

**MERIDIAN COMMUNITY UNIT
SCHOOL DISTRICT NO. 223
Stillman Valley, Illinois**

Annual Financial Report

June 30, 2014

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

* * * * *

BOARD OF EDUCATION

John Smith, President, to April 2015
Bruce Larson, Vice-President, to April 2015
Kevin Glendenning, Member, to April 2017
Tim Flynn, Member, to April 2015
Tim DeVries, Member, to April 2017
Marsha Welden, Member, to April 2017
Kristine Youman, Member, to April 2015

* * * * *

SECRETARY

Elaine Nicholson

* * * * *

TREASURER

Sunny Williams

* * * * *

SUPERINTENDENT

Phillip J Caposey

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Annual Financial Report
June 30, 2014

Table of Contents

	Page
Independent Auditor's Report	1-3
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 <i>Government Auditing Standards</i>	4-6
Financial Statements	
Statements of Assets and Liabilities Arising From Cash Transactions	7
Statements of Revenue Received, Expenditures Disbursed, Other Financing Sources (Uses) and Changes in Fund Balances	8
Educational Fund	
Statement of Revenue Received – Actual and Budget	9-12
Statement of Expenditures Disbursed – Actual and Budget	13-19
Operations and Maintenance Fund	
Statement of Revenue Received – Actual and Budget	20-21
Statement of Expenditures Disbursed – Actual and Budget	22
Debt Services Fund	
Statement of Revenue Received – Actual and Budget	23
Statement of Expenditures Disbursed – Actual and Budget	24
Transportation Fund	
Statement of Revenue Received – Actual and Budget	25
Statement of Expenditures Disbursed – Actual and Budget	26
Municipal Retirement/Social Security Fund	
Statement of Revenue Received – Actual and Budget	27
Statement of Expenditures Disbursed – Actual and Budget	28-30
Capital Projects Fund	
Statement of Revenue Received – Actual and Budget	31
Statement of Expenditures Disbursed – Actual and Budget	32
Working Cash Fund	
Statement of Revenue Received – Actual and Budget	33
Tort Fund	
Statement of Revenue Received – Actual and Budget	34
Statement of Expenditures Disbursed – Actual and Budget	35
Fire Prevention and Safety Fund	
Statement of Revenue Received – Actual and Budget	36
Statement of Expenditures Disbursed – Actual and Budget	37
Agency Funds	
Activity Funds and Trust Funds – Statement of Assets and Liabilities Arising From Cash Transactions	38
Notes to Financial Statements	39-66

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Annual Financial Report
June 30, 2014

Table of Contents

Other Information	
Illinois Municipal Retirement Fund	
Defined Benefit Pension Plan	
Schedule of Funding Progress	67
Supplemental Information	
Activity Fund	
Statement of Operating Revenues Received and	
Expenditures Disbursed	68-70
Federal Stimulus-American Recovery and Reinvestment Act (ARRA) of 2009	
Detailed Schedule of Receipts and Disbursements	71
Schedule of Average Daily Attendance, Operating Expense	
Per Pupil and Total Operating Expense	72
Annual Federal Financial Compliance Report (Cover Sheet)	73
LEA Schedule of Expenditures of Federal Awards	74-77
Notes to LEA Schedule of Expenditures of Federal Awards	78
Schedule of Findings and Questioned Costs:	
Section I: Summary of Auditor's Results	79
Section II: Financial Statement Findings	80-82
Section III: Federal Award Findings and Questioned Costs	83-88
Summary Schedule of Prior Audit Findings	89
Corrective Action Plan for Current Year Audit Findings	90-98
Independent Auditor's Report on Compliance with	
Requirements Applicable to Each Major Program	
and on Internal Control Over Compliance in	
Accordance With OMB Circular A-133	99-102



BENNING GROUP, LLC

CERTIFIED PUBLIC ACCOUNTANTS

www.BenningGroup.com

Independent Auditor's Report

Board of Education
Meridian Community Unit School District No. 223
Ogle County, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Meridian Community Unit School District No. 223, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Illinois State Board of Education. 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 of 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.

50 W. Douglas Street, Suite 801
Freeport, Illinois 61032
(815) 235-3157
Fax (815) 235-3158

6785 Weaver Road, Suite 2A
Rockford, Illinois 61114
(815) 316-2375
Fax (815) 316-2389

1809 10th Street
Monroe, Wisconsin 53566
(608) 325-5035
Fax (608) 328-2843

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

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

As described more fully in Note 1, the financial statements are prepared by Meridian Community Unit School District No. 223 on the cash basis of financial reporting as prescribed or permitted by the Illinois State Board of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Illinois State Board of Education. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Meridian Community Unit School District No. 223, as of June 30, 2014, or the changes in its financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets and liabilities arising from cash transactions of Meridian Community Unit School District No. 223 as of June 30, 2014, and their respective revenue received and expenditures disbursed, and budgetary results for the year then ended, on the basis of the financial reporting provisions of the Illinois State Board of Education as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Meridian Community Unit School District No. 223’s financial statements. The information listed in the table of contents as “Other Information”, which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has 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 it.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules listed in the table of contents as “Supplemental Information” are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of Meridian Community Unit School District No. 223. The “Supplemental Information” and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 on the basis of accounting as described in Note 1.

The 2013 comparative information shown in the Schedule of Expenditures of Federal Awards was subjected to the auditing procedures applied by us and our report dated November 13, 2013 expressed an unqualified opinion that such information was fairly stated in all material respects in relation to the 2013 financial statements taken as a whole on the basis of accounting as described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2014, on our consideration of Meridian Community Unit School District No. 223’s internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Meridian Community Unit School District No. 223’s internal control over compliance.

A handwritten signature in black ink that reads "Benning Group, LLC". The signature is written in a cursive, flowing style.

Freeport, Illinois
December 10, 2014



BENNING GROUP, LLC

CERTIFIED PUBLIC ACCOUNTANTS

www.BenningGroup.com

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
Meridian Community Unit School District No. 223
Ogle County, Illinois

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 Meridian Community Unit School District No. 223 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Meridian Community Unit School District No. 223's financial statements, and have issued our report thereon dated December 10, 2014. Our opinion was adverse because the financial statements are not prepared in accordance with generally accepted accounting principles. However, the financial statements were found to be fairly stated, on the cash basis of accounting, in accordance with regulatory reporting requirements established by the Illinois State Board of Education, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Meridian Community Unit School District No. 223'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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

50 W. Douglas Street, Suite 801
Freeport, Illinois 61032
(815) 235-3157
Fax (815) 235-3158

6785 Weaver Road, Suite 2A
Rockford, Illinois 61114
(815) 316-2375
Fax (815) 316-2389

1809 10th Street
Monroe, Wisconsin 53566
(608) 325-5035
Fax (608) 328-2843

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness as identified in Finding 2014-003.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency as identified in Finding 2014-001.

