Land	-	-	-	-	-	-
Building and Building Improvements	-	-	-	-	-	-
Site Improvements and Infrastructure	-	-	-	-	-	-
Capitalized Equipment	-	-	-	-	-	-
Amount Available in Debt Services Fund	-	-	-	-	-	-
Amount to be Provided for Payment on Long-Term Debt	-	-	-	-	-	-
Total Assets	\$ 2,535,959	\$ 593,967	\$ 2,684,704	\$ 514,582	\$ 32,341	\$ 1,328,334
 <u>LIABILITIES AND FUND BALANCE</u>						
Liabilities						
Current Liabilities						
Other Payables	\$ -	\$ 203	\$ -	\$ 22	\$ -	\$ -
Due to Activity Fund Organizations	-	-	-	-	-	-
Total Current Liabilities	\$ -	\$ 203	\$ -	\$ 22	\$ -	\$ -
Long-Term Liabilities						
Long-Term Debt Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Long-Term Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	\$ -	\$ 203	\$ -	\$ 22	\$ -	\$ -
Fund Balance						
Investment in General Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance						
Reserved	-	-	-	-	6,773	-
Unreserved						
Designated	3,765,014	635,651	2,098,701	220,035	29,339	-
Undesignated	(1,229,055)	(41,887)	586,003	294,525	(3,771)	1,328,334
Total Fund Balance	\$ 2,535,959	\$ 593,764	\$ 2,684,704	\$ 514,560	\$ 32,341	\$ 1,328,334
Total Liabilities and Fund Balance	\$ 2,535,959	\$ 593,967	\$ 2,684,704	\$ 514,582	\$ 32,341	\$ 1,328,334

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

BIG HOLLOW SCHOOL DISTRICT NO. 38
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS - REGULATORY BASIS
ALL FUNDS AND ACCOUNT GROUPS
AT JUNE 30, 2017

<u>ASSETS</u>	<u>Working Cash</u>	<u>Tort</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	<u>Total (Memorandum Only)</u>
Cash and Cash Equivalents	\$ 985,059	\$ 53,837	\$ 11,566	\$ -	\$ -	\$ 8,740,349
Capital Assets						
Land	-	-	-	1,588,252	-	1,588,252
Building and Building Improvements	-	-	-	42,549,886	-	42,549,886
Site Improvements and Infrastructure	-	-	-	770,830	-	770,830
Capitalized Equipment	-	-	-	1,753,143	-	1,753,143
Amount Available in Debt Services Fund	-	-	-	-	2,684,704	2,684,704
Amount to be Provided for Payment on Long-Term Debt	-	-	-	-	14,461,902	14,461,902
Total Assets	\$ 985,059	\$ 53,837	\$ 11,566	\$ 46,662,111	\$ 17,146,606	\$ 72,549,066
<u>LIABILITIES AND FUND BALANCE</u>						
Liabilities						
Current Liabilities						
Other Payables	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 225
Due to Activity Fund Organizations	-	-	11,566	-	-	11,566
Total Current Liabilities	\$ -	\$ -	\$ 11,566	\$ -	\$ -	\$ 11,791
Long-Term Liabilities						
Long-Term Debt Payable	\$ -	\$ -	\$ -	\$ -	\$ 17,146,606	\$ 17,146,606
Total Long-Term Liabilities	\$ -	\$ -	\$ -	\$ -	\$ 17,146,606	\$ 17,146,606
Total Liabilities	\$ -	\$ -	\$ 11,566	\$ -	\$ 17,146,606	\$ 17,158,397
Fund Balance						
Investment in General Fixed Assets	\$ -	\$ -	\$ -	\$ 46,662,111	\$ -	\$ 46,662,111
Fund Balance						
Reserved	-	-	-	-	-	6,773
Unreserved						
Designated	-	63,565	-	-	-	6,812,305
Undesignated	985,059	(9,728)	-	-	-	1,909,480
Total Fund Balance	\$ 985,059	\$ 53,837	\$ -	\$ 46,662,111	\$ -	\$ 55,390,669
Total Liabilities and Fund Balance	\$ 985,059	\$ 53,837	\$ 11,566	\$ 46,662,111	\$ 17,146,606	\$ 72,549,066

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

BIG HOLLOW SCHOOL DISTRICT NO. 38
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	Debt Services	Transporation	Illinois Municipal Retirement/ Social Security	Capital Projects	Working Cash	Tort	Total (Memorandum Only)
Revenue Received									
Local Sources	\$ 8,622,225	\$ 1,164,076	\$ 4,053,912	\$ 455,594	\$ 430,897	\$ 252,854	\$ 71,054	\$ 123,104	\$ 15,173,716
State Sources	4,297,801	-	-	703,776	-	-	-	-	5,001,577
Federal Sources	712,721	-	-	-	-	-	-	-	712,721
On-Behalf Payments	7,166,113	-	-	-	-	-	-	-	7,166,113
	<u>\$ 20,798,860</u>	<u>\$ 1,164,076</u>	<u>\$ 4,053,912</u>	<u>\$ 1,159,370</u>	<u>\$ 430,897</u>	<u>\$ 252,854</u>	<u>\$ 71,054</u>	<u>\$ 123,104</u>	<u>\$ 28,054,127</u>
Expenditures Disbursed									
Instruction	\$ 7,819,512	\$ -	\$ -	\$ -	\$ 149,456	\$ -	\$ -	\$ -	\$ 7,968,968
Support Services	3,327,053	1,850,016	-	932,335	214,225	810,509	-	123,696	7,257,834
Community Services	4,249	-	-	-	43	-	-	-	4,292
Payments to Other Districts and Governmental Units	422,840	72,185	-	-	22,886	-	-	-	517,911
Debt Services	33,223	-	3,982,922	-	-	-	-	-	4,016,145
On-Behalf Payments	7,166,113	-	-	-	-	-	-	-	7,166,113
	<u>\$ 18,772,990</u>	<u>\$ 1,922,201</u>	<u>\$ 3,982,922</u>	<u>\$ 932,335</u>	<u>\$ 386,610</u>	<u>\$ 810,509</u>	<u>\$ -</u>	<u>\$ 123,696</u>	<u>\$ 26,931,263</u>
Excess or (Deficiency) of Revenue Received Over Expenditures Disbursed	\$ 2,025,870	\$ (758,125)	\$ 70,990	\$ 227,035	\$ 44,287	\$ (557,655)	\$ 71,054	\$ (592)	\$ 1,122,864
Other Financing Sources (Uses)									
Proceeds from Debt Certificates	-	750,200	-	-	-	-	-	-	750,200
Excess or (Deficiency) of Revenue Received and Other Finances Over Expenditures Disbursed and Other Financing Uses	\$ 2,025,870	\$ (7,925)	\$ 70,990	\$ 227,035	\$ 44,287	\$ (557,655)	\$ 71,054	\$ (592)	\$ 1,873,064
Fund Balance - July 1, 2016	510,089	601,689	2,613,714	287,525	(11,946)	1,885,989	914,005	54,429	6,855,494
Fund Balance - June 30, 2017	<u>\$ 2,535,959</u>	<u>\$ 593,764</u>	<u>\$ 2,684,704</u>	<u>\$ 514,560</u>	<u>\$ 32,341</u>	<u>\$ 1,328,334</u>	<u>\$ 985,059</u>	<u>\$ 53,837</u>	<u>\$ 8,728,558</u>

