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**MARENGO-UNION ELEMENTARY CONSOLIDATED
SCHOOL DISTRICT NO. 165
STATE OF ILLINOIS**

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

eder, casella & co.

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SCHOOL DISTRICT NO. 165
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SCHOOL DISTRICT NO. 165
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INDEPENDENT AUDITOR'S OPINION

To the Board of Education
Marengo-Union Elementary Consolidated School District No. 165
Marengo, Illinois

We have audited the accompanying basic financial statements of

Marengo-Union Elementary Consolidated School District No. 165

as of and for the year ended June 30, 2017 as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 1, the financial statements are prepared by Marengo-Union Elementary Consolidated School District No. 165 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 Illinois State Board of Education. Also as described in Note 1, Marengo-Union Elementary Consolidated School District No. 165 prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Marengo-Union Elementary Consolidated School District No. 165 as of June 30, 2017, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Cash Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of Marengo-Union Elementary Consolidated School District No. 165 as of June 30, 2017, and the revenues it received and expenditures it paid for the year then ended, in accordance with the financial reporting provisions of the Illinois State Board of Education as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Marengo-Union Elementary Consolidated School District No. 165'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 basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Such information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate 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 and Schedule of Expenditures of Federal Awards are 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 5, 2017 on our consideration of Marengo-Union Elementary Consolidated School District No. 165'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 Marengo-Union Elementary Consolidated School District No. 165's internal control over financial reporting and compliance.

Restriction on Use

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

Eder, Casella & Co.

EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
September 5, 2017



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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
Marengo-Union Elementary Consolidated School District No. 165
Marengo, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of

Marengo-Union Elementary Consolidated School District No. 165

as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise Marengo-Union Elementary Consolidated School District No. 165's basic financial statements, and have issued our report thereon dated September 5, 2017. Our opinion was adverse because the financial statements are not prepared in accordance with generally accepted accounting principles. However, the financial statements were found to be fairly stated on the cash basis of accounting, in accordance with regulatory reporting requirements established by the Illinois State Board of Education, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Marengo-Union Elementary Consolidated School District No. 165'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 Marengo-Union Elementary Consolidated School District No. 165's internal control. Accordingly, we do not express an opinion on the effectiveness of Marengo-Union Elementary Consolidated School District No. 165's internal control.

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marengo-Union Elementary Consolidated School District No. 165'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 5, 2017

BASIC FINANCIAL STATEMENTS

MARENGO-UNION ELEMENTARY CONSOLIDATED SCHOOL DISTRICT NO. 165
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>TRANSPOR- TATION</u>	<u>ILLINOIS MUNICIPAL RETIREMENT/ SOCIAL SECURITY</u>	<u>CAPITAL PROJECTS</u>
Cash and Cash Equivalents	\$ 5,679,247	\$ 948,711	\$ 117,133	\$ 751,013	\$ 260,692	\$ 224,114
Investments	247,200	-	-	-	-	-
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	\$ 5,926,447	\$ 948,711	\$ 117,133	\$ 751,013	\$ 260,692	\$ 224,114
 <u>LIABILITIES AND FUND BALANCE</u>						
LIABILITIES						
Current Liabilities						
Due to Activity Fund Organizations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Current Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Long-Term Liabilities						
Long-Term Debt Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Long-Term Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCE						
Investment in General Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved						
Designated	2,952,880	385,060	108,786	118,874	144,674	-
Undesignated	2,973,567	563,651	8,347	632,139	116,018	224,114
Total Fund Balance	\$ 5,926,447	\$ 948,711	\$ 117,133	\$ 751,013	\$ 260,692	\$ 224,114
Total Liabilities and Fund Balance	\$ 5,926,447	\$ 948,711	\$ 117,133	\$ 751,013	\$ 260,692	\$ 224,114

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

MARENGO-UNION ELEMENTARY CONSOLIDATED SCHOOL DISTRICT NO. 165
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>AGENCY</u>	<u>GENERAL FIXED ASSETS</u>	<u>GENERAL LONG-TERM DEBT</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
Cash and Cash Equivalents	\$ 5,741	\$ 44,741	\$ -	\$ -	\$ 8,031,392
Investments	-	-	-	-	247,200
Capital Assets					
Land	-	-	59,496	-	59,496
Building and Building Improvements	-	-	6,079,288	-	6,079,288
Site Improvements and Infrastructure	-	-	476,009	-	476,009
Capitalized Equipment	-	-	2,349,261	-	2,349,261
Amount Available in Debt Services Fund	-	-	-	117,133	117,133
Amount to be Provided for Payment on Long-Term Debt	-	-	-	2,782,867	2,782,867
Total Assets	\$ 5,741	\$ 44,741	\$ 8,964,054	\$ 2,900,000	\$ 20,142,646
 <u>LIABILITIES AND FUND BALANCE</u>					
LIABILITIES					
Current Liabilities					
Due to Activity Fund Organizations	\$ -	\$ 44,741	\$ -	\$ -	\$ 44,741
Total Current Liabilities	\$ -	\$ 44,741	\$ -	\$ -	\$ 44,741
Long-Term Liabilities					
Long-Term Debt Payable	\$ -	\$ -	\$ -	\$ 2,900,000	\$ 2,900,000
Total Long-Term Liabilities	\$ -	\$ -	\$ -	\$ 2,900,000	\$ 2,900,000
Total Liabilities	\$ -	\$ 44,741	\$ -	\$ 2,900,000	\$ 2,944,741
FUND BALANCE					
Investment in General Fixed Assets	\$ -	\$ -	\$ 8,964,054	\$ -	\$ 8,964,054
Unreserved					
Designated	-	-	-	-	3,710,274
Undesignated	5,741	-	-	-	4,523,577
Total Fund Balance	\$ 5,741	\$ -	\$ 8,964,054	\$ -	\$ 17,197,905
Total Liabilities and Fund Balance	\$ 5,741	\$ 44,741	\$ 8,964,054	\$ 2,900,000	\$ 20,142,646

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

MARENGO-UNION ELEMENTARY CONSOLIDATED SCHOOL DISTRICT NO. 165
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	TRANSPOR- TATION	ILLINOIS MUNICIPAL RETIREMENT/ SOCIAL SECURITY	CAPITAL PROJECTS	WORKING CASH	TOTAL (MEMORANDUM ONLY)
REVENUE RECEIVED								
Local Sources	\$ 6,088,915	\$ 1,054,122	\$ 201,631	\$ 327,541	\$ 348,960	\$ 6,130	\$ 5,231	\$ 8,032,530
State Sources	1,303,003	410,210	27,000	216,361	30,000	-	-	1,986,574
Federal Sources	765,854	-	-	-	-	-	-	765,854
On-Behalf Payments	3,351,002	-	-	-	-	-	-	3,351,002
	<u>\$ 11,508,774</u>	<u>\$ 1,464,332</u>	<u>\$ 228,631</u>	<u>\$ 543,902</u>	<u>\$ 378,960</u>	<u>\$ 6,130</u>	<u>\$ 5,231</u>	<u>\$ 14,135,960</u>
EXPENDITURES DISBURSED								
Instruction	\$ 4,524,270	\$ -	\$ -	\$ -	\$ 85,636	\$ -	\$ -	\$ 4,609,906
Support Services	2,665,420	1,185,589	-	583,846	189,392	302,562	-	4,926,809
Community Services	51,892	-	-	-	2,970	-	-	54,862
Payments to Other Districts and Governmental Units	269,098	-	-	-	-	-	-	269,098
Debt Services	-	-	225,529	-	-	-	-	225,529
On-Behalf Payments	3,351,002	-	-	-	-	-	-	3,351,002
	<u>\$ 10,861,682</u>	<u>\$ 1,185,589</u>	<u>\$ 225,529</u>	<u>\$ 583,846</u>	<u>\$ 277,998</u>	<u>\$ 302,562</u>	<u>\$ -</u>	<u>\$ 13,437,206</u>
EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED OVER EXPENDITURES DISBURSED	\$ 647,092	\$ 278,743	\$ 3,102	\$ (39,944)	\$ 100,962	\$ (296,432)	\$ 5,231	\$ 698,754
FUND BALANCE - JULY 1, 2016	5,279,355	669,968	114,031	790,957	159,730	520,546	510	7,535,097
FUND BALANCE - JUNE 30, 2017	<u>\$ 5,926,447</u>	<u>\$ 948,711</u>	<u>\$ 117,133</u>	<u>\$ 751,013</u>	<u>\$ 260,692</u>	<u>\$ 224,114</u>	<u>\$ 5,741</u>	<u>\$ 8,233,851</u>