We also noted certain other matters involving the internal control over financial reporting that we reported to management of Meridian Community Unit School District No. 223 in a separate letter dated December 10, 2014.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Meridian Community Unit School District No. 223's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

We noted certain immaterial instances of noncompliance that we reported to management of Meridian Community Unit School District No. 223 in a separate letter dated December 10, 2014.

District's Response to Findings

Meridian Community Unit School District No. 223's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Meridian Community Unit School District No. 223's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 District's internal control and compliance. Accordingly, this communication is not suited for any other purpose.

A handwritten signature in black ink that reads "Benning Group, LLC". The script is cursive and fluid, with the letters "B", "G", and "L" being particularly large and stylized.

Freeport, Illinois
December 10, 2014

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Statements of Assets and Liabilities Arising from Cash Transactions June 30, 2014

ASSETS

	Educational	Operations & Maintenance	Debt Services	Transpor- tation	Municipal Retirement/ Social Security	Capital Projects	Working Cash	Tort	Fire Prevention & Safety	Agency Funds	General Fixed Assets	General Long-Term Debt
Current Assets												
Cash	\$ 1,484,966	\$ -	\$ 94,897	\$ 517,515	\$ 96,404	\$ 288,132	\$ 137,579	\$ 42	\$ 145,848	\$ 269,971	\$ -	\$ -
Investments	2,304,669	-	-	-	-	-	-	-	-	-	-	-
Interfund Receivable	-	-	-	-	-	-	-	-	-	-	-	-
Total current assets	3,789,635	-	94,897	517,515	96,404	288,132	137,579	42	145,848	269,971	-	-
Capital Assets												
Land	-	-	-	-	-	-	-	-	-	-	2,569,982	-
Building & building improvements	-	-	-	-	-	-	-	-	-	-	24,465,971	-
Site improvements & infrastructure	-	-	-	-	-	-	-	-	-	-	1,115,249	-
Capitalized equipment	-	-	-	-	-	-	-	-	-	-	3,936,722	-
Amount available in debt service funds	-	-	-	-	-	-	-	-	-	-	-	94,897
Amount to be provided for payment on long-term debt	-	-	-	-	-	-	-	-	-	-	-	9,204,694
Total assets	3,789,635	\$ -	\$ 94,897	\$ 517,515	\$ 96,404	\$ 288,132	\$ 137,579	\$ 42	\$ 145,848	\$ 269,971	\$ 32,087,924	\$ 9,299,591

LIABILITIES AND FUND BALANCES

LIABILITIES												
Current Liabilities												
Deficit of cash	\$ -	\$ 3,042	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other payables	11,702	-	-	-	-	-	-	-	-	-	-	-
Salaries and benefits payable	(14)	-	-	-	-	-	-	-	-	-	-	-
Payroll deductions & withholdings	(29,669)	(11,100)	-	(11,692)	(2,301)	-	-	-	-	-	-	-
Due to activity fund organizations	-	-	-	-	-	-	-	-	-	269,971	-	-
Total current liabilities	(17,981)	(8,058)	-	(11,692)	(2,301)	-	-	-	-	269,971	-	-
Long-term Liabilities												
Long-term debt payable	-	-	-	-	-	-	-	-	-	-	-	9,299,591
Total long-term liabilities	-	-	-	-	-	-	-	-	-	-	-	9,299,591
Total liabilities	(17,981)	(8,058)	-	(11,692)	(2,301)	-	-	-	-	269,971	-	9,299,591
FUND BALANCES												
Reserved fund balances	802,705	-	-	-	15,596	-	-	-	-	-	-	-
Unreserved fund balances	3,004,911	8,058	94,897	529,207	83,109	288,132	137,579	42	145,848	-	-	-
Investments in general fixed assets	-	-	-	-	-	-	-	-	-	-	32,087,924	-
Total fund balances	3,807,616	8,058	94,897	529,207	98,705	288,132	137,579	42	145,848	-	32,087,924	-
Total liabilities and fund balances	\$ 3,789,635	\$ -	\$ 94,897	\$ 517,515	\$ 96,404	\$ 288,132	\$ 137,579	\$ 42	\$ 145,848	\$ 269,971	\$ 32,087,924	\$ 9,299,591

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Statements of Revenue Received, Expenditures Disbursed, Other Sources (Uses) and Changes in Fund Balances Year ended June 30, 2014

	Educational		Operations & Maintenance		Debt Services		Transpor- tation		Municipal Retirement/ Social Security		Capital Projects		Working Cash		Tort		Fire Prevention & Safety	
REVENUE																		
Local sources	\$	5,395,366	\$	859,067	\$	1,900,521	\$	329,258	\$	585,274	\$	1,962	\$	1,912	\$	217,112	\$	79,569
Flow through sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State sources	6,136,802		23,773		-	-	870,136		-	-	-	-	-	-	-	-	-	-
Federal sources	671,263		-		-	-	-		-	-	-	-	-	-	-	-	-	-
Total direct revenue	12,203,431		882,840		1,900,521		1,199,394		585,274		1,962		1,912		217,112		79,569	
Revenue for on-behalf payments	2,659,101		-		-		-		-		-		-		-		-	
Total revenue	\$	14,862,532	\$	882,840	\$	1,900,521	\$	1,199,394	\$	585,274	\$	1,962	\$	1,912	\$	217,112	\$	79,569
EXPENDITURES																		
Instruction	\$	8,415,901	\$	-	\$	-	\$	-	\$	193,952	\$	-	\$	-	\$	-	\$	-
Support services	3,319,632		1,520,687		-	-	907,859		384,498		-	-	-	-	217,070		158,634	
Community services	7,315		-		-	-	-		13		-	-	-	-	-		-	
Payments to other districts & gov't units	522,957		-		-	-	6,181		-		-	-	-	-	-		-	
Debt service	-		-		2,035,161		57,922		-		-	-	-	-	-		-	
Total direct expenditures	12,265,805		1,520,687		2,035,161		971,962		578,463		-		-		217,070		158,634	
Expenditures for on-behalf payments	2,659,101		-		-		-		-		-		-		-		-	
Total expenditures	14,924,906		1,520,687		2,035,161		971,962		578,463		-		-		217,070		158,634	
Excess of direct revenue over (under) direct expenditures	\$	(62,374)	\$	(637,847)	\$	(134,640)	\$	227,432	\$	6,811	\$	1,962	\$	1,912	\$	42	\$	(79,065)
OTHER SOURCES (USES) OF FUNDS																		
Abolishment/abatement of the working cash fund	\$	-	\$	-	\$	207,501	\$	-	\$	-	\$	-	\$	(207,501)	\$	-	\$	-
Transfer among funds	(595,000)		595,000		-	-	-		-		-	-	-	-	-		-	-
Transfer of interest	-		-		-	-	-		-		-	-	-	-	-		-	-
Sale or compensation for fixed assets	-		-		-	-	48,000		-		-	-	-	-	-		-	-
Other sources (uses) not classified elsewhere	(21,668)		-		-	21,668	-		-		-	-	-	-	-		-	-
Total other sources (uses) of funds	(616,668)		595,000		229,169		48,000		-		-	-	(207,501)		-		-	-
Excess of revenues and other sources of funds over (under) expenditures and other uses of funds	(679,042)		(42,847)		94,529		275,432		6,811		1,962		(205,589)		42		(79,065)	
FUND BALANCES - July 1, 2013	4,486,658		50,905		368		253,775		91,894		286,170		343,168		-		224,913	
FUND BALANCES - June 30, 2014	\$	3,807,616	\$	8,058	\$	94,897	\$	529,207	\$	98,705	\$	288,132	\$	137,579	\$	42	\$	145,848