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

BIG HOLLOW SCHOOL DISTRICT NO. 38
STATEMENT OF REVENUE RECEIVED
ALL FUNDS EXCEPT AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Educational	Operations and Maintenance	Debt Services	Transportation	Illinois Municipal Retirement/ Social Security	Capital Projects	Working Cash	Tort	Total (Memorandum Only)
Revenue Received									
Local Sources									
Ad Valorem Taxes Levied									
Designated Purpose Levies	\$ 7,483,899	\$ 1,126,106	\$ 4,043,836	\$ 451,454	\$ 29,339	\$ -	\$ 67,616	\$ 123,087	\$ 13,325,337
Special Education Purpose Levy	103,007	-	-	-	-	-	-	-	103,007
FICA/Medicare Only Purposes Levy	-	-	-	-	258,590	-	-	-	258,590
Other Tax Levies	-	-	-	-	23,469	-	-	-	23,469
Payments in Lieu of Taxes									
Corporate Personal Property Replacement Taxes	91,965	-	-	-	118,770	-	-	-	210,735
Regular Tuition from Pupils or Parents (In State)	50,260	-	-	-	-	-	-	-	50,260
Regular Tuition from Other Districts (In State)	17,125	-	-	-	-	-	-	-	17,125
Interest on Investments	5,984	1,794	10,076	440	729	4,730	3,438	17	27,208
Food Service									
Sales to Pupils - Lunch	335,216	-	-	-	-	-	-	-	335,216
Other Food Service	2,287	-	-	-	-	-	-	-	2,287
District/School Activity Income									
Admissions - Athletic	4,770	-	-	-	-	-	-	-	4,770
Fees	125,224	-	-	-	-	-	-	-	125,224
Book Store Sales	7,538	-	-	-	-	-	-	-	7,538
Rentals - Regular Textbook	263,115	-	-	-	-	-	-	-	263,115
Rentals - Summer School Textbook	7,525	-	-	-	-	-	-	-	7,525
Rentals	-	29,428	-	-	-	-	-	-	29,428
Contributions and Donations from Private Sources	24,620	-	-	-	-	-	-	-	24,620
Impact Fees From Municipal or County Governments	-	-	-	-	-	16,346	-	-	16,346
Refund of Prior Years' Expenditures	76,494	-	-	-	-	-	-	-	76,494
Other Local Revenues	23,196	6,748	-	3,700	-	231,778	-	-	265,422
Total Local Sources	<u>\$ 8,622,225</u>	<u>\$ 1,164,076</u>	<u>\$ 4,053,912</u>	<u>\$ 455,594</u>	<u>\$ 430,897</u>	<u>\$ 252,854</u>	<u>\$ 71,054</u>	<u>\$ 123,104</u>	<u>\$ 15,173,716</u>
State Sources									
Unrestricted Grants-In-Aid									
General State Aid - Sec. 18-8	\$ 3,817,484	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,817,484
Restricted Grants-In-Aid									
Special Education									
Private Facility Tuition	54,395	-	-	-	-	-	-	-	54,395
Extraordinary	168,973	-	-	-	-	-	-	-	168,973
Personnel	228,379	-	-	-	-	-	-	-	228,379
Other	6,079	-	-	-	-	-	-	-	6,079
Bilingual Education									
Downstate - TPI & TBE	21,742	-	-	-	-	-	-	-	21,742
State Free Lunch and Breakfast	749	-	-	-	-	-	-	-	749
Transportation									
Regular/Vocational	-	-	-	303,851	-	-	-	-	303,851
Special Education	-	-	-	399,925	-	-	-	-	399,925
Total State Sources	<u>\$ 4,297,801</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 703,776</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,001,577</u>

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

BIG HOLLOW SCHOOL DISTRICT NO. 38
STATEMENT OF REVENUE RECEIVED
ALL FUNDS EXCEPT AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

Revenue Received (Continued)	Educational	Operations and Maintenance	Debt Services	Transportation	Illinois Municipal Retirement/ Social Security	Capital Projects	Working Cash	Tort	Total (Memorandum Only)
Federal Sources									
Restricted Grants-In-Aid Received Directly from the Federal Government through the State									
Food Service									
National School Lunch Program	\$ 219,549	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 219,549
School Breakfast Program	57,599	-	-	-	-	-	-	-	57,599
Title I									
Low Income	103,967	-	-	-	-	-	-	-	103,967
Federal - Special Education									
Preschool - Flow Through	15,888	-	-	-	-	-	-	-	15,888
IDEA - Flow Through/Low Incidence	167,271	-	-	-	-	-	-	-	167,271
Title III - English Language Acquisition	14,725	-	-	-	-	-	-	-	14,725
Title II - Teacher Quality	12,069	-	-	-	-	-	-	-	12,069
Medicaid Matching Funds - Administrative Outreach	18,942	-	-	-	-	-	-	-	18,942
Medicaid Matching Funds - Fee-For-Service Program	102,711	-	-	-	-	-	-	-	102,711
Total Federal Sources	<u>\$ 712,721</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 712,721</u>
Total Direct Revenue	<u>\$ 13,632,747</u>	<u>\$ 1,164,076</u>	<u>\$ 4,053,912</u>	<u>\$ 1,159,370</u>	<u>\$ 430,897</u>	<u>\$ 252,854</u>	<u>\$ 71,054</u>	<u>\$ 123,104</u>	<u>\$ 20,888,014</u>

