



## INDEPENDENT AUDITORS' REPORT ON THE ANNUAL FINANCIAL REPORT

Board of Education  
Geneva Community Unit School District No. 304  
Geneva, IL

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Geneva Community Unit School District No. 304, as of and for the year ended June 30, 2013, which collectively comprise the District's basic financial statements. The basic financial statements have been audited, however, they are not presented as part of this Annual Financial Report form. The basic financial statements should be read in conjunction with the following auditors' opinion. Our opinion read as follows:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Geneva Community Unit School District No. 304, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Geneva Community Unit School District No. 304's basic financial statements as listed in the table of contents.

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

Geneva Community Unit School District No. 304's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 opinions 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.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Geneva Community Unit School District No. 304, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Geneva Community Unit School District No. 304's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections 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 it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2013 on our consideration of Geneva Community Unit School District No. 304'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

## Board of Education

Geneva Community Unit School District No. 304's internal control over financial reporting and compliance.

These regulatory-based financial statements are issued to comply with regulatory provisions prescribed by the Illinois State Board of Education, which is a comprehensive basis of accounting other than, and differs from accounting principles generally accepted in the United States of America. They are intended to assure effective legislative and public oversight of school district financing and spending activities of accountable Illinois public school districts. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information provided on pages 2 through 4, supplementary schedules on pages 23 through 26, statistical section on pages 27 through 29 and the itemization schedule on page 32, Schedule of Funding Progress relative to the Illinois Municipal Retirement Fund, and Schedules for Trust and Agency Funds are presented for the purposes of additional analysis and are not a required part of the financial statements of the District. Such information, except for the average daily attendance figure, included in the computation of operating expense per pupil on page 28 and per capita tuition charges on page 29 and the Schedule of Funding Progress relative to the Illinois Municipal Retirement Fund, is the responsibility of management and has been derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 information is fairly stated in all material respects in relation to the financial statements taken as a whole. The information on pages 28-30 is propagated from information in the audited financial statements, but we take no responsibility for the accuracy of those calculations. The Report on Shared Services or Outsourcing on page 31 contains unaudited information concerning prior, current, and future year expenditures which was provided by the District. The Administrative Cost Worksheet on page 32 contains unaudited information concerning the current year budget which was provided by the District. The actual expenditure information on this page is fairly stated in all material respects in relation to the financial statements taken as a whole. The average daily attendance figure, included in the computation of operating expenses per pupil on page 28 and per capita tuition charges on page 29, and the Schedule of Funding Progress relative to the Illinois Municipal Retirement Fund, have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

A handwritten signature in cursive script that reads "Klein Hall CPAs".

Klein Hall CPAs  
Aurora, Illinois  
October 4, 2013

## GENEVA COMMUNITY UNIT SCHOOL DISTRICT No. 304

Notes to Financial Statements (continued)

June 30, 2013

---

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Geneva Community Unit School District 304 (the District) is governed by an elected Board of Education. The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the significant accounting policies, consistently applied in the preparation of the accompanying financial statements is described below.

In June 1999 the GASB unanimously approved Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

The financial statements include:

- A Management’s Discussion and Analysis (MD&A) providing an analysis of the District’s overall financial position and results of operations.
- Financial statements prepared using the full-accrual basis of accounting for all the District’s activities.
- A change in the fund financial statements to focus on major funds.

#### **a. The Reporting Entity**

The District includes all funds of its governmental operations that are controlled by or dependent upon the District as determined on a basis of financial accountability. Financial accountability includes appointment of the organization’s governing body, imposition of will, and fiscal dependency. The accompanying financial statements include only those funds and account groups of the District as there are no other organizations for which it has financial accountability.

#### **b. Fund Accounting**

The accounts of the District are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The following summarizes the fund types used by the District:

## GENEVA COMMUNITY UNIT SCHOOL DISTRICT No. 304

### Notes to Financial Statements (continued)

June 30, 2013

---

Governmental funds include the following fund types:

**General Fund** - The General Fund, which consists of the legally mandated Educational Account, Operations and Maintenance Account, Tort Immunity Account and Working Cash Account, is used to account for the revenues and expenditures, which are used in providing education in the District. It is used to account for all financial resources except those required to be accounted for in other funds.

**Educational Account** – These accounts are used for most of the instructional and administrative aspects of the District's operations, as well as providing school lunch services to students. The revenue consists primarily of local property taxes, state government aid and student registration fees and lunch receipts from the District food service program.

**Operations and Maintenance Account** – These accounts are used for expenditures made for operation, repair and maintenance of District property. Revenue consists primarily of local property taxes.

**Tort Immunity Account** – This fund accounts for revenues and expenditures related to tort immunity. Revenue is primarily derived from local property taxes.

**Working Cash Account** – This fund accounts for financial resources held by the District to be used as loans for working capital requirements to any other fund for which taxes are levied. The Working Cash Account was established and has been used to respond to fluctuations in cash flow resulting from unpredictable property tax collections. The earnings of the fund are allowed to be transferred to another fund under the Illinois Compiled Statutes. The principal of the fund, accumulated from bond issues, can be used as a source from which the District borrows money to support temporary deficiencies in other funds, or may be partially or fully transferred to the General Fund's Educational Account, upon Board approval.

