

**KANKAKEE SCHOOL DISTRICT 111
KANKAKEE, ILLINOIS**

Annual Financial Report

**As of and for the Year Ended
June 30, 2017**

Kankakee School District 111
Annual Financial Report
As of and for the year ended June 30, 2017

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Wayne D. Koelling
Lawrence K. Ohm
Richard S. Stenzinger
Marcie Meents Kolberg
Michael L. Stroud
Keith B. Ohm
Vicki L. DeYoung

Mark L. Smith
Curtis L. Dykstra



**Smith, Koelling,
Dykstra & Ohm, P.C.**
Certified Public Accountants and Advisors

1605 N. Convent
Bourbonnais, IL 60914
(815) 937-1997
Fax: (815) 935-0360
www.skdocpa.com

Beecher (708) 946-3232
Morris (815) 942-2554
Herscher (815) 426-9808
Peotone (708) 258-0300
Wilmington (815) 476-4477
Mokena (815) 472-6508

Independent Auditor's Report

To the Board of Education
Kankakee School District 111
Kankakee, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Kankakee School District 111, which comprise the basic financial statements and the related notes to the financial statements, as listed in the table of contents, as of and for the year ended June 30, 2017.

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 (ISBE) Title 23 of the Illinois Administrative Code, Part 100, 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 opinions.



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

As described in Note 1 to the financial statements, the financial statements are prepared by Kankakee School District 111 on the basis of the financial reporting provisions of ISBE Title 23 of the Illinois Administrative Code, Part 100, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements of ISBE.

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 described in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraphs, 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 Kankakee School District 111, as of June 30, 2017, or the changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of Kankakee School District 111 as of June 30, 2017, and the changes in regulatory basis financial position thereof for the year then ended, in accordance with the financial reporting provisions of ISBE Title 23 of the Administrative Code, Part 100 as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kankakee School District No. 111's financial statements. The accompanying information listed in the table of contents as Other Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Other Supplementary Information, except for the Schedules of Per Capita Tuition Charge, Schedule of Disbursements Per Student and Additional Pension Information, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplemental Information, except for the Schedules of Per Capita Tuition Charge, the Schedule of Disbursements Per Student, and Additional Pension Information, is fairly stated in all material respects in relation to the financial statements as a whole.

The Schedules of Per Capita Tuition Charge, Schedule of Disbursements Per Student, and Additional Pension Information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2017, on our consideration of Kankakee School District 111'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 the District's internal control over financial reporting and compliance.

Smith, Kelling, Dykstra and Ohm, P. C.

Bourbonnais, Illinois
October 18, 2017

Wayne D. Koelling
Lawrence K. Ohm
Richard S. Stenzinger
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1605 N. Convent
Bourbonnais, IL 60914
(815) 937-1997
Fax: (815) 935-0360
www.skdocpa.com

Beecher (708) 946-3232
Morris (815) 942-2554
Herscher (815) 426-9808
Peotone (708) 258-0300
Wilmington (815) 476-4477
Mokena (815) 472-6508

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Education
Kankakee School District 111
Kankakee, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of Kankakee School District 111, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Kankakee School District 111's basic financial statements, and have issued our report thereon dated October 18, 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 presented on the regulatory basis of accounting, in accordance with regulatory reporting requirements established by the Illinois State Board of Education, Title 23 of the Illinois Administrative Code, Part 100, which is a basis of accounting other than accounting principles generally accepted in the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings, that we consider to be a material weaknesses: 2017-001 and 2017-002.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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*.

Kankakee School District 111's Responses to Findings

Kankakee School District 111's responses to the findings identified in our audit are described in the accompanying schedule of findings. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Smith, Kelling, Dykstra and Ohm, P.C.

Bourbonnais, Illinois
October 18, 2017

KANKAKEE SCHOOL DISTRICT 111
Statement of Assets and Liabilities
Arising From Cash Transactions
June 30, 2017

Exhibit A

	Educational	Operations and Maintenance	Debt Service	Transportation	Municipal Retirement/ Social Security	Capital Projects	Working Cash	Tort	Fire Prevention and Safety	Student Activity Funds	Account Groups	
											General Fixed Assets	General Long-Term Debt
Assets												
Cash and cash equivalents	\$ 301,598	\$ 15,875	\$ -	\$ 553,454	\$ 1,622,594	\$ 1,726,173	\$ 4,997,767	\$ 389,681	\$ 304,038	\$ 448,333	\$ -	\$ -
Investments	-	-	98,847	-	-	29,967,454	-	-	-	-	-	-
Interfund receivables	-	-	-	-	-	23,431	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	-	-	-	-	-	89,782,769	-
Amount available in Debt Service Fund	-	-	-	-	-	-	-	-	-	-	-	98,847
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	-	-	-	-	-	-	39,526,556
Total Assets	\$ 301,598	\$ 15,875	\$ 98,847	\$ 553,454	\$ 1,622,594	\$ 31,717,058	\$ 4,997,767	\$ 389,681	\$ 304,038	\$ 448,333	\$ 89,782,769	\$ 39,625,403
Liabilities												
Due to student groups	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 448,333	\$ -	\$ -
Interfund payable	23,431	-	-	-	-	-	-	-	-	-	-	-
Other payables	-	-	-	-	-	-	-	-	-	-	-	-
Payroll deductions and withholdings	166	-	-	-	90	-	-	-	-	-	-	-
Long-term debt payable	-	-	-	-	-	-	-	-	-	-	-	39,625,403
Total Liabilities	23,597	-	-	-	90	-	-	-	-	448,333	-	39,625,403
Fund Equity												
Investment in general fixed assets	-	-	-	-	-	-	-	-	-	-	89,782,769	-
Fund balance - reserved	-	-	-	-	-	29,967,454	-	-	-	-	-	-
Fund (deficit) balance - unreserved	278,001	15,875	98,847	553,454	1,622,504	1,749,604	4,997,767	389,681	304,038	-	-	-
Total Fund Equity	278,001	15,875	98,847	553,454	1,622,504	31,717,058	4,997,767	389,681	304,038	-	89,782,769	-
Total Liabilities & Fund Equity	\$ 301,598	\$ 15,875	\$ 98,847	\$ 553,454	\$ 1,622,594	\$ 31,717,058	\$ 4,997,767	\$ 389,681	\$ 304,038	\$ 448,333	\$ 89,782,769	\$ 39,625,403

The accompanying notes are an integral part of these financial statements.

KANKAKEE SCHOOL DISTRICT 111
Statement of Receipts, Disbursements, Other Financing
Sources and Uses and Changes in Fund Balances
For the year ended June 30, 2017

Exhibit B

	Educational	Operations and Maintenance	Debt Service	Transportation	Municipal Retirement/ Social Security	Capital Projects	Working Cash	Tort	Fire Prevention and Safety
Receipts									
Local sources	\$ 9,394,424	\$ 2,101,326	\$ 2,406,203	\$ 662,044	\$ 2,300,305	\$ 70,404	\$ 4,319	\$ 413,777	\$ 82,813
State sources	29,910,799	3,050,000	-	1,273,311	-	-	-	-	-
Federal sources	11,594,303	-	-	-	-	-	-	-	-
Total Direct Receipts	50,899,526	5,151,326	2,406,203	1,935,355	2,300,305	70,404	4,319	413,777	82,813
Receipts for on-behalf payments	21,565,941	-	-	-	-	-	-	-	-
Total Receipts	72,465,467	5,151,326	2,406,203	1,935,355	2,300,305	70,404	4,319	413,777	82,813
Disbursements									
Instruction	31,865,077	-	-	-	565,280	-	-	-	-
Supporting services	18,736,963	5,298,323	-	3,224,885	1,063,587	619,726	-	757,489	23,400
Community services	943,338	-	-	-	26,906	-	-	-	-
Payments to other governmental units	679,702	-	-	-	-	-	-	-	-
Debt services	-	-	3,218,009	-	-	-	-	-	-
Total Disbursements	52,225,080	5,298,323	3,218,009	3,224,885	1,655,773	619,726	-	757,489	23,400
Disbursements for on-behalf payments	21,565,941	-	-	-	-	-	-	-	-
Total Disbursements	73,791,021	5,298,323	3,218,009	3,224,885	1,655,773	619,726	-	757,489	23,400
Excess (Deficiency) of Receipts over Disbursements	(1,325,554)	(146,997)	(811,806)	(1,289,530)	644,532	(549,322)	4,319	(343,712)	59,413
Other Financing Sources (Uses)									
Abatement of working cash fund	87,804	-	-	-	-	-	(87,804)	-	-
Principal on bonds sold	-	-	30,580,000	-	-	-	-	-	-
Transfer to debt service-capital lease principal	(350,572)	-	350,572	-	-	-	-	-	-
Transfer to debt service-capital lease interest	(9,068)	-	9,068	-	-	-	-	-	-
Other sources	804,986	-	731,332	-	-	19,890,000	-	-	-
Other uses	(209,203)	-	(30,989,150)	-	-	(235,255)	-	-	-
Total Other Financing Sources (Uses)	323,947	-	681,822	-	-	19,654,745	(87,804)	-	-
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under)									
Disbursements and Other Financing Uses	(1,001,607)	(146,997)	(129,984)	(1,289,530)	644,532	19,105,423	(83,485)	(343,712)	59,413
Fund Balance (Deficit), Beginning of Year	1,279,608	162,872	228,831	1,842,984	977,972	12,611,635	5,081,252	733,393	244,625
Fund Balance (Deficit), End of Year	\$ 278,001	\$ 15,875	\$ 98,847	\$ 553,454	\$ 1,622,504	\$ 31,717,058	\$ 4,997,767	\$ 389,681	\$ 304,038

The accompanying notes are an integral part of these financial statements.

KANKAKEE SCHOOL DISTRICT 111
Statement of Revenues Received
For the year ended June 30, 2017

Exhibit C

	Educational	Operations and Maintenance	Debt Service	Transportation	Municipal Retirement/ Social Security	Capital Projects	Working Cash	Tort	Fire Prevention and Safety
Receipts from local sources									
Ad valorem taxes levied by local education agency									
Designated purposes levy	\$ 7,716,612	\$ 1,682,324	\$ 2,404,884	\$ 661,383	\$ 1,034,119	\$ -	\$ 4,263	\$ 413,426	\$ 82,810
Special education levy	4,263	-	-	-	-	-	-	-	-
Social security/medicare only levy	-	-	-	-	1,034,006	-	-	-	-
Total ad valorem taxes levied by district	7,720,875	1,682,324	2,404,884	661,383	2,068,125	-	4,263	413,426	82,810
Payments in lieu of taxes									
Mobile home privilege tax	3,366	808	-	314	-	-	-	-	-
Payments from local housing authorities	2,636	617	1,234	224	449	-	56	336	-
Corporate personal property replacement taxes	1,480,198	358,185	-	-	231,658	-	-	-	-
Total payments in lieu of taxes	1,486,200	359,610	1,234	538	232,107	-	56	336	-
Tuition									
Summer school tuition from pupils or parents	3,875	-	-	-	-	-	-	-	-
Total tuition	3,875	-	-	-	-	-	-	-	-
Transportation fees									
Regular transportation fees from pupils or parents	-	-	-	100	-	-	-	-	-
Total transportation fees	-	-	-	100	-	-	-	-	-
Earnings on investments									
Interest on investments	272	59	85	23	73	70,404	-	15	3
Total earnings on investments	272	59	85	23	73	70,404	-	15	3
Food service									
Sales to pupils - lunch	16,757	-	-	-	-	-	-	-	-
Sales to pupils - a la carte	1,779	-	-	-	-	-	-	-	-
Other food service	84,280	-	-	-	-	-	-	-	-
Total food service	102,816	-	-	-	-	-	-	-	-
District/school activity income									
Admissions - athletic	23,122	-	-	-	-	-	-	-	-
Fees	36,747	-	-	-	-	-	-	-	-
Total district/school activity income	59,869	-	-	-	-	-	-	-	-
Textbooks									
Rentals - regular textbooks	3,655	-	-	-	-	-	-	-	-
Sales - other	3,939	-	-	-	-	-	-	-	-
Total textbooks	7,594	-	-	-	-	-	-	-	-
Other revenue from local sources									
Rentals	-	48,470	-	-	-	-	-	-	-
Drivers' education fees	9,000	-	-	-	-	-	-	-	-
Other local fees	-	9,373	-	-	-	-	-	-	-
Other local revenues	3,923	1,490	-	-	-	-	-	-	-
Total other revenue from local sources	12,923	59,333	-	-	-	-	-	-	-
Total receipts from local sources	9,394,424	2,101,326	2,406,203	662,044	2,300,305	70,404	4,319	413,777	82,813

KANKAKEE SCHOOL DISTRICT 111
Statement of Revenues Received
For the year ended June 30, 2017

Exhibit C
(Continued)