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

MARENGO-UNION ELEMENTARY CONSOLIDATED SCHOOL DISTRICT NO. 165
STATEMENT OF REVENUE RECEIVED
ALL FUNDS EXCEPT AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	EDUCATIONAL	OPERATIONS AND MAINTENANCE	DEBT SERVICES	TRANSPOR- TATION	ILLINOIS MUNICIPAL RETIREMENT/ SOCIAL SECURITY	CAPITAL PROJECTS	WORKING CASH	TOTAL (MEMORANDUM ONLY)
REVENUE RECEIVED								
Local Sources								
Ad Valorem Taxes Levied								
Designated Purpose Levies	\$ 5,471,863	\$ 720,896	\$ 201,447	\$ 222,552	\$ 94,555	\$ -	\$ 5,228	\$ 6,716,541
Leasing Levy	56,427	-	-	-	-	-	-	56,427
FICA/Medicare Only Purposes Levy	-	-	-	-	176,301	-	-	176,301
Corporate Personal Property Replacement Taxes	207,471	293,000	-	70,000	77,532	-	-	648,003
Tuition								
Special Education Tuition from Other Districts (In State)	50,474	-	-	-	-	-	-	50,474
Interest on Investments	15,439	1,964	184	2,427	572	2,069	3	22,658
Food Service								
Sales to Pupils - Lunch	124,647	-	-	-	-	-	-	124,647
Sales to Pupils - Other	1,095	-	-	-	-	-	-	1,095
Sales to Adults	6,688	-	-	-	-	-	-	6,688
Other Food Service	4,103	-	-	-	-	-	-	4,103
District/School Activity Income								
Admissions - Athletic	4,009	-	-	-	-	-	-	4,009
Fees	32,596	-	-	-	-	-	-	32,596
Other District/School Activity Revenue	176	-	-	-	-	-	-	176
Textbooks								
Rentals - Regular Textbook	81,527	-	-	-	-	-	-	81,527
Sales - Other	43	-	-	-	-	-	-	43
Rentals	-	15,590	-	-	-	-	-	15,590
Contributions and Donations from Private Sources	22,180	1,000	-	-	-	-	-	23,180
Impact Fees From Municipal or County Governments	-	-	-	-	-	4,061	-	4,061
Services Provided Other Districts	7,440	-	-	32,550	-	-	-	39,990
Refund of Prior Years' Expenditures	1,635	21,647	-	-	-	-	-	23,282
Other Local Revenues	1,102	25	-	12	-	-	-	1,139
Total Local Sources	\$ 6,088,915	\$ 1,054,122	\$ 201,631	\$ 327,541	\$ 348,960	\$ 6,130	\$ 5,231	\$ 8,032,530
State Sources								
Unrestricted Grants-In-Aid								
General State Aid - Sec. 18-8	\$ 873,744	\$ 369,470	\$ 27,000	\$ -	\$ 30,000	\$ -	\$ -	\$ 1,300,214
Restricted Grants-In-Aid								
Special Education								
Private Facility Tuition	36,360	-	-	-	-	-	-	36,360
Extraordinary	101,935	-	-	-	-	-	-	101,935
Personnel	144,980	-	-	-	-	-	-	144,980
Orphanage - Individual	16,181	-	-	-	-	-	-	16,181
Bilingual Education								
Downstate - TPI & TBE	4,154	-	-	-	-	-	-	4,154
State Free Lunch and Breakfast	1,049	-	-	-	-	-	-	1,049
Transportation								
Regular/Vocational	-	-	-	79,432	-	-	-	79,432
Special Education	-	-	-	127,929	-	-	-	127,929
Early Childhood - Block Grant	121,600	-	-	9,000	-	-	-	130,600
Infrastructure Improvements - Construction	-	40,740	-	-	-	-	-	40,740
Other Restricted Revenue from State Sources	3,000	-	-	-	-	-	-	3,000
Total State Sources	\$ 1,303,003	\$ 410,210	\$ 27,000	\$ 216,361	\$ 30,000	\$ -	\$ -	\$ 1,986,574

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

MARENGO-UNION ELEMENTARY CONSOLIDATED SCHOOL DISTRICT NO. 165
STATEMENT OF REVENUE RECEIVED
ALL FUNDS EXCEPT AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	EDUCATIONAL	OPERATIONS AND MAINTENANCE	DEBT SERVICES	TRANSPOR- TATION	ILLINOIS MUNICIPAL RETIREMENT/ SOCIAL SECURITY	CAPITAL PROJECTS	WORKING CASH	TOTAL (MEMORANDUM ONLY)
REVENUE RECEIVED (Continued)								
Federal Sources								
Restricted Grants-In-Aid Received Directly from the								
Federal Government through the State								
Food Service								
National School Lunch Program	\$ 212,053	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 212,053
School Breakfast Program	35,135	-	-	-	-	-	-	35,135
Title I								
Low Income	178,219	-	-	-	-	-	-	178,219
Federal - Special Education								
Preschool - Flow Through	10,562	-	-	-	-	-	-	10,562
IDEA - Flow Through/Low Incidence	218,101	-	-	-	-	-	-	218,101
IDEA - Room and Board	8,993	-	-	-	-	-	-	8,993
Title III - English Language Acquisition	10,271	-	-	-	-	-	-	10,271
Title II - Teacher Quality	27,890	-	-	-	-	-	-	27,890
Medicaid Matching Funds - Administrative Outreach	27,215	-	-	-	-	-	-	27,215
Medicaid Matching Funds - Fee-For-Service Program	37,415	-	-	-	-	-	-	37,415
Total Federal Sources	<u>\$ 765,854</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 765,854</u>
Total Direct Revenue	<u>\$ 8,157,772</u>	<u>\$ 1,464,332</u>	<u>\$ 228,631</u>	<u>\$ 543,902</u>	<u>\$ 378,960</u>	<u>\$ 6,130</u>	<u>\$ 5,231</u>	<u>\$ 10,784,958</u>

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

MARENGO-UNION ELEMENTARY CONSOLIDATED SCHOOL DISTRICT NO. 165
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL
EDUCATIONAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

EXPENDITURES DISBURSED	BUDGET	ACTUAL
Instruction		
Regular Programs		
Salaries	\$ 2,828,300	\$ 2,666,527
Employee Benefits	428,107	407,032
Purchased Services	23,900	24,346
Supplies and Materials	164,350	146,368
Capital Outlay	10,000	-
Other Objects	200	50
Non-Capitalized Equipment	4,500	15,343
	<u>\$ 3,459,357</u>	<u>\$ 3,259,666</u>
Pre-K Programs		
Salaries	\$ 111,037	\$ 125,611
Employee Benefits	26,831	22,336
Purchased Services	1,200	518
Supplies and Materials	4,050	5,865
	<u>\$ 143,118</u>	<u>\$ 154,330</u>
Special Education Programs		
Salaries	\$ 633,000	\$ 623,051
Employee Benefits	139,600	128,216
Purchased Services	1,050	39
Supplies and Materials	30,250	17,097
Non-Capitalized Equipment	650	-
	<u>\$ 804,550</u>	<u>\$ 768,403</u>
Special Education Programs Pre-K		
Salaries	\$ 33,000	\$ 22,846
Employee Benefits	7,545	3,700
Supplies and Materials	1,750	82
	<u>\$ 42,295</u>	<u>\$ 26,628</u>
Interscholastic Programs		
Salaries	\$ 48,000	\$ 37,255
Employee Benefits	638	428
Purchased Services	8,000	4,540
Supplies and Materials	1,250	152
Other Objects	1,500	970
Non-Capitalized Equipment	1,040	1,034
Termination Benefits	0	0
	<u>\$ 60,428</u>	<u>\$ 44,379</u>
Summer School Programs		
Salaries	\$ 15,000	\$ 8,775
Employee Benefits	990	103
	<u>\$ 15,990</u>	<u>\$ 8,878</u>
Bilingual Programs		
Salaries	\$ 126,710	\$ 128,451
Employee Benefits	19,464	21,821
Supplies and Materials	500	-
	<u>\$ 146,674</u>	<u>\$ 150,272</u>
Private Tuition - Other Objects		
Special Education Programs K-12	\$ 120,000	\$ 111,714
	<u>\$ 120,000</u>	<u>\$ 111,714</u>
Total Instruction	<u>\$ 4,792,412</u>	<u>\$ 4,524,270</u>
Support Services		
Pupils		
Attendance and Social Work Services		
Salaries	\$ 175,619	\$ 172,939
Employee Benefits	24,114	23,878
Purchased Services	-	51
Supplies and Materials	750	43
	<u>\$ 200,483</u>	<u>\$ 196,911</u>