**Special Revenue Funds** - Special Revenue Funds account for the proceeds of specific revenue sources (other than Debt Service and Capital Projects Funds) that are legally restricted to expenditures for specified purposes. The District's Special Revenue Funds are the Transportation and Municipal Retirement/Social Security Funds.

**Transportation Fund** – This fund accounts for the revenue and expenditures relating to student transportation, both to and from school. Revenue is derived primarily from local property taxes and state reimbursement grants.

**Municipal Retirement/Social Security Fund** – This fund accounts for the District's portion of the pension contributions to the Illinois Municipal

## GENEVA COMMUNITY UNIT SCHOOL DISTRICT No. 304

Notes to Financial Statements (continued)

June 30, 2013

---

Retirement Fund for noncertified employees and social security contributions for applicable certified and noncertified employees. Revenue to finance the contributions is derived primarily from local property taxes.

**Debt Service Funds** - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.

**Debt Service Fund** - The Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. Since there are no legal requirements on bond indentures, which mandate that a separate fund be established for each bond issue, the District maintains one Debt Service Fund for all bond issues.

### **Fiduciary Fund Type**

**Agency Funds** - The Agency Funds (Activity Funds) account for assets held by the District in trustee capacity or as an agent for student organizations. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide financial statements.

The District reports the following funds as major governmental funds:

General Fund  
Debt Service Fund

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District has adopted a policy consistent with GASB Statement No. 34 to net the interfund receivables and payables for combined totals used to determine the major funds. Consequently, the interfund loan balances, which net to zero, are not utilized to determine major funds.

## GENEVA COMMUNITY UNIT SCHOOL DISTRICT No. 304

Notes to Financial Statements (continued)

June 30, 2013

---

### c. Basis of Presentation

#### Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. All of the District's operating activities are considered "governmental activities", that is, activities that are normally supported by taxes and intergovernmental revenues. The District has no operating activities that would be considered "business activities".

The statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### **Net Position**

#### **Government-Wide Statements**

Net position is classified and displayed in three components:

1. Net investment in capital assets. Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. Restricted. Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by external groups, such as creditors, grantors, contributors, or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.
3. Unrestricted. Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

## GENEVA COMMUNITY UNIT SCHOOL DISTRICT No. 304

### Notes to Financial Statements (continued)

June 30, 2013

---

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.

#### **Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities in the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as a revenue of the current period. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenue items are considered to be measurable and available only when the District receives the cash.

#### **d. Deposits and Investments**

Investments held by the District which are short-term highly liquid investments having a remaining maturity of one year or less at the time of purchase are reported by the District at amortized cost. All other investments are reported at fair value. Gains or losses on the sale of investments are recognized upon realization. The District has adopted a formal written investment and cash management policy. The institutions in which investments are made must be approved by the Board of Education.

The District maintains a cash and investment pool that is available for use by all funds. In addition, investments may be separately held by some of the District's funds. Each fund type's portion of the deposits, unrestricted investments, and cash on hand is displayed on the combined balance sheet as "Cash and Investments", as applicable.



## **GENEVA COMMUNITY UNIT SCHOOL DISTRICT No. 304**

Notes to Financial Statements (continued)

June 30, 2013

---

### **e. Property Taxes**

The District must file its tax levy ordinance by the last Tuesday in December of each year.

The District's property tax is levied each year on all taxable real property located in the District. The owner of real property on January 1 (the lien date) in any year is liable for taxes of that year.

The Kane County Assessor is responsible for the assessment of all taxable real property within Kane County except for certain railroad property which is assessed directly by the State. The County Clerk computes the annual tax rate by dividing the levy into the assessed valuation of the taxing district. The County Clerk then computes the rate for each parcel of real property by aggregating the tax rates of all units having jurisdiction over that parcel. Property taxes are collected by the Kane County Collector who remits to the units their respective shares of the collections. Taxes levied in one year become due and payable in two installments on June 1 and September 1 during the following year. Substantial collections are received by the District in June and September.

The property tax levy receivable collected within the current year or expected to be collected within 60 days of year end to be used to pay liabilities of the current period less the taxes collected within 60 days after the end of the previous fiscal year is recognized as revenue. The tax receivable less the amount expected to be collected within 60 days of year end to be used to pay liabilities of the current period is reflected as deferred revenue. All property taxes receivable over one year old have been written off.

### **f. Personal Property Replacement Taxes**

Personal property replacement tax revenues are first allocated to the extent required by Illinois law in the Municipal Retirement/Social Security Fund with the balance allocated to funds at the discretion of the District.

### **g. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the Governmental Funds. All encumbrances are canceled at year end, and, if necessary, are reinstated at the beginning of the subsequent fiscal year.

### **h. Capital Assets**

Capital assets, which include land, buildings, improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

**GENEVA COMMUNITY UNIT SCHOOL DISTRICT No. 304**

Notes to Financial Statements (continued)

June 30, 2013

---

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings, improvements, and furniture and equipment of the District are depreciated using the straight-line method over the following estimated lives:

Assets	Years
Buildings and building improvements	40-50 years
Land Improvement	20 years
Furniture, equipment and vehicles	3-10 years

**i. Long-term obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**j. Vacation and Sick Leave**

Employee vacation and sick leave, including salary related payments, is recorded when it is paid. Accumulated unpaid employee vacation and sick leave which was earned prior to the current fiscal year but unused at the end of the current fiscal year is not significant. Vacation and sick leave is granted on a yearly basis based on employee position and years of service. Vacation and sick leave will be paid with future tax collections and therefore has not been reported as a current liability of the governmental funds.