	Educational	Operations and Maintenance	Debt Service	Transportation	Municipal Retirement/ Social Security	Capital Projects	Working Cash	Tort	Fire Prevention and Safety
Receipts from state sources									
General state aid- Sec. 18-8.05	26,987,498	3,050,000	-	-	-	-	-	-	-
Total unrestricted grants-in-aid	26,987,498	3,050,000	-	-	-	-	-	-	-
Restricted grants-in-aid									
Special education									
Special education - private facility tuition	132,230	-	-	-	-	-	-	-	-
Sp ed - funding for children requiring sp ed services	566,282	-	-	-	-	-	-	-	-
Special education - personnel	919,920	-	-	-	-	-	-	-	-
Special education - orphanage - individual	22,267	-	-	-	-	-	-	-	-
Total special education	1,640,699	-	-	-	-	-	-	-	-
Bilingual									
Bilingual education - downstate - TPI and TBE	80,422	-	-	-	-	-	-	-	-
Total bilingual education	80,422	-	-	-	-	-	-	-	-
State free lunch & breakfast	14,767	-	-	-	-	-	-	-	-
Driver education	39,350	-	-	-	-	-	-	-	-
Transportation									
Transportation - regular/vocational	-	-	-	820,732	-	-	-	-	-
Transportation - special education	-	-	-	448,902	-	-	-	-	-
Total transportation	-	-	-	1,269,634	-	-	-	-	-
Early childhood - block grant	845,300	-	-	-	-	-	-	-	-
Other restricted revenue from state sources	302,763	-	-	3,677	-	-	-	-	-
Total restricted grants-in-aid	2,923,301	-	-	1,273,311	-	-	-	-	-
Total receipts from state sources	29,910,799	3,050,000	-	1,273,311	-	-	-	-	-

KANKAKEE SCHOOL DISTRICT 111
Statement of Revenues Received
For the year ended June 30, 2017

Exhibit C
(Continued)

	<u>Educational</u>	<u>Operations and Maintenance</u>	<u>Debt Service</u>	<u>Transportation</u>	<u>Municipal Retirement/ Social Security</u>	<u>Capital Projects</u>	<u>Working Cash</u>	<u>Tort</u>	<u>Fire Prevention and Safety</u>
Receipts from federal sources									
Restricted grants-in-aid received directly from federal government									
Head start	2,300,353	-	-	-	-	-	-	-	-
Other restricted grants-in-aid received directly from the federal government	282,979	-	-	-	-	-	-	-	-
Total restricted grants-in-aid received directly from the federal government	2,583,332	-	-	-	-	-	-	-	-
Restricted grants-in-aid received from federal government through the state									
Food service									
National school lunch program	2,208,713	-	-	-	-	-	-	-	-
School breakfast program	707,194	-	-	-	-	-	-	-	-
Child adult care food program	56,168	-	-	-	-	-	-	-	-
Fresh fruits and vegetables	46,320	-	-	-	-	-	-	-	-
Total food service	3,018,395	-	-	-	-	-	-	-	-
Title I									
Title I - Low income	2,961,536	-	-	-	-	-	-	-	-
Title I - Migrant education	87,638	-	-	-	-	-	-	-	-
Title I - Other	523,650	-	-	-	-	-	-	-	-
Total Title I	3,572,824	-	-	-	-	-	-	-	-
Federal special education									
Federal - special education - preschool flow-through	35,345	-	-	-	-	-	-	-	-
Federal - special education - IDEA - flow through	1,495,307	-	-	-	-	-	-	-	-
Federal - special education - IDEA - room & board	26,273	-	-	-	-	-	-	-	-
Total federal - special education	1,556,925	-	-	-	-	-	-	-	-
Title III - Language Inst Program - Limited Eng (LIPLP)	80,980	-	-	-	-	-	-	-	-
Title II - Teacher quality	191,371	-	-	-	-	-	-	-	-
Medicaid matching funds - administrative outreach	153,306	-	-	-	-	-	-	-	-
Medicaid matching funds - fees-for-service program	330,545	-	-	-	-	-	-	-	-
Other restricted revenue from federal sources	106,625	-	-	-	-	-	-	-	-
Total restricted grants-in-aid received from federal govt though the state	9,010,971	-	-	-	-	-	-	-	-
Total receipts from federal sources	11,594,303	-	-	-	-	-	-	-	-
Total direct receipts	\$ 50,899,526	\$ 5,151,326	\$ 2,406,203	\$ 1,935,355	\$ 2,300,305	\$ 70,404	\$ 4,319	\$ 413,777	\$ 82,813

KANKAKEE SCHOOL DISTRICT 111
Statement of Expenditures Disbursed, Budget to Actual
For the year ended June 30, 2017

Exhibit D

Educational fund	Salaries	Employee Benefits	Purchased services	Supplies/ Materials	Capital Outlay	Other Objects	Non-Capitalized Equipment	Termination Benefits	Total	Budget
Regular programs	\$ 13,570,064	\$ 3,984,138	\$ 460,059	\$ 1,329,681	\$ 809	\$ 3,560	\$ 86,110	\$ -	\$ 19,434,421	\$ 20,308,274
Pre-K Programs	1,190,491	346,035	454	48,685	-	-	-	-	1,585,665	1,642,128
Special education programs	5,372,025	1,455,590	108,703	137,835	114,942	-	62,125	-	7,251,220	7,419,583
Interscholastic programs	743,661	95,127	76,390	74,589	1,099	14,189	1,398	-	1,006,453	1,074,200
Summer school programs	26,156	12,355	-	-	-	-	-	-	38,511	-
Gifted programs	464,808	155,402	10,126	2,735	-	-	-	-	633,071	711,031
Drivers education programs	182,897	51,628	2,438	-	-	-	-	-	236,963	152,100
Bilingual programs	1,220,573	341,799	42,500	73,901	-	-	-	-	1,678,773	1,855,285
Total instruction	22,770,675	6,442,074	700,670	1,667,426	116,850	17,749	149,633	-	31,865,077	33,162,601
Support services										
Support services - pupils										
Attendance & social work services	698,527	182,543	6,579	15,012	-	-	-	-	902,661	796,700
Guidance services	307,404	77,642	-	-	-	-	-	-	385,046	418,800
Health services	689,534	111,318	56,727	7,184	4,434	-	-	-	869,197	669,703
Psychological services	285,370	54,891	13,099	9,943	-	-	-	-	363,303	449,900
Speech pathology & audiology services	528,196	139,795	7,750	2,978	-	-	-	-	678,719	648,100
Total support services - pupils	2,509,031	566,189	84,155	35,117	4,434	-	-	-	3,198,926	2,983,203
Support services - instructional staff										
Improvement of instruction services	1,088,480	288,954	1,055,139	440,571	-	-	1,825	-	2,874,969	2,318,280
Educational media services	616,321	197,592	-	3,651	-	-	-	-	817,564	849,050
Assessment & testing	189,167	30,832	27,807	-	-	-	-	-	247,806	485,746
Total support services - instructional staff	1,893,968	517,378	1,082,946	444,222	0	0	1,825	-	3,940,339	3,653,076
Support services - general administration										
Board of education services	-	-	202,061	4,309	-	26,199	-	-	232,569	263,000
Executive administration services	1,010,331	237,912	166,398	30,992	2,771	5,909	576	-	1,454,889	683,410
Service area administrative services	347,085	95,774	3,640	4,573	4,995	-	1,909	-	457,976	460,220
Tort immunity services	10,177	4,210	264,145	5,505	-	-	-	-	284,037	280,000
Total support services - general administration	1,367,593	337,896	636,244	45,379	7,766	32,108	2,485	-	2,429,471	1,686,630
Support services - school administration										
Office of the principal services	2,698,244	593,313	2,153	1,728	-	1,592	-	-	3,297,030	3,275,200
Other support services - school administration	487	-	-	-	-	-	-	-	487	-
Total support services - school administration	2,698,731	593,313	2,153	1,728	-	1,592	-	-	3,297,517	3,275,200

KANKAKEE SCHOOL DISTRICT 111
Statement of Expenditures Disbursed, Budget to Actual
For the year ended June 30, 2017

Exhibit D
(Continued)

	Salaries	Employee Benefits	Purchased services	Supplies/ Materials	Capital Outlay	Other Objects	Non-Capitalized Equipment	Termination Benefits	Total	Budget
Support services - business										
Direction of business support services	\$ 35,459	\$ 5,916	\$ 1,484	\$ 444	\$ -	\$ -	\$ 599	\$ -	\$ 43,902	\$ 113,139
Fiscal services	346,822	57,726	56,479	12,043	-	-	179	-	473,249	390,121
Operation & maintenance of plant services	105,583	44,956	69,703	51,268	-	-	-	-	271,510	149,588
Pupil transportation services	-	-	733,645	-	31,789	-	-	-	765,434	775,213
Food services	1,100,408	137,705	6,569	1,488,238	-	4,455	-	-	2,737,375	2,894,490
Internal services	17,281	2,315	-	-	-	-	-	-	19,596	-
Total support services - business	1,605,553	248,618	867,880	1,551,993	31,789	4,455	778	-	4,311,066	4,322,551
Support services - central										
Direction of central support services	-	-	59,851	-	-	-	-	-	59,851	-
Information services	29,707	1,362	-	-	-	-	-	-	31,069	24,000
Staff services	355	-	-	-	-	-	-	-	355	292,120
Data processing services	120,719	18,641	744,058	359,956	187,050	300	21,000	-	1,451,724	994,060
Total support services - central	150,781	20,003	803,909	359,956	187,050	300	21,000	-	1,542,999	1,310,180
Other support services	749	14,180	-	1,716	-	-	-	-	16,645	1,700
Total support services	10,226,406	2,297,577	3,477,287	2,440,111	231,039	38,455	26,088	-	18,736,963	17,232,540
Community services	550,908	150,893	196,230	45,307	-	-	-	-	943,338	838,182
Payments to other government units (in-state)										
Payments for regular programs	-	-	-	-	-	15,000	-	-	15,000	30,000
Payments for special education programs	-	-	119,306	-	-	328,691	-	-	447,997	446,000
Payments for CTE programs	-	-	-	-	-	216,705	-	-	216,705	175,000
Other payments to in-state governments	-	-	-	-	-	-	-	-	-	15,000
Total payments to other government units (in-state)	-	-	119,306	-	-	560,396	-	-	679,702	666,000
Total payments to other districts and government units	-	-	119,306	-	-	560,396	-	-	679,702	666,000
Debt service										
Total direct disbursements	\$ 33,547,989	\$ 8,890,544	\$ 4,493,493	\$ 4,152,844	\$ 347,889	\$ 616,600	\$ 175,721	\$ -	52,225,080	\$ 51,899,323
Excess (deficiency) of receipts over disbursements									\$ (1,325,554)	

KANKAKEE SCHOOL DISTRICT 111
Statement of Expenditures Disbursed, Budget to Actual
For the year ended June 30, 2017

Exhibit D
(Continued)

	Salaries	Employee Benefits	Purchased services	Supplies/ Materials	Capital Outlay	Other Objects	Non-Capitalized Equipment	Termination Benefits	Total	Budget
Operations & maintenance fund										
Support services										
Support services - business										
Operation & maintenance of plant services	\$ 2,688,367	\$ 389,716	\$ 896,009	\$ 1,166,756	\$ 140,312	\$ -	\$ 17,163	\$ -	\$ 5,298,323	\$ 4,695,000
Total support services - business	2,688,367	389,716	896,009	1,166,756	140,312	-	17,163	-	5,298,323	4,695,000
Total support services	2,688,367	389,716	896,009	1,166,756	140,312	-	17,163	-	5,298,323	4,695,000
Total direct disbursements	<u>\$ 2,688,367</u>	<u>\$ 389,716</u>	<u>\$ 896,009</u>	<u>\$ 1,166,756</u>	<u>\$ 140,312</u>	<u>\$ -</u>	<u>\$ 17,163</u>	<u>\$ -</u>	<u>5,298,323</u>	<u>\$ 4,695,000</u>
Excess (deficiency) of receipts over disbursements									<u>\$ (146,997)</u>	
Debt service fund										
Debt services										
Interest on short-term debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 92,079	\$ -	\$ -	\$ 92,079	\$ -
Interest on long-term debt	-	-	-	-	-	697,458	-	-	697,458	-
Debt service - payments of principal on long-term debt	-	-	-	-	-	2,425,572	-	-	2,425,572	2,725,458
Debt service - other	-	-	-	-	-	2,900	-	-	2,900	3,000
Total debt services	-	-	-	-	-	3,218,009	-	-	3,218,009	2,728,458
Total direct disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,218,009</u>	<u>\$ -</u>	<u>\$ -</u>	<u>3,218,009</u>	<u>\$ 2,728,458</u>
Excess (deficiency) of receipts over disbursements									<u>\$ (811,806)</u>	
Transportation fund										
Support services										
Support services - business										
Pupil transportation services	\$ 35,799	\$ -	\$ 2,959,991	\$ 229,095	\$ -	\$ -	\$ -	\$ -	\$ 3,224,885	\$ 2,955,000
Total support services - business	35,799	-	2,959,991	229,095	-	-	-	-	3,224,885	2,955,000
Total direct disbursements	<u>\$ 35,799</u>	<u>\$ -</u>	<u>\$ 2,959,991</u>	<u>\$ 229,095</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>3,224,885</u>	<u>\$ 2,955,000</u>
Excess (deficiency) of receipts over disbursements									<u>\$ (1,289,530)</u>	

KANKAKEE SCHOOL DISTRICT 111
Statement of Expenditures Disbursed, Budget to Actual
For the year ended June 30, 2017

Exhibit D
(Continued)