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

MARENGO-UNION ELEMENTARY CONSOLIDATED SCHOOL DISTRICT NO. 165
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)		
Guidance Services		
Salaries	\$ 57,075	\$ 53,716
Employee Benefits	8,254	8,208
Purchased Services	-	595
Supplies and Materials	100	-
	<u>\$ 65,429</u>	<u>\$ 62,519</u>
Health Services		
Salaries	\$ 129,250	\$ 125,143
Employee Benefits	8,826	8,651
Purchased Services	25,050	23,809
Supplies and Materials	3,250	868
Other Objects	325	70
	<u>\$ 166,701</u>	<u>\$ 158,541</u>
Psychological Services		
Salaries	\$ 101,810	\$ 101,324
Employee Benefits	9,282	9,304
Supplies and Materials	2,800	1,119
	<u>\$ 113,892</u>	<u>\$ 111,747</u>
Speech Pathology and Audiology Services		
Salaries	\$ 185,000	\$ 210,362
Employee Benefits	10,145	13,375
Purchased Services	500	500
Supplies and Materials	1,500	967
	<u>\$ 197,145</u>	<u>\$ 225,204</u>
Other Support Services - Pupils		
Salaries	\$ 10,000	\$ 6,975
Employee Benefits	-	19
	<u>\$ 10,000</u>	<u>\$ 6,994</u>
Total Support Services - Pupils	<u>\$ 753,650</u>	<u>\$ 761,916</u>
Instructional Staff		
Improvement of Instruction Services		
Salaries	\$ 15,000	\$ 20,160
Employee Benefits	207	813
Purchased Services	47,560	57,356
Supplies and Materials	112,500	65,763
Non-Capitalized Equipment	5,000	2,863
	<u>\$ 180,267</u>	<u>\$ 146,955</u>
Educational Media Services		
Salaries	\$ 43,625	\$ 43,244
Employee Benefits	14,217	14,273
Purchased Services	1,000	1,407
Supplies and Materials	4,650	4,542
	<u>\$ 63,492</u>	<u>\$ 63,466</u>
Total Support Services - Instructional Staff	<u>\$ 243,759</u>	<u>\$ 210,421</u>
General Administration		
Board of Education Services		
Salaries	\$ 7,979	\$ 7,953
Employee Benefits	10,000	48
Purchased Services	146,984	130,258
Supplies and Materials	8,000	7,812
Other Objects	18,500	17,779
	<u>\$ 191,463</u>	<u>\$ 163,850</u>

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

MARENGO-UNION ELEMENTARY CONSOLIDATED SCHOOL DISTRICT NO. 165
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL
EDUCATIONAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	BUDGET	ACTUAL
EXPENDITURES DISBURSED (Continued)		
Support Services (Continued)		
General Administration (Continued)		
Executive Administration Services		
Salaries	\$ 178,228	\$ 178,214
Employee Benefits	53,695	51,122
Purchased Services	4,000	5,092
Supplies and Materials	2,000	2,564
Other Objects	3,250	2,433
Non-Capitalized Equipment	-	1,450
	<u>\$ 241,173</u>	<u>\$ 240,875</u>
Special Area Administration Services		
Salaries	\$ 83,950	\$ 84,148
Employee Benefits	9,209	8,536
Purchased Services	4,250	2,631
Supplies and Materials	1,250	25
Other Objects	750	1,636
	<u>\$ 99,409</u>	<u>\$ 96,976</u>
Total Support Services - General Administration	<u>\$ 532,045</u>	<u>\$ 501,701</u>
School Administration		
Office of the Principal Services		
Salaries	\$ 317,500	\$ 307,422
Employee Benefits	98,199	83,452
Purchased Services	1,875	132
Supplies and Materials	25,000	16,714
Other Objects	1,500	921
Non-Capitalized Equipment	-	678
	<u>\$ 444,074</u>	<u>\$ 409,319</u>
Total Support Services - School Administration	<u>\$ 444,074</u>	<u>\$ 409,319</u>
Business		
Direction of Business Support Services		
Salaries	\$ 70,925	\$ 70,924
Employee Benefits	5,585	5,556
Purchased Services	1,850	797
Supplies and Materials	100	67
Other Objects	500	335
	<u>\$ 78,960</u>	<u>\$ 77,679</u>
Fiscal Services		
Salaries	\$ 35,000	\$ 35,498
Employee Benefits	110	119
Purchased Services	575	575
Supplies and Materials	1,250	1,264
	<u>\$ 36,935</u>	<u>\$ 37,456</u>
Food Services		
Salaries	\$ 152,500	\$ 147,411
Employee Benefits	35,487	31,776
Purchased Services	4,550	1,204
Supplies and Materials	211,220	166,664
Capital Outlay	4,000	8,402
Other Objects	1,500	1,180
Non-Capitalized Equipment	2,000	-
	<u>\$ 411,257</u>	<u>\$ 356,637</u>
Total Support Services - Business	<u>\$ 527,152</u>	<u>\$ 471,772</u>
Central		
Planning, Research, Development and Evaluation Services		
Supplies and Materials	\$ 7,000	\$ 3,337
	<u>\$ 7,000</u>	<u>\$ 3,337</u>

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

MARENGO-UNION ELEMENTARY CONSOLIDATED SCHOOL DISTRICT NO. 165
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL
EDUCATIONAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	BUDGET	ACTUAL
EXPENDITURES DISBURSED (Continued)		
Support Services (Continued)		
Central (Continued)		
Information Services		
Salaries	\$ 65,888	\$ 66,389
Employee Benefits	6,993	10,700
Supplies and Materials	750	661
Other Objects	28,000	27,062
	<u>\$ 101,631</u>	<u>\$ 104,812</u>
Staff Services		
Salaries	\$ 5,000	\$ 1,317
Employee Benefits	-	526
	<u>\$ 5,000</u>	<u>\$ 1,843</u>
Data Processing Services		
Salaries	\$ 90,000	\$ 87,362
Employee Benefits	16,820	13,832
Purchased Services	16,000	5,132
Supplies and Materials	57,500	62,880
Capital Outlay	15,000	2,029
Non-Capitalized Equipment	15,000	29,064
	<u>\$ 210,320</u>	<u>\$ 200,299</u>
Total Support Services - Central	<u>\$ 323,951</u>	<u>\$ 310,291</u>
Total Support Services	<u>\$ 2,824,631</u>	<u>\$ 2,665,420</u>
Community Services		
Salaries	\$ 26,686	\$ 33,277
Employee Benefits	5,460	10,308
Purchased Services	6,000	8,307
Total Community Services	<u>\$ 38,146</u>	<u>\$ 51,892</u>
Payments to Other Districts and Governmental Units		
Payments to Other Districts and Other Governmental Units (In-State)		
Payments for Special Education Programs		
Purchased Services	\$ -	\$ 1,429
	<u>\$ -</u>	<u>\$ 1,429</u>
Other Payments to In-State Governmental Units		
Other Objects	\$ 6,821	\$ 5,910
	<u>\$ 6,821</u>	<u>\$ 5,910</u>
Total Payments to Other Districts and Governmental Units (In-State)	<u>\$ 6,821</u>	<u>\$ 7,339</u>
Payments to Other Districts and Governmental Units-Tuition (In-State)		
Payments for Special Education Programs		
Other Objects	\$ 225,000	\$ 261,759
Total Payments to Other Districts and Governmental Units-Tuition (In-State)	<u>\$ 225,000</u>	<u>\$ 261,759</u>
Total Payments to Other Districts and Governmental Units	<u>\$ 231,821</u>	<u>\$ 269,098</u>
Total Direct Expenditures	<u>\$ 7,887,010</u>	<u>\$ 7,510,680</u>

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

MARENGO-UNION ELEMENTARY CONSOLIDATED SCHOOL DISTRICT NO. 165
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL
OPERATIONS AND MAINTENANCE FUND
FOR THE YEAR ENDED JUNE 30, 2017

	BUDGET	ACTUAL
EXPENDITURES DISBURSED		
Support Services		
Business		
Operation and Maintenance of Plant Services		
Salaries	\$ 371,700	\$ 367,254
Employee Benefits	61,200	60,557
Purchased Services	444,025	420,163
Supplies and Materials	238,500	205,082
Capital Outlay	120,000	95,053
Non-Capitalized Equipment	10,000	37,480
	<u>\$ 1,245,425</u>	<u>\$ 1,185,589</u>
Total Support Services - Business	<u>\$ 1,245,425</u>	<u>\$ 1,185,589</u>
Total Support Services	<u>\$ 1,245,425</u>	<u>\$ 1,185,589</u>
Total Direct Expenditures	<u>\$ 1,245,425</u>	<u>\$ 1,185,589</u>