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

BIG HOLLOW SCHOOL DISTRICT NO. 38
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL
EDUCATIONAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual
Expenditures Disbursed		
Instruction		
Regular Programs		
Salaries	\$ 4,868,000	\$ 4,766,439
Employee Benefits	443,535	384,853
Purchased Services	45,050	18,010
Supplies and Materials	295,600	259,700
Capital Outlay	1,000	-
Other Objects	750	750
Non-Capitalized Equipment	-	896
	\$ 5,653,935	\$ 5,430,648
Special Education Programs		
Salaries	\$ 1,448,125	\$ 1,339,183
Employee Benefits	102,605	127,633
Purchased Services	11,000	7,610
Supplies and Materials	69,500	63,247
Other Objects	750	-
	\$ 1,631,980	\$ 1,537,673
Special Education Programs Pre-K		
Salaries	\$ 130,200	\$ 129,970
Employee Benefits	17,920	24,320
	\$ 148,120	\$ 154,290
Remedial and Supplemental Programs K-12		
Salaries	\$ 20,000	\$ 23,324
Employee Benefits	5,510	5,876
Supplies and Materials	1,116	1,183
	\$ 26,626	\$ 30,383
Interscholastic Programs		
Salaries	\$ 113,750	\$ 126,273
Employee Benefits	1,995	1,609
Purchased Services	6,600	4,222
Supplies and Materials	7,500	6,532
Capital Outlay	7,000	6,470
Other Objects	6,300	2,679
	\$ 143,145	\$ 147,785
Summer School Programs		
Salaries	\$ 33,000	\$ 21,463
Employee Benefits	400	272
	\$ 33,400	\$ 21,735
Bilingual Programs		
Salaries	\$ 222,665	\$ 209,269
Employee Benefits	25,855	33,969
Supplies and Materials	4,766	6,631
	\$ 253,286	\$ 249,869
Private Tuition - Other Objects		
Special Education Programs K-12	\$ 340,000	\$ 247,129
	\$ 340,000	\$ 247,129
Total Instruction	\$ 8,230,492	\$ 7,819,512
Support Services		
Pupils		
Attendance and Social Work Services		
Salaries	\$ 226,700	\$ 197,823
Employee Benefits	14,940	24,425
Supplies and Materials	3,400	3,196
	\$ 245,040	\$ 225,444

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

BIG HOLLOW SCHOOL DISTRICT NO. 38
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)		
Health Services		
Salaries	\$ 84,000	\$ 80,863
Employee Benefits	7,640	6,387
Purchased Services	750	150
Supplies and Materials	1,350	1,316
	\$ 93,740	\$ 88,716
Psychological Services		
Salaries	\$ 104,575	\$ 105,303
Employee Benefits	8,900	9,491
Purchased Services	5,000	2,861
	\$ 118,475	\$ 117,655
Speech Pathology and Audiology Services		
Salaries	\$ 147,880	\$ 158,049
Employee Benefits	25,475	17,248
Purchased Services	3,200	400
	\$ 176,555	\$ 175,697
Other Support Services - Pupils		
Salaries	\$ 75,500	\$ 80,322
Employee Benefits	-	1
Purchased Services	375,000	293,015
	\$ 450,500	\$ 373,338
Total Support Services - Pupils	\$ 1,084,310	\$ 980,850
Instructional Staff		
Improvement of Instruction Services		
Purchased Services	\$ 44,852	\$ 43,810
	\$ 44,852	\$ 43,810
Educational Media Services		
Salaries	\$ 79,000	\$ 76,635
Employee Benefits	6,630	6,387
Purchased Services	300	300
Supplies and Materials	9,000	7,722
	\$ 94,930	\$ 91,044
Assessment and Testing		
Purchased Services	\$ 22,000	\$ 17,563
	\$ 22,000	\$ 17,563
Total Support Services - Instructional Staff	\$ 161,782	\$ 152,417
General Administration		
Board of Education Services		
Purchased Services	\$ 133,800	\$ 76,862
Supplies and Materials	4,000	4,429
Other Objects	39,600	32,021
	\$ 177,400	\$ 113,312
Executive Administration Services		
Salaries	\$ 316,000	\$ 319,214
Employee Benefits	61,390	71,497
Purchased Services	2,700	496
Supplies and Materials	4,400	5,297
Other Objects	2,000	3,232
	\$ 386,490	\$ 399,736
Total Support Services - General Administration	\$ 563,890	\$ 513,048

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

BIG HOLLOW SCHOOL DISTRICT NO. 38
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL
EDUCATIONAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual
Expenditures Disbursed (Continued)		
Support Services (Continued)		
School Administration		
Office of the Principal Services		
Salaries	\$ 486,500	\$ 472,962
Employee Benefits	104,255	88,252
Purchased Services	1,500	524
Supplies and Materials	2,900	2,274
Other Objects	4,000	1,144
	\$ 599,155	\$ 565,156
Other Support Services - School Administration		
Purchased Services	\$ 8,900	\$ 7,624
	\$ 8,900	\$ 7,624
Total Support Services - School Administration	\$ 608,055	\$ 572,780
Business		
Fiscal Services		
Salaries	\$ 157,000	\$ 141,264
Employee Benefits	6,100	6,770
Purchased Services	20,000	18,691
Supplies and Materials	3,000	2,726
	\$ 186,100	\$ 169,461
Operation and Maintenance of Plant Services		
Purchased Services	\$ 125,000	\$ 122,897
Other Objects	1,600	1,440
	\$ 126,600	\$ 124,337
Pupil Transportation Services		
Purchased Services	\$ -	\$ 5,906
	\$ -	\$ 5,906
Food Services		
Salaries	\$ 214,500	\$ 217,771
Employee Benefits	2,380	9,729
Purchased Services	15,500	10,473
Supplies and Materials	230,000	304,992
Capital Outlay	11,000	6,889
Other Objects	1,700	1,621
	\$ 475,080	\$ 551,475
Total Support Services - Business	\$ 787,780	\$ 851,179
Central		
Information Services		
Salaries	\$ 73,500	\$ 84,448
Employee Benefits	9,165	8,947
	\$ 82,665	\$ 93,395
Data Processing Services		
Purchased Services	\$ 209,000	\$ 73,842
Supplies and Materials	29,700	25,894
Other Objects	35,000	63,648
	\$ 273,700	\$ 163,384
Total Support Services - Central	\$ 356,365	\$ 256,779
Total Support Services	\$ 3,562,182	\$ 3,327,053