	Salaries	Employee Benefits	Purchased Services	Supplies/ Materials	Capital Outlay	Other Objects	Non-Capitalized Equipment	Termination Benefits	Total	Budget
Municipal retirement/Social Security fund										
Instruction										
Regular programs	\$ -	\$ 237,205	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 237,205	\$ 207,200
Pre-k programs	-	2,492	-	-	-	-	-	-	2,492	-
Special education programs	-	256,689	-	-	-	-	-	-	256,689	275,700
Interscholastic programs	-	32,331	-	-	-	-	-	-	32,331	7,700
Summer school programs	-	893	-	-	-	-	-	-	893	-
Gifted programs	-	6,242	-	-	-	-	-	-	6,242	6,000
Drivers education programs	-	2,458	-	-	-	-	-	-	2,458	-
Bilingual programs	-	26,970	-	-	-	-	-	-	26,970	34,400
Total instruction	-	565,280	-	-	-	-	-	-	565,280	531,000
Support services										
Support services - pupils										
Attendance & social work services	-	10,203	-	-	-	-	-	-	10,203	11,100
Guidance services	-	4,238	-	-	-	-	-	-	4,238	6,000
Health services	-	75,129	-	-	-	-	-	-	75,129	70,000
Psychological services	-	4,623	-	-	-	-	-	-	4,623	5,000
Speech pathology/audiology services	-	7,254	-	-	-	-	-	-	7,254	6,600
Total support services - pupils	-	101,447	-	-	-	-	-	-	101,447	98,700
Support services - instructional staff										
Improvement of instruction services	-	28,672	-	-	-	-	-	-	28,672	16,300
Educational media services	-	13,129	-	-	-	-	-	-	13,129	9,600
Assessment & testing	-	4,882	-	-	-	-	-	-	4,882	6,900
Total support services - instructional staff	-	46,683	-	-	-	-	-	-	46,683	32,800
Support services - general administration										
Board of education services	-	36	-	-	-	-	-	-	36	-
Executive administration services	-	24,616	-	-	-	-	-	-	24,616	30,700
Service area administrative services	-	9,769	-	-	-	-	-	-	9,769	19,200
Educational, inspectional, supervisory services related to loss prevention or reduction	-	1,721	-	-	-	-	-	-	1,721	-
Total support services - general administration	-	36,142	-	-	-	-	-	-	36,142	49,900
Support services - school administration										
Office of the principal services	-	181,829	-	-	-	-	-	-	181,829	160,400
Other school administration support services	-	86	-	-	-	-	-	-	86	-
Total support services - school administration	-	181,915	-	-	-	-	-	-	181,915	160,400
Support services - business										
Direction of business support services	-	674	-	-	-	-	-	-	674	500
Fiscal services	-	59,414	-	-	-	-	-	-	59,414	83,200
Operation & maintenance of plant services	-	427,885	-	-	-	-	-	-	427,885	435,100
Food services	-	191,318	-	-	-	-	-	-	191,318	207,977
Internal services	-	3,048	-	-	-	-	-	-	3,048	14,700
Total support services - business	-	682,339	-	-	-	-	-	-	682,339	741,477
Support services - central										
Information Services	-	2,863	-	-	-	-	-	-	2,863	1,054
Staff services	-	140	-	-	-	-	-	-	140	-
Data processing services	-	12,007	-	-	-	-	-	-	12,007	20,388
Total support services - central	-	15,010	-	-	-	-	-	-	15,010	21,442
Other support services	-	51	-	-	-	-	-	-	51	-
Total support services	-	1,063,587	-	-	-	-	-	-	1,063,587	1,104,719
Community services (MR/SS)	-	26,906	-	-	-	-	-	-	26,906	-
Total direct disbursements	\$ -	\$ 1,655,773	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1,655,773	\$ 1,635,719
Excess (deficiency) of receipts over disbursements									\$ 644,532	

KANKAKEE SCHOOL DISTRICT 111
Statement of Expenditures Disbursed, Budget to Actual
For the year ended June 30, 2017

Exhibit D
(Continued)

	Salaries	Employee Benefits	Purchased services	Supplies/ Materials	Capital Outlay	Other Objects	Non-Capitalized Equipment	Termination Benefits	Total	Budget
Capital projects fund										
Support services-business										
Facilities acquisition and construction services	\$ -	\$ -	\$ 195,698	\$ 15,984	\$ 403,449	\$ -	\$ 4,595	\$ -	\$ 619,726	\$ 12,700,000
Total support services	-	-	195,698	15,984	403,449	-	4,595	-	619,726	12,700,000
Total direct disbursements	-	-	195,698	15,984	403,449	-	4,595	-	619,726	12,700,000
Excess (deficiency) of receipts over disbursements									\$ (549,322)	
Tort fund										
Support services-general administrative										
Workers' compensation	-	-	678,034	-	-	-	-	-	678,034	675,000
Unemployment insurance payments	-	-	60,395	-	-	-	-	-	60,395	50,000
Insurance payments	-	-	19,060	-	-	-	-	-	19,060	312,000
Risk management/claims services payments	-	-	-	-	-	-	-	-	-	25,000
Total support services	-	-	757,489	-	-	-	-	-	757,489	1,062,000
Total direct disbursements	-	-	757,489	-	-	-	-	-	757,489	1,062,000
Excess (deficiency) of receipts over disbursements									\$ (343,712)	
Fire prevention & safety fund										
Support services										
Support services - business										
Operation & maintenance of plant services	-	-	23,400	-	-	-	-	-	23,400	10,000
Total support services - business	-	-	23,400	-	-	-	-	-	23,400	10,000
Total support services	-	-	23,400	-	-	-	-	-	23,400	10,000
Total direct disbursements	\$ -	\$ -	\$ 23,400	\$ -	\$ -	\$ -	\$ -	\$ -	23,400	\$ 10,000
Excess (deficiency) of receipts over disbursements									\$ 59,413	

Kankakee School District 111
Notes to Financial Statements
As of and for the year ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies

Kankakee School District 111 (the "District") operates as a public school system governed by a seven-member board. The District is organized under the School Code of the State of Illinois, as amended. The following is a summary of the more significant accounting policies of the District:

Principles Used to Determine Scope of the Reporting Entity

The District's reporting entity includes the District 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 the citizens of the District, including joint agreements which serve pupils from numerous districts, should be included within its financial reporting entity. The criteria includes, but is 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 District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the District's financial statements. 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.

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 prepares its financial statements in accordance with a regulatory basis of accounting prescribed by Illinois State Board of Education Title 23 of the Illinois Administrative Code, Part 100. This regulatory basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The presentation of these financial statements differs from GAAP as follows: (1) A statement of net position and statement of activities are not presented; (2) Individual funds and account groups are presented rather than major funds; (3) Items defined as deferred outflows of resources and deferred inflows of resources under GAAP are included as assets and liabilities; (4) Fund balance classifications are "reserved" and "unreserved" rather than "nonspendable", "restricted", "committed", "assigned", and "unassigned"; (5) The Net Pension Liability as calculated under GASB 68 has not been recorded and the pension expense in the financial statements represents the cash paid during the year rather than the amount calculated under GASB 68; (6) Certain required supplementary information such as Management's Decision and Analysis is not presented.

Also, this regulatory basis allows for transactions and events to be recorded on the cash basis rather than the accrual basis. Accordingly, revenues are recognized and recorded in the accounts when cash is received. In the same manner, expenditures are recognized and recorded upon the disbursement of cash. Assets of a fund are only recorded when a right to receive cash exists which arises from a previous cash transaction. Liabilities of a fund, similarly, result from previous cash transactions. Cash basis financial statements omit recognition of receivables and payables and other accrued and deferred items that do not arise from previous cash transactions.

Kankakee School District 111
Notes to Financial Statements
As of and for the year ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies

It is the District's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available. It is the District's policy to first use reserved fund balances prior to the use of unreserved fund balances when an expenditure is incurred for which both reserved and unreserved fund balances are available.

Measurement Focus

The financial statements of the funds 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." The 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.

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:

The Educational, Operations and Maintenance, and Transportation Funds are the general operating funds. They are used to account for all financial resources except for those required to be accounted for in other funds.

The Municipal Retirement/Social Security Fund is used to account for proceeds of specific revenue resources to be used for the payment of pension contributions to the Illinois Municipal Retirement System, and the payment of medicare and social security taxes.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of, and/or addition to, major capital facilities.

The Tort Fund is used to account for financial resources to be used for the payment of tort immunity expenses.

Kankakee School District 111
Notes to Financial Statements
As of and for the year ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

The Fire Prevention and Safety Fund is used to account for financial resources to be used for the payment of fire prevention and life safety projects.

The Working Cash Fund is used to account for financial resources to be used for temporary interfund loans to any other fund of the District.

Activity funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. The activity funds include Student Activity Funds, Convenience Accounts, and Trust and Agency Funds. They account for assets held by the District as an agent for the students and teachers. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of changes in financial position.

General Fixed Assets and General Long-Term Debt Account Groups

Capital assets used in operations are accounted for in the General Fixed Assets Account Group. Purchases of property and equipment greater than \$5,000 with an estimated useful life of greater than one year are recorded as capital outlay expenditures of the various funds and as additions to the General Fixed Assets Account Group. Depreciation has not been reflected in the statement of General Fixed Assets, nor has interest been capitalized.

Fixed assets are classified in the following categories:

Non-depreciable land	Indefinite life
Depreciable land	50-year life
Permanent buildings	50-year life
Temporary buildings	25-year life
Improvements other than buildings - infrastructure	20-year life
Capitalized equipment	3, 5, and 10-year life

Long-term liabilities are accounted for in the General Long-Term Debt Account Group. Proceeds from long-term debt are included as receipts in the appropriate fund on the date received. Related principal payable in the future is recorded at the same time in the General Long-Term Debt Account Group. Debt principal and interest payments are recorded as expenditures of the fund from which the payments are made.

The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of changes in financial position.

Kankakee School District 111
Notes to Financial Statements
As of and for the year ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Balance Classifications

Fund Balance is classified and displayed in two components:

Reserved - represents the portion of the fund balance which is restricted by certain tax levies and restrictions placed on funds by outside parties.

Unreserved - represents the portion of the fund balance which is available for any purposes allowed by Illinois School Code of the individual fund in which it resides

Budget and Budgetary Accounting

The budget is prepared on the regulatory 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 of the Illinois Compiled Statutes (105 ILCS 5/10-17). The budget was passed on September 26, 2016.

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

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

1. Prior to September 1, at least 30 days prior to final adoption of the budget, the Assistant Superintendent of Business Services submits to the Board of Education a proposed operating budget for the fiscal year commencing the preceding July 1. 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. The Assistant Superintendent of Business Services is authorized to transfer up to 10 percent of the total budget between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. The Board of Education may amend the budget by the same procedures required for its original adoption.

Kankakee School District 111
Notes to Financial Statements
As of and for the year ended June 30, 2017

Note 2 - Property Taxes

Property taxes are recognized in the year the taxes have been received. Property taxes are levied each year on or before the last Tuesday in December on all taxable real property located in the District. Property taxes attach as an enforceable lien on property as of January 1 of the same year and are payable in two installments on June 1 and September 1 of the following year. The District receives significant distributions of tax receipts approximately one month after these due dates. The 2016 levy was passed by the Board on December 12, 2016. Property tax receipts recorded for the year ended June 30, 2017 are from the 2015 levy.

Note 3 - Cash and Investments

Separate bank accounts are not maintained for all District funds; instead, certain 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 funds participating in the common bank account may incur overdrafts (deficits) in the account. The overdrafts result from expenditures which have been approved by the School Board.

The District also follows the practice of pooling excess cash for investment purposes. Each fund's portion of total investments is under accounting control. Earnings are prorated to each fund when recognized as revenue. Non-negotiable certificates of deposit and mortgage backed securities are stated at cost. Illinois School District Liquid Asset Fund Plus (ISDLAF+) investments are carried at the net asset value (NAV) per share. The NAV per share is calculated using the amortized cost method which approximates fair value. Gains or losses on the sale of investments are recognized upon realization.

At year end, the District had the following investments:

	<u>Rating</u>	<u>Maturities</u>	<u>Interest Rate</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Level 2 Investment</u>	<u>Percent of Portfolio</u>
Mortgage Backed Securities:							
Federal Home Loan Bank	Unrated	15 Months	1.00%	\$ 1,058,977	\$1,511,124	\$1,511,124	3.52%
Freddie Mac	Unrated	2 Years	1.15%	<u>1,526,234</u>	<u>1,040,340</u>	<u>1,040,340</u>	5.08%
				<u>2,585,211</u>	<u>2,551,464</u>	<u>2,551,464</u>	
Other Investments:							
Illinois School District							
Liquid Asset Fund:							
Liquid Fund	S&P AAAM	None	0.76%	1,926,346			6.41%
Max Fund	S&P AAAM	None	0.83%	<u>19,860,744</u>			66.06%
				<u>21,787,090</u>			
Certificates of Deposit	Unrated	4 Mos-2 Yrs	0.2-0.803%	<u>5,694,000</u>			<u>18.94%</u>
				<u>\$30,066,301</u>			<u>100.00%</u>

Kankakee School District 111
Notes to Financial Statements
As of and for the year ended June 30, 2017

Note 3 - Cash and Investments (Continued)

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of assets. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 1 or 3 inputs.

Securities classified in Level 2 of the fair value hierarchy are valued based on significant other observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates), or other market corroborated inputs.

ISDLAF+ is an investment pool managed by a Board of Trustees that oversees the actions of the Investment Advisor, the Administrator, the Custodian, the Sponsors and the Distributor and decide on general policies. There are currently thirteen Trustees, all of whom have been elected by Participants. ISDLAF+ invests in high-quality short-term debt instruments (money market instruments). Debt obligations, in general, are written promises to repay a debt. Among the various types of debt obligations the Multi-Class Series may purchase are obligations guaranteed by the full faith and credit of the United States, U.S. government agency obligations, commercial paper, bank obligations, and other obligations permitted by applicable Illinois statutes. The Multi-Class Series is managed to comply with specific requirements of Illinois law, particularly the Public Funds Investment Act and other laws applicable to the investment of Participants' funds. These investments generally mature within one year of purchase. Financial statements may be obtained by contacting ISDLAF+ at 2135 CityGate Lane, 7th Floor, Naperville, Illinois 60563.