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

MARENGO-UNION ELEMENTARY CONSOLIDATED SCHOOL DISTRICT NO. 165
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	\$ 107,145	\$ 116,559
Total Debt Services - Interest	<u>\$ 107,145</u>	<u>\$ 116,559</u>
Debt Services - Payment of Principal on Long-Term Debt		
Other Objects	\$ 117,941	\$ 107,145
Total Debt Services - Payment of Principal on Long-Term Debt	<u>\$ 117,941</u>	<u>\$ 107,145</u>
Debt Services - Other		
Other Objects	\$ 2,000	\$ 1,825
Total Debt Services - Other	<u>\$ 2,000</u>	<u>\$ 1,825</u>
Total Debt Services	<u>\$ 227,086</u>	<u>\$ 225,529</u>
Total Direct Expenditures	<u><u>\$ 227,086</u></u>	<u><u>\$ 225,529</u></u>

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

MARENGO-UNION ELEMENTARY CONSOLIDATED SCHOOL DISTRICT NO. 165
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	\$ 331,850	\$ 338,406
Employee Benefits	11,822	12,079
Purchased Services	123,950	85,450
Supplies and Materials	89,500	51,502
Capital Outlay	100,000	83,747
Other Objects	5,000	3,758
Non-Capitalized Equipment	2,500	8,904
	<u>\$ 664,622</u>	<u>\$ 583,846</u>
Total Support Services - Business	<u>\$ 664,622</u>	<u>\$ 583,846</u>
Total Support Services	<u>\$ 664,622</u>	<u>\$ 583,846</u>
Total Direct Expenditures	<u>\$ 664,622</u>	<u>\$ 583,846</u>

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

MARENGO-UNION ELEMENTARY CONSOLIDATED SCHOOL DISTRICT NO. 165
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	\$ 46,034	\$ 44,945
Pre-K Programs		
Employee Benefits	5,011	4,676
Special Education Programs		
Employee Benefits	43,621	32,063
Special Education Programs - Pre-K		
Employee Benefits	1,502	488
Remedial and Supplemental Programs - K-12		
Employee Benefits	1,064	1,318
Summer School Programs		
Employee Benefits	-	283
Bilingual Programs		
Employee Benefits	2,444	1,863
Total Instruction	<u>\$ 99,676</u>	<u>\$ 85,636</u>
Support Services		
Pupils		
Attendance and Social Work Services		
Employee Benefits	\$ 2,683	\$ 2,508
Guidance Services		
Employee Benefits	847	779
Health Services		
Employee Benefits	13,421	10,603
Psychological Services		
Employee Benefits	1,487	1,469
Speech Pathology and Audiology Services		
Employee Benefits	3,200	3,050
Other Support Services - Pupils		
Employee Benefits	711	737
Total Supports Services - Pupils	<u>\$ 22,349</u>	<u>\$ 19,146</u>
Instructional Staff		
Improvement of Instruction Services		
Employee Benefits	\$ 219	\$ 356
Educational Media Services		
Employee Benefits	7,235	5,464
Total Support Services - Instructional Staff	<u>\$ 7,454</u>	<u>\$ 5,820</u>
General Administration		
Board of Education Services		
Employee Benefits	\$ 1,341	\$ 1,004
Executive Administration Services		
Employee Benefits	10,914	8,678
Special Area Administrative Services		
Employee Benefits	4,334	3,366
Total Support Services - General Administration	<u>\$ 16,589</u>	<u>\$ 13,048</u>

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

MARENGO-UNION ELEMENTARY CONSOLIDATED SCHOOL DISTRICT NO. 165
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)		
School Administration		
Office of the Principal Services		
Employee Benefits	\$ 23,852	\$ 16,083
Total Support Services - School Administration	<u>\$ 23,852</u>	<u>\$ 16,083</u>
Business		
Direction of Business Support Services		
Employee Benefits	\$ 12,857	\$ 9,619
Fiscal Services		
Employee Benefits	5,764	4,488
Operation and Maintenance of Plant Services		
Employee Benefits	57,209	43,843
Pupil Transportation Services		
Employee Benefits	48,090	39,929
Food Services		
Employee Benefits	23,842	18,155
Total Support Services - Business	<u>\$ 147,762</u>	<u>\$ 116,034</u>
Central		
Information Services		
Employee Benefits	\$ 10,727	\$ 8,335
Staff Services		
Employee Benefits	21	19
Data Processing Services		
Employee Benefits	13,456	10,907
Total Support Services - Central	<u>\$ 24,204</u>	<u>\$ 19,261</u>
Total Support Services	<u>\$ 242,210</u>	<u>\$ 189,392</u>
Community Services		
Employee Benefits	\$ 3,114	\$ 2,970
Total Community Services	<u>\$ 3,114</u>	<u>\$ 2,970</u>
Total Direct Expenditures	<u>\$ 345,000</u>	<u>\$ 277,998</u>

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

MARENGO-UNION ELEMENTARY CONSOLIDATED SCHOOL DISTRICT NO. 165
 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	\$ 65,000	\$ 69,522
Capital Outlay	425,000	233,040
Total Support Services - Business	<u>\$ 490,000</u>	<u>\$ 302,562</u>
Total Support Services	<u>\$ 490,000</u>	<u>\$ 302,562</u>
Total Direct Expenditures	<u><u>\$ 490,000</u></u>	<u><u>\$ 302,562</u></u>

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

MARENGO-UNION ELEMENTARY CONSOLIDATED SCHOOL DISTRICT NO. 165

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Marengo-Union Elementary Consolidated School District No. 165'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, and paying of premiums for insurance on school buildings. Operations of this fund are generally financed by a special tax levied for these purposes.

Debt Services Fund – The Debt Services Fund is used to account for the accumulation of funds for the periodic payment of principal, interest, and related fees on general long-term debt.

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.

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

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

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

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

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

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

Measurement Focus

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

General Fixed Assets and General Long-Term Debt Account Groups

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

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

C. Basis of Accounting

Basis of accounting refers to when revenues received and expenditures disbursed are recognized in the accounts and how they are reported on the financial statements. The District maintains its accounting records for all funds and account groups on the cash basis of accounting under guidelines prescribed by the Illinois State Board of Education. Accordingly, revenues are recognized and recorded in the accounts

NOTES TO FINANCIAL STATEMENTS (Continued)

disbursement of cash. Assets of a fund are only recorded when a right to receive cash exists which arises from a previous cash transaction. Liabilities of a fund, similarly, result from previous cash transactions.

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

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

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

D. *Budgets and Budgetary Accounting*

The budget for all funds is prepared on the cash basis of accounting which is the same basis that is used in financial reporting. This allows for comparability between budget and actual amounts. This is an acceptable method in accordance with Chapter 105, Section 5/17-1 of the Illinois Compiled Statutes. The budget was passed on August 23, 2016.

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

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

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

E. *Cash and Cash Equivalents and Investments*

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

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. Cash equivalents are accounted for at cost, which approximates market.

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

F. *Inventories*

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

G. *Interfund Activity*

Interfund activity is reported either as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses.

Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

H. *General Fixed Assets*

General fixed assets have been acquired for general governmental purposes. At the time of purchase, assets are recorded as disbursements in the funds for which the asset was purchased 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).

I. *Governmental Fund Balances*

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

J. *Property Tax Calendar and Revenues*

Property taxes are levied each calendar year on all taxable real property located in the District on or before the last Tuesday in December. The 2016 tax levy was passed by the Board on October 25, 2016. The 2015 tax levy was passed by the Board on November 24, 2015. Property taxes attach as an enforceable lien on property as of January 1 of the calendar year they are for 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 within one month after these dates.

K. *Total Memorandum Only*

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

NOTES TO FINANCIAL STATEMENTS (Continued)

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

A. Deposits

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.

B. Investments

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

Investment	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	5-10	More Than 10
State Investment Pool	\$ 224,311	\$ 224,311	\$ -	\$ -	\$ -

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 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 an investment policy that would further limit its investment choices. As of June 30, 2017, the District’s investments were rated as follows:

Investments	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:

	Balance	Additions	Deletions	Balance
	June 30, 2016			June 30, 2017
Land	\$ 59,496	\$ -	\$ -	\$ 59,496
Building and Building Improvements	5,789,124	290,164	-	6,079,288
Site Improvements and Infrastructure	476,009	-	-	476,009
Capitalized Equipment	2,277,099	132,107	59,945	2,349,261
	<u>\$ 8,601,728</u>	<u>\$ 422,271</u>	<u>\$ 59,945</u>	<u>\$ 8,964,054</u>

NOTE 4 - CHANGES IN GENERAL LONG-TERM DEBT

	Balance	Additions	Retirement/ Refunded	Balance	Amounts
	June 30, 2016			June 30, 2017	Due Within One Year
Limited General Obligation Bonds Dated: 9/15/09	\$ 180,000	\$ -	\$ 65,000	\$ 115,000	\$ 70,000
Limited General Obligation Bonds Dated: 2/28/11	395,000	-	15,000	380,000	20,000
Limited GO Bonds Series A Date: 5/6/15	2,075,000	-	-	2,075,000	-
Limited GO Bonds Series B Date: 5/6/15	330,000	-	-	330,000	-
Technology Loan Date: 12/13/13	27,145	-	27,145	-	-
	<u>\$ 3,007,145</u>	<u>\$ -</u>	<u>\$ 107,145</u>	<u>\$ 2,900,000</u>	<u>\$ 90,000</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

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

	Maturity Date	Interest Rate	Face Amount	Carrying Amount
Limited General Obligation Bonds dated 9/15/09	1/1/2019	3.50% - 4.75%	\$ 1,080,000	\$ 115,000
Limited General Obligation Bonds dated 2/28/11	2/1/2022	4.375%	575,000	380,000
Limited GO Bonds Series A dated 5/6/15	2/1/2035	4.00%	2,075,000	2,075,000
Limited GO Bonds Series B dated 5/6/15	2/1/2025	2.50% - 3.00%	330,000	330,000

In 2015, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2017, \$320,000 of bonds are considered defeased.