See accompanying notes to financial statements.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Educational Fund

**Statement of Revenue Received - Actual and Budget
Year ended June 30, 2014**

	<u>Actual</u>	<u>Budget</u>	<u>Actual over (under) Budget</u>
REVENUE FROM LOCAL SOURCES			
Ad valorem taxes levied by local education agency:			
Designated purposes levies	\$ 4,383,205	\$ 4,205,442	\$ 177,763
Special education purposes levy	<u>63,071</u>	<u>51,231</u>	<u>11,840</u>
Total ad valorem taxes levied by district	<u>4,446,276</u>	<u>4,256,673</u>	<u>189,603</u>
Payments in lieu of taxes:			
Mobile home privilege tax	14	-	14
Corporate personal property replacement taxes	<u>206,169</u>	<u>113,000</u>	<u>93,169</u>
Total payments in lieu of taxes	<u>206,183</u>	<u>113,000</u>	<u>93,183</u>
Tuition:			
Regular - tuition from other districts (in state)	<u>8,400</u>	<u>11,500</u>	<u>(3,100)</u>
Total tuition	<u>8,400</u>	<u>11,500</u>	<u>(3,100)</u>
Earnings on investments:			
Interest on investments	<u>10,363</u>	<u>15,000</u>	<u>(4,637)</u>
Total earnings on investments	<u>10,363</u>	<u>15,000</u>	<u>(4,637)</u>
Food service:			
Sales to pupils - lunch	403,121	198,000	205,121
Sales to pupils - a la carte	-	230,500	(230,500)
Sales to adults	8,694	7,700	994
Other food service	<u>1,751</u>	<u>8,200</u>	<u>(6,449)</u>
Total food service	<u>413,566</u>	<u>444,400</u>	<u>(30,834)</u>
District/school activity income:			
Admissions - athletic	36,971	36,200	771
Fees	208,673	133,815	74,858
Book store sales	<u>27</u>	<u>101</u>	<u>(74)</u>
Total district/school activity income	<u>245,671</u>	<u>170,116</u>	<u>75,555</u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Educational Fund

Statement of Revenue Received - Actual and Budget
Year ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Actual over (under) Budget</u>
REVENUE FROM LOCAL SOURCES (CONTINUED)			
Other revenue from local sources:			
Rentals	2,495	1,280	1,215
Drivers' education fees	8,151	-	8,151
Other local fees	-	42,300	(42,300)
Other local revenues	<u>54,261</u>	<u>210</u>	<u>54,051</u>
Total other revenue from local sources	<u>64,907</u>	<u>43,790</u>	<u>21,117</u>
Total revenue from local sources	<u>\$ 5,395,366</u>	<u>\$ 5,054,479</u>	<u>\$ 340,887</u>
FLOW-THROUGH RECEIPTS/REVENUE FROM ONE DISTRICT TO ANOTHER DISTRICT			
Total flow-through receipts/revenue from one district to another district	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
REVENUE FROM STATE SOURCES			
Unrestricted grants-in-aid:			
General state aid - Sec. 18-8.05	<u>\$ 5,332,837</u>	<u>\$ 5,086,164</u>	<u>\$ 246,673</u>
Total unrestricted grants-in-aid	<u>5,332,837</u>	<u>5,086,164</u>	<u>246,673</u>
Restricted grants-in-aid:			
Special education			
Extraordinary	296,457	315,000	(18,543)
Personnel	314,181	260,000	54,181
Orphanage - individual	11,524	45,500	(33,976)
Summer school	<u>1,925</u>	<u>-</u>	<u>1,925</u>
Total special education	<u>624,087</u>	<u>620,500</u>	<u>3,587</u>
Career and technical education (CTE)			
Secondary program improvement	21,630	-	21,630
Agricultural education	<u>2,070</u>	<u>2,500</u>	<u>(430)</u>
Total career and technical education	<u>23,700</u>	<u>2,500</u>	<u>21,200</u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Educational Fund

Statement of Revenue Received - Actual and Budget
Year ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Actual over (under) Budget</u>
REVENUE FROM STATE SOURCES (CONTINUED)			
Restricted grants-in-aid (continued):			
Bilingual education			
Bilingual ed - downstate - TPI and TBE	<u>19,961</u>	<u>11,000</u>	<u>8,961</u>
Total bilingual education	<u>19,961</u>	<u>11,000</u>	<u>8,961</u>
State free lunch and breakfast	3,746	5,800	(2,054)
Driver education	18,370	19,600	(1,230)
Truant alternative/optional education	-	4,150	(4,150)
Early childhood - block grant	110,243	102,500	7,743
Other restricted revenue from state sources	<u>3,858</u>	<u>10,000</u>	<u>(6,142)</u>
Total restricted grants-in-aid	<u>803,965</u>	<u>776,050</u>	<u>27,915</u>
Total revenue from state sources	<u>\$ 6,136,802</u>	<u>\$ 5,862,214</u>	<u>\$ 274,588</u>
REVENUE FROM FEDERAL SOURCES			
Restricted grants-in-aid received directly from federal gov't:			
Other restricted grants-in-aid received directly from federal gov't	<u>\$ 137,574</u>	<u>\$ 101,000</u>	<u>\$ 36,574</u>
Total other restricted grants-in-aid received directly from federal gov't	<u>137,574</u>	<u>101,000</u>	<u>36,574</u>
Restricted grants-in-aid received from federal government through the state:			
Food service			
National school lunch program	215,843	193,700	22,143
School breakfast program	<u>30,858</u>	<u>34,600</u>	<u>(3,742)</u>
Total food service	<u>246,701</u>	<u>228,300</u>	<u>18,401</u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Educational Fund

Statement of Revenue Received - Actual and Budget
Year ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Actual over (under) Budget</u>
REVENUE FROM FEDERAL SOURCES (CONTINUED)			
Restricted grants-in-aid received from federal government through the state (continued):			
Title I			
Low income	<u>123,533</u>	<u>129,000</u>	<u>(5,467)</u>
Total Title I	<u>123,533</u>	<u>129,000</u>	<u>(5,467)</u>
Federal - special education			
Preschool flow-through	5,975	8,500	(2,525)
IDEA - flow-through / low incidence	<u>83,637</u>	<u>120,000</u>	<u>(36,363)</u>
Total federal - special education	<u>89,612</u>	<u>128,500</u>	<u>(38,888)</u>
Stimulus programs			
Other ARRA funds XI	<u>-</u>	<u>8,000</u>	<u>(8,000)</u>
Total stimulus programs	<u>-</u>	<u>8,000</u>	<u>(8,000)</u>
Title III - english language acquisition	13,364	8,500	4,864
McKinney education for homeless children	391	-	391
Title II - teacher quality	44,300	49,000	(4,700)
Medicaid matching funds - administrative outreach	357	25,000	(24,643)
Medicaid matching funds - fee-for-service program	<u>15,431</u>	<u>21,800</u>	<u>(6,369)</u>
Total revenue from federal sources	<u>\$ 671,263</u>	<u>\$ 699,100</u>	<u>\$ (27,837)</u>
Total direct revenue	<u><u>\$ 12,203,431</u></u>	<u><u>\$ 11,615,793</u></u>	<u><u>\$ 587,638</u></u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Educational Fund