**k. Fund Equity**

In the fund financial statements, governmental fund report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. Designations of fund balance represent tentative plans for future use of financial

**GENEVA COMMUNITY UNIT SCHOOL DISTRICT No. 304**

Notes to Financial Statements (continued)

June 30, 2013

resources that are subject to change.

**I. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE 2. CASH AND INVESTMENTS**

**Deposits and Custodial Credit Risk**

At June 30, 2013 the carrying amount of the District's deposits (excluding student activity funds of \$908,076, which include both cash and certificates of deposits totaled \$49,775,918 and the bank balances totaled \$50,343,305. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District does have a deposit policy for custodial credit risk. As of June 30, 2013, all of the District's deposits were entirely insured or collateralized.

**Investments**

At June 30, 2013, the District held the following investments:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Maturities</b>	<b>Maturities</b>	<b>% of Portfolio</b>	<b>Agency Rating</b>
		<b>(in years)</b> <b>Less than 1</b>	<b>(in years)</b> <b>1 to 5</b>		
Municipal Bond Securities	\$ 6,328,629	\$ 1,305,958	\$ 5,022,671	16.4%	AAA
Federated-Tax Free Obligation	30,651	30,651	-	0.4%	AAA
Illinois School District					
Liquid Asset Fund	6,648,891	6,648,891	-	83.3%	AAAm
<b>Total Investments</b>	<b>\$ 13,008,171</b>	<b>\$ 7,985,500</b>	<b>\$ 5,022,671</b>	<b>100.0%</b>	

The Federal Tax Free Obligation Fund is an investment pool. The value of the position in this SEC registered investment pool is the same as the value of the pool shares.

*Credit Risk.* The District's investments are rated as shown above by the applicable rating agency.

*Foreign Currency Risk.* The District held no foreign investments during the fiscal year.

*Concentration of Credit Risk.* The District places no limit on the amount the District may invest in any one issuer. More than 5 percent of the District's investments are concentrated in specific individual investments. The above table indicates the percentage of each investment to the total investments of the District.

# **GENEVA COMMUNITY UNIT SCHOOL DISTRICT No. 304**

Notes to Financial Statements (continued)

June 30, 2013

## **NOTE 3. CAPITAL ASSETS**

A summary of changes in capital assets follows:

	<b>Balance June 30, 2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2013</b>
Capital Assets, not being depreciated:				
Land	\$ 7,023,417	\$ -	\$ -	\$ 7,023,417
Total capital assets not being depreciated	7,023,417	-	-	7,023,417
Capital assets, being depreciated:				
Building	173,476,431	-	1,415,879	172,060,552
Improvements other than buildings	4,018,184	-	-	4,018,184
Equipment	11,992,147	4,457,328	346,578	16,102,897
Total capital assets being depreciated	189,486,762	4,457,328	1,762,457	192,181,633
Accumulation depreciation for:				
Buildings	47,725,324	4,124,632	1,398,030	50,451,926
Improvements other than buildings	2,296,510	168,473	-	2,464,983
Equipment	9,105,327	717,468	334,143	9,488,652
Total accumulated depreciation	59,127,161	5,010,573	1,732,173	62,405,561
Total capital assets being depreciated, net	130,359,601	(553,245)	30,284	129,776,072
<b>Total capital assets, net</b>	<b>\$ 137,383,018</b>	<b>\$ (553,245)</b>	<b>\$ 30,284</b>	<b>\$ 136,799,489</b>

Depreciation expense was charged to functions of the District as follows:

### **Instructional Services:**

Regular programs	\$ 2,254,758
Special programs	450,952
Pupils	300,634
Instructional Staff	250,529
General administration	200,423
School Administration	300,634
Business	200,423
Operations and maintenance of facilities	50,106
Transportation	952,009
Central	50,105
	<u>\$ 5,010,573</u>

# **GENEVA COMMUNITY UNIT SCHOOL DISTRICT No. 304**

Notes to Financial Statements (continued)

June 30, 2013

## **NOTE 4. GENERAL LONG TERM DEBT:**

The following is a summary of the components of long-term debt and related transactions of the District for the year ended June 30, 2013:

	<b>Balance June 30, 2012</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2012</b>	<b>Amount due in one year</b>
<b>General Obligation Bonds Payable:</b>					
Series dated September 9, 1988	\$ 6,654,851	\$ -	\$ 2,719,044	\$ 3,935,807	\$ 1,750,095
Series dated June 7, 2001	17,165,299	-	472,593	16,692,706	439,307
Series dated December 23, 2004	8,874,192	-	615,000	8,259,192	1,712,739
Series dated July 1, 2007A	85,820,000	-	-	85,820,000	-
Series dated July 1, 2007B	7,175,000	-	765,000	6,410,000	800,000
Series dated January 1, 2008A	14,585,000	-	-	14,585,000	-
Series dated March 2, 2010	2,615,000	-	-	2,615,000	5,000
Series dated November 29, 2011	8,570,000	-	-	8,570,000	-
Series dated January 31, 2012	4,165,000	-	-	4,165,000	-
Unamortized Premium	20,407,932	-	1,481,625	18,926,307	-
Other Post Employment Benefits	135,255	46,680	8,976	172,959	-
<b>Total Long-Term Debt</b>	<b>\$ 176,167,529</b>	<b>\$ 46,680</b>	<b>\$ 6,062,238</b>	<b>\$ 170,151,971</b>	<b>\$ 4,707,141</b>

Long-Term Debt at June 30, 2013 is comprised of the following:

### **Bonds Payable**

September 9, 1998, \$35,599,917 Building Bond Issue due in annual installments of \$1,018,456 to \$3,983,544 through 2016, interest rate at 5.16365%	\$3,935,807
June 7, 2001, \$19,499,905 Building Bond Issue due in annual installments of \$35,819 to \$3,607,240 through 2021, interest rate of 7.4389%	16,692,706
December 1, 2004, \$41,184,192 Building Bonds due in annual installments of \$10,000 to \$6,240,000 through 2019, interest rates of 5.00% to 9.00%	8,259,192
July 1, 2007, \$85,820,000 Site and Construction and Refunding Bond Issue due in annual installments of \$2,650,000 to \$15,705,000 through 2027, interest rates of 5.00% to 9.00%	85,820,000

**GENEVA COMMUNITY UNIT SCHOOL DISTRICT No. 304**

## Notes to Financial Statements (continued)

June 30, 2013

July 1, 2007, \$7,550,000 Refunding Bond Issue due in annual installments of \$65,000 to \$915,000 through 2021, interest rates of 4.00% to 5.00%	6,410,000
January 1, 2008, \$14,585,000 Site and Construction Bond Issue due in annual installments of \$600,000 to \$2,590,000 through 2027, interest rates of 4.00% to 5.25%	14,585,000
March 3, 2010 \$2,615,000 Refunding Bond Issue due in annual installments of \$5,000 to \$2,525,000 through 2024, interest rates of 1.95% to 5.00%	2,615,000
November 29, 2011, \$8,755,000 Refunding Bond Issue due in annual installments of \$185,000 to \$5,115,000 through 2019, interest rates of 1.00% to 4.00%.	8,570,000
January 31, 2012 \$4,165,000 Refunding Bond Issue due in annual installments of \$1,410,000 to \$2,755,000 through 2018, interest rate of 3.00%	<u>4,165,000</u>
Total Bonds Payable at June 30, 2013	<b><u>\$151,052,705</u></b>

**General Obligation Bonds Payable**

At June 30, 2013, the District's annual cash flow requirements for retirement of bond principal and interest were as follows:

**Fiscal Year Ending**

<b>June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 4,707,141	\$ 12,576,880	\$ 17,284,021
2015	5,076,870	13,635,258	18,712,128
2016	5,230,778	15,042,680	20,273,458
2017	6,317,295	15,653,645	21,970,940
2018	9,710,201	13,780,349	23,490,550
2019-2023	50,770,420	60,304,951	111,075,371
2024-2027	69,240,000	8,016,378	77,256,378
<b>Total</b>	<b>\$ 151,052,705</b>	<b>\$ 139,010,141</b>	<b>\$ 290,062,846</b>

On July 31, 2007, the District issued General Obligation Refunding School Bonds to partially advance refund a portion of the September 9, 1998 Building Bonds, the June 1, 2001 Working Cash Bonds and the December 1, 2004 Building Bonds. Proceeds of \$45,958,302 were used to purchase state and local government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded debt. As a result these bonds are considered defeased and the liability has been removed from the general long-term debt. There was no economic gain recognized.

## GENEVA COMMUNITY UNIT SCHOOL DISTRICT No. 304

### Notes to Financial Statements (continued)

June 30, 2013

---

On March 2, 2010, the District issued General Obligation Refunding School Bonds to partially advance refund a portion of the May 1, 2004 Building Bonds. Proceeds of \$2,831,703, along with the \$500,000 remitted by the District were used to purchase state and local government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded debt. As a result these bonds are considered defeased and the liability has been removed from the general long-term debt. There was no economic gain recognized.

On November 29, 2011 and January 31, 2012, the District issued General Obligation Refunding School Bonds to partially advance refund a portion of the May 1, 2004 Building Bonds. Proceeds of \$14,241,605 were used to purchase state and local government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded debt. As a result these bonds are considered defeased and the liability has been removed from the general long-term debt. There was no economic gain recognized. As of June 30, 2013, the outstanding debt considered defeased is \$34,128,387.

The District is subject to the Illinois Compiled Statutes which limits the amount of bond indebtedness, including tax anticipation warrants and the installment contracts, to 13.8% of the most recent available equalized assessed valuation of the District. As of June 30, 2013, the statutory debt limit for the District was \$177,420,309 providing a debt margin of \$37,844,286 after taking into account amounts available in the Debt Service Fund.