At June 30, 2017, the annual debt service requirements to service all bonded debt are:

Year Ending June 30	Principal	Interest	Total
2018	\$ 90,000	\$ 112,675	\$ 202,675
2019	95,000	109,156	204,156
2020	105,000	105,900	210,900
2021	110,000	101,306	211,306
2022 - 2026	670,000	440,157	1,110,157
2027 - 2031	900,000	298,000	1,198,000
2032 - 2035	930,000	95,400	1,025,400
	<u>\$ 2,900,000</u>	<u>\$ 1,262,594</u>	<u>\$ 4,162,594</u>

NOTE 5 - INTERFUND LOANS

The District had no outstanding interfund loans as of June 30, 2017.

NOTE 6 - SPECIAL TAX LEVIES AND RESERVED EQUITY

A. Special Education Tax Levy

Revenues and the related expenditures of this reserved tax levy are accounted for in the Educational Fund. The current year expenditures exceeded the current year revenues and any prior year carryover balance. Accordingly, there is no reserved fund balance for this tax levy.

B. Social Security Tax Levy

Revenues and the related expenditures of this reserved tax levy are accounted for in the Illinois Municipal Retirement/Social Security Fund. The current year expenditures exceeded the current year revenues and any prior year carryover balance. Accordingly, there is no reserved fund balance for this tax levy.

C. Developer Donations

Revenues and the related expenditures of these reserved donations are accounted for in the Capital Projects Fund. This fund's equity represents the excess of cumulative receipts over cumulative disbursements which is reserved for future brick, mortar, and land expenses. The current year expenditures exceeded the current year revenues and any prior year carryover balance. Accordingly, there is no reserved fund balance for this fund.

NOTE 7 - DESIGNATED FUND BALANCE

The District has designated receipts from the 2016 tax levy for expenditures to be incurred during fiscal year 2018. Amounts have only been designated to the extent the funds had not already been spent at June 30, 2017. At June 30, 2017, the following balances were designated:

NOTES TO FINANCIAL STATEMENTS (Continued)

Fund	Amount
Educational	\$ 2,952,880
Operations and Maintenance	385,060
Debt Services	108,786
Transportation	118,874
Illinois Municipal Retirement/Social Security	144,674
	<u>\$ 3,710,274</u>

NOTE 8 - DEFICIT FUND BALANCE

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

NOTE 9 - PROPERTY TAXES

Taxes recorded in these financial statements are from the 2016 (\$3,715,500) and 2015 (\$3,233,769) tax levies. A summary of assessed valuations, rates, and extensions for tax years 2016, 2015, and 2014 follows:

Tax Year	2016		2015		2014	
	Rate	Extension	Rate	Extension	Rate	Extension
Assessed Valuation	\$210,256,042		\$200,580,523		\$193,331,829	
Educational	2.6017	\$ 5,470,324	2.7071	\$ 5,429,889	2.7851	\$ 5,384,568
Special Education	0.0268	56,410	0.0279	55,992	0.0287	55,523
Operations and Maintenance	0.3428	720,693	0.3566	715,364	0.3514	679,285
Debt Service	0.0968	203,608	0.0984	197,377	0.1004	194,090
Transportation	0.1058	222,487	0.1101	220,843	0.1133	218,999
Municipal Retirement	0.0450	94,529	0.0468	93,830	0.0737	142,551
Social Security	0.0838	176,249	0.0872	174,944	0.0795	153,681
Working Cash	0.0047	9,787	-	-	-	-
	<u>3.3074</u>	<u>\$ 6,954,086</u>	<u>3.4342</u>	<u>\$ 6,888,240</u>	<u>3.5321</u>	<u>\$ 6,828,697</u>

NOTE 10 - EXCESS OF EXPENDITURES OVER BUDGET

For the year ended June 30, 2017, no fund's expenditures exceeded the budget.

NOTE 11 - LEASE AGREEMENTS

On February 25, 2013, the District's Board of Education entered into a lease agreement with the Governing Board of the McHenry County Regional Office of Education (ROE) with Special Education District of McHenry County (SEDOM) acting as fiscal agent for ROE, to lease to ROE an old school building that the District is no longer using. The lease requires a total annual payment of \$10,000 payable in quarterly installments of \$2,500 due the first day of each quarter starting July 1, 2013. The building and land will remain a property asset of the District. Annual lease payments for the lease are:

Year Ending June 30	Amount
2017	<u>\$ 10,000</u>

On November 25, 2013, the District entered into an operating lease for a postage machine at Marengo Community Middle School. This lease is for 60 months at \$159 per quarter. On February 7, 2014, the District entered into an operating lease for a postage machine at Locust School. This lease is for 60 months at \$159 per quarter. Rental expense for the year ended June 30, 2017 was \$1,272.

Minimum annual lease payments are as follows:

Year Ending June 30	Amount
2018	\$ 1,272
2019	795
	<u>\$ 2,067</u>

NOTE 12 - RETIREMENT FUND COMMITMENTS

A. Teachers' Retirement System of the State of Illinois

General Information About the Pension Plan

Plan Description

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

NOTES TO FINANCIAL STATEMENTS (Continued)

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 \$3,301,956 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 \$25,402.

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

For the year ended June 30, 2017, the District pension contribution was 38.54% of salaries paid from federal and special trust funds. For the year ended June 30, 2017, salaries totaling \$14,127 were paid from federal and special trust funds that required District contributions of \$5,495.

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 \$0 to TRS for employer contributions due on salary increases in excess of 6% and \$0 for sick leave days granted in excess of the normal annual allotment.

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

At June 30, 2017, the District has a liability for its proportionate share of the net pension liability (first amount shown below) that reflected a reduction for state pension support provided to the District. The State's support and total are for disclosure purposes only. The District's proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 565,929
State's proportionate share of the net pension liability	33,622,719
Total Net Pension Liability	<u>\$ 34,188,648</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 0.0007169%, which was a decrease of .0000824% from its proportion measured as of June 30, 2015.

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended June 30, 2017, the District recognized pension expense of \$3,301,956 and revenue of \$3,301,956 for support provided by the State. At June 30, 2017, the deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Outflows of Resources
Differences between expected and actual experience	\$ 4,185	\$ (384)	\$ 3,801
Net difference between projected and actual earnings on pension investments	15,989	-	15,989
Assumption changes	48,605	-	48,605
Changes in proportion and differences between employer contributions and proportionate share of contributions	30,141	(220,725)	(190,584)
Employer contributions subsequent to the measurement date	30,897	-	30,897
	<u>\$ 129,817</u>	<u>\$ (221,109)</u>	<u>\$ (91,292)</u>

\$30,897 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	Amount
2018	\$ (68,823)
2019	(68,823)
2020	9,271
2021	5,977
2022	206
	<u>\$ (122,192)</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 cap	3.6%	8.09%
International equities developed	14.4%	7.46%
Emerging market equities	3.6%	10.15%
U.S. bonds core	10.7%	2.44%
International debt developed	5.3%	1.70%
Real estate	15.0%	5.44%
Commodities (real return)	11.0%	4.28%
Hedge funds (absolute return)	8.0%	4.16%
Private Equity	14.0%	10.63%
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	\$ 692,155	\$ 565,929	\$ 462,837

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*.