Statement of Expenditures Disbursed - Actual and Budget
Year ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Actual over (under) Budget</u>
INSTRUCTION			
Regular programs:			
Salaries	\$ 4,610,529	\$ 4,456,662	\$ 153,867
Employee benefits	1,099,793	1,043,084	56,709
Purchased services	773	991	(218)
Supplies and materials	135,870	125,103	10,767
Capital outlay	11,280	10,565	715
Termination benefits	<u>-</u>	<u>6,541</u>	<u>(6,541)</u>
Total regular programs	<u>5,858,245</u>	<u>5,642,946</u>	<u>215,299</u>
Special education programs:			
Salaries	978,714	1,004,048	(25,334)
Employee benefits	180,787	158,725	22,062
Purchased services	356	-	356
Supplies and materials	<u>13,897</u>	<u>9,695</u>	<u>4,202</u>
Total special education programs	<u>1,173,754</u>	<u>1,172,468</u>	<u>1,286</u>
Remedial and supplemental programs:			
Salaries	148,067	170,250	(22,183)
Employee benefits	<u>27,262</u>	<u>57,340</u>	<u>(30,078)</u>
Total remedial and supplemental programs	<u>175,329</u>	<u>227,590</u>	<u>(52,261)</u>
CTE programs:			
Salaries	373,561	443,420	(69,859)
Employee benefits	97,358	109,008	(11,650)
Supplies and materials	<u>9,153</u>	<u>8,565</u>	<u>588</u>
Total CTE programs	<u>480,072</u>	<u>560,993</u>	<u>(80,921)</u>
Interscholastic programs:			
Salaries	357,915	343,571	14,344
Employee benefits	54,143	41,339	12,804
Purchased services	68,972	86,477	(17,505)
Supplies and materials	66,822	207,274	(140,452)
Capital outlay	<u>-</u>	<u>2,000</u>	<u>(2,000)</u>
Total interscholastic programs	<u>547,852</u>	<u>680,661</u>	<u>(132,809)</u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Educational Fund

**Statement of Expenditures Disbursed - Actual and Budget
Year ended June 30, 2014**

	<u>Actual</u>	<u>Budget</u>	<u>Actual over (under) Budget</u>
INSTRUCTION (CONTINUED)			
Summer school programs:			
Salaries	14,033	16,905	(2,872)
Employee benefits	3,515	3,998	(483)
Total summer school programs	<u>17,548</u>	<u>20,903</u>	<u>(3,355)</u>
Driver's education programs:			
Supplies and materials	-	415	(415)
Total driver's education programs	<u>-</u>	<u>415</u>	<u>(415)</u>
Bilingual programs:			
Salaries	128,088	129,967	(1,879)
Employee benefits	29,425	24,370	5,055
Purchased services	1,047	-	1,047
Supplies and materials	4,541	6,600	(2,059)
Total bilingual programs	<u>163,101</u>	<u>160,937</u>	<u>2,164</u>
Total instruction	<u>\$ 8,415,901</u>	<u>\$ 8,466,913</u>	<u>\$ (51,012)</u>
SUPPORT SERVICES			
Support services - pupils			
Guidance services:			
Salaries	\$ 150,722	\$ 214,455	\$ (63,733)
Employee benefits	28,651	50,251	(21,600)
Purchased services	4,951	8,610	(3,659)
Supplies and materials	616	996	(380)
Total guidance services	<u>184,940</u>	<u>274,312</u>	<u>(89,372)</u>
Health services:			
Salaries	113,635	92,620	21,015
Employee benefits	7,139	7,611	(472)
Purchased services	99	1,559	(1,460)
Supplies and materials	3,198	897	2,301
Other objects	156	146	10
Total health services	<u>124,227</u>	<u>102,833</u>	<u>21,394</u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Educational Fund

Statement of Expenditures Disbursed - Actual and Budget
Year ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Actual over (under) Budget</u>
SUPPORT SERVICES (CONTINUED)			
Support services - pupils (continued)			
Speech pathology and audiology services:			
Salaries	143,586	75,000	68,586
Employee benefits	30,813	28,635	2,178
Supplies and materials	193	150	43
	<u>174,592</u>	<u>103,785</u>	<u>70,807</u>
Total speech pathology and audiology services			
	<u>\$ 483,759</u>	<u>\$ 480,930</u>	<u>\$ 2,829</u>
Support services - instructional staff			
Improvement of instruction services:			
Salaries	\$ 6,344	\$ 3,150	\$ 3,194
Employee benefits	628	728	(100)
Purchased services	10,115	32,382	(22,267)
Supplies and materials	-	110	(110)
	<u>17,087</u>	<u>36,370</u>	<u>(19,283)</u>
Total improvement of instruction services			
Educational media services:			
Salaries	193,227	209,800	(16,573)
Employee benefits	35,904	78,355	(42,451)
Purchased services	8,147	7,300	847
Supplies and materials	23,325	27,100	(3,775)
Capital outlay	1,640	2,000	(360)
	<u>262,243</u>	<u>324,555</u>	<u>(62,312)</u>
Total educational media services			
Assessment and testing:			
Purchased services	20,927	27,300	(6,373)
Capital outlay	-	1,620	(1,620)
	<u>20,927</u>	<u>28,920</u>	<u>(7,993)</u>
Total assessment and testing			
Total support services - instructional staff	<u>\$ 300,257</u>	<u>\$ 389,845</u>	<u>\$ (89,588)</u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Educational Fund