#### **NOTE 5. RETIREMENT FUND COMMITMENTS:**

##### **Illinois Teachers' Retirement System**

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. 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 state of Illinois maintains primary responsibility for funding the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the System's administration.

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate for the year ended June 30, 2013, was 9.4 percent of creditable earnings. The same contribution rate applies to members whose first contributing service is on or after January 1, 2011, the effective date of the benefit changes contained in Public Act 96-0889. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. The active member contribution rate was also 9.4 percent for the years ended June 30, 2012 and 2011.

The State of Illinois makes contributions directly to TRS on behalf of the District's TRS-covered employees. The District's total payroll reported to TRS for the year ended June 30, 2013 was \$34,149,281.

## GENEVA COMMUNITY UNIT SCHOOL DISTRICT No. 304

### Notes to Financial Statements (continued)

June 30, 2013

---

**On-behalf contributions.** The State of Illinois makes employer pension contributions on behalf of the District. For the year ended June 30, 2013, state of Illinois contributions were based on 28.05 percent of creditable earnings not paid from federal funds, and the District recognized revenue and expenditures of \$9,509,660 in pension contributions that the state of Illinois paid directly to TRS. For the years ended June 30, 2012, and June 30, 2011, the state of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 24.91 percent (\$8,403,574) and 23.10 percent (\$7,588,750), respectively.

The District makes other types of employer contributions directly to TRS.

**2.2 Formula Contributions.** Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ended June 30, 2013 were \$198,066. Contributions for the years ending June 30, 2012, and June 30, 2011, were \$196,476 and \$191,796, respectively.

**Federal and special trust fund contributions.** When TRS members are paid from federal and special trust funds administered by the District, there is a statutory requirement for the district to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective for 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.

For the year ended June 30, 2013, the employer pension contribution was 28.05 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2012 and 2011 the employer contribution was 24.91 and 23.10 percent of salaries paid from federal and special trust funds, respectively. For the year ended June 30, 2013, salaries totaling \$246,750 were paid from federal and special trust funds that required employer contributions of \$69,213. For the years ended June 30, 2012 and June 30, 2011, required District contributions were \$34,744 and \$50,010, respectively.

**Early Retirement Option (ERO).** The District is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the age and salary of the member.

The maximum employer ERO contribution is 117.5 percent and applies when the member is age 55 at retirement.

For the year ended June 30, 2013, the district paid \$295,601 to TRS for employer contributions under the ERO program. For the years ended June 30, 2012 and June 30, 2011, the district paid \$23,901 and \$127,784 in employer ERO contributions, respectively.



## GENEVA COMMUNITY UNIT SCHOOL DISTRICT No. 304

### Notes to Financial Statements (continued)

June 30, 2013

---

#### **Salary increases over 6 percent and excess sick leave.**

If an employer grants salary increases over 6 percent and those salaries are used to calculate a retiree's final average salary, the employer makes a contribution to TRS. The contribution will cover the difference in actuarial cost of the benefit based on actual salary increases and the benefit based on salary increases of up to 6 percent.

For the year ended June 30, 2013, the District paid \$0 to TRS for employer contributions due on salary increases in excess of 6 percent. For the years ended June 30, 2012 and 2011 the District made payments of \$1,859 and \$3,630 to TRS for employer contributions due on salary increases in excess of 6 percent, respectively.

If an employer grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary rate reported by the granting employer during the four-year sick leave review period, and the TRS total normal cost rate (17.63 percent of salary during the year ended June 30, 2013).

For the year ended June 30, 2013, the District paid \$1,170 to TRS for sick leave days granted in the excess of the normal annual allotment. For the years ended June 30, 2012 and 2011 the District made payments of \$0 and \$0 in employer contributions granted for sick leave days, respectively.

TRS financial information, an explanation of TRS benefits, and descriptions of member, employer and state funding requirements can be found in the TRS *Comprehensive Annual Financial Report* for the year ended June 30, 2012. The report for the year ended June 30, 2013, is expected to be available in late 2013. The reports may be obtained by writing to the Teachers' Retirement System of the State of Illinois, 2815 West Washington Street, P.O. Box 19253, Springfield, IL 62794-9253. The most current report is also available on the TRS Web site at <http://www.trs.illinois.gov>.

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

The District participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit post-employment healthcare plan that was established by the Illinois legislature for the benefit of 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 may participate in the state administered participating provider option plan or choose from several managed care options.

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. Effective July 1, 2012, in accordance with Executive Order 12-01, the plan is administered by the Illinois Department of Central Management Services (CMS) with the cooperation of TRS.

## GENEVA COMMUNITY UNIT SCHOOL DISTRICT No. 304

### Notes to Financial Statements (continued)

June 30, 2013

---

Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to the TRS who are not employees of the state make a contribution to 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 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 THIS Fund from active members which were 0.92 percent of pay during the year ended June 30, 2013. State of Illinois contributions were \$314,173 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, 2012 and 2011 were 0.88 percent of pay, respectively. State contributions on behalf of district employees were \$298,102, and \$291,000 respectively.