NOTES TO FINANCIAL STATEMENTS (Continued)

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:

Retirees and beneficiaries currently receiving benefits	57
Inactive plan members entitled to but not yet receiving benefits	51
Active plan members	64
Total	<u>172</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

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 4.32%. For the fiscal year ended June 30, 2017, the District contributed \$81,169 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	\$	7,530,937
IMRF Fiduciary Net Position		7,613,165
District’s Net Pension Liability/(Asset)	<u>\$</u>	<u>(82,228)</u>
IMRF Fiduciary Net Position as a Percentage of the Total Pension Liability		101.09%

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

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2016 using the following actuarial methods and assumptions:

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net

NOTES TO FINANCIAL STATEMENTS (Continued)

of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2016:

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

Single Discount Rate

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

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

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

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Position Liability (A)-(B)
Balances at December 31, 2015	\$ 6,721,960	\$ 7,121,745	\$ (399,785)
Changes for the year:			
Service Cost	\$ 171,660	\$ -	\$ 171,660
Interest on the Total Pension Liability	501,175	-	501,175
Differences Between Expected and Actual Experience of the Total Pension Liability	387,067	-	387,067
Contributions - Employer	-	69,388	(69,388)
Contributions - Employee	-	91,379	(91,379)
Net Investment Income	-	470,102	(470,102)
Benefit Payments, including Refunds of Employee Contributions	(250,925)	(250,925)	-
Other (Net Transfer)	-	111,476	(111,476)
Net Changes	\$ 808,977	\$ 491,420	\$ 317,557
Balances at December 31, 2016	\$ 7,530,937	\$ 7,613,165	\$ (82,228)

NOTES TO FINANCIAL STATEMENTS (Continued)

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	\$ 862,523	\$ (82,228)	\$ (861,294)

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 income is \$2,153,727. 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
Differences between expected and actual experience	\$ 270,036	\$ 1,085,686	\$ (815,650)
Net difference between projected and actual earnings on pension investments	535,133	-	535,133
Total deferred amounts to be recognized in pension expense in future periods	\$ 805,169	\$ 1,085,686	\$ (280,517)
Pension contributions made subsequent to the measurement date	46,698	-	46,698
Total deferred amounts related to pensions	<u>\$ 851,867</u>	<u>\$ 1,085,686</u>	<u>\$ (233,819)</u>

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

Year Ending December 31	Net Deferred Outflows of Resources
2017	\$ (784,137)
2018	301,547
2019	189,109
2020	12,964
2021	-
Thereafter	-
	<u>\$ (280,517)</u>

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of the THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. The Plan is administered by the Illinois Department of Central Management Services (CMS) with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to TRS who are not employees of the state to make a contribution to the THIS Fund.

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

- On behalf contributions to the THIS Fund

The State of Illinois makes employer retiree health insurance contributions on behalf of the District. State contributions are intended to match contributions to the THIS Fund from active members which were 1.12% of pay during the year ended June 30, 2017. State of Illinois contributions were \$49,046, and the District recognized revenue and expenditures of this amount during the year.

- Employer contributions to the THIS Fund

The District also makes contributions to the THIS Fund. The District THIS Fund contribution was 0.84% during the year ended June 30, 2017. For the year ended June 30, 2017, the District paid \$36,785 to the THIS Fund, which was 100% of the required contribution.

The publicly available financial report of the THIS Fund may be found on the website of the Illinois Auditor General (<http://www.auditor.illinois.gov/Audit-Reports/ABC-List.asp>). The current reports are listed under "Central Management Services" (<http://www.auditor.illinois.gov/Audit-Reports/CMS-THISF.asp>). Prior reports are available under "Healthcare and Family Services" (<http://www.auditor.illinois.gov/Audit-Reports/HEALTHCARE-FAMILY-SERVICES-Teacher-Health-Ins-Sec-Fund.asp>).

NOTE 14 - JOINT VENTURE - SPECIAL EDUCATION DISTRICT OF McHENRY COUNTY (SEDOM)

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

A summary of financial condition (cash basis) of SEDOM at June 30, 2016 (most recent information available) is as follows:

Assets	\$ 10,775,914
Liabilities	\$ 153,276
Fund Equity	10,622,638
	<u>\$ 10,775,914</u>
Revenues Received	\$ 12,127,348
Expenditures Disbursed	11,900,345
Net Increase/(Decrease) in Fund Balance	<u>\$ 227,003</u>

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

NOTE 15 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance to handle these risks of loss. During fiscal year 2017, there was no significant

NOTES TO FINANCIAL STATEMENTS (Continued)

reduction in insurance coverage for any category. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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 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 members.

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 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 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 Compiled Statutes limits the amount of indebtedness to 6.90% of the most recent available equalized assessed valuation (EAV) of the District. The District's legal debt limitation is as follows:

2016 EAV	\$ 210,256,042
Rate	<u>6.90%</u>
Debt Margin	\$ 14,507,667
Current Debt	<u>2,900,000</u>
Remaining Debt Margin	<u>\$ 11,607,667</u>

SUPPLEMENTAL FINANCIAL INFORMATION

MARENGO-UNION ELEMENTARY CONSOLIDATED SCHOOL DISTRICT NO. 165
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	\$ 171,660	\$ 166,847	\$ 176,683
Interest on the Total Pension Liability	501,175	897,532	1,031,283
Differences Between Expected and Actual Experience	387,067	(5,866,338)	(2,812,818)
Changes in Assumptions	-	-	533,473
Benefit Payments, Including Refunds of Member Contributions	<u>(250,925)</u>	<u>(719,513)</u>	<u>(694,570)</u>
Net Change in Total Pension Liability	\$ 808,977	\$ (5,521,472)	\$ (1,765,949)
Total Pension Liability - Beginning	<u>6,721,960</u>	<u>12,243,432</u>	<u>14,009,381</u>
Total Pension Liability - Ending	\$ 7,530,937	\$ 6,721,960	\$ 12,243,432
PLAN FIDUCIARY NET POSITION			
Contributions - Employer	\$ 69,388	\$ 201,780	\$ 197,894
Contributions - Member	91,379	80,138	68,083
Net Investment Income	470,102	65,853	835,571
Benefit Payments, Including Refunds of Member Contributions	(250,925)	(719,513)	(694,570)
Other	<u>111,476</u>	<u>(5,896,001)</u>	<u>(929,668)</u>
Net Change in Plan Fiduciary Net Position	\$ 491,420	\$ (6,267,743)	\$ (522,690)
Plan Net Position - Beginning	<u>7,121,745</u>	<u>13,389,488</u>	<u>13,912,178</u>
Plan Net Position - Ending	\$ 7,613,165	\$ 7,121,745	\$ 13,389,488
District's Net Pension Liability	<u>\$ (82,228)</u>	<u>\$ (399,785)</u>	<u>\$ (1,146,056)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	101.09%	105.95%	109.36%
Covered-Valuation Payroll	\$ 1,606,202	\$ 1,556,943	\$ 1,512,951
Employer's Net Pension Liability as a Percentage of Covered-Valuation Payroll	-5.12%	-25.68%	-75.75%

* 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.

MARENGO-UNION ELEMENTARY CONSOLIDATED SCHOOL DISTRICT NO. 165
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF EMPLOYER CONTRIBUTION
JUNE 30, 2017

	<u>6/30/2017 *</u>	<u>6/30/2016 *</u>	<u>6/30/2015 *</u>
Actuarially-Determined Contribution	\$ 91,554	\$ 201,780	\$ 206,669
Contributions in Relation to Actuarially-Determined Contribution	<u>69,388</u>	<u>201,780</u>	<u>197,894</u>
Contribution Deficiency/(Excess)	<u>\$ 22,166</u>	<u>\$ -</u>	<u>\$ 8,775</u>
Covered-Valuation Payroll	\$ 1,606,202	\$ 1,556,943	\$ 1,512,951
Contributions as a Percentage of Covered-Valuation Payroll	4.32%	12.96%	13.08%

Notes to Schedule:

Actuarial Method and Assumptions Used in the Calculation of the 2016 Contribution Rate ¹

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

Actuarial Cost Method: Aggregate entry age = normal

Amortization Method: Level percentage of payroll, closed

Remaining Amortization Period: 27-year closed period

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

Wage Growth: 3.5%

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

Salary Increases: 3.75% to 14.50%, including inflation

Investment Rate of Return: 7.50%

Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011 to 2013.

Mortality: RP-2014 Blue Collar Healthy Mortality Table, adjusted to match current IMRF experience. For disabled lives, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

*Based on Valuation Assumptions used in the December 31, 2014 actuarial valuation; note two year lag between valuation and rate setting.

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

MARENGO-UNION ELEMENTARY CONSOLIDATED SCHOOL DISTRICT NO. 165
 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	0.0007169%	0.0007993%	0.0007199%
Employer's proportionate share of the Net Pension Liability	\$ 565,929	\$ 523,625	\$ 438,131
State's proportionate share of the Net Pension Liability associated with the employer	<u>33,622,719</u>	<u>27,060,484</u>	<u>26,640,930</u>
Total	<u>\$ 34,188,648</u>	<u>\$ 27,584,109</u>	<u>\$ 27,079,061</u>
Employer's Covered-Employee Payroll	\$ 4,235,153	\$ 4,177,686	\$ 4,314,585
Employer's proportionate share of the Net Pension Liability as a percentage of its Covered-Employee Payroll	13.36%	12.53%	10.15%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	36.40%	41.50%	43.00%

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

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.