Interest Rate Risk. The District's formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the District's policy states investments shall provide sufficient liquidity to pay obligations of the District as they come due. Additionally, the District's policy is in conformance with the provisions of the Illinois Public Funds Investment Act.

Credit Risk. Each investment transaction shall ensure that capital loss, whether from credit or market risk, is avoided. The District may invest in one or more of the following:

1. Bonds, notes, certificates of indebtedness, treasury bills or other securities, now or hereafter issued, that are guaranteed by the full faith and credit of the United States of America, as to principal and interest.
2. Bonds, notes, debentures, or other similar obligations of the United States of America, its agencies, and its instrumentalities, as defined in the District's investment policy.

Kankakee School District 111
Notes to Financial Statements
As of and for the year ended June 30, 2017

Note 3 - Cash and Investments (Continued)

The term "agencies of the United States of America" includes: (1) the federal land banks, federal intermediate credit banks, banks for cooperative, federal farm credit banks, or any other entity authorized to issue debt obligations under the Farm Credit Act of 1971 and Acts amendatory thereto, (2) the federal home loan banks and the federal home loan mortgage corporation, and (3) any other agency created by Act of Congress.

3. Interest-bearing savings accounts, interest-bearing certificates of deposit, interest-bearing time deposits, or any other investment constituting a direct obligation of any bank or financial institution as defined by the Illinois Banking Act.
4. Short-term obligations of corporations organized in the United States with assets exceeding \$500,000,000 if certain requirements are met as defined in the District's investment policy.
5. Money market mutual funds registered under the Investment Company Act of 1940, provided that the portfolio of any such money market mutual fund is limited to obligations described in items (1) or (2) and to agreements to repurchase such obligations.
6. Short-term discount obligations of the Federal National Mortgage Association or in shares or other forms of securities legally issuable by savings banks or savings and loan associations incorporated under the laws of this State or any other state or under the laws of the United States. Investments may be made only in those savings banks or savings and loan associations, the shares, or investment certificates that are insured by the Federal Deposit Insurance Corporation. Any such securities may be purchased at the offering or market price thereof at the time of such purchase. All such securities so purchased shall mature or be redeemable on a date or dates prior to the time when, in the judgment of the Chief Investment Officer, the public funds so invested will be required for expenditure by the District or its governing authority.
7. Dividend-bearing share accounts, share certificate accounts, or class of share accounts of a credit union chartered under the laws of Illinois or the United States, provided, however, that the principal office of any such credit union must be located within the State of Illinois. Investments may be made only in those credit unions the accounts of which are insured by applicable law.
8. Investments in a Public Treasurers' Investment Pool under Section 17 of the State Treasurer Act or any public funds in a fund managed, operated, and administered by a bank, subsidiary of a bank, or subsidiary of a bank holding company or use the services of such an entity to hold and invest or advise regarding the investment of any public funds.
9. Investments in the Illinois School District Liquid Asset Fund Plus.

Kankakee School District 111
Notes to Financial Statements
As of and for the year ended June 30, 2017

Note 3 - Cash and Investments (Continued)

10. Repurchase agreements of government securities which conform to provisions of the Government Securities Act of 1986. The government securities, unless registered or inscribed in the name of the District, shall be purchased through banks or trust companies authorized to do business in the State of Illinois. The District may not enter into other repurchase agreements unless the instrument and transaction meet several requirements as set forth in the District's investment policy.
11. Any investments as authorized by the Public Funds Investment Act, and Acts amendatory thereto. Paragraph 11 herein supersedes points 1-10 and controls in the event of conflict.

Concentration of Credit Risk. The District's investment policy states investments shall be diversified as to materials and investments, as appropriate to the nature, purpose, and amount of the funds.

Custodial Credit Risk – Deposits. With respect to deposits, custodial credit risk refers to the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy limits the exposure to deposit custodial credit risk by requiring all deposits in excess of any insurance limits to be collateralized in accordance with the Public Funds Investment Act 30 ILCS 235/1. As of June 30, 2017, the District's deposits with financial institutions were insured or collateralized by securities held by a third party and pledged to the District.

Custodial Credit Risk – Investments. With respect to investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy limits the exposure to investment custodial credit risk by requiring all investments in excess of insurance limits be collateralized. The District's preferred safekeeping method is to have securities registered in the District's name and held by a third-party custodian.

Note 4 – Interfund Balances/Transfers

The District abated \$87,804 of its Working Cash Fund and transferred it to the Educational Fund to pay issuance costs for bonds.

The District transferred \$359,640 from the Education Fund to the Debt Service Fund for principal and interest payments on capital leases.

The Educational Fund had an interfund payable due to the Capital Projects Fund in the amount of \$23,431 for expenditures that were inadvertently paid from the Capital Projects bank account.

Kankakee School District 111
Notes to Financial Statements
As of and for the year ended June 30, 2017

Note 5 - General Fixed Assets

A summary of changes in general fixed assets follow:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Land	\$ 225,605	\$ -	\$ -	\$ 225,605
Buildings and building improvements	61,640,005	234,386	-	61,874,391
Land improvements	3,024,542	206,876	-	3,231,418
Equipment:				
3 year	2,110,486	-	-	2,110,486
5 year	1,146,771	152,061	32,659	1,266,173
10 year	20,776,369	298,327	-	21,074,696
	<u>88,923,778</u>	<u>891,650</u>	<u>32,659</u>	<u>89,782,769</u>
Less accumulated depreciation for:				
Buildings and building improvements	29,504,645	1,354,055	-	30,858,700
Land improvements	1,478,021	117,821	-	1,595,842
Equipment:				
3 year	1,875,053	190,198	-	2,065,251
5 year	1,040,126	58,741	-	1,098,867
10 year	18,336,882	515,915	-	18,852,797
Total accumulated depreciation	<u>52,234,727</u>	<u>2,236,730</u>	<u>-</u>	<u>54,471,457</u>
Net general fixed assets	<u>\$36,689,051</u>	<u>\$ (1,345,080)</u>	<u>\$ 32,659</u>	<u>\$35,311,312</u>

Note 6 - General Long-Term Debt

	Balance July 1, 2016	Proceeds	Payments	Balance June 30, 2017	Due in One Year
General obligation school bonds:					
Series 2012	\$ 4,835,000	\$ -	\$ 2,075,000	\$ 2,760,000	\$2,135,000
Series 2014	5,590,000	-	-	5,590,000	-
Series 2016B (QSCB)	-	10,200,000	-	10,200,000	270,000
Series 2017B (QSCB)	-	19,620,000	-	19,620,000	-
Series 2017C	-	760,000	-	760,000	-
Subtotal bonds	<u>10,425,000</u>	<u>30,580,000</u>	<u>2,075,000</u>	<u>38,930,000</u>	<u>2,405,000</u>
Note Payable:					
Athletic equipment/ musical instruments	<u>179,722</u>	<u>-</u>	<u>57,973</u>	<u>121,749</u>	<u>59,886</u>
Capital leases:					
2012-Technology equipment	61,267	-	61,267	-	-
2017-Technology equipment	-	746,561	192,437	554,124	181,135
Servers	-	58,425	38,895	19,530	-
Subtotal capital leases	<u>61,267</u>	<u>804,986</u>	<u>292,599</u>	<u>573,654</u>	<u>181,135</u>
Total long-term debt	<u>\$10,665,989</u>	<u>\$31,384,986</u>	<u>\$2,425,572</u>	<u>\$39,625,403</u>	<u>\$2,646,021</u>

Kankakee School District 111
Notes to Financial Statements
As of and for the year ended June 30, 2017

Note 6 - General Long-Term Debt (Continued)

Series 2012 bonds, On March 6, 2012, the District issued \$6,385,000 in General Obligation Bonds with interest rates of 2.5 to 3.0 percent. These bonds were used to advance refund \$515,000 of outstanding Series 2001B bonds and to provide \$5,855,000 of Working Cash funds. These bonds provide for the serial retirement of principal and interest each year beginning January 1, 2014 and interest payments each year beginning on July 1, 2012. \$535,000 of the net proceeds of this bond were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for a portion of the future debt service payments on the Series 2001B bonds which are paid in their entirety.

Series 2014 bonds, On March 13, 2014, the District issued \$5,900,000 in General Obligation Limited School Bonds with interest rates of 2.0 to 3.0 percent to provide Working Cash Funds. These bonds provide for the serial retirement of principal with one payment on January 1, 2016, and the remaining payments each year beginning January 1, 2019. These bonds provide for the serial retirement of interest payable on January 1 and July 1 of each year.

Series 2016B bonds (Qualified School Construction Bonds), dated July 25, 2016, in the amount of \$10,200,000 with an interest rate of 4.3% for the purpose of paying 2016 Debt Certificates and various capital projects throughout the District. The bonds mature on January 1, 2036. Funds will be set aside in a sinking fund account and irrevocably deposited with a deposit agent to provide for payment of principal at maturity. Interest will be paid on January 1 and July 1 each year beginning July 1, 2017.

Series 2017B bonds (Qualified School Construction Bonds), dated June 6, 2017, in the amount of \$19,620,000 with an interest rate of 4.826% for the purpose of paying 2017 Debt Certificates and various capital projects throughout the District. The bonds mature on January 1, 2042. Funds will be set aside in a sinking fund account and irrevocably deposited with a deposit agent to provide for payment of principal at maturity. Interest will be paid on January 1 and July 1 each year beginning January 1, 2017.

Series 2017C bonds, dated June 6, 2017, in the amount of \$760,000 with interest rates of 1.995 to 2.608 percent for various capital projects throughout the District and paying capitalized interest and costs associated with the issuance of bonds. The bonds mature on January 1, 2021. These bonds provide for serial retirement of principal and interest each year on January 1 with the first interest payment in 2018 and the first principal payment in 2019.

Note payable in the amount of \$300,000 for athletic equipment and musical instruments, dated August 1, 2014, providing for an initial down payment of \$63,904 and four annual payments of \$63,904 including interest at a rate of 3.3% through July 15, 2018.

Capital lease for technology equipment, dated July 15, 2012, providing for an initial down payment of \$3,000 and five annual payments of \$62,741 including interest at a rate of 2.41% through July 15, 2016. Amount recorded as equipment at June 30, 2017 was \$302,313 with accumulated depreciation of \$151,157.

Capital lease for technology equipment, including Chromebooks and laptops, dated August 15, 2016, providing for an initial down payment of \$192,437 and three annual payments of \$192,437 including interest at a rate of 2.096% through August 1, 2019. This equipment did not meet the District's capitalization threshold and therefore is not included in the General Fixed Asset Account Group.

Kankakee School District 111
Notes to Financial Statements
As of and for the year ended June 30, 2017

Note 6 - General Long-Term Debt (Continued)

Capital lease for servers, dated July 1, 2016, providing three annual payments of \$20,279 including interest at a rate of 3.84% through August 1, 2018. The amount recorded as equipment at June 30, 2017 was \$58,425 with accumulated depreciation of \$5,843.

Future minimum lease payments for capital leases are as follows:

For the year ended:	<u>2017 Equipment</u>	<u>Servers</u>	<u>Total</u>
2018	\$ 192,437	\$ 20,279	\$ 212,716
2019	192,436	-	192,436
2020	<u>192,437</u>	<u>-</u>	<u>192,437</u>
Total minimum lease payments	577,310	20,279	597,589
Less: amount representing interest	<u>(23,186)</u>	<u>(749)</u>	<u>(23,935)</u>
Present value of minimum lease payments	\$ <u>554,124</u>	\$ <u>19,530</u>	\$ <u>573,654</u>

At June 30, 2017, the annual cash flow requirements of long-term debt were as follows:

<u>Years Ending June 30,</u>	<u>Bonds</u> <u>Principal</u>	<u>Bonds</u> <u>Interest</u>	<u>Other</u> <u>Principal</u>	<u>Other</u> <u>Interest</u>	<u>Total</u> <u>Principal</u>	<u>Total</u> <u>Interest</u>
2018	\$ 2,405,000	\$ 768,310	\$241,021	\$ 15,320	\$ 2,646,021	\$ 783,630
2019	2,385,000	1,589,164	265,934	10,685	2,650,934	1,599,849
2020	2,450,000	1,520,328	188,448	3,989	2,638,448	1,524,317
2021	2,140,000	1,448,799	-	-	2,140,000	1,448,799
2022	1,285,000	1,385,462	-	-	1,285,000	1,385,462
2023-2027	6,425,000	6,927,306	-	-	6,425,000	6,927,306
2028-2032	6,425,000	6,927,306	-	-	6,425,000	6,927,306
2033-2037	7,050,000	6,488,706	-	-	7,050,000	6,488,706
2038-2042	<u>8,365,000</u>	<u>4,734,306</u>	<u>-</u>	<u>-</u>	<u>8,365,000</u>	<u>4,734,306</u>
	<u>\$38,930,000</u>	<u>\$31,789,687</u>	<u>\$695,403</u>	<u>\$29,994</u>	<u>\$39,625,403</u>	<u>\$31,819,681</u>

Note 7 - Legal Debt Margin

The legal debt margin is calculated as follows:

Taxable assessed valuation - 2016	<u>\$286,350,940</u>
Debt limit - 13.8% of assessed valuation	\$ 39,516,430
Less general long-term debt	<u>39,625,403</u>
Legal debt margin (deficit)	\$ <u>(108,973)</u>

Kankakee School District 111
Notes to Financial Statements
As of and for the year ended June 30, 2017

Note 8 – Short-Term Debt

Short-term debt activity for the year ended June 30, 2017:

Beginning balance	\$10,538,400
Proceeds	19,890,000
Payments	<u>30,428,400</u>
Ending balance	<u>\$ -</u>

Series 2016 bonds On March 23, 2016, the District issued \$338,400 in Taxable General Obligation Limited School Bonds with an interest rate of 1.72% to provide Working Cash Funds. The bonds were due and paid on January 1, 2017.