**Employer contributions to THIS Fund.** The District also makes contributions to THIS Fund. The District THIS Fund contribution was 0.69 percent during the year ended June 30, 2013 and 0.66 percent for the years ended June 30, 2012 and June 30, 2011. For the year ended June 30, 2013, the District paid \$235,630 to the THIS Fund. For the years ended June 30, 2012 and June 30, 2011, the District paid \$223,576 and \$218,250, respectively, which was 100 percent of the required contribution.

**Further Information on 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 2013 report is listed under "Central Management Services." Prior reports are available under "Healthcare and Family Services."

### **Illinois Municipal Retirement Fund**

*Plan Description.* The District's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The District's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. 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 financial report that includes financial statements and required supplementary information. That report may be obtained online at [www.imrf.org](http://www.imrf.org).

*Funding Policy.* As set by statute, the District's Regular plan members are required to contribute 4.50 percent 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 employer annual required contribution rate for calendar year 2012 was 11.00 percent. 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

**GENEVA COMMUNITY UNIT SCHOOL DISTRICT No. 304**

**Notes to Financial Statements (continued)**

**June 30, 2013**

death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

*Annual Pension Cost.* The required contribution for calendar year 2012 was \$1,012,966.

**Three-Year Trend Information for the Regular Plan**

<b>Calendar Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
12/31/2012	\$1,012,966	100%	\$9,374
12/31/2011	1,019,545	100%	9,374
12/31/2010	1,001,991	99%	9,374

The required contribution for 2012 was determined as part of the December 31, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2010, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of the Districts Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The Districts Regular plan's unfunded actuarial accrued liability at December 31, 2010 is being amortized as a level percentage of projected payroll on an open 30 year basis.

*Funded Status and Funding Progress.* As of December 31, 2012, the most recent actuarial valuation date, the Regular plan was 79.68 percent funded. The actuarial accrued liability for benefits was \$19,920,374 and the actuarial value of assets was \$15,872,105, resulting in an underfunded actuarial accrued liability (UAAL) of \$4,048,269. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was \$9,208,779 and the ratio of the UAAL to the covered payroll was 44 percent.

The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**GENEVA COMMUNITY UNIT SCHOOL DISTRICT No. 304**

Notes to Financial Statements (continued)

June 30, 2013

---

**NOTE 6. POSTEMPLOYMENT HEALTHCARE PLAN**

**Plan Description**

**Non-Certified Staff**

Non-certified retiree and their dependents are able to stay on the District's medical insurance plan until age 65 by paying 100% of the required premium. These required premiums are intended to represent the average total cost of the plan for all participants. An HMO and a PPO plan are available for retirees.

**Retiree Premiums**

As of July 1, 2012, retirees were required to pay the following monthly premiums, which are intended to cover the average cost per participant in the health insurance plan:

**HMO**

<u>Coverage</u>	<u>Monthly Premium</u>
Single	\$ 509.06
Family	1,393.00

**PPO 440**

<u>Coverage</u>	<u>Monthly Premium</u>
Single	\$ 695.50
Family	1,808.26

**PPO 750**

<u>Coverage</u>	<u>Monthly Premium</u>
Single	\$ 572.13
Family	\$1,487.51

**Implicit Employer Subsidy**

The retiree premiums under the plan are based on the average cost for all participants in the plan. The difference between the higher age-related costs for retirees and the average cost for all participants in the plan represents and employer subsidy for providing retiree health insurance benefits that needs to be accounted for under GASB Statement No. 45.

After age 65, retirees and their dependents pay the full amount of Medicare supplemental premium. We have assumed that the Medicare supplement premiums are self-supporting and that there is no implicit subsidy for Medicare eligible retirees.

**GENEVA COMMUNITY UNIT SCHOOL DISTRICT No. 304**

## Notes to Financial Statements (continued)

June 30, 2013

**Employer Contributions**

The medical plans for the District are funded on a pay-as-you-go basis.

**Annual OPEB Cost and Net OPEB Obligation**

The Annual OPEB Cost is calculated based on the Annual Required Contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of Annual OPEB Cost:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Annual Required Contribution	\$ 45,521	\$ 120,425
Interest on net OPEB obligations	6,086	6,467
Adjustment to annual required contribution	<u>(4,927)</u>	<u>(5,235)</u>
Annual OPEB Cost (expense)	46,680	121,657
Contributions made by the District	<u>(8,976)</u>	<u>(130,109)</u>
Increase (Decrease) in net OPEB obligation	37,704	(8,452)
Net OPEB obligation - Beginning of Year	<u>135,255</u>	<u>143,707</u>
Net OPEB obligation - End of Year	<u>\$ 172,959</u>	<u>\$ 135,255</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the Net OPEB obligation at the end of the year is as follows:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Annual OPEB cost (expense)	\$ 46,680	\$ 121,657
Percentage of Annual OPEB Cost Contributed	27.0%	89.9%
Net OPEB Obligation - End of Year	\$ 172,959	\$ 135,255

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the

## GENEVA COMMUNITY UNIT SCHOOL DISTRICT No. 304

### Notes to Financial Statements (continued)

June 30, 2013

---

time of the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

#### **Valuation Method**

The method used for the medical and dental benefit plans is called the projected Unit Credit Method. According to this method an equal amount of an employee's projected benefit is allocated to each year from the date the employee first enters the plan until the date the employee is first eligible to receive benefits.