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

BIG HOLLOW SCHOOL DISTRICT NO. 38
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL
EDUCATIONAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual
Expenditures Disbursed (Continued)		
Community Services		
Salaries	\$ 6,100	\$ 3,036
Employee Benefits	1,200	1,213
Supplies and Materials	300	-
Total Community Services	\$ 7,600	\$ 4,249
Payments to Other Districts and Governmental Units		
Payments to Other Districts and Governmental Units (In-State)		
Payments for Special Education Programs		
Purchased Services	\$ 95,000	\$ 80,563
	\$ 95,000	\$ 80,563
Other Payments to In-State Governmental Units		
Other Objects	\$ -	\$ 2,109
	\$ -	\$ 2,109
Total Payments to Other Districts and Governmental Units (In-State)	\$ 95,000	\$ 82,672
Payments to Other Districts and Governmental Units-Tuition (In-State)		
Payments for Special Education Programs		
Other Objects	\$ 425,000	\$ 340,168
Total Payments to Other Districts Governmental Units-Tuition (In-State)	\$ 425,000	\$ 340,168
Total Payments to Other Districts and Governmental Units	\$ 520,000	\$ 422,840
Debt Services		
Interest		
Tax Anticipation Warrants		
Other Objects	\$ 38,500	\$ 33,223
Total Debt Services	\$ 38,500	\$ 33,223
Total Direct Expenditures	\$ 12,358,774	\$ 11,606,877

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

BIG HOLLOW SCHOOL DISTRICT NO. 38
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		
Facilities Acquisition and Construction Services		
Purchased Services	\$ 18,500	\$ -
Capital Outlay	650,000	665,770
	\$ 668,500	\$ 665,770
Operation and Maintenance of Plant Services		
Salaries	\$ 132,000	\$ 130,446
Employee Benefits	16,020	7,403
Purchased Services	629,500	535,129
Supplies and Materials	573,500	492,535
Capital Outlay	18,000	16,200
Other Objects	500	630
Non-Capitalized Equipment	-	1,903
	\$ 1,369,520	\$ 1,184,246
Total Support Services - Business	\$ 2,038,020	\$ 1,850,016
Total Support Services	\$ 2,038,020	\$ 1,850,016
Payments to Other Districts and Governmental Units		
Payments to Other Districts and Governmental Units (In-State)		
Payments for Special Education Programs		
Purchased Services	\$ 85,000	\$ 72,185
	\$ 85,000	\$ 72,185
Total Payments to Other Districts and Governmental Units (In-State)	\$ 85,000	\$ 72,185
Total Payments to Other Districts and Governmental Units	\$ 85,000	\$ 72,185
Total Direct Expenditures	\$ 2,123,020	\$ 1,922,201

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

BIG HOLLOW SCHOOL DISTRICT NO. 38
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL
DEBT SERVICES FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual
Expenditures Disbursed		
Debt Services		
Interest		
Other Interest on Long-Term Debt		
Other Objects	\$ 2,025,000	\$ 2,019,009
Total Debt Services - Interest	\$ 2,025,000	\$ 2,019,009
Debt Services - Payment of Principal on Long-Term Debt		
Other Objects	\$ 1,892,000	\$ 1,963,463
Total Debt Services - Payment of Principal on Long-Term Debt	\$ 1,892,000	\$ 1,963,463
Debt Services - Other		
Purchased Services	\$ 500	\$ 450
Total Debt Services - Other	\$ 500	\$ 450
Total Debt Services	\$ 3,917,500	\$ 3,982,922
Total Direct Expenditures	\$ 3,917,500	\$ 3,982,922

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

BIG HOLLOW SCHOOL DISTRICT NO. 38
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	\$ 381,500	\$ 400,114
Employee Benefits	9,800	3,539
Purchased Services	164,000	205,930
Supplies and Materials	176,000	67,009
Other Objects	260,000	255,743
	\$ 991,300	\$ 932,335
 Total Support Services - Business	 \$ 991,300	 \$ 932,335
 Total Support Services	 \$ 991,300	 \$ 932,335
 Total Direct Expenditures	 \$ 991,300	 \$ 932,335

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

BIG HOLLOW SCHOOL DISTRICT NO. 38
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	\$ 81,140	\$ 75,113
Pre-K Programs		
Employee Benefits	750	135
Special Education Programs		
Employee Benefits	79,675	66,982
Special Education Programs - Pre-K		
Employee Benefits	2,200	1,741
Remedial and Supplemental Programs - K-12		
Employee Benefits	150	338
Interscholastic Programs		
Employee Benefits	3,330	1,687
Summer School Programs		
Employee Benefits	950	613
Bilingual Programs		
Employee Benefits	5,300	2,847
Total Instruction	\$ 173,495	\$ 149,456
Support Services		
Pupils		
Attendance and Social Work Services		
Employee Benefits	\$ 1,850	\$ 2,740
Health Services		
Employee Benefits	14,300	12,575
Psychological Services		
Employee Benefits	1,600	1,490
Speech Pathology and Audiology Services		
Employee Benefits	3,900	2,181
Other Support Services - Pupils		
Employee Benefits	6,350	7,883
Total Support Services - Pupils	\$ 28,000	\$ 26,869
Instructional Staff		
Improvement of Instruction Services		
Employee Benefits	\$ 11,500	\$ 11,726
Total Support Services - Instructional Staff	\$ 11,500	\$ 11,726
General Administration		
Board of Education Services		
Employee Benefits	\$ 11,450	\$ 11,858
Total Support Services - General Administration	\$ 11,450	\$ 11,858
School Administration		
Office of the Principal Services		
Employee Benefits	\$ 30,400	\$ 25,623
Total Support Services - School Administration	\$ 30,400	\$ 25,623