Series 2016 Debt Certificates On May 24, 2016, the District issued \$10,200,000 in debt certificates to improve the sites of, build and equip additions to, alter, repair, renovate, and equip the District's facilities. The certificates were intended to be short-term financing for the projects. The District called the debt certificates prior to the maturity date and issued Series 2016B Qualified School Construction Bonds in the amount of \$10,200,000 to pay the debt certificate principal.

Series 2017 Debt Certificates On April 4, 2017, the District issued \$19,890,000 in debt certificates to finance various capital projects throughout the District and to pay costs associated with the issuance of the debt certificates. The certificates were intended to be short-term financing for the projects. The District called the debt certificates prior to the maturity date and issued Series 2017B Qualified School Construction Bonds and Series 2017C Bonds to pay the debt certificate principal and interest.

Note 9 – Reserved Fund Balance

Proceeds from Qualified School Construction Bonds are set aside and restricted for the projects as defined in the bond covenants. The amount of unspent proceeds at year-end was \$29,967,454 which has been recorded as reserved fund balance in the Capital Projects Fund.

Note 10 – Pension Plans

General Information about the TRS Pension Plan

TRS 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 is responsible for the System's administration.

TRS issues a publicly available financial report that can be obtained at www.trsil.org; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling (888) 678-3675.

Kankakee School District 111
Notes to Financial Statements
As of and for the year ended June 30, 2017

Note 10 – Pension Plans (Continued)

TRS 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 10 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 10 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 percent of final average salary up to a maximum of 75 percent with 34 years of service. Disability and death benefits are also provided.

Tier II members qualify for retirement benefits at age 67 with 10 years of service, or a discounted annuity can be paid at age 62 with 10 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 percent 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 three percent of the original benefit or one-half percent 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.

TRS 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 percent 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 percent of creditable earnings. On July 1, 2016, the rate dropped to 9.0 percent of pay due to the expiration of the Early Retirement Option (ERO). The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the employer.

On-behalf contributions to TRS. The State of Illinois makes employer pension contributions on behalf of the employer. For the year ended June 30, 2017, State of Illinois contributions recognized by the employer were based on the state's proportionate share of the collective net pension liability associated with the employer, and the District recognized revenue and expenditures of \$21,273,892 in pension contributions from the State of Illinois.

2.2 formula contributions. Employers contribute 0.58 percent 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 \$151,240.

Kankakee School District 111
Notes to Financial Statements
As of and for the year ended June 30, 2017

Note 10 – Pension Plans (Continued)

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 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2017, salaries totaling \$346,794 were paid from federal and special trust funds that required District contributions of \$133,654.

TRS Employer retirement cost contribution. The employer is required to make one-time contribution to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the member's age and salary. The maximum employer ERO contribution under the program that ended on June 30, 2016 is 146.5 percent and applies when the member is age 55 at retirement. For the year ended June 30, 2017, the District paid \$195,610 to TRS for District 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 percent 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 percent and \$-0- for sick leave days granted in excess of the normal annual allotment.

For the year ended June 30, 2017, the District recognized pension expense of \$284,894 and revenue of \$21,273,892 for support provided by the state (on behalf payments).

Illinois Municipal Retirement Fund (IMRF)

IMRF 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 an agent multiple-employer pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this footnote. 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. The report is available for download at www.imrf.org.

Kankakee School District 111
Notes to Financial Statements
As of and for the year ended June 30, 2017

Note 10 – Pension Plans (Continued)

IMRF 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 10 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 10 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
- ½ of the increase in the Consumer Price index of the original pension amount.

IMRF Employees Covered by Benefit Terms

As of December 31, 2016, the following employees were covered by the benefit terms:	<u>Regular</u>
Retirees and beneficiaries currently receiving benefits	262
Inactive plan members entitled to but not yet receiving benefits	281
Active plan members	<u>354</u>
Total	<u>897</u>

IMRF 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 required annual contribution rates for calendar years 2016 and 2017 were 10.07% and 10.24%, respectively. For the fiscal year ended June 30, 2017, the District contributed \$1,131,510 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.

Pension Expense

Total pension expense recorded by District was \$1,416,404 for fiscal year 2017.

Kankakee School District 111
Notes to Financial Statements
As of and for the year ended June 30, 2017

Note 11 – Social Security

Employees not qualifying for coverage under the Illinois Teachers' Retirement System are covered under Social Security. The District paid \$699,451, the total required contribution for the current fiscal year.

Note 12 – Other Post-Employment Benefits

THIS Fund Employer Contributions

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 Medicare Advantage plan.

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

The percentage of employer required contributions in the future will not exceed 105 percent 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 percent of pay during the year ended June 30, 2017. State of Illinois contributions were \$292,049, and the District recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2016 and June 30, 2015 were 1.07 and 1.02 percent of pay, respectively. State contributions on behalf of District employees were \$293,168 and \$284,158, respectively.

- **Employer contributions to the THIS Fund**

The District also makes contributions to the THIS Fund. The District THIS Fund contribution was 0.84 percent during the year ended June 30, 2017. For the year ended June 30, 2017, the District paid \$219,037 to the THIS Fund, which was 100 percent of the required contribution. The District contribution for the years ended June 30, 2016 and June 30, 2015 was 0.80 percent (\$219,191) and 0.76 percent (\$211,726), respectively, which was 100 percent of the required contribution.

Kankakee School District 111
Notes to Financial Statements
As of and for the year ended June 30, 2017

Note 12 – Other Post-Employment Benefits (Continued)

Further information on the THIS Fund

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>).

IMRF

Under Public Act 06-1444, the District, an IMRF employer, is required to offer the same health insurance to disabled members, retirees, and surviving spouses eligible for IMRF benefits at the same premium rate as active employees. However, the District does not subsidize retirees’ premiums. The amounts related to the required disclosures have not been determined.

Note 13 - 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.

Except for workers' compensation insurance, described in the following paragraphs, the District has purchased insurance from private insurance companies. Risks covered include general liability, health insurance and other. Premiums have been displayed as expenditures disbursed in appropriate funds. There has been no significant reduction in coverage, and settlements have not exceeded insurance coverage for each of the last three years.

The District has entered into an agreement with the Illinois Public Risk Fund. The pooling agreement permits public agencies within the meaning of the Intergovernmental Cooperation Act of the State of Illinois to provide a means whereby members of the Fund could contract with each other to protect against liability or loss under the Workers' Compensation and Occupational Diseases Laws of the State of Illinois.

The District's cost is based on rates determined by the Trustees of the Fund, applied to its payroll costs and adjusted for its loss experience. Members of the Fund may also be subject to additional contributions not to exceed 10 percent of such member's contribution for the most recent fiscal year of the Fund if additional reserves are deemed necessary by the Fund's trustees. No additional assessments have been made as of the current year-end.

Note 14 – Intergovernmental Agreements

The District has entered into an intergovernmental agreement with Governors State University for the purpose of preparing individuals for Illinois teaching certificates as outlined in the Master of Arts in Teacher Education Alternative Certification Program.

Kankakee School District 111
Notes to Financial Statements
As of and for the year ended June 30, 2017

Note 15 - Contingencies

The District has received funding from state and federal grants in the current and prior years which are subject to audits by the granting agencies. As a result of a state audit, the District may be required to refund approximately \$153,000 of 2013-2014 General State Aid funds.

The District is involved in lawsuits arising in the normal course of business. The District carries insurance for these claims and has historically been able to settle such claims within the limits of its coverage. The likelihood of any loss in excess of these limits is not presently determinable.

Note 16 – Other

Expenditures in the Educational, Operations and Maintenance, Debt Service, Transportation, Municipal Retirement/Social Security, and Fire Prevention and Safety Funds exceeded the budgeted amounts for the year.

KANKAKEE SCHOOL DISTRICT 111

Schedule 1

Statement of Receipts, Disbursements and Changes in Fund Balances

Budget and Actual - All Funds

For the year ended June 30, 2017

	Educational Fund		Operations and Maintenance Fund		Debt Service Fund		Transportation Fund		Municipal Retirement/ Social Security Fund	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Receipts										
Local sources	\$ 9,651,703	\$ 9,394,424	\$ 2,483,654	\$ 2,101,326	\$ 2,952,000	\$ 2,406,203	\$ 1,273,000	\$ 662,044	\$ 1,449,914	\$ 2,300,305
State sources	30,490,983	29,910,799	3,000,000	3,050,000	-	-	1,790,000	1,273,311	-	-
Federal sources	11,366,430	11,594,303	-	-	-	-	-	-	-	-
Total Receipts	51,509,116	50,899,526	5,483,654	5,151,326	2,952,000	2,406,203	3,063,000	1,935,355	1,449,914	2,300,305
Disbursements										
Instruction	33,162,601	31,865,077	-	-	-	-	-	-	531,000	565,280
Supporting services	17,232,540	18,736,963	4,695,000	5,298,323	-	-	2,955,000	3,224,885	1,104,719	1,063,587
Community services	838,182	943,338	-	-	-	-	-	-	-	26,906
Payments to other governmental units	666,000	679,702	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	2,728,458	3,218,009	-	-	-	-
Total Disbursements	51,899,323	52,225,080	4,695,000	5,298,323	2,728,458	3,218,009	2,955,000	3,224,885	1,635,719	1,655,773
Excess (Deficiency) of Receipts Over Disbursements	(390,207)	(1,325,554)	788,654	(146,997)	223,542	(811,806)	108,000	(1,289,530)	(185,805)	644,532
Other Financing Sources (Uses)										
Receipts for on-behalf payments - TRS/THIS	-	21,565,941	-	-	-	-	-	-	-	-
Disbursements for on-behalf payments - TRS/THIS	-	(21,565,941)	-	-	-	-	-	-	-	-
Abatement of working cash fund	-	87,804	-	-	-	-	-	-	-	-
Principal on bonds sold	-	-	-	-	-	30,580,000	-	-	-	-
Transfer to debt service - capital lease principal	-	(350,572)	-	-	-	350,572	-	-	-	-
Transfer to debt service - capital lease interest	-	(9,068)	-	-	-	9,068	-	-	-	-
Other sources	-	804,986	-	-	-	731,332	-	-	-	-
Other uses	-	(209,203)	-	-	-	(30,989,150)	-	-	-	-
Total Other Financing Sources (Uses)	-	323,947	-	-	-	681,822	-	-	-	-
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing (Sources) Uses	\$ (390,207)	(1,001,607)	\$ 788,654	(146,997)	\$ 223,542	(129,984)	\$ 108,000	(1,289,530)	\$ (185,805)	644,532
Fund Balance, Beginning of Year		1,279,608		162,872		228,831		1,842,984		977,972
Fund Balance, End of Year		\$ 278,001		\$ 15,875		\$ 98,847		\$ 553,454		\$ 1,622,504

KANKAKEE SCHOOL DISTRICT 111
Statement of Receipts, Disbursements and Changes in Fund Balances
Budget and Actual - All Funds
For the year ended June 30, 2017

Schedule 1
(continued)

	Capital Projects Fund		Working Cash Fund		Tort Fund		Fire Prevention and Safety Fund		Total (Memorandum Only)	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Receipts										
Local sources	\$ -	\$ 70,404	\$ 17,000	\$ 4,319	\$ 1,200,000	\$ 413,777	\$ 22,000	\$ 82,813	\$ 19,049,271	\$ 17,435,615
State sources	-	-	-	-	-	-	-	-	35,280,983	34,234,110
Federal sources	-	-	-	-	-	-	-	-	11,366,430	11,594,303
Total Receipts	-	70,404	17,000	4,319	1,200,000	413,777	22,000	82,813	65,696,684	63,264,028
Disbursements										
Instruction	-	-	-	-	-	-	-	-	33,693,601	32,430,357
Supporting services	12,700,000	619,726	-	-	1,062,000	757,489	10,000	23,400	39,759,259	29,724,373
Community services	-	-	-	-	-	-	-	-	838,182	970,244
Payments to other governmental units	-	-	-	-	-	-	-	-	666,000	679,702
Debt services	-	-	-	-	-	-	-	-	2,728,458	3,218,009
Total Disbursements	12,700,000	619,726	-	-	1,062,000	757,489	10,000	23,400	77,685,500	67,022,685
Excess (Deficiency) of Receipts Over Disbursements	(12,700,000)	(549,322)	17,000	4,319	138,000	(343,712)	12,000	59,413	(11,988,816)	(3,758,657)
Other Financing Sources (Uses)										
Receipts for on-behalf payments - TRS/THIS	-	-	-	-	-	-	-	-	-	21,565,941
Disbursements for on-behalf payments - TRS/THIS	-	-	-	-	-	-	-	-	-	(21,565,941)
Abatement of working cash fund	10,000,000	-	(10,000,000)	(87,804)	-	-	-	-	-	-
Principal on bonds sold	19,600,000	-	-	-	-	-	-	-	19,600,000	30,580,000
Transfer to debt service - capital lease principal	-	-	-	-	-	-	-	-	-	-
Transfer to debt service - capital lease interest	-	-	-	-	-	-	-	-	-	-
Other sources	-	19,890,000	-	-	-	-	-	-	-	21,426,318
Other uses	-	(235,255)	-	-	-	-	-	-	-	(31,433,608)
Total Other Financing Sources (Uses)	29,600,000	19,654,745	(10,000,000)	(87,804)	-	-	-	-	19,600,000	20,572,710
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing (Sources) Uses	<u>\$ 16,900,000</u>	<u>19,105,423</u>	<u>\$ (9,983,000)</u>	<u>(83,485)</u>	<u>\$ 138,000</u>	<u>(343,712)</u>	<u>\$ 12,000</u>	<u>59,413</u>	<u>\$ 7,611,184</u>	<u>16,814,053</u>
Fund Balance, Beginning of Year		<u>12,611,635</u>		<u>5,081,252</u>		<u>733,393</u>		<u>244,625</u>		<u>21,451,807</u>
Fund Balance, End of Year		<u>\$ 31,717,058</u>		<u>\$ 4,997,767</u>		<u>\$ 389,681</u>		<u>\$ 304,038</u>		<u>\$ 38,265,860</u>