#### **Valuation of Assets**

There are no assets that have been set aside to fund the liabilities for this plan. These plans are funded on a pay-as-you-go basis.

#### **Eligible Plan Participants**

All active and retired employees who are participants in the medical and dental benefit plans as of the date this valuation was performed are included in the calculations in this report.

#### **Actuarial Assumptions**

These are the actuarial assumptions used for this valuation.

Valuation Date	June 30, 2012
Interest Rate	4.5%
The Interest Rate Assumption includes an Inflation	
Rate Assumption of 3.0%	
Healthcare cost trend rate	8.0%
Amortization Method	Level percent of Payroll
Amortization Period for Actuarial Accrued Liability	30 Years

#### **NOTE 7. FUND BALANCE**

According to Government Accounting Standards, fund balances are to be classified into five major classifications; Nonspendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance.

##### **A. Nonspendable Fund Balance**

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be

# GENEVA COMMUNITY UNIT SCHOOL DISTRICT No. 304

## Notes to Financial Statements (continued)

June 30, 2013

---

maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example inventories and prepaid amounts.

### B. Restricted Fund Balance

The restricted fund balance classification refers to amounts that are subject to outside restrictions, not controlled by the entity. Things such as restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Special Revenue Funds are by definition restricted for those specified purposes. The District has several revenue sources received within different funds that also fall into these categories –

#### 1. Special Education

Revenues and the related expenditures of this restricted tax levy are accounted for in the Educational Account. Expenditures exceeded revenue for this purpose, resulting in no restricted fund balance.

#### 2. Tort Immunity Account

Expenditures and the related revenues are accounted for in the Tort Immunity Account. Revenues exceeded expenditures for this purpose, resulting in a restricted fund balance of x.

#### 3. State and Federal Grants

Proceeds from state and federal grants and the related expenditures have been included in the General Fund and various Special Revenue Funds. At June 30, 2013, expenditures exceeded revenue from state and federal grants, resulting in no restricted balances.

#### 4. Social Security

Expenditures and the related revenues of this restricted tax levy are accounted for in the Municipal Retirement/Social Security Fund. Revenues received exceeded expenditures for this purpose, resulting in a restricted fund balance \$1,012,918. The remaining balance is restricted for Municipal Retirement purposes.

#### 5. Capital Projects Funds

Expenditures and the related revenues are accounted for in the Capital Projects and Fire Prevention and Safety Funds. All equity within these funds are restricted for the associated capital expenditures within these funds.

**GENEVA COMMUNITY UNIT SCHOOL DISTRICT No. 304**

## Notes to Financial Statements (continued)

June 30, 2013

**C. Committed Fund Balance**

The committed fund balance classification refers to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority (the School Board). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of formal action it employed to previously commit those amounts.

No committed balances existed as of June 30, 2013.

**D. Assigned Fund Balance**

The assigned fund balance classification refers to the amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted or committed. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

No assigned balances existed as of June 30, 2013.

**E. Unassigned Fund Balance**

The unassigned fund balance classification is the residual classification for amounts in the General Operating Funds for amounts that have not been restricted, committed, or assigned to specific purposes within the General Funds.

**F. Reconciliation of Fund Balance Reporting**

Fund	Nonspendable	Restricted	Committed	Assigned	Unassigned
Educational	\$ -	\$ -	\$ -	\$ -	\$ 20,970,638
Operations & Maintenance	-	-	-	-	7,694,150
Debt Service	-	11,476,682	-	-	-
Transportation	-	4,031,329	-	-	-
Municipal Retirement/Social Security	-	2,220,824	-	-	-
Working Cash	-	-	-	-	14,204,948
Tort Liability	-	36,751	-	-	-

**G. Expenditures of Fund Balance**

Unless specifically identified, expenditures disbursed act to reduce restricted balances first, then committed balances, next assigned balances, and finally act to reduce unassigned balances. Expenditures disbursed for a specifically identified purpose will act to reduce the specific classification of fund balance that is identified.



## **GENEVA COMMUNITY UNIT SCHOOL DISTRICT No. 304**

### **Notes to Financial Statements (continued)**

June 30, 2013

---

#### **NOTE 8. COMMON BANK ACCOUNT**

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.

#### **NOTE 9. PERMANENT TRANSFERS**

Interest earned in the General Fund's Operations and Maintenance Account, Debt Service Fund, Transportation Fund and Working Cash Fund was permanently transferred to the General Fund's Educational Account in the amount of \$6,696, \$7,740, \$3,116 and \$14,432, respectively. In addition, \$4,990,000 was transferred from the General Fund's Education Account to the Debt Service Fund. These transfers have been reported as operating transfers at June 30, 2013.

These transfers were made to provide additional operating funds to the General Fund's Educational Account and to fund an abatement of property taxes to the Debt Service Fund.

#### **NOTE 10. RISK MANAGEMENT**

The District has purchased insurance through a risk pool (see Note 11) and from private insurance companies. Risks covered include general liability, workers compensation and other. Premiums have been displayed as expenditures in appropriate funds. No significant reductions in insurance coverage have occurred from the prior year, and no settlements have been made in the last three years which exceeded any insurance coverage.