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

BIG HOLLOW SCHOOL DISTRICT NO. 38
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)		
Support Services (Continued)		
Business		
Fiscal Services		
Employee Benefits	\$ 24,100	\$ 22,062
Operation and Maintenance of Plant Services		
Employee Benefits	23,700	20,228
Pupil Transportation Services		
Employee Benefits	2,010	61,713
Food Services		
Employee Benefits	30,070	32,957
Total Support Services - Business	\$ 79,880	\$ 136,960
Central		
Information Services		
Employee Benefits	\$ 1,100	\$ 1,189
Total Support Services - Central	\$ 1,100	\$ 1,189
Total Support Services	\$ 162,330	\$ 214,225
Community Services		
Employee Benefits	\$ 55	\$ 43
Total Community Services	\$ 55	\$ 43
Payments to Other Districts and Governmental Units		
Payments for Special Education Programs		
Employee Benefits	\$ 24,000	\$ 22,886
Total Payments to Other Districts and Governmental Units	\$ 24,000	\$ 22,886
Total Direct Expenditures	\$ 359,880	\$ 386,610

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

BIG HOLLOW SCHOOL DISTRICT NO. 38
 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	\$ 540,000	\$ 322,471
Supplies and Materials	15,000	54,612
Capital Outlay	345,000	299,938
Non-Capitalized Equipment	-	133,488
	\$ 900,000	\$ 810,509
 Total Support Services - Business	 \$ 900,000	 \$ 810,509
 Total Support Services	 \$ 900,000	 \$ 810,509
 Total Direct Expenditures	 \$ 900,000	 \$ 810,509

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

BIG HOLLOW SCHOOL DISTRICT NO. 38
 STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL
 TORT FUND
 FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual
Expenditures Disbursed		
Support Services		
General Administration		
Workers' Compensation or Worker's Occupational Disease Act		
Purchased Services	\$ 60,000	\$ 55,244
	\$ 60,000	\$ 55,244
Insurance Payments		
Purchased Services	\$ 70,000	\$ 68,452
	\$ 70,000	\$ 68,452
Total Support Services - General Administration	\$ 130,000	\$ 123,696
Total Support Services	\$ 130,000	\$ 123,696
Total Direct Expenditures	\$ 130,000	\$ 123,696

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

BIG HOLLOW SCHOOL DISTRICT NO. 38

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Big Hollow School District No. 38's (District) accounting policies conform to the cash basis of accounting as defined by the Illinois State Board of Education Audit Guide.

A. Principles Used to Determine Scope of Entity

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

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

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

B. Basis of Presentation – Fund Accounting

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets and liabilities arising from cash transactions, fund balance, revenue received, and expenditures disbursed. The District maintains individual funds required by the State of Illinois. These funds are grouped as required for reports filed with the Illinois State Board of Education. District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following funds and account groups are used by the District:

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

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.

Debt Services Fund – The Debt Services Fund is used to account for all principal, interest, and administrative costs for debt payments. Operations of this fund are generally financed by a special tax levied for these purposes or operating transfers from other funds.

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.

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

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

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

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

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

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

C. 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.” Governmental 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.

D. 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-

NOTES TO FINANCIAL STATEMENTS (Continued)

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.

E. Basis of Accounting

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

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

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

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

F. 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 September 12, 2016, and was not amended.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

6. The Board of Education may amend the budget (in other ways) by the same procedures required of its original adoption.

G. *Cash and Cash Equivalents*

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

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

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

H. *Investments*

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

I. *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.

J. *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.

K. *General Fixed Assets*

General fixed assets have been acquired for general governmental purposes. At the time of purchase, assets are recorded as disbursements in the funds and capitalized at cost, if over \$2,000, 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).

L. *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.

NOTES TO FINANCIAL STATEMENTS (Continued)

M. *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 levy was passed by the Board on December 12, 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 dates.

N. *Total Memorandum Only*

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

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

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	\$ 7,425,630	\$ 7,425,630	\$ -	\$ -	\$ -

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. The 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 - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

NOTES TO FINANCIAL STATEMENTS (Continued)

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Land	\$ 1,588,252	\$ -	\$ -	\$ 1,588,252
Building and Building Improvements	42,365,234	184,652	-	42,549,886
Site Improvements and Infrastructure	105,060	665,770	-	770,830
Capitalized Equipment	1,608,298	144,845	-	1,753,143
Construction in Progress	-	-	-	-
	<u>\$ 45,666,844</u>	<u>\$ 995,267</u>	<u>\$ -</u>	<u>\$ 46,662,111</u>

NOTE 4 - TAX ANTICIPATION WARRANTS

The District issues tax anticipation warrants in advance of property tax collections to help meet the short-term cash flow needs.

Tax anticipation warrant activity for the year is summarized as follows:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017
Educational Fund	<u>\$ 3,915,000</u>	<u>\$ 1,610,000</u>	<u>\$ 5,525,000</u>	<u>\$ -</u>

NOTE 5 - CHANGES IN GENERAL LONG-TERM DEBT

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

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017
General Obligation School Bonds Series 2005	\$ 11,745,335	\$ -	\$ 1,639,227	\$ 10,106,108
General Obligation Refunding School Bonds Series 2013	6,360,000	-	245,000	6,115,000
General Obligation Debt Certificates (Limited Tax) Series 2016	-	774,700	-	774,700
Chromebooks Capital Lease	-	230,034	79,236	150,798
	<u>\$ 18,105,335</u>	<u>\$ 1,004,734</u>	<u>\$ 1,963,463</u>	<u>\$ 17,146,606</u>

Bonds and notes payable consisted of the following at June 30, 2017:

	Maturity Dates	Interest Rates	Face Amount	Carrying Amount
General Obligation School Bonds Series 2005	2/1/2025	3.25% - 5.6%	\$ 28,999,333	\$ 10,106,108
General Obligation Refunding School Bonds Series 2013	2/1/2022	0.8% - 3.00%	7,715,000	6,115,000
General Obligation Debt Certificates (Limited Tax) Series 2016	12/1/2023	4.0%	774,700	774,700
Chromebooks Capital Lease	7/17/2019	3.346%	230,034	150,798

At June 30, 2017, the annual debt service requirements to service long-term debt are:

Year Ending June 30	Principal	Interest	Total
2018	\$ 1,928,660	\$ 2,385,983	\$ 4,314,643
2019	1,939,692	2,673,374	4,613,066
2020	1,889,247	2,974,581	4,863,828
2021	2,565,944	2,302,906	4,868,850
2022	4,935,791	169,887	5,105,678
2023-2025	3,887,272	8,075,429	11,962,701
	<u>\$ 17,146,606</u>	<u>\$ 18,582,160</u>	<u>\$ 35,728,766</u>

NOTE 6 - SPECIAL TAX LEVIES AND RESERVED EQUITY

A. Social Security Tax Levy

Cash receipts and the related cash disbursements of this reserved tax levy are accounted for in the Illinois Municipal Retirement/Social Security Fund. The current year disbursements exceeded the current year receipts and any prior year carryover balance. Accordingly, there is no equity reserve balance for this special tax levy.

B. SEDOL IMRF 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. A portion, \$6,773, of this fund's equity represents the excess of cumulative receipts over cumulative disbursements which is reserved for future SEDOL Illinois Municipal Retirement disbursements.

NOTE 7 - 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	\$ 3,765,014
Operations and Maintenance	635,651
Debt Services	2,098,701
Transportation	220,035
Illinois Municipal Retirement/Social Security	29,339
Tort	63,565
	<u>\$ 6,812,305</u>

NOTE 8 - DEFICIT FUND BALANCE

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

NOTE 9 - PROPERTY TAXES

Taxes recorded in these financial statements are from the 2015 (\$6,687,891) and 2016 (\$7,022,512) tax levies. A summary of the past three years assessed valuations, tax rates, and extensions follows:

Tax Year	2016		2015		2014	
	Rate	Extension	Rate	Extension	Rate	Extension
Assessed Valuation	\$318,619,957		\$301,109,343		\$283,398,304	
Educational	2.3338	\$ 7,435,953	2.5030	\$ 7,536,719	2.6710	\$ 7,569,577
Tort Immunity	0.0394	125,543	0.0401	120,627	0.0420	119,129
Special Education	0.0318	101,401	0.0348	104,705	0.0366	103,851
Operations and Maintenance	0.3940	1,255,420	0.3301	993,959	0.3557	1,007,923
Working Cash	-	-	0.0455	137,032	0.0496	140,671
Transportation	0.1364	434,572	0.1558	468,996	0.1638	464,300
Municipal Retirement	0.0182	57,944	-	-	-	-
Social Security	0.0909	289,715	0.0753	226,777	0.0228	64,527
SEDOL IMRF	0.0075	24,046	0.0076	22,887	0.0075	21,204
School Building Bonds	1.3009	4,145,052	1.3092	3,942,106	1.3251	3,755,183
	<u>4.3529</u>	<u>\$ 13,869,646</u>	<u>4.5014</u>	<u>\$ 13,553,808</u>	<u>4.6741</u>	<u>\$ 13,246,365</u>

NOTE 10 - OVEREXPENDITURE OF BUDGET

For the year ended June 30, 2017, the expenditures of the following funds exceeded the budget:

Fund	Budget	Actual	Excess of Actual Over Budget
Debt Services	\$ 3,917,500	\$ 3,982,922	\$ 65,422
IMRF	359,880	386,610	26,730

NOTE 11 - OPERATING LEASES

The District currently has five operating leases in effect for copiers and two operating leases for buses.

Minimum annual rentals are as follows:

Year Ending June 30	Amount
2018	\$ 313,346
2019	287,433
2020	365,183
2021	356,242
2022	272,390
	<u>\$ 1,594,594</u>

Total rental expense for all leases for the year ended June 30, 2017 was \$317,010.

NOTE 12 - RETIREMENT FUND COMMITMENTS

A. Teachers' Retirement System of the State of Illinois

General Information About the Pension Plan

Plan Description

The District participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. The Illinois Pension Code outlines the benefit provisions of TRS, 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 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 \$7,083,043 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 \$43,018.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

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 \$119,865 were paid from federal and special trust funds that required District contributions of \$46,196.

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 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 \$2,920 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:

District's proportionate share of the net pension liability	\$ 1,654,665
State's proportionate share of the net pension liability	72,124,268
Total Net Pension Liability	<u>\$ 73,778,933</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 0.002096%, which was an increase of .000873 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$7,083,043 and revenue of \$7,083,043 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:

NOTES TO FINANCIAL STATEMENTS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Outflows of Resources
Differences between expected and actual experience	\$ 12,235	\$ (1,122)	\$ 11,113
Net difference between projected and actual earnings on pension investments	46,747	-	46,747
Assumption changes	142,111	-	142,111
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,081,347	(1,067,134)	14,213
Employer contributions subsequent to the measurement date	89,214	-	89,214
	<u>\$ 1,371,654</u>	<u>\$ (1,068,256)</u>	<u>\$ 303,398</u>

\$89,214 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	\$ (139,172)
2019	(139,172)
2020	304,595
2021	157,851
2022	30,082
	<u>\$ 214,184</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.

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:

NOTES TO FINANCIAL STATEMENTS (Continued)

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%
Emergin 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%
Total	100.0%	

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	\$ 2,023,722	\$ 1,654,665	\$ 1,353,243

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.

B. Illinois Municipal Retirement Fund

Plan Description

The District's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The District's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. 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.