KANKAKEE SCHOOL DISTRICT 111**Schedule 2****Educational Fund****Detailed Receipts - Budget and Actual****For the year ended June 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over Or (Under) Budget</u>
Taxes and payments in lieu of taxes	\$ 7,972,000	\$ 7,726,877	\$ (245,123)
Corporate personal property replacement taxes	1,393,703	1,480,198	86,495
Total taxes and payments in lieu of taxes	<u>9,365,703</u>	<u>9,207,075</u>	<u>(158,628)</u>
Tuition	-	3,875	3,875
Interest on investments	1,000	272	(728)
Food service	195,000	102,816	(92,184)
Pupil activities	51,000	59,869	8,869
Textbooks	25,000	7,594	(17,406)
Other	14,000	12,923	(1,077)
Total Local Sources	<u>9,651,703</u>	<u>9,394,424</u>	<u>(257,279)</u>
Unrestricted grants:			
General state aid	27,037,498	26,987,498	(50,000)
Restricted grants - state:			
Special education	2,254,329	1,640,699	(613,630)
Bilingual education	224,000	80,422	(143,578)
State free lunch and breakfast	20,000	14,767	(5,233)
Driver education	52,467	39,350	(13,117)
Early childhood block grant	899,827	845,300	(54,527)
Other revenue from state sources	2,862	302,763	299,901
Total State Sources	<u>30,490,983</u>	<u>29,910,799</u>	<u>(580,184)</u>

KANKAKEE SCHOOL DISTRICT 111
Educational Fund
Detailed Receipts - Budget and Actual
For the year ended June 30, 2017

Schedule 2
(continued)

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over Or (Under) Budget</u>
Restricted grants - federal:			
Head Start	\$ 2,664,430	\$ 2,300,353	\$ (364,077)
Other direct awards	-	282,979	282,979
National School Lunch Program	2,300,000	2,208,713	(91,287)
National School Breakfast Program	740,000	707,194	(32,806)
Summer Food Service Admin	35,000	-	(35,000)
Child and Adult Care Food Program	60,000	56,168	(3,832)
Fresh Fruits and Vegetables	45,000	46,320	1,320
Title I - Low Income	2,956,000	2,961,536	5,536
Title I - Migrant Education	12,000	87,638	75,638
Title I - Other	402,000	523,650	121,650
Federal Special Education	991,000	1,556,925	565,925
Title III - English Language Acquisition	66,000	80,980	14,980
Title II - Teacher Quality	147,000	191,371	44,371
Medicaid Matching Funds-Admin Outreach	139,000	153,306	14,306
Medicaid Matching Funds-Fees for Service	344,000	330,545	(13,455)
Other revenue from federal sources	465,000	106,625	(358,375)
Total Federal sources	<u>11,366,430</u>	<u>11,594,303</u>	<u>227,873</u>
 Total Receipts	 <u>\$ 51,509,116</u>	 <u>\$ 50,899,526</u>	 <u>\$ (609,590)</u>

KANKAKEE SCHOOL DISTRICT 111
Educational Fund -
Detailed Disbursements - Budget and Actual
For the year ended June 30, 2017

Schedule 3

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over Or (Under) Budget</u>
Instruction:			
Regular programs -			
Salaries	\$ 13,847,211	\$ 13,570,064	\$ (277,147)
Employee benefits	5,065,848	3,984,138	(1,081,710)
Purchased services	696,274	460,059	(236,215)
Supplies & materials	606,927	1,329,681	722,754
Capital outlay	-	809	809
Other	6,500	3,560	(2,940)
Non-capitalized equipment	85,514	86,110	596
Total	<u>20,308,274</u>	<u>19,434,421</u>	<u>(873,853)</u>
Instruction:			
Pre-K programs -			
Salaries	\$ 1,480,859	\$ 1,190,491	\$ (290,368)
Employee benefits	100,477	346,035	245,558
Purchased services	22,578	454	(22,124)
Supplies & materials	38,214	48,685	10,471
Total	<u>1,642,128</u>	<u>1,585,665</u>	<u>(56,463)</u>
Special education programs -			
Salaries	5,491,800	5,372,025	(119,775)
Employee benefits	1,654,108	1,455,590	(198,518)
Purchased services	133,475	108,703	(24,772)
Supplies & materials	135,200	137,835	2,635
Capital outlay	-	114,942	114,942
Non-capitalized equipment	5,000	62,125	57,125
Total	<u>7,419,583</u>	<u>7,251,220</u>	<u>(168,363)</u>
Interscholastic programs -			
Salaries	850,600	743,661	(106,939)
Employee benefits	74,100	95,127	21,027
Purchased services	69,500	76,390	6,890
Supplies & materials	60,000	74,589	14,589
Capital outlay	-	1,099	1,099
Other	17,000	14,189	(2,811)
Non-capitalized equipment	3,000	1,398	(1,602)
Total	<u>1,074,200</u>	<u>1,006,453</u>	<u>(67,747)</u>

KANKAKEE SCHOOL DISTRICT 111
Educational Fund
Detailed Disbursements - Budget and Actual
For the year ended June 30, 2017

Schedule 3
(continued)

	Budget	Actual	Actual Over Or (Under) Budget
Summer School -			
Salaries	\$ -	\$ 26,156	\$ 26,156
Employee benefits	-	12,355	12,355
Total	-	38,511	38,511
Gifted -			
Salaries	547,831	464,808	(83,023)
Employee benefits	151,700	155,402	3,702
Purchased services	3,500	10,126	6,626
Supplies & materials	8,000	2,735	(5,265)
Total	711,031	633,071	(77,960)
Driver's education programs -			
Salaries	112,500	182,897	70,397
Employee benefits	36,100	51,628	15,528
Purchased services	3,500	2,438	(1,062)
Total	152,100	236,963	84,863
Bilingual programs -			
Salaries	1,325,171	1,220,573	(104,598)
Employee benefits	415,934	341,799	(74,135)
Purchased services	42,500	42,500	-
Supplies & materials	71,680	73,901	2,221
Total	1,855,285	1,678,773	(176,512)
Truant Alternative			
Total Instruction	33,162,601	31,865,077	(1,297,524)

KANKAKEE SCHOOL DISTRICT 111
Educational Fund
Detailed Disbursements - Budget and Actual
For the year ended June 30, 2017

Schedule 3
(continued)

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over Or (Under) Budget</u>
Supporting Services:			
Pupils -			
Salaries	\$ 2,257,300	\$ 2,509,031	\$ 251,731
Employee benefits	621,800	566,189	(55,611)
Purchased services	42,028	84,155	42,127
Supplies & materials	62,075	35,117	(26,958)
Capital outlay	-	4,434	4,434
Total	<u>2,983,203</u>	<u>3,198,926</u>	<u>215,723</u>
Instructional staff -			
Salaries	1,997,096	1,893,968	(103,128)
Employee benefits	570,529	517,378	(53,151)
Purchased services	984,191	1,082,946	98,755
Supplies & materials	90,360	444,222	353,862
Other	900	-	(900)
Non-capitalized equipment	10,000	1,825	(8,175)
Total	<u>3,653,076</u>	<u>3,940,339</u>	<u>287,263</u>
General administration -			
Salaries	834,895	1,367,593	532,698
Employee benefits	199,835	337,896	138,061
Purchased services	594,300	636,244	41,944
Supplies & materials	17,100	45,379	28,279
Capital outlay	-	7,766	7,766
Other	39,000	32,108	(6,892)
Non-capitalized equipment	1,500	2,485	985
Total	<u>1,686,630</u>	<u>2,429,471</u>	<u>742,841</u>
School administration -			
Salaries	2,665,000	2,698,731	33,731
Employee benefits	610,200	593,313	(16,887)
Purchased services	-	2,153	2,153
Supplies & materials	-	1,728	1,728
Other	-	1,592	1,592
Total	<u>3,275,200</u>	<u>3,297,517</u>	<u>22,317</u>

KANKAKEE SCHOOL DISTRICT 111
Educational Fund
Detailed Disbursements - Budget and Actual
For the year ended June 30, 2017

Schedule 3
(continued)

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over Or (Under) Budget</u>
Business -			
Salaries	\$ 1,662,497	\$ 1,605,553	\$ (56,944)
Employee benefits	272,242	248,618	(23,624)
Purchased services	881,350	867,880	(13,470)
Supplies & materials	1,483,862	1,551,993	68,131
Capital outlay	3,000	31,789	28,789
Other	4,600	4,455	(145)
Non-capitalized equipment	15,000	778	(14,222)
Total	<u>4,322,551</u>	<u>4,311,066</u>	<u>(11,485)</u>
Central and other -			
Salaries	318,960	151,530	(167,430)
Employee benefits	19,100	34,183	15,083
Purchased services	437,800	803,909	366,109
Supplies & materials	261,020	361,672	100,652
Capital outlay	275,000	187,050	(87,950)
Other	-	300	300
Non-capitalized equipment	-	21,000	21,000
Total	<u>1,311,880</u>	<u>1,559,644</u>	<u>247,764</u>
Total Supporting Services	<u>17,232,540</u>	<u>18,736,963</u>	<u>1,504,423</u>
Community services:			
Salaries	589,660	550,908	(38,752)
Employee benefits	177,344	150,893	(26,451)
Purchased services	36,383	196,230	159,847
Supplies & materials	34,795	45,307	10,512
Total Community Services	<u>838,182</u>	<u>943,338</u>	<u>105,156</u>
Payments to Other Districts and Governmental Units:			
Payments for regular programs	30,000	15,000	(15,000)
Payments for special education programs	446,000	447,997	1,997
Payments for CTE programs - tuition	175,000	216,705	41,705
Other payments to in-state government units	15,000	-	(15,000)
Total - Other Districts and Gov't Units	<u>666,000</u>	<u>679,702</u>	<u>13,702</u>
Total Disbursements	<u>\$ 51,899,323</u>	<u>\$ 52,225,080</u>	<u>\$ 325,757</u>

KANKAKEE SCHOOL DISTRICT 111**Schedule 4****Operations and Maintenance Fund****Detailed Receipts and Disbursements - Budget and Actual****For the year ended June 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over Or (Under) Budget</u>
Receipts			
Taxes and payments in lieu of taxes	\$ 2,201,500	\$ 1,683,749	\$ (517,751)
Corporate personal property replacement taxes	231,654	358,185	126,531
Total taxes and payments in lieu of taxes	<u>2,433,154</u>	<u>2,041,934</u>	<u>(391,220)</u>
Interest on investments	-	59	59
Rentals	43,000	48,470	5,470
Other local fees	7,000	9,373	2,373
Other local revenues	500	1,490	990
Total Local Sources	<u>2,483,654</u>	<u>2,101,326</u>	<u>(382,328)</u>
General State Aid	3,000,000	3,050,000	50,000
Total State Sources	<u>3,000,000</u>	<u>3,050,000</u>	<u>50,000</u>
Total Receipts	<u>\$ 5,483,654</u>	<u>\$ 5,151,326</u>	<u>\$ (332,328)</u>
Disbursements			
Supporting services - business:			
Salaries	\$ 2,713,000	\$ 2,688,367	\$ (24,633)
Benefits	370,000	389,716	19,716
Purchased services	538,000	896,009	358,009
Supplies & materials	1,014,000	1,166,756	152,756
Capital outlay	35,000	140,312	105,312
Non-capitalized equipment	25,000	17,163	(7,837)
Total Disbursements	<u>\$ 4,695,000</u>	<u>\$ 5,298,323</u>	<u>\$ 603,323</u>

KANKAKEE SCHOOL DISTRICT 111**Schedule 5****Debt Service Fund****Detailed Receipts and Disbursements - Budget and Actual****For the year ended June 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over Or (Under) Budget</u>
Receipts			
Taxes and payments in lieu of taxes	\$ 2,951,000	\$ 2,406,118	\$ (544,882)
Interest on investments	1,000	85	(915)
Total Local Sources	<u>2,952,000</u>	<u>2,406,203</u>	<u>(545,797)</u>
Total Receipts	<u>\$ 2,952,000</u>	<u>\$ 2,406,203</u>	<u>\$ (545,797)</u>
Disbursements			
Debt service - principal	\$ 2,725,458	\$ 2,425,572	\$ (299,886)
Debt service - interest	-	789,537	789,537
Debt service - other	3,000	2,900	(100)
Total Disbursements	<u>\$ 2,728,458</u>	<u>\$ 3,218,009</u>	<u>\$ 489,551</u>