Statement of Expenditures Disbursed - Actual and Budget
Year ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Actual over (under) Budget</u>
SUPPORT SERVICES (CONTINUED)			
Support services - general administration			
Board of education services:			
Salaries	\$ 5,813	\$ 33,366	\$ (27,553)
Employee benefits	-	1,495	(1,495)
Purchased services	109,739	240,216	(130,477)
Supplies and materials	4,604	4,060	544
Other objects	<u>4,437</u>	<u>4,300</u>	<u>137</u>
Total board of education services	<u>124,593</u>	<u>283,437</u>	<u>(158,844)</u>
Executive administration services:			
Salaries	100,514	106,600	(6,086)
Employee benefits	1,608	20,653	(19,045)
Purchased services	3,826	9,260	(5,434)
Supplies and materials	3,969	3,886	83
Other objects	<u>2,457</u>	<u>5,013</u>	<u>(2,556)</u>
Total executive administration services	<u>112,374</u>	<u>145,412</u>	<u>(33,038)</u>
Tort immunity services			
Purchased services	<u>64,057</u>	<u>-</u>	<u>64,057</u>
Total executive administration services	<u>64,057</u>	<u>-</u>	<u>64,057</u>
Total support services - general administration	<u>\$ 301,024</u>	<u>\$ 428,849</u>	<u>\$ (127,825)</u>
Support services - school administration			
Office of the principal services:			
Salaries	\$ 760,191	\$ 763,620	\$ (3,429)
Employee benefits	291,951	172,625	119,326
Purchased services	7,626	13,027	(5,401)
Supplies and materials	-	245	(245)
Other objects	<u>1,675</u>	<u>2,580</u>	<u>(905)</u>
Total office of the principal services	<u>1,061,443</u>	<u>952,097</u>	<u>109,346</u>
Total support services - school administration	<u>\$ 1,061,443</u>	<u>\$ 952,097</u>	<u>\$ 109,346</u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Educational Fund

Statement of Expenditures Disbursed - Actual and Budget
Year ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Actual over (under) Budget</u>
SUPPORT SERVICES (CONTINUED)			
Support services - business			
Direction of business support services:			
Salaries	\$ 46,402	\$ 12,600	\$ 33,802
Employee benefits	659	-	659
Supplies and materials	478	552	(74)
	<u>47,539</u>	<u>13,152</u>	<u>34,387</u>
Total direction of business support services			
Fiscal services:			
Salaries	107,726	157,943	(50,217)
Employee benefits	5,423	12,090	(6,667)
Purchased services	26,212	34,466	(8,254)
Supplies and materials	9,865	18,535	(8,670)
	<u>149,226</u>	<u>223,034</u>	<u>(73,808)</u>
Total fiscal services			
Operation & maintenance of plant services:			
Salaries	3,438	10,730	(7,292)
Employee benefits	440	1,374	(934)
Purchased services	11,354	40,875	(29,521)
Supplies and materials	-	152,379	(152,379)
	<u>15,232</u>	<u>205,358</u>	<u>(190,126)</u>
Total operation & maintenance of plant services			
Pupil transportation services:			
Salaries	-	320	(320)
Employee benefits	-	15	(15)
Purchased services	10,000	8,000	2,000
	<u>10,000</u>	<u>8,335</u>	<u>1,665</u>
Total pupil transportation services			

See accompanying notes to financial statements.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Educational Fund

Statement of Expenditures Disbursed - Actual and Budget
Year ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Actual over (under) Budget</u>
SUPPORT SERVICES (CONTINUED)			
Support services - business (continued)			
Food services:			
Salaries	180,071	181,000	(929)
Employee benefits	10,295	6,447	3,848
Purchased services	3,133	4,425	(1,292)
Supplies and materials	293,493	334,275	(40,782)
Capital outlay	18,678	24,000	(5,322)
Other objects	1,728	1,800	(72)
	<u>507,398</u>	<u>551,947</u>	<u>(44,549)</u>
Total food services			
Internal services:			
Supplies and materials	4,226	-	4,226
	<u>4,226</u>	<u>-</u>	<u>4,226</u>
Total internal services			
	<u>4,226</u>	<u>-</u>	<u>4,226</u>
Total support services - business	<u>\$ 733,621</u>	<u>\$ 1,001,826</u>	<u>\$ (268,205)</u>
Support services - central			
Information services:			
Salaries	\$ 125,953	\$ 129,352	\$ (3,399)
Employee benefits	17,177	20,905	(3,728)
Purchased services	155,037	113,274	41,763
Supplies and materials	4,515	10,600	(6,085)
Capital outlay	48,972	144,431	(95,459)
	<u>351,654</u>	<u>418,562</u>	<u>(66,908)</u>
Total information services			
Staff services:			
Salaries	1,576	-	1,576
Employee benefits	19,749	23,900	(4,151)
Purchased services	13,382	14,230	(848)
Other objects	-	165	(165)
	<u>34,707</u>	<u>38,295</u>	<u>(3,588)</u>
Total staff services			
	<u>34,707</u>	<u>38,295</u>	<u>(3,588)</u>
Total support services - central	<u>\$ 386,361</u>	<u>\$ 456,857</u>	<u>\$ (70,496)</u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Educational Fund

Statement of Expenditures Disbursed - Actual and Budget
Year ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Actual over (under) Budget</u>
SUPPORT SERVICES (CONTINUED)			
Other support services			
Employee benefits	\$ 53,167	\$ -	\$ 53,167
Total other support services:	<u>53,167</u>	<u>-</u>	<u>53,167</u>
Total support services	<u>\$ 3,319,632</u>	<u>\$ 3,710,404</u>	<u>\$ (390,772)</u>
COMMUNITY SERVICES			
Salaries	\$ 4,263	\$ 10,970	\$ (6,707)
Employee benefits	1,524	1,840	(316)
Purchased services	1,528	1,135	393
Supplies and materials	<u>-</u>	<u>650</u>	<u>(650)</u>
Total community services	<u>\$ 7,315</u>	<u>\$ 14,595</u>	<u>\$ (7,280)</u>
PAYMENTS TO OTHER DISTRICTS & GOV'T UNITS			
Payments to other gov't units (in-state)			
Payments for special education programs			
Other objects	<u>\$ -</u>	<u>\$ 41,633</u>	<u>\$ (41,633)</u>
Other payments to in-state govt. units			
Purchased services	<u>3,482</u>	<u>3,355</u>	<u>127</u>
Payments for regular programs - tuition			
Other objects	<u>26,690</u>	<u>21,125</u>	<u>5,565</u>
Payments for special education programs - tuition			
Other objects	<u>471,822</u>	<u>456,530</u>	<u>15,292</u>
Payments for CTE programs - tuition			
Other objects	<u>20,963</u>	<u>22,050</u>	<u>(1,087)</u>
Total payments to other districts & gov't units	<u>\$ 522,957</u>	<u>\$ 544,693</u>	<u>\$ (21,736)</u>
Total direct expenditures	<u>\$ 12,265,805</u>	<u>\$ 12,736,605</u>	<u>\$ (470,800)</u>
Excess (deficiency) of revenue over expenditures	<u><u>\$ (62,374)</u></u>	<u><u>\$ (1,120,812)</u></u>	<u><u>\$ 1,058,438</u></u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Operations and Maintenance Fund