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 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:

NOTES TO FINANCIAL STATEMENTS (Continued)

Retirees and beneficiaries currently receiving benefits	16
Inactive plan members entitled to but not yet receiving benefits	78
Active plan members	<u>78</u>
Total	<u><u>172</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 8.45%. For the fiscal year ended June 30, 2017, the District contributed \$132,859 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	\$	2,962,201
IMRF Fiduciary Net Position		2,817,249
District's Net Pension Liability		144,952

IMRF Fiduciary Net Position as a Percentage of the Total Pension Liability	95.11%
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See the Schedule of Changes in the Employer's Net Pension Liability and Related Ratios in the Required Supplementary 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:

Assumptions		
Price Inflation		2.75%
Salary Increases	3.75% - 14.50%	including inflation
Interest Rate		7.50%

Asset Valuation Method	Market Value of assets
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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.
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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

NOTES TO FINANCIAL STATEMENTS (Continued)

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, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Projected Return</u>
Equities	38.00%	6.85%
International Equities	17.00%	6.75%
Fixed Income	27.00%	3.00%
Real Estate	8.00%	5.75%
Alternatives	9.00%	
Private Equity		7.35%
Hedge Funds		5.25%
Commodities		2.65%
Cash	1.00%	2.25%
	<u>100.00%</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).

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%.

NOTES TO FINANCIAL STATEMENTS (Continued)

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Position Liability (A)-(B)
Balances at December 31, 2015	\$ 2,732,504	\$ 2,566,085	\$ 166,419
Changes for the year:			
Service Cost	\$ 125,179	\$ -	\$ 125,179
Interest on the Total Pension Liability	204,628	-	204,628
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	29,460	-	29,460
Changes of Assumptions	(3,407)	-	(3,407)
Contributions - Employer	-	112,937	(112,937)
Contributions - Employee	-	63,514	(63,514)
Net Investment Income	-	179,929	(179,929)
Benefit Payments, including Refunds of Employee Contributions	(126,163)	(126,163)	-
Other (Net Transfer)	-	20,947	(20,947)
Net Changes	\$ 229,697	\$ 251,164	\$ (21,467)
Balances at December 31, 2016	\$ 2,962,201	\$ 2,817,249	\$ 144,952

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% Lower 6.50%	Current Discount Rate 7.50%	1% Higher 8.50%
Net Pension Liability	\$ 516,964	\$ 144,952	\$ (157,409)

Pension Expense, 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 \$76,876. 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
Expense in Future Periods			
Differences between expected and actual experience	\$ 21,875	\$ 92,946	\$ (71,071)
Assumption changes	29,952	2,530	27,422
Net difference between projected and actual earnings on pension investments	131,880	-	131,880
Total deferred amounts to be recognized in pension expense in future periods	\$ 183,707	\$ 95,476	\$ 88,231
Pension contributions made subsequent to the measurement date	72,458	-	72,458
Total deferred amounts related to pensions	\$ 256,165	\$ 95,476	\$ 160,689

NOTES TO FINANCIAL STATEMENTS (Continued)

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

Year Ending December 31	Net Deferred Outflows of Resources
2017	\$ 26,658
2018	14,244
2019	44,290
2020	3,039
2021	-
Thereafter	-
	<u>\$ 88,231</u>

C. Social Security

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

NOTE 13 - POST EMPLOYMENT BENEFIT COMMITMENTS

Teacher Health Insurance Security Fund (THIS)

The District participates in the Teacher Health Insurance Security (THIS) Fund, 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 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 \$83,070, and the District recognized revenue and expenditures of this amount during the year.

Employer Contributions to THIS Fund

The District also makes contributions to the THIS Fund. The District THIS Fund contribution was 0.84% during the year ended June 30, 2017. For the year ended June 30, 2017, the District paid \$62,302 to the THIS Fund, which was 100% of the required contribution.

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

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

The District and thirty-one 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
Net Position	42,861,292
	<u>\$ 71,106,652</u>
Revenues	\$ 72,241,356
Expenses	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 the destruction of assets; errors and omissions; and injuries to employees.

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

During the year ended June 30, 2017, there were no significant reductions in insurance coverage. Also, there have been no settlement amounts that have exceeded insurance coverage in the past three fiscal years. 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 nondisclosed 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:

2016 EAV	\$ 318,619,957
Rate	<u>6.90%</u>
Debt Margin	\$ 21,984,777
Current Debt	<u>17,146,606</u>
Remaining Debt Margin	<u><u>\$ 4,838,171</u></u>

SUPPLEMENTAL FINANCIAL INFORMATION

BIG HOLLOW SCHOOL DISTRICT NO. 38
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION
LIABILITY AND RELATED RATIOS
JUNE 30, 2017

	<u>6/30/2017*</u>	<u>6/30/2016 *</u>	<u>6/30/2015 *</u>
Total Pension Liability			
Service Cost	\$ 125,179	\$ 147,488	\$ 121,337
Interest on the Total Pension Liability	204,628	200,998	182,340
Differences Between Expected and Actual Experience	29,460	(158,267)	(49,744)
Changes in Assumptions	(3,407)	-	109,104
Benefit Payments, Including Refunds of Member Contributions	(126,163)	(135,044)	(112,486)
Net Change in Total Pension Liability	<u>\$ 229,697</u>	<u>\$ 55,175</u>	<u>\$ 250,551</u>
Total Pension Liability - Beginning	<u>2,732,504</u>	<u>2,677,329</u>	<u>2,426,778</u>
Total Pension Liability - Ending	<u>\$ 2,962,201</u>	<u>\$ 2,732,504</u>	<u>\$ 2,677,329</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 112,937	\$ 108,375	\$ 109,489
Contributions - Member	63,514	52,439	50,482
Net Investment Income	179,929	12,754	147,204
Benefit Payments, Including Refunds of Member Contributions	(126,163)	(135,044)	(112,486)
Other	20,947	(10,352)	(46,209)
Net Change in Plan Fiduciary Net Position	<u>\$ 251,164</u>	<u>\$ 28,172</u>	<u>\$ 148,480</u>
Plan Net Position - Beginning	<u>2,566,085</u>	<u>2,537,913</u>	<u>2,389,433</u>
Plan Net Position - Ending	<u>\$ 2,817,249</u>	<u>\$ 2,566,085</u>	<u>\$ 2,537,913</u>
District's Net Pension Liability	<u>\$ 144,952</u>	<u>\$ 166,419</u>	<u>\$ 139,416</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	95.11%	93.91%	94.79%
Covered-Valuation Payroll	\$ 1,336,532	\$ 1,165,316	\$ 1,118,378
Employer's Net Pension Liability as a Percentage of Covered-Valuation Payroll	10.85%	14.28%	12.47%

* 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.