KANKAKEE SCHOOL DISTRICT 111**Schedule 6****Transportation Fund****Detailed Receipts and Disbursements - Budget and Actual****For the year ended June 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over Or (Under) Budget</u>
Taxes and payments in lieu of taxes	\$ 1,270,000	\$ 661,921	\$ (608,079)
Transportation fees	2,000	100	(1,900)
Interest on investments	1,000	23	(977)
Total Local Sources	<u>1,273,000</u>	<u>662,044</u>	<u>(610,956)</u>
Restricted grants - state:			
Transportation	1,790,000	1,269,634	(520,366)
Other	-	3,677	3,677
Total State Sources	<u>1,790,000</u>	<u>1,273,311</u>	<u>(516,689)</u>
Total Receipts	<u>\$ 3,063,000</u>	<u>\$ 1,935,355</u>	<u>\$ (1,127,645)</u>

KANKAKEE SCHOOL DISTRICT 111
Municipal Retirement/Social Security Fund
Detailed Receipts and Disbursements - Budget and Actual
For the year ended June 30, 2017

Schedule 7

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over Or (Under) Budget</u>
Receipts			
Taxes and payments in lieu of taxes	\$ 1,410,000	\$ 2,068,574	\$ 658,574
Corporate personal property replacement taxes	39,914	231,658	191,744
Interest on investments	-	73	73
Total Local Sources	<u>1,449,914</u>	<u>2,300,305</u>	<u>850,391</u>
Total Receipts	<u>\$ 1,449,914</u>	<u>\$ 2,300,305</u>	<u>\$ 850,391</u>
Disbursements			
Instruction	\$ 531,000	\$ 565,280	\$ 34,280
Supporting services	1,104,719	1,063,587	(41,132)
Community services	-	26,906	26,906
Total Disbursements	<u>\$ 1,635,719</u>	<u>\$ 1,655,773</u>	<u>\$ 20,054</u>

KANKAKEE SCHOOL DISTRICT 111**Schedule 8****Capital Projects Fund****Detailed Receipts and Disbursements - Budget and Actual****For the year ended June 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over Or (Under) Budget</u>
Receipts			
Interest on investments	\$ -	\$ 70,404	\$ 70,404
Total Receipts	<u>\$ -</u>	<u>\$ 70,404</u>	<u>\$ 70,404</u>
Disbursements			
Supporting services	<u>\$ 12,700,000</u>	<u>\$ 619,726</u>	<u>\$(12,080,274)</u>
Total Disbursements	<u>\$ 12,700,000</u>	<u>\$ 619,726</u>	<u>\$(12,080,274)</u>

KANKAKEE SCHOOL DISTRICT 111
Working Cash Fund
Detailed Receipts - Budget and Actual
For the year ended June 30, 2017

Schedule 9

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over Or (Under) Budget</u>
Receipts			
Taxes and payments in lieu of taxes	\$ 16,000	\$ 4,319	\$ (11,681)
Interest on investments	1,000	-	(1,000)
Total Receipts	<u>\$ 17,000</u>	<u>\$ 4,319</u>	<u>\$ (12,681)</u>

KANKAKEE SCHOOL DISTRICT 111**Schedule 10****Tort Fund****Detailed Receipts and Disbursements - Budget and Actual****For the year ended June 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over Or (Under) Budget</u>
Receipts			
Local Sources:			
Taxes and payments in lieu of taxes	\$ 1,200,000	\$ 413,762	\$ (786,238)
Earnings on investments	-	15	15
Total local sources	<u>1,200,000</u>	<u>413,777</u>	<u>(786,223)</u>
Total Receipts	<u>\$ 1,200,000</u>	<u>\$ 413,777</u>	<u>\$ (786,223)</u>
Disbursements:			
Support services-general administration:			
Workers' compensation	\$ 675,000	\$ 678,034	\$ 3,034
Unemployment insurance payments	50,000	60,395	10,395
Insurance payments	312,000	19,060	(292,940)
Risk management supplies	<u>25,000</u>	<u>-</u>	<u>(25,000)</u>
Total support services-general administration	<u>1,062,000</u>	<u>757,489</u>	<u>(304,511)</u>
Total Disbursements	<u>\$ 1,062,000</u>	<u>\$ 757,489</u>	<u>\$ (304,511)</u>

KANKAKEE SCHOOL DISTRICT 111**Schedule 11****Fire Prevention and Safety Fund****Detailed Receipts and Disbursements - Budget and Actual****For the year ended June 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over Or (Under) Budget</u>
Receipts			
Taxes	\$ 22,000	\$ 82,810	\$ 60,810
Interest on investments	-	3	3
Total Receipts	<u>\$ 22,000</u>	<u>\$ 82,813</u>	<u>\$ 60,813</u>
Disbursements			
Supporting services:			
Purchased services	\$ 10,000	\$ 23,400	\$ 13,400
Total Disbursements	<u>\$ 10,000</u>	<u>\$ 23,400</u>	<u>\$ 13,400</u>

KANKAKEE SCHOOL DISTRICT 111
Statement of Changes in Assets and Liabilities
All Agency Funds
Student Activity Funds and Accounts
For the year ended June 30, 2017

Schedule 12

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Assets				
Cash and investments	<u>\$ 456,893</u>	<u>\$ 681,408</u>	<u>\$ 689,968</u>	<u>\$ 448,333</u>
Liabilities				
Due to student groups	<u>\$ 456,893</u>	<u>\$ 681,408</u>	<u>\$ 689,968</u>	<u>\$ 448,333</u>

KANKAKEE SCHOOL DISTRICT 111
Schedule of Assessed Valuations, Rates, Extensions and Collections

Schedule 13

	2016	2015	2014	2013
Assessed Valuation	<u>\$ 300,145,552</u>	<u>\$ 310,686,665</u>	<u>\$ 319,721,461</u>	<u>\$ 329,158,027</u>
Taxable Valuation	<u>\$ 286,350,940</u>	<u>\$ 296,127,379</u>	<u>\$ 305,089,673</u>	<u>\$ 314,569,531</u>
Tax Rates				
Educational	3.1684	3.0404	2.7211	2.5520
Liability insurance	0.9580	0.1629	0.4166	0.3981
Operations & maintenance	0.0178	0.6629	0.6573	0.6476
Special education	0.7275	0.0017	0.0504	0.0550
Transportation	0.4236	0.2606	0.4310	0.4118
I.M.R.F.	0.2711	0.4072	0.2156	0.2060
Social security	0.0018	0.4072	0.2658	0.2472
Bonds & interest	0.0340	0.9204	0.8847	0.8469
Bond deficiency	0.0028	0.0269	0.0000	0.0000
Working cash	0.1695	0.0017	0.0058	0.0051
Fire prevention & life safety	0.4236	0.0326	0.0076	0.0072
Total Tax Rates	<u>6.1981</u>	<u>5.9245</u>	<u>5.6559</u>	<u>5.3769</u>
Tax Extensions				
Educational	\$ 9,072,743	\$ 9,003,457	\$ 8,301,795	\$ 8,027,815
Liability insurance	485,365	482,392	1,271,004	1,252,301
Operations & maintenance	2,083,203	1,963,028	2,005,355	2,037,152
Special education	8,018	5,034	153,765	173,013
Transportation	776,297	771,708	1,314,937	1,295,397
I.M.R.F.	1,212,983	1,205,831	657,773	648,013
Social security	1,212,983	1,205,831	810,928	777,616
Bonds & interest	2,743,242	2,725,556	2,699,128	2,664,090
Bond deficiency	50,970	79,658	-	-
Working cash	5,154	5,034	17,695	16,043
Fire prevention & life safety	97,359	96,538	23,187	22,649
Total Tax Extensions	<u>\$ 17,748,317</u>	<u>\$ 17,544,067</u>	<u>\$ 17,255,567</u>	<u>\$ 16,914,089</u>
Tax Collections	<u>\$ -</u>	<u>\$ 16,993,594</u>	<u>\$ 16,921,228</u>	<u>\$ 16,500,526</u>
Percentage of Tax Extensions Collected	<u>0.0%</u>	<u>96.9%</u>	<u>98.1%</u>	<u>97.6%</u>

KANKAKEE SCHOOL DISTRICT 111
Schedule of General Obligation Bonds Payable
June 30, 2017

Schedule 14

	Series 2012		Series 2014		Series 2016 (QSCB)	
	Principal	Interest	Principal	Interest	Principal	Interest
Due						
Year End						
June 30,						
2018	\$ 2,135,000	\$ -	\$ -	\$ -	\$ 270,000	\$ 219,300
2019	625,000	18,750	1,490,000	167,700	-	438,600
2020	-	-	2,180,000	123,000	-	438,600
2021	-	-	1,920,000	57,600	-	438,600
2022	-	-	-	-	535,000	438,600
2023-2027	-	-	-	-	2,675,000	2,193,000
2028-2032	-	-	-	-	2,675,000	2,193,000
2033-2037	-	-	-	-	4,045,000	1,754,400
2038-2042	-	-	-	-	-	-
	<u>\$ 2,760,000</u>	<u>\$ 18,750</u>	<u>\$ 5,590,000</u>	<u>\$ 348,300</u>	<u>\$ 10,200,000</u>	<u>\$ 8,114,100</u>

	Series 2017B (QSCB)		Series 2017C		Total Bonds		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
Due							
Year End							
June 30,							
2018	\$ -	\$ 539,185	\$ -	\$ 9,825	\$ 2,405,000	\$ 768,310	\$ 3,173,310
2019	-	946,861	270,000	17,253	2,385,000	1,589,164	3,974,164
2020	-	946,861	270,000	11,867	2,450,000	1,520,328	3,970,328
2021	-	946,861	220,000	5,738	2,140,000	1,448,799	3,588,799
2022	750,000	946,862	-	-	1,285,000	1,385,462	2,670,462
2023-2027	3,750,000	4,734,306	-	-	6,425,000	6,927,306	13,352,306
2028-2032	3,750,000	4,734,306	-	-	6,425,000	6,927,306	13,352,306
2033-2037	3,005,000	4,734,306	-	-	7,050,000	6,488,706	13,538,706
2038-2042	8,365,000	4,734,306	-	-	8,365,000	4,734,306	13,099,306
	<u>\$ 19,620,000</u>	<u>\$ 23,263,854</u>	<u>\$ 760,000</u>	<u>\$ 44,683</u>	<u>\$ 38,930,000</u>	<u>\$ 31,789,687</u>	<u>\$ 70,719,687</u>

KANKAKEE SCHOOL DISTRICT 111
Schedule of Per Capita Tuition Charge
For the year ended June 30, 2017

Schedule 15

Total Disbursements

Educational Fund	\$ 52,225,080
Operations and Maintenance Fund	5,298,323
Bond and Interest Fund	3,218,009
Transportation Fund	3,224,885
Municipal Retirement Fund	1,655,773
Tort Fund	757,489
	<u>66,379,559</u>

**Receipts or Disbursements Not Applicable to
the K-12 Regular Program**

Pre-K programs	1,588,157
Summer School:	
Education Fund	38,511
Municipal Retirement Fund	893
Capital outlay:	
Education Fund	347,889
Operations and Maintenance Fund	140,312
Non-Capitalized equipment:	
Education Fund	175,721
Operations and Maintenance Fund	17,163
Community services:	
Education Fund	943,338
Municipal Retirement Fund	26,906
Total payments to other districts/governmental units	679,702
Debt service - payments of principal on long-term debt	<u>2,425,572</u>

Total Receipts or Disbursements Not Applicable to
Operating Expenses of Regular Programs

6,384,164

Total Operating Expenses

59,995,395

Average Daily Attendance (Unaudited)

4,541.78

Operating Expense Per Student (Unaudited)

\$ 13,210

Offsetting Receipts

(Schedule 16)

12,828,766

Net Operating Expense for Tuition Computation

47,166,629

Add Depreciation - Not Provided in Accounts, Straight-Line Basis

2,256,478

Total Disbursements for Tuition Computation

\$ 49,423,107

Average Daily Attendance (Unaudited)

4,541.78

Per Capita Tuition Charge (Unaudited)

\$ 10,882

The foregoing summary of per capita tuition charge is presented on the basis of average daily attendance figures taken from the District records. The accuracy of the average daily attendance figures was not investigated by the auditors.