Statement of Revenue Received - Actual and Budget
Year ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Actual over (under) Budget</u>
REVENUE FROM LOCAL SOURCES			
Ad valorem taxes levied by local education agency:			
Designated purposes levies	<u>\$ 788,344</u>	<u>\$ 768,975</u>	<u>\$ 19,369</u>
Total ad valorem taxes levied by district	<u>788,344</u>	<u>768,975</u>	<u>19,369</u>
Payments in lieu of taxes:			
Mobile home privilege tax	3	-	3
Corporate personal property replacement taxes	<u>-</u>	<u>100,000</u>	<u>(100,000)</u>
Total payments in lieu of taxes	<u>3</u>	<u>100,000</u>	<u>(99,997)</u>
Earnings on investments:			
Interest on investments	<u>1,910</u>	<u>720</u>	<u>1,190</u>
Total earnings on investments	<u>1,910</u>	<u>720</u>	<u>1,190</u>
District/school activity income:			
Fees	<u>-</u>	<u>6,875</u>	<u>(6,875)</u>
Total district/school activity income	<u>-</u>	<u>6,875</u>	<u>(6,875)</u>
Other revenue from local sources:			
Rentals	56,459	19,000	37,459
Other local fees	-	9,600	(9,600)
Other local revenues	<u>12,351</u>	<u>400</u>	<u>11,951</u>
Total other revenue from local sources	<u>68,810</u>	<u>29,000</u>	<u>39,810</u>
Total revenue from local sources	<u>\$ 859,067</u>	<u>\$ 905,570</u>	<u>\$ (46,503)</u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Operations and Maintenance Fund

Statement of Revenue Received - Actual and Budget
Year ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Actual over (under) Budget</u>
REVENUE FROM STATE SOURCES			
Unrestricted grants-in-aid:			
General state aid - Sec. 18-8.05	<u>\$ -</u>	<u>\$ 270,000</u>	<u>\$ (270,000)</u>
Total unrestricted grants-in-aid	<u>-</u>	<u>270,000</u>	<u>(270,000)</u>
Restricted grants-in-aid:			
School infrastucture - maintenance projects	<u>23,773</u>	<u>-</u>	<u>23,773</u>
Total unrestricted grants-in-aid	<u>23,773</u>	<u>-</u>	<u>23,773</u>
Total revenue from state sources	<u>\$ 23,773</u>	<u>\$ 270,000</u>	<u>\$ (246,227)</u>
REVENUE FROM FEDERAL SOURCES			
Total revenue from federal sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total direct revenue	<u><u>\$ 882,840</u></u>	<u><u>\$ 1,175,570</u></u>	<u><u>\$ (292,730)</u></u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Operations and Maintenance Fund

Statement of Expenditures Disbursed - Actual and Budget
Year ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Actual over (under) Budget</u>
SUPPORT SERVICES			
Support services - business:			
Operation and maintenance of plant services			
Salaries	\$ 543,510	\$ 572,970	\$ (29,460)
Employee benefits	112,258	88,715	23,543
Purchased services	244,208	213,258	30,950
Supplies and materials	596,392	274,446	321,946
Capital outlay	<u>24,319</u>	<u>39,670</u>	<u>(15,351)</u>
Total operation and maintenance of plant services	<u>1,520,687</u>	<u>1,189,059</u>	<u>331,628</u>
Total support services	<u>\$ 1,520,687</u>	<u>\$ 1,189,059</u>	<u>\$ 331,628</u>
PAYMENTS TO OTHER DISTRICTS & GOV'T UNITS			
Total payments to other districts & gov't units	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total direct expenditures	<u>\$ 1,520,687</u>	<u>\$ 1,189,059</u>	<u>\$ 331,628</u>
Excess (deficiency) of revenue over expenditures	<u><u>\$ (637,847)</u></u>	<u><u>\$ (13,489)</u></u>	<u><u>\$ (624,358)</u></u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Debt Services Fund

Statement of Revenues Received - Actual and Budget
Year ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Actual over (under) Budget</u>
REVENUE FROM LOCAL SOURCES			
Ad valorem taxes levied by local education agency:			
Designated purposes levies	<u>\$ 1,900,236</u>	<u>\$ 1,900,089</u>	<u>\$ 147</u>
Total ad valorem taxes levied by district	<u>1,900,236</u>	<u>1,900,089</u>	<u>147</u>
Payments in lieu of taxes			
Mobile home privilege tax	<u>6</u>	<u>-</u>	<u>6</u>
Total payments in lieu of taxes	<u>6</u>	<u>-</u>	<u>6</u>
Earnings on investments:			
Interest on investments	<u>279</u>	<u>1,133</u>	<u>(854)</u>
Total earnings on investments	<u>279</u>	<u>1,133</u>	<u>(854)</u>
Total revenue from local sources	<u>\$ 1,900,521</u>	<u>\$ 1,901,222</u>	<u>\$ (701)</u>
Total direct revenue	<u><u>\$ 1,900,521</u></u>	<u><u>\$ 1,901,222</u></u>	<u><u>\$ (701)</u></u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Debt Services Fund

Statement of Expenditures Disbursed - Actual and Budget
Year ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Actual over (under) Budget</u>
DEBT SERVICES			
State Anticipation Certificates			
Other objects	<u>\$ -</u>	<u>\$ 8,500</u>	<u>\$ (8,500)</u>
Debt services - interest on long-term debt:			
Other objects	<u>968,366</u>	<u>2,030,493</u>	<u>(1,062,127)</u>
Debt services - payments of principal on long-term debt:			
Other objects	<u>1,066,795</u>	<u>-</u>	<u>1,066,795</u>
Total debt services	<u>\$ 2,035,161</u>	<u>\$ 2,038,993</u>	<u>\$ (3,832)</u>
Total direct expenditures	<u>\$ 2,035,161</u>	<u>\$ 2,038,993</u>	<u>\$ (3,832)</u>
Excess (deficiency) of revenue over expenditures	<u><u>\$ (134,640)</u></u>	<u><u>\$ (137,771)</u></u>	<u><u>\$ 3,131</u></u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Transportation Fund

Statement of Revenues Received - Actual and Budget
Year ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Actual over (under) Budget</u>
REVENUE FROM LOCAL SOURCES			
Ad valorem taxes levied by local education agency:			
Designated purposes levies	\$ 315,338	\$ 302,190	\$ 13,148
Total ad valorem taxes levied by district	<u>315,338</u>	<u>302,190</u>	<u>13,148</u>
Payments in lieu of taxes:			
Mobile home privilege tax	<u>1</u>	<u>-</u>	<u>1</u>
Total payments in lieu of taxes	<u>1</u>	<u>-</u>	<u>1</u>
Transportation fees:			
Regular - transp fees from pupils or parents (in-state)	-	10,000	(10,000)
Regular - transp fees from other districts (in-state)	-	725	(725)
Regular - transp fees from co-curricular activ. (in-state)	<u>620</u>	<u>30</u>	<u>590</u>
Total transportation fees	<u>620</u>	<u>10,755</u>	<u>(10,135)</u>
Earnings on investments:			
Interest on investments	<u>1,769</u>	<u>975</u>	<u>794</u>
Total earnings on investments	<u>1,769</u>	<u>975</u>	<u>794</u>
Other revenue from local sources:			
Other local revenues	<u>11,530</u>	<u>6,000</u>	<u>5,530</u>
Total other revenue from local sources	<u>11,530</u>	<u>6,000</u>	<u>5,530</u>
Total revenue from local sources	<u>\$ 329,258</u>	<u>\$ 319,920</u>	<u>\$ 9,338</u>
REVENUE FROM STATE SOURCES			
Restricted grants-in-aid:			
Transportation			
Regular/vocational	\$ 684,585	\$ 790,000	\$ (105,415)
Special education	<u>185,551</u>	<u>165,000</u>	<u>20,551</u>
Total restricted grants-in-aid	<u>870,136</u>	<u>955,000</u>	<u>(84,864)</u>
Total revenue from state sources	<u>\$ 870,136</u>	<u>\$ 955,000</u>	<u>\$ (84,864)</u>
Total direct revenue	<u><u>\$ 1,199,394</u></u>	<u><u>\$ 1,274,920</u></u>	<u><u>\$ (75,526)</u></u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Transportation Fund