BIG HOLLOW SCHOOL DISTRICT NO. 38
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF EMPLOYER CONTRIBUTION
JUNE 30, 2017

	6/30/2017*	6/30/2016 *	6/30/2015 *
Actuarial Determined Contribution	\$ 112,937	\$ 108,374	\$ 109,154
Contributions in Relation to Actuarially Determined Contribution	112,937	108,375	109,489
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ (335)</u>
Covered Valuation Payroll	\$ 1,336,532	\$ 1,165,316	\$ 1,118,378
Contributions as a Percentage of Covered Valuation Payroll	8.45%	9.30%	9.79%

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 2011-2013.

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.

BIG HOLLOW SCHOOL DISTRICT NO. 38
 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	0.0020962%	0.0012230%	-0.0004050%
Employer's proportionate share of the Net Pension Liability	\$ 1,654,665	\$ 801,163	\$ (246,483)
State's proportionate share of the Net Pension Liability associated with the employer	<u>72,124,268</u>	<u>47,470,400</u>	<u>(15,931,376)</u>
Total	<u>\$ 73,778,933</u>	<u>\$ 48,271,563</u>	<u>\$ (16,177,859)</u>
Employer's Covered-Employee Payroll	\$ 6,964,517	\$ 7,331,291	\$ 7,568,045
Employer's proportionate share of the Net Pension Liability as a percentage of its Covered-Employee Payroll	23.76%	10.93%	-3.26%
Plan Fiduciary Net Position as a percentage of the Total Pension Lia	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.

BIG HOLLOW SCHOOL DISTRICT NO. 38
 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	\$ 81,180	\$ 42,852	\$ (14,451)
Contributions in relation to the statutorily-required contribution	<u>68,872</u>	<u>42,852</u>	<u>(14,451)</u>
Contribution deficiency/(excess)	<u>\$ 12,308</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's Covered-Employee Payroll	\$ 6,964,517	\$ 7,331,291	\$ 7,568,045
Contributions as a percentage of Covered-Employee Payroll	0.99%	0.58%	-0.19%

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.

BIG HOLLOW SCHOOL DISTRICT NO. 38
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
 ACTIVITY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
A S S E T S				
Cash and Cash Equivalents	\$ 11,945	\$ 16,431	\$ 16,810	\$ 11,566
L I A B I L I T I E S				
Amount Due to Activity Fund Organization District Wide	\$ 11,945	\$ 16,431	\$ 16,810	\$ 11,566

See Accompanying Independent Auditor's Report

BIG HOLLOW SCHOOL DISTRICT NO. 38
 COMPUTATION OF OPERATING EXPENSE PER PUPIL
 AND PER CAPITA TUITION CHARGE
 FOR THE YEAR ENDED JUNE 30, 2017

OPERATING EXPENSE PER PUPIL			
EXPENDITURES:			
ED	Total Expenditures	\$	11,606,877
O&M	Total Expenditures		1,922,201
DS	Total Expenditures		3,982,922
TR	Total Expenditures		932,335
MR/SS	Total Expenditures		386,610
TORT	Total Expenditures		123,696
	Total Expenditures	\$	18,954,641

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

ED	1225	Special Education Programs Pre-K	\$	154,290
ED	1600	Summer School Programs		21,735
ED	1912	Special Education Programs K-12 - Private Tuition		247,129
ED	3000	Community Services		4,249
ED	4000	Total Payments to Other District & Govt Units		422,840
ED	-	Capital Outlay		13,359
ED	-	Non-Capitalized Equipment		896
O&M	4000	Total Payments to Other Dist & Govt Units		72,185
O&M	-	Capital Outlay		681,970
O&M	-	Non-Capitalized Equipment		1,903
DS	5300	Debt Service - Payments of Principal on Long-Term Debt		1,963,463
MR/SS	1125	Pre-K Programs		135
MR/SS	1225	Special Education Programs - Pre-K		1,741
MR/SS	1600	Summer School Programs		613
MR/SS	3000	Community Services		43
MR/SS	4000	Total Payments to Other Dist & Govt Units		22,886
		Total Deductions	\$	3,609,437
		Total Operating Expenses (Regular K-12)		15,345,204
		9 Mo ADA (See the General State Aid Claim for 2015-2016 (ISBE 54-33, L12))		1,674.29
		Estimated OEPP *	\$	9,165.20

PER CAPITA TUITION CHARGE

LESS OFFSETTING RECEIPTS/REVENUES:

ED	1600	Total Food Service	\$	337,503
ED-O&M	1700	Total District/School Activity Income		137,532
ED	1811	Rentals - Regular Textbooks		263,115
ED-O&M	1910	Rentals		29,428
ED-O&M-TR	3100	Total Special Education		457,826
ED-MR/SS	3300	Total Bilingual Ed		21,742
ED	3360	State Free Lunch & Breakfast		749
ED-O&M-TR-MR/SS	3500	Total Transportation		703,776
ED-MR/SS	-	Total Food Service		277,148
ED-O&M-TR-MR/SS	-	Total Title I		103,967
ED-O&M-TR-MR/SS	4620	Fed - Spec Education - IDEA - Flow Through/Low Incidence		167,271
ED-TR-MR/SS	4909	Title III - Language Inst Program - Limited Eng (LIPLP)		14,725
ED-O&M-TR-MR/SS	4932	Title II - Teacher Quality		12,069
ED-O&M-TR-MR/SS	4991	Medicaid Matching Funds - Administrative Outreach		18,942
ED-O&M-TR-MR/SS	4992	Medicaid Matching Funds - Fee-for-Service Program		102,711
		Total Allowance for PCTC Computation	\$	2,648,504
		Net Operating Expense for PCTC Computation		12,696,700
		Total Depreciation Allowance (from page 27, Col I)		999,046
		Total Allowance for PCTC Computation		13,695,746
		9 Mo ADA		1,674.29
		Total Estimated PCTC *	\$	8,180.03

Unaudited