KANKAKEE SCHOOL DISTRICT 111
Schedule of Per Capita Tuition Charge - Offsetting Receipts
For the year ended June 30, 2017

Schedule 16

Transportation fees	\$ 100
Food services	102,816
District/school activity income	59,869
Textbooks rentals	3,655
Sales other	3,939
Rentals	48,470
Special education	1,640,699
Bilingual education	80,422
State free lunch and breakfast	14,767
Driver education	39,350
Total transportation	1,269,634
Other restricted revenue from state	306,440
Restricted grants in aid from federal government	2,583,332
Less: Head Start	(2,300,353)
Total food services	3,018,395
Title I	3,572,824
IDEA flow through	1,495,307
IDEA room and board	26,273
Title III-Language instruction program - limited English	80,980
Title II-Teacher Quality	191,371
Medicaid matching funds - administrative outreach	153,306
Medicaid matching funds - fee for service	330,545
Other federal funds	106,625
Total Offsetting Receipts	<u>\$ 12,828,766</u>

KANKAKEE SCHOOL DISTRICT 111
Schedule of Disbursements Per Student
(Unaudited)

Schedule 17

	For the years ended June 30,		
	2017	2016	2015
Educational Fund			
Instruction	7,016	6,847	7,407
Supporting services	4,125	3,830	4,265
Community services	208	190	202
Payments to other districts/governmental units	150	125	202
	<u>11,499</u>	<u>10,992</u>	<u>12,076</u>
Operations and Maintenance Fund			
Supporting services	<u>1,167</u>	<u>945</u>	<u>812</u>
Transportation Fund			
Supporting services	<u>710</u>	<u>623</u>	<u>733</u>
Municipal Retirement/Social Security Fund			
Instruction	124	181	189
Supporting services	234	289	292
Community services	6	19	20
	<u>365</u>	<u>489</u>	<u>501</u>
Debt Service Fund			
Debt services	<u>709</u>	<u>637</u>	<u>641</u>
Capital Projects Fund			
Supporting services	<u>136</u>	<u>434</u>	<u>448</u>
Tort Fund			
Supporting services	<u>167</u>	<u>227</u>	<u>162</u>
Fire Prevention and Safety Fund			
Supporting services	<u>5</u>	<u>3</u>	<u>1</u>
Total Disbursements Per Student	<u>\$ 14,757</u>	<u>\$ 14,350</u>	<u>\$ 15,374</u>
Average Daily Attendance	<u>4,541.78</u>	<u>4,679.89</u>	<u>4,468.17</u>

The foregoing summary of disbursements per student is presented on the basis of average daily attendance figures taken from District records. The accuracy of the average daily attendance figures was not investigated by the auditors. This schedule is not meant to be compared to the Operating Expense per Student at Schedule 15, rather it is a year to year comparison of total expenditures per student.

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
Teachers' Retirement System of the State of Illinois**

	<u>FY2016*</u>	<u>FY2015*</u>	<u>FY2014*</u>
District's proportion of the net pension liability	0.0109%	0.0161%	0.0161%
District's proportionate share of the net pension liability	\$ 8,618,175	\$ 10,563,636	\$ 9,799,625
State's proportionate share of the net pension liability associated with the District	216,624,968	180,088,281	168,142,841
Total	\$225,243,143	\$190,651,917	\$177,942,466
District's covered-employee payroll	\$26,075,823	\$27,858,649	\$ 27,120,627
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	33.0%	37.9%	36.1%
Plan fiduciary net position as a percentage of the total pension liability	36.4%	41.5%	43.0%

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

**SCHEDULE OF DISTRICT CONTRIBUTIONS
Teachers' Retirement System of the State of Illinois**

	<u>FY2016*</u>	<u>FY2015*</u>	<u>FY2014*</u>
Contractually-required contribution	\$ 284,894	\$ 434,556	\$ 555,336
Contributions in relation to the contractually-required contribution	288,482	434,200	566,716
Contribution deficiency (excess)	\$ 3,588	\$ 356	\$ (11,380)
District's covered-employee payroll	\$26,075,823	\$27,858,649	\$27,120,627
Contributions as a percentage of covered-employee payroll	1.1%	1.6%	2.0%

Notes to Schedules

Changes of Assumptions

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

For the 2015 measurement year, the assumed investment rate of return was 7.5 percent, including an inflation rate of 3.0 percent and a real return of 4.5 percent. 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 percent, including an inflation rate of 3.0 percent and a real return of 4.5 percent. However, salary increases were assumed to vary by age.

TRS Pension Liabilities

At June 30, 2017, 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	\$ 8,618,175
State's proportionate share of the net pension liability associated with the District	<u>216,624,968</u>
Total	<u>\$225,243,143</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 employer's proportion of the net pension liability was based on the employer'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 0.0109 percent, which is an increase of 0.0052 from its proportion measured as of June 30, 2016.

TRS 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 percent
Salary increases	Varies by amount of service credit
Investment rate of return	7.00 percent, net of pension plan investment expense, 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 7.50 percent to 7.0 percent. 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. equities large cap	14.4%	6.94%
U.S. equities small/mid cap	3.6	8.09%
International equities developed	14.4	7.46%
Emerging market equities	3.6	10.15%
U.S. bonds core	10.7	2.44%
International debt developed	5.3	1.70%
Real estate	15.0	5.44%
Commodities (real return)	11.0	4.28%
Hedge funds (absolute return)	8.0	4.16%
Private equity	14.0	10.63%
Total	<u>100.0%</u>	

TRS Discount rate

At June 30, 2016, the discount rate used to measure the total pension liability was a blended rate of 6.83 percent, which was a change from the June 30, 2015 rate of 7.47 percent. 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 percent. 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 sufficient to cover all projected benefit payments.

Sensitivity of the employer's proportionate share of the net pension liability to changes in the discount rate for TRS

The following presents the employer's proportionate share of the net pension liability calculated using the discount rate of 6.83 percent, as well as what the employer'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 percent) or 1-percentage-point higher (7.83 percent) than the current rate.

	<u>1% Decrease (5.83%)</u>	<u>Current Discount Rate (6.83%)</u>	<u>1% Increase (7.83%)</u>
District's proportionate share of the net pension liability	\$10,540,377	\$8,618,175	\$7,048,245

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*.

IMRF
Schedule of Changes in the Net Pension Liability and Related Ratios
Regular Plan

Calendar Year Ended December 31,	2016	2015	2014
Total Pension Liability			
Service Cost	\$ 1,189,020	\$1,153,453	\$ 1,211,643
Interest on the total pension liability	3,845,565	3,611,682	3,311,192
Changes of benefit terms	-	-	-
Differences between expected and actual experience of the total pension liability	703,448	380,910	(575,214)
Changes of assumptions	(132,182)	125,423	1,889,686
Benefit payments, including refunds of employee contributions	(2,145,149)	(1,922,274)	(1,681,091)
Net change in total pension liability	3,460,702	3,349,194	4,156,216
Total Pension Liability – Beginning	<u>51,889,367</u>	<u>48,540,173</u>	<u>44,383,957</u>
Total Pension Liability – End (A)	<u>\$55,350,069</u>	<u>\$51,889,367</u>	<u>\$48,540,173</u>
Plan Fiduciary Net Position			
Contributions – District	\$ 1,121,116	\$ 1,104,730	\$ 1,058,122
Contributions – Employees	498,649	482,181	465,391
Net investment income	3,157,203	235,687	2,724,435
Benefit payments, including refunds of employee contributions	(2,145,149)	(1,922,274)	(1,681,091)
Other (net transfer)	178,440	(944,953)	(3,489)
Net change in plan fiduciary net position	2,810,259	(1,044,629)	2,563,368
Plan Fiduciary Net Position – Beginning	<u>46,260,403</u>	<u>47,305,032</u>	<u>44,741,664</u>
Plan Fiduciary Net Position – Ending (B)	<u>\$49,070,662</u>	<u>\$46,260,403</u>	<u>\$47,305,032</u>
Net Pension Liability (Asset) – Ending (A) – (B)	<u>\$ 6,279,407</u>	<u>\$ 5,628,964</u>	<u>\$ 1,235,141</u>
Plan fiduciary net position as a percentage of the total pension liability	88.66%	89.15%	97.46%
Covered employee payroll	\$11,081,043	\$10,729,728	\$10,154,725
Net pension liability (asset) as a percentage of covered employee payroll	56.67%	52.46%	12.16%

Notes to Schedule:

This schedule is to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

IMRF Net Pension Liability

The District's net pension liability was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

IMRF Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2016:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Price Inflation	2.75%
Salary Increases	3.75% to 14.50%
Investment Rate of Return	7.43%
Retirement Age	Experience-based Table of Rates that are specific to the type of eligibility condition, last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.
Mortality	For non-disabled retirees, an IMRF mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates 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 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment 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 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

There were no benefit changes during the year.

A detailed description of the actuarial assumptions and methods can be found in the December 31, 2016 IMRF annual actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2016:

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	38%	6.85%
International equity	17%	6.75%
Fixed income	27%	3.00%
Real estate	8%	5.75%
Alternative investments	9%	2.65-7.35%
Cash equivalents	1%	2.25%
Total	100%	

IMRF Single Discount Rate

Single Discount Rates of 7.50% was used to measure the total pension liability. 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 Rates reflect:

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 the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.57%, and the resulting single discount rate is 7.50%.

IMRF 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 7.5%, 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 (7.50%)	1% Higher (8.50%)
Net Pension Liability (Asset) – Regular Plan	\$13,414,430	\$6,279,407	\$406,510

Schedule of District Contributions
Regular Plan

Fiscal Year Ended June 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contribution as a Percentage of Covered Employee Payroll
2017	\$1,131,852	\$1,131,510	\$ 342	\$11,143,879	10.15%
2016	\$1,106,179	\$1,104,730	\$ 1,449	\$10,729,187	10.30%
2015	\$1,059,844	\$1,058,122	\$ 1,722	\$10,171,250	10.40%

Notes to Schedule of Contributions:

*Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2016 Contribution Rate**

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine 2016 Contribution Rates:

Actuarial Cost Method:

Aggregate entry age = normal

Amortization Method:

Level percentage of payroll, closed

Remaining Amortization Period:

Non-Taxing bodies: 10-year rolling period.

Taxing bodies (Regular, SLEP and ECO groups): 27-year closed period until remaining period reaches 15 years (then 15-year rolling period).

Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI.

SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 22 years for most employers (two employers were financed over 31 years).

Asset Valuation Method:

5-year smoothed market; 20% corridor

Wage Growth:

3.50%

Price Inflation:

2.75% approximate; No explicit price inflation assumption is used in this valuation

Salary Increases:

3.75% to 14.50%, including inflation

Investment Rate of Return:

7.50%

Retirement Age:

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

Mortality:

For non-disabled retirees, 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 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 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment 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 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information:

Notes:

There were no benefit changes during the year.

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

Financial Statement Findings

Current Year Findings:

Finding No: 2017-001 (Repeat from Prior Year: Originally reported in 2016)

Criteria or specified requirement:

Revenues and expenditures should be recorded in accordance with the Illinois State Board of Education (ISBE) Title 23 of the Illinois Administrative Code, Part 100.

Condition:

The District recorded several revenues and expenditures in the incorrect fund, revenue account, function, or object. Audit adjustments were posted to correct the classifications.

Context:

Revenues – state revenues were recorded as federal and vice versa (audit adjustments of \$238,704), property tax revenues in wrong levy line (\$60,257); Expenditures – copier lease and debt service payments in wrong fund (audit adjustments of \$366,326), textbooks and capital outlay in wrong function (audit adjustments of \$675,731), equipment in wrong object (\$74,514).

Effect:

Prior to audit adjustments, the financial statements were materially incorrect, which could impact decision-making by management and the board related to budgeting and spending.

Cause:

The revenue and account classifications were not reviewed thoroughly to detect and prevent misclassifications.

Recommendation:

The District should be familiar with and refer to Title 23 of the Illinois Administrative Code, Part 100, when classifying revenues and expenditures. The revenues and expenditures should be recorded in the proper fund, revenue account, function, and object.

Financial Statement Findings

Current Year Findings:

Finding No: 2017-002

Criteria or specified requirement:

Audit adjustments should be posted correctly to the District's general ledger.

Condition:

Fiscal year 2016 audit adjustments were not posted correctly to the general ledger, causing beginning fund balances to be materially misstated prior to audit adjustments.

Context:

Beginning fund balances for fiscal year 2017 were materially incorrect: the Educational Fund was overstated \$1,086,678; the Transportation Fund was overstated \$115,417, the SS/IMRF Fund was understated \$674,976, and the Capital Projects Fund was understated \$527,119.

Effect:

Prior to audit adjustments, the financial statements were materially incorrect, which could impact decision-making by management and the board related to budgeting and spending.

Cause:

The financial statements and audit adjustments were not reviewed thoroughly to detect and prevent misclassifications.

Recommendation:

Audit adjustments should be posted correctly to the general ledger. Fund balance should be reviewed to verify all adjustments were posted correctly.

**KANKAKEE SCHOOL DISTRICT 111****DR. GENEVRA A. WALTERS**
SUPERINTENDENT**SUPERINTENDENT OF SCHOOLS**
240 WARREN AVENUE
KANKAKEE, ILLINOIS 60901-4319
(815) 802-7700 FAX (815) 936-8944**Corrective Action Plan**

Finding No. 2017-001

Condition:

The District recorded several revenues and expenditures in the incorrect fund, revenue account, function, or object. Audit adjustments were posted to correct the classifications.

Plan:

The District refer to and follow Title 23 of the Illinois Administrative Code, Part 100, when classifying revenues and expenditures. These defined accounts should be used when budgeting, creating purchase orders, paying bills, receiving payments, and recording transactions. The Assistant Superintendent of Business Services, Accounting Coordinator, and Head Bookkeeper will work collaboratively to ensure that proper accounts are used.

Anticipated Date of Completion: Immediately

Name of Contact Person: Robert Grossi, Director of Business Services



KANKAKEE SCHOOL DISTRICT 111

DR. GENEVRA A. WALTERS
SUPERINTENDENT

SUPERINTENDENT OF SCHOOLS
240 WARREN AVENUE
KANKAKEE, ILLINOIS 60901-4319
(815) 802-7700 FAX (815) 936-8944

Corrective Action Plan

Finding No. 2017-002

Condition:

Fiscal year 2016 audit adjustments were not posted correctly to the general ledger, causing beginning fund balances to be materially misstated prior to audit adjustments.

Plan:

The District will post all audit adjustments to the general ledger after the audit is presented to the Board of Education.

Anticipated Date of Completion: Upon completion of June 30, 2017 audit

Name of Contact Person: Robert Grossi, Director of Business Services