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.

MARENGO-UNION ELEMENTARY CONSOLIDATED SCHOOL DISTRICT NO. 165
 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	\$ 27,719	\$ 27,999	\$ 27,999
Contributions in relation to the Statutorily - Required Contribution	<u>27,765</u>	<u>28,008</u>	<u>27,999</u>
Contribution deficiency/(excess)	<u>\$ (46)</u>	<u>\$ (9)</u>	<u>\$ -</u>
Employer's Covered-Employee Payroll	\$ 4,235,153	\$ 4,177,686	\$ 4,314,585
Contributions as a percentage of Covered-Employee Payroll	0.66%	0.67%	0.65%

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.

MARENGO-UNION ELEMENTARY CONSOLIDATED SCHOOL DISTRICT NO. 165
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
 ACTIVITY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>BALANCE</u> <u>JULY 1, 2016</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2017</u>
A S S E T S				
Cash and Cash Equivalents	<u>\$ 55,904</u>	<u>\$ 48,401</u>	<u>\$ 59,564</u>	<u>44,741</u>
L I A B I L I T I E S				
Amount Due to Activity				
Locust Elementary School	\$ 14,610	\$ 16,987	\$ 21,179	\$ 10,418
Grant Intermediate School	11,212	8,260	8,503	10,969
Marengo Community Middle School	<u>30,082</u>	<u>23,154</u>	<u>29,882</u>	<u>23,354</u>
	<u>\$ 55,904</u>	<u>\$ 48,401</u>	<u>\$ 59,564</u>	<u>\$ 44,741</u>

-

See Accompanying Independent Auditor's Opinion

MARENGO-UNION ELEMENTARY CONSOLIDATED SCHOOL DISTRICT NO. 165
 COMPUTATION OF OPERATING EXPENSE PER PUPIL
 AND PER CAPITA TUITION CHARGE
 FOR THE YEAR ENDED JUNE 30, 2017

TOTAL EXPENDITURES		
Educational Fund	\$ 7,510,680	
Operations and Maintenance Fund	1,185,589	
Debt Services Fund	225,529	
Transportation Fund	583,846	
Illinois Municipal Retirement/Social Security Fund	<u>277,998</u>	\$ 9,783,642
LESS: NON-OPERATING DEDUCTIONS		
Payments to Other Districts and Governmental Units	\$ 269,098	
Capital Outlay	189,231	
Non-Capitalized Equipment	96,816	
Summer School Programs	9,161	
Community Services	54,862	
Pre-K Programs	186,122	
Special Education Programs	111,714	
Payments of Principal on Long-Term Debt	<u>107,145</u>	<u>1,024,149</u>
OPERATING EXPENSES		\$ 8,759,493
AVERAGE DAILY ATTENDANCE	<u>\$ 912</u>	
OPERATING EXPENSE PER PUPIL	<u><u>\$ 9,605</u></u>	
LESS: OFFSETTING REVENUE		
Bilingual Education	\$ 4,154	
Food Services	383,721	
IASA - Title I	178,219	
Medicaid Matching Funds	64,630	
Other Restricted Revenue	3,000	
Pupil Activities	36,781	
Rental	15,590	
Services Provided Other Districts	39,990	
Special Education	299,456	
Special Education - I.D.E.A. - Flow-through / Low Incidence	218,101	
Special Education - I.D.E.A. - Room & Board	8,993	
State Free Lunch and Breakfast	1,049	
Textbooks	81,570	
Title II - Teacher Quality	27,890	
Title III - English Language Acquisition	10,271	
Transportation	<u>207,361</u>	<u>1,580,776</u>
NET OPERATING EXPENSES		\$ 7,178,717
DEPRECIATION		<u>282,304</u>
TOTAL COST FOR TUITION CHARGE		<u><u>\$ 7,461,021</u></u>
AVERAGE DAILY ATTENDANCE	<u>\$ 912</u>	
PER CAPITA TUITION CHARGE	<u><u>\$ 8,181</u></u>	

Unaudited

ANNUAL FEDERAL FINANCIAL COMPLIANCE SECTION



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Education
Marengo-Union Elementary Consolidated School District No. 165
Marengo, Illinois

Report on Compliance for Each Major Federal Program

We have audited

Marengo-Union Elementary Consolidated School District No. 165's

compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of Marengo-Union Elementary Consolidated School District No. 165's major federal programs for the year ended June 30, 2017. Marengo-Union Elementary Consolidated School District No. 165's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Marengo-Union Elementary Consolidated School District No. 165's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marengo-Union Elementary Consolidated School District No. 165's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Marengo-Union Elementary Consolidated School District No. 165's compliance.

Opinion on Each Major Federal Program

In our opinion, Marengo-Union Elementary Consolidated School District No. 165, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Marengo-Union Elementary Consolidated School District No. 165 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Marengo-Union Elementary Consolidated School District No. 165's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Marengo-Union Elementary Consolidated School District No. 165's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
September 5, 2017

MARENGO-UNION ELEMENTARY CONSOLIDATED SCHOOL DISTRICT No 165
44-063-1650-03
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2017

Federal Grantor/Pass-Through Grantor Subrecipients * Program or Cluster Title and Major Program Designation	CFDA Number ² (A)	ISBE Project # (1st 8 digits) or Contract # ³ (B)	Receipts/Revenues			Expenditure/Disbursements ⁴			Obligations/ Encumb. (G)	Final Status (E)+(F)+(G) (H)	Budget (I)
			Year 7/1/15-6/30/16 (C)	Year 7/1/16-6/30/17 (D)	Year 7/1/15-6/30/16 (E)	Year 7/1/15-6/30/16 Pass through to Subrecipients	Year 7/1/16-6/30/17 (F)	Year 7/1/16-6/30/17 Pass through to Subrecipients			
U.S. Department of Agriculture passed through											
Illinois State Board of Education											
Food Donation Program	10.555	17-4299-00		34,191			34,191		34,191	n/a	
National School Lunch Program +	10.555	16-4210-00	171,291	31,793	171,291		31,793		203,084	n/a	
National School Lunch Program ++	10.555	17-4210-00		180,259			180,259		180,259	n/a	
School Breakfast Program +	10.553	16-4220-00	30,198	3,833	30,198		3,833		34,031	n/a	
School Breakfast Program ++	10.553	17-4220-00		31,301			31,301		31,301	n/a	
U.S. Department of Agriculture /Department of Defense passed through											
Illinois State Board of Education											
Food Donation Program	10.555	17-4299-00		7,173			7,173		7,173	n/a	
Total CFDA "10"			201,489	288,550	201,489		288,550		490,039		

• (M) Program was audited as a major program as defined by §200.518.

* NEW - Also include the total amount provided to subrecipients from each Federal program. §200.510 (b)(4).

The accompanying notes are an integral part of this schedule.

¹ To meet state or other requirements, auditees may decide to include certain nonfederal awards (for example, state awards) in this schedule. If such nonfederal data are presented, they should be segregated and clearly designated as nonfederal. The title of the schedule should also be modified to indicate that nonfederal awards are included.

² When the CFDA number is not available, the auditee should indicate that the CFDA number is not available and include in the schedule the program's name and, if applicable, other identifying number.

³ When awards are received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included in the schedule. §200.510 (b)(2)

⁴ The Uniform Guidance requires that the value of federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end be included in the schedule and suggests to include the amounts in the SEFA notes.

MARENGO-UNION ELEMENTARY CONSOLIDATED SCHOOL DISTRICT No 165
44-063-1650-03
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2017

Federal Grantor/Pass-Through Grantor Subrecipients * Program or Cluster Title and Major Program Designation	CFDA Number ² (A)	ISBE Project # (1st 8 digits) or Contract # ³ (B)	Receipts/Revenues			Expenditure/Disbursements ⁴			Obligations/ Encumb. (G)	Final Status (E)+(F)+(G) (H)	Budget (I)
			Year 7/1/15-6/30/16 (C)	Year 7/1/16-6/30/17 (D)	Year 7/1/15-6/30/16 (E)	Year 7/1/15-6/30/16 Pass through to Subrecipients	Year 7/1/16-6/30/17 (F)	Year 7/1/16-6/30/17 Pass through to Subrecipients			
U.S. Department of Education passed through											
Illinois State Board of Education											
Title I - Low Income (M)	84.010	16-4300-00	122,533	20,464	142,997		0		142,997	146,917	
Title I - Low Income (M)	84.010	17-4300-00		157,755			163,659		163,659	164,073	
Title II - Teacher Quality	84.367	16-4932-00	21,968	1,043	23,011		0		23,011	29,350	
Title II - Teacher Quality	84.367	17-4932-00		26,847			30,035		30,035	30,728	
Title III - Lang Inst Prog - Ltd Eng LIPLEP **	84.365	16-4909-00	13,000	800	13,800		0		13,800	14,009	
Title III - Lang Inst Prog - Ltd Eng LIPLEP ***	84.365	17-4909-00		9,471			10,896		10,896	12,138	
IDEA Room & Board ** (M)	84.027	16-4625-XC		8,993			8,993		8,993	n/a	
U.S. Department of Education passed through											
Special Education District of McHenry Co. (M)											
Special Education Grants to States (M)	84.027	17-4620-00		218,101			253,843		253,843	262,101	
Special Education Grants to States (M)	84.173	17-4600-00		10,562			12,665		12,665	17,044	
Total CFDA "84"			157,501	454,036	179,808		480,091		659,899		

• (M) Program was audited as a major program as defined by §200.518.