Statement of Expenditures Disbursed - Actual and Budget
Year ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Actual over (under) Budget</u>
SUPPORT SERVICES			
Support services - business:			
Pupil transportation services			
Salaries	\$ 475,066	\$ 463,790	\$ 11,276
Employee benefits	48,459	40,300	8,159
Purchased services	173,398	163,027	10,371
Supplies and materials	210,676	298,500	(87,824)
Capital outlay	-	103,270	(103,270)
Other objects	260	-	260
	<u>907,859</u>	<u>1,068,887</u>	<u>(161,028)</u>
Total pupil transportation services			
	<u>907,859</u>	<u>1,068,887</u>	<u>(161,028)</u>
Total support services	<u>\$ 907,859</u>	<u>\$ 1,068,887</u>	<u>\$ (161,028)</u>
COMMUNITY SERVICES			
Total community services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
PAYMENTS TO OTHER DISTRICTS & GOV'T UNITS			
Payments for special education programs			
Purchased services	\$ 6,181	\$ -	\$ 6,181
	<u>6,181</u>	<u>-</u>	<u>6,181</u>
Total payments for special education programs			
	<u>6,181</u>	<u>-</u>	<u>6,181</u>
Total payments to other districts & gov't units	<u>\$ 6,181</u>	<u>\$ -</u>	<u>\$ 6,181</u>
DEBT SERVICES			
Debt services - interest on long-term debt:			
Other objects	\$ 4,505	\$ -	\$ 4,505
	<u>4,505</u>	<u>-</u>	<u>4,505</u>
Debt services - payments of principal on long-term debt:			
Other objects	53,417	-	53,417
	<u>53,417</u>	<u>-</u>	<u>53,417</u>
Total debt services	<u>\$ 57,922</u>	<u>\$ -</u>	<u>\$ 57,922</u>
Total direct expenditures	<u>\$ 971,962</u>	<u>\$ 1,068,887</u>	<u>\$ (96,925)</u>
Excess (deficiency) of revenue over expenditures	<u>\$ 227,432</u>	<u>\$ 206,033</u>	<u>\$ 21,399</u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Municipal Retirement / Social Security Fund

Statement of Revenue Received - Actual and Budget
Year ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Actual over (under) Budget</u>
REVENUE FROM LOCAL SOURCES			
Ad valorem taxes levied by local education agency:			
Designated purposes levies	\$ 263,307	\$ 264,300	\$ (993)
FICA/Medicare only purposes levies	<u>285,025</u>	<u>264,300</u>	<u>20,725</u>
Total ad valorem taxes levied by district	<u>548,332</u>	<u>528,600</u>	<u>19,732</u>
Payments in lieu of taxes:			
Mobile home privilege tax	2	-	2
Corporate personal property replacement taxes	<u>35,898</u>	<u>38,000</u>	<u>(2,102)</u>
Total payments in lieu of taxes	<u>35,900</u>	<u>38,000</u>	<u>(2,100)</u>
Earnings on investments:			
Interest on investments	<u>430</u>	<u>1,330</u>	<u>(900)</u>
Total earnings on investments	<u>430</u>	<u>1,330</u>	<u>(900)</u>
Other revenue from local sources:			
Other local fees	-	725	(725)
Other local revenues	<u>612</u>	<u>-</u>	<u>612</u>
Total other revenue from local sources	<u>612</u>	<u>725</u>	<u>(113)</u>
Total revenue from local sources	<u>\$ 585,274</u>	<u>\$ 568,655</u>	<u>\$ 16,619</u>
Total direct revenue	<u><u>\$ 585,274</u></u>	<u><u>\$ 568,655</u></u>	<u><u>\$ 16,619</u></u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Municipal Retirement / Social Security Fund

Statement of Expenditures Disbursed - Actual and Budget
Year ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Actual over (under) Budget</u>
INSTRUCTION			
Regular programs:			
Employee benefits	<u>\$ 84,758</u>	<u>\$ 76,934</u>	<u>\$ 7,824</u>
Special education programs:			
Employee benefits	<u>72,983</u>	<u>80,215</u>	<u>(7,232)</u>
Remedial and supplemental programs - K-12:			
Employee benefits	<u>8,351</u>	<u>8,478</u>	<u>(127)</u>
CTE programs:			
Employee benefits	<u>5,697</u>	<u>6,780</u>	<u>(1,083)</u>
Interscholastic programs:			
Employee benefits	<u>15,023</u>	<u>21,270</u>	<u>(6,247)</u>
Summer school programs:			
Employee benefits	<u>219</u>	<u>397</u>	<u>(178)</u>
Bilingual programs:			
Employee benefits	<u>6,921</u>	<u>6,262</u>	<u>659</u>
Total instruction	<u>\$ 193,952</u>	<u>\$ 200,336</u>	<u>\$ (6,384)</u>
SUPPORT SERVICES			
Support services - pupils:			
Guidance services			
Employee benefits	<u>\$ 4,406</u>	<u>\$ 6,111</u>	<u>\$ (1,705)</u>
Health services			
Employee benefits	<u>20,829</u>	<u>18,381</u>	<u>2,448</u>
Speech pathology and audiology services			
Employee benefits	<u>2,348</u>	<u>2,250</u>	<u>98</u>
Total support services - pupils	<u>27,583</u>	<u>26,742</u>	<u>841</u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Municipal Retirement / Social Security Fund

Statement of Expenditures Disbursed - Actual and Budget
Year ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Actual over (under) Budget</u>
SUPPORT SERVICES (CONTINUED)			
Support services - instructional staff:			
Improvement of instruction services			
Employee benefits	<u>78</u>	<u>60</u>	<u>18</u>
Educational media services			
Employee benefits	<u>13,186</u>	<u>17,335</u>	<u>(4,149)</u>
Total support services - instructional staff	<u>13,264</u>	<u>17,395</u>	<u>(4,131)</u>
Support services - general administration:			
Board of education services			
Employee benefits	<u>432</u>	<u>5,162</u>	<u>(4,730)</u>
Executive administration services			
Employee benefits	<u>7,548</u>	<u>9,350</u>	<u>(1,802)</u>
Total support services - general administration	<u>7,980</u>	<u>14,512</u>	<u>(6,532)</u>
Support services - school administration:			
Office of the principal services			
Employee benefits	<u>55,828</u>	<u>56,080</u>	<u>(252)</u>
Total support services - school administration	<u>55,828</u>	<u>56,080</u>	<u>(252)</u>
Support services - business:			
Direction of business support services			
Employee benefits	<u>678</u>	<u>190</u>	<u>488</u>
Fiscal services			
Employee benefits	<u>19,929</u>	<u>20,370</u>	<u>(441)</u>
Operation and maintenance of plant services			
Employee benefits	<u>109,741</u>	<u>113,482</u>	<u>(3,741)</u>
Pupil transportation services			
Employee benefits	<u>89,030</u>	<u>89,748</u>	<u>(718)</u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Municipal Retirement / Social Security Fund