#### **NOTE 11. COLLECTIVE LIABILITY INSURANCE COOPERATIVE (CLIC)**

The District is a member of CLIC, which has been formed to provide casualty, workman's compensation, property and liability protections and to administer some or all insurance coverages and protection other than health, life and accident coverages procured by the member districts. It is intended, by the creation of CLIC to allow a member District to equalize annual fluctuations in insurance costs by establishing a program whereby reserves may be created and temporary deficits of individual Districts covered and to ultimately equalize the risks and stabilize the costs of providing casualty, property and liability protections. If, during any fiscal year, the funds on hand in the account of CLIC are not sufficient to pay expenses of administration, the Board of Directors shall require supplementary payment from all members. Such payment shall be made in the same proportion as prior payments during that year to CLIC. Complete financial statements for CLIC can be obtained from its administrator, 1441 Lake Street, Libertyville, IL 60048.

**GENEVA COMMUNITY UNIT SCHOOL DISTRICT No. 304**

Notes to Financial Statements (concluded)

June 30, 2012

---

**NOTE 12. JOINT AGREEMENTS**

The District is a member of Mid-Valley Special Education Joint Agreement and Fox Valley Career Center, joint agreements that provide certain special education and vocational education services to residents of many school districts. The District believes that because it does not control the selection of the governing authority, and because of the control over employment of management personnel, operations, scope of public service and special financing relationships exercised by the joint agreement governing boards, these are not included as components units of the District.

**Geneva Community Unit  
School District No. 304**

**Required Communication Letters  
Year Ended June 30, 2013**

## Table of Contents

1. 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*
2. Management Comments
3. Communication with Those Charged with Governance



**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  
Geneva Community Unit School District No. 304  
Geneva, IL

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Geneva Community Unit School District No. 304 as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Geneva Community Unit School District No. 304's basic financial statements, and have issued our report thereon dated October 4, 2013.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Geneva Community Unit School District No. 304'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 Geneva Community Unit School District No. 304's internal control. Accordingly, we do not express an opinion on the effectiveness of Geneva Community Unit School District No. 304'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.

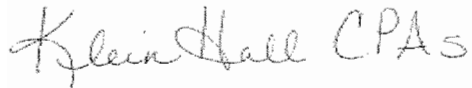
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given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

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Geneva Community Unit School District No. 304's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

A handwritten signature in cursive script that reads "Klein Hall CPAs".

Klein Hall CPAs  
Aurora, Illinois  
October 4, 2013



Board of Education  
Geneva Community Unit School District No. 304  
Geneva, IL

We have audited the financial statements of Geneva Community Unit School District No. 304 for the year ended June 30, 2013 and have issued our report thereon dated October 4, 2013.

As stated in our report on internal accounting controls, our study and evaluation disclosed no material weaknesses in your accounting system.

We would, however, like to address the following items and offer recommendations for your consideration:

Federal Program Salary Documentation

We noted that current documentation maintained by the District to support its allocations of salary costs to federal grant programs does not fully comply with the requirements stated in OMB Circular A-87. This circular requires that any employees who are paid with federal funds must prepare monthly time sheets to document their participation in the federal program.

We recommend the District review the circular and establish a system to adhere to the related requirements for federal salary cost documentation.

Positive Attributes

Although the general purpose of this letter is to cover only matters needing consideration, we believe it is also important to point out that there are many positive attributes of the District's financial management systems, which are not specifically covered herein.

We would like to take this opportunity to thank the Business Office and their personnel for the cooperation and courtesies extended to us during our audit.

This report is intended solely for management and should not be used for any other purposes.

Sincerely,

A handwritten signature in cursive script that reads 'Klein Hall CPAs'.

Klein Hall CPAs  
Aurora, Illinois  
October 4, 2013



## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Board of Education  
Geneva Community Unit School District No. 304  
Geneva, Illinois

We have audited the financial statements of Geneva Community Unit School District No. 304 as of and for the year ended June 30, 2013, and have issued our report thereon dated October 4, 2013. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards**

As communicated in our engagement letter dated February 20, 2013, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

In planning and performing our audit, we considered Geneva Community Unit School District No. 304's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Geneva Community Unit School District No. 304's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 is not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Geneva Community Unit School District No. 304's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on Geneva Community Unit School District No. 304's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Geneva Community Unit School District No. 304's compliance with those requirements.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.



## **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

## **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Geneva Community Unit School District No. 304 is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended June 30, 2013. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are the IMRF and OPEB actuarial accrued liabilities:

Management's estimate of the IMRF and OPEB actuarial accrued liabilities is based on actuarial valuations. We evaluated the key factors and assumptions used to develop the IMRF and OPEB actuarial accrued liabilities in determining that it is reasonable in relation to the financial statements taken as a whole.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Geneva Community Unit School District No. 304's financial statements relate to: revenue recognition, contingencies, and fair value estimates.

## **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Geneva Community Unit School District No. 304's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated October 4, 2013.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with Geneva Community Unit School District No. 304, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Geneva Community Unit School District No. 304's auditors.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Board of Education and management of Geneva Community Unit School District No. 304 and is not intended to be and should not be used by anyone other than these specified parties.



Klein, Hall CPAs  
Aurora, Illinois  
October 4, 2013