* NEW - Also include the total amount provided to subrecipients from each Federal program. §200.510 (b)(4).

The accompanying notes are an integral part of this schedule.

¹ To meet state or other requirements, auditees may decide to include certain nonfederal awards (for example, state awards) in this schedule. If such nonfederal data are presented, they should be segregated and clearly designated as nonfederal. The title of the schedule should also be modified to indicate that nonfederal awards are included.

² When the CFDA number is not available, the auditee should indicate that the CFDA number is not available and include in the schedule the program's name and, if applicable, other identifying number.

³ When awards are received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included in the schedule. §200.510 (b)(2)

⁴ The Uniform Guidance requires that the value of federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end be included in the schedule and suggests to include the amounts in the SEFA notes.

MARENGO-UNION ELEMENTARY CONSOLIDATED SCHOOL DISTRICT No 165
44-063-1650-03
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2017

Federal Grantor/Pass-Through Grantor Subrecipients * Program or Cluster Title and Major Program Designation	CFDA Number ² (A)	ISBE Project # (1st 8 digits) or Contract # ³ (B)	Receipts/Revenues			Expenditure/Disbursements ⁴			Obligations/ Encumb. (G)	Final Status (E)+(F)+(G) (H)	Budget (I)
			Year 7/1/15-6/30/16 (C)	Year 7/1/16-6/30/17 (D)	Year 7/1/15-6/30/16 (E)	Year 7/1/15-6/30/16 Pass through to Subrecipients (F)	Year 7/1/16-6/30/17 Pass through to Subrecipients				
U.S. Department of Health and Human Services passed through Illinois Department of Healthcare & Family Services											
Medicaid Matching Funds - Admin Outreach	93.778	16-4991-00	15,851	7,736	15,851	7,736			23,587	n/a	
Medicaid Matching Funds - Admin Outreach	93.778	17-4991-00		20,613		20,613			20,613	n/a	
Total CFDA "93"			15,851	28,349	15,851	28,349			44,200		
Total Federal Assistance			374,841	770,935	397,148	796,990			1,194,138		
+ Project Year End 10/15/16											
++ Project Year End 9/30/17											
** Project Year End 8/31/16											
*** Project Year End 8/31/17											

• (M) Program was audited as a major program as defined by §200.518.

* NEW - Also include the total amount provided to subrecipients from each Federal program. §200.510 (b)(4).

The accompanying notes are an integral part of this schedule.

¹ To meet state or other requirements, auditees may decide to include certain nonfederal awards (for example, state awards) in this schedule. If such nonfederal data are presented, they should be segregated and clearly designated as nonfederal. The title of the schedule should also be modified to indicate that nonfederal awards are included.

² When the CFDA number is not available, the auditee should indicate that the CFDA number is not available and include in the schedule the program's name and, if applicable, other identifying number.

³ When awards are received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included in the schedule. §200.510 (b)(2)

⁴ The Uniform Guidance requires that the value of federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end be included in the schedule and suggests to include the amounts in the SEFA notes.

MARENGO-UNION ELEMENTARY CONSOLIDATED SCHOOL DISTRICT NO. 165
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Marengo-Union Elementary Consolidated School District No. 165 and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

The District has elected not to use the 10 percent de minimis indirect rate as allowed under the Uniform Guidance.

NOTE 4 - SUBRECIPIENTS

The District did not provide federal awards to subrecipients during the year ended June 30, 2017.

NOTE 5 - FEDERAL LOANS

There was no federal loans or loan guarantees outstanding at year end.

MARENGO-UNION ELEMENTARY CONSOLIDATED SCHOOL DISTRICT NO. 165
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

- 1) Summary of auditor's results:
 - a) An adverse opinion report was issued due to the use of the regulatory basis of accounting.
 - b) No material weaknesses in internal control were disclosed by the audit of the financial statements.
 - c) No noncompliance which is material to the financial statements was disclosed by the audit of the financial statements.
 - d) No control deficiencies in internal control over major programs were disclosed by the audit.
 - e) An unqualified opinion report on compliance for major programs was issued.
 - f) The major programs identified were Title I – Low Income CFDA #84.010, and Special Education Cluster (Special Education – Grants to States CFDA #84.027, and Special Education – Preschool Grants CFDA #84.173).
 - g) The dollar threshold to distinguish between Type A and Type B programs was \$750,000.
 - h) Marengo-Union Elementary Consolidated School District No. 165 does not qualify as a low-risk auditee.
- 2) There were no findings related to the financial statements which are required to be reported.
- 3) There were no findings and questioned costs for federal awards which are required to be reported.

MARENGO-UNION ELEMENTARY CONSOLIDATED SCHOOL DISTRICT No 165
44-063-1650-03
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

1. FINDING NUMBER:¹¹ 2017- N/A 2. THIS FINDING IS: New Repeat from Prior Year?
Year originally reported? _____

3. Criteria or specific requirement

4. Condition

5. Context¹²

6. Effect

7. Cause

8. Recommendation

9. Management's response¹³

For ISBE Review

Date: _____ Resolution Criteria Code Number _____
Initials: _____ Disposition of Questioned Costs Code Letter _____

¹¹ A suggested format for assigning reference numbers is to use the digits of the fiscal year being audited followed by a numeric sequence of findings. For example, findings identified and reported in the audit of fiscal year 2017 would be assigned a reference number of 2017-001, 2017-002, etc. The sheet is formatted so that only the number need be entered (1, 2, etc.).
¹² Provide sufficient information for judging the prevalence and consequences of the finding, such as relation to universe of costs and/or number of items examined and quantification of audit findings in dollars.
¹³ See §200.521 *Management decision* for additional guidance on reporting management's response.

MARENGO-UNION ELEMENTARY CONSOLIDATED SCHOOL DISTRICT No 165
44-063-1650-03
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2017

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

1. FINDING NUMBER:¹⁴ 2017- N/A 2. THIS FINDING IS: New Repeat from Prior year?
Year originally reported? _____

3. Federal Program Name and Year: _____

4. Project No.: _____ 5. CFDA No.: _____

6. Passed Through: _____

7. Federal Agency: _____

8. Criteria or specific requirement (including statutory, regulatory, or other citation)

9. Condition¹⁵

10. Questioned Costs¹⁶

11. Context¹⁷

12. Effect

13. Cause

14. Recommendation

15. Management's response¹⁸

For ISBE Review	
Date: _____	Resolution Criteria Code Number _____
Initials: _____	Disposition of Questioned Costs Code Letter _____

¹⁴ See footnote 11.

¹⁵ Include facts that support the deficiency identified on the audit finding (§200.516 (b)(3)).

¹⁶ Identify questioned costs as required by §200.516 (a)(3 - 4).

¹⁷ See footnote 12.

¹⁸ To the extent practical, indicate when management does not agree with the finding, questioned cost, or both.

MARENGO-UNION ELEMENTARY CONSOLIDATED SCHOOL DISTRICT No 165

44-063-1650-03

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS¹⁹

Year Ending June 30, 2017

[If there are no prior year audit findings, please submit schedule and indicate **NONE**]

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u> ²⁰
NONE		

When possible, all prior findings should be on the same page

¹⁹ Explanation of this schedule - §200.511 (b)

²⁰ Current Status should include one of the following:

- A statement that corrective action was taken
- A description of any partial or planned corrective action
- An explanation if the corrective action taken was significantly different from that previously reported or in the management decision received from the pass-through entity.

MARENGO-UNION ELEMENTARY CONSOLIDATED SCHOOL DISTRICT No 165
44-063-1650-03
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS²¹
Year Ending June 30, 2017

Corrective Action Plan

Finding No.: **2017- N/A**

Condition:

Plan:

Anticipated Date of Completion:

Name of Contact Person: [Name and Title of person responsible for implementation]

Management Response: [If applicable, an explanation giving specific reasons if the district officials do not agree with the finding and believe that corrective action is unnecessary.]

²¹ Must address **each** audit finding - §200.511 (c)