Statement of Expenditures Disbursed - Actual and Budget
Year ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Actual over (under) Budget</u>
SUPPORT SERVICES (CONTINUED)			
Food services			
Employee benefits	<u>33,946</u>	<u>36,845</u>	<u>(2,899)</u>
Total support services - business	<u>253,324</u>	<u>260,635</u>	<u>(7,311)</u>
Support services - central			
Information services			
Employee benefits	<u>26,191</u>	<u>28,285</u>	<u>(2,094)</u>
Total support services - central	<u>26,191</u>	<u>28,285</u>	<u>(2,094)</u>
Other support services			
Employee benefits	<u>328</u>	<u>-</u>	<u>328</u>
Total support services	<u>\$ 384,498</u>	<u>\$ 403,649</u>	<u>\$ (19,151)</u>
COMMUNITY SERVICES			
Community services			
Employee benefits	<u>\$ 13</u>	<u>\$ 255</u>	<u>\$ (242)</u>
Total community services	<u>\$ 13</u>	<u>\$ 255</u>	<u>\$ (242)</u>
PAYMENTS TO OTHER DISTRICTS & GOV'T UNITS			
Total payments to other districts & gov't units	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total direct expenditures	<u>\$ 578,463</u>	<u>\$ 604,240</u>	<u>\$ (25,777)</u>
Excess (deficiency) of revenue over expenditures	<u><u>\$ 6,811</u></u>	<u><u>\$ (35,585)</u></u>	<u><u>\$ 42,396</u></u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Capital Projects Fund

Statement of Revenue Received - Actual and Budget
Year ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Actual over (under) Budget</u>
REVENUE FROM LOCAL SOURCES			
Earnings on investments			
Interest on investments	<u>\$ 1,436</u>	<u>\$ 685</u>	<u>\$ 751</u>
Total earnings on investments	<u>1,436</u>	<u>685</u>	<u>751</u>
Other revenue from local sources			
Impact fees from municipal or county governments	<u>526</u>	<u>-</u>	<u>526</u>
Total other revenue from local sources	<u>526</u>	<u>-</u>	<u>526</u>
Total revenue from local sources	<u>\$ 1,962</u>	<u>\$ 685</u>	<u>\$ 1,277</u>
REVENUE FROM FEDERAL SOURCES			
Total revenue from federal sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total direct revenue	<u><u>\$ 1,962</u></u>	<u><u>\$ 685</u></u>	<u><u>\$ 1,277</u></u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Capital Projects Fund

Statement of Expenditures Disbursed - Actual and Budget
Year ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Actual over (under) Budget</u>
SUPPORT SERVICES			
Total support services - business	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total direct expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (deficiency) of revenue over expenditures	<u><u>\$ 1,962</u></u>	<u><u>\$ 685</u></u>	<u><u>\$ 1,277</u></u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Working Cash Fund

Statement of Revenue Received - Actual and Budget
Year ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Actual over (under) Budget</u>
REVENUE FROM LOCAL SOURCES			
Earnings on investments:			
Interest on investments	<u>\$ 1,912</u>	<u>\$ 1,750</u>	<u>\$ 162</u>
Total earnings on investments	<u>1,912</u>	<u>1,750</u>	<u>162</u>
Total revenue from local sources	<u>\$ 1,912</u>	<u>\$ 1,750</u>	<u>\$ 162</u>
Total direct revenue	<u><u>\$ 1,912</u></u>	<u><u>\$ 1,750</u></u>	<u><u>\$ 162</u></u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Tort Fund

Statement of Revenue Received - Actual and Budget
Year ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Actual over (under) Budget</u>
REVENUE FROM LOCAL SOURCES			
Ad valorem taxes levied by local education agency:			
Designated purposes levies	<u>\$ 217,068</u>	<u>\$ 196,972</u>	<u>\$ 20,096</u>
Total ad valorem taxes levied by district	<u>217,068</u>	<u>196,972</u>	<u>20,096</u>
Payments in lieu of taxes			
Mobile home privilege tax	<u>1</u>	<u>-</u>	<u>1</u>
Total payments in lieu of taxes	<u>1</u>	<u>-</u>	<u>1</u>
Earnings on investments:			
Interest on investments	<u>43</u>	<u>233</u>	<u>(190)</u>
Total earnings on investments	<u>43</u>	<u>233</u>	<u>(190)</u>
Total revenue from local sources	<u>\$ 217,112</u>	<u>\$ 197,205</u>	<u>\$ 19,907</u>
Total direct revenue	<u><u>\$ 217,112</u></u>	<u><u>\$ 197,205</u></u>	<u><u>\$ 19,907</u></u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Tort Fund

Statement of Expenditures Disbursed - Actual and Budget
Year ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Actual over (under) Budget</u>
SUPPORT SERVICES			
Support services - general administration:			
Unemployment insurance payments			
Purchased services	<u>\$ 47,718</u>	<u>\$ 11,000</u>	<u>\$ 36,718</u>
Risk management and claims services payments			
Purchased services	<u>168,272</u>	<u>201,000</u>	<u>(32,728)</u>
Educational, inspectional, supervisory services related to loss prevention or reduction			
Purchased services	<u>1,080</u>	<u>1,400</u>	<u>(320)</u>
Total support services - general administration	<u>\$ 217,070</u>	<u>\$ 213,400</u>	<u>\$ 3,670</u>
Total direct expenditures	<u>\$ 217,070</u>	<u>\$ 213,400</u>	<u>\$ 3,670</u>
Excess (deficiency) of revenue over expenditures	<u><u>\$ 42</u></u>	<u><u>\$ (16,195)</u></u>	<u><u>\$ 16,237</u></u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Fire Prevention and Safety Fund

Statement of Revenue Received - Actual and Budget
Year ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Actual over (under) Budget</u>
REVENUE FROM LOCAL SOURCES			
Ad valorem taxes levied by local education agency:			
Designated purposes levies	<u>\$ 78,838</u>	<u>\$ 76,738</u>	<u>\$ 2,100</u>
Total ad valorem taxes levied by district	<u>78,838</u>	<u>76,738</u>	<u>2,100</u>
Earnings on investments:			
Interest on investments	<u>731</u>	<u>454</u>	<u>277</u>
Total earnings on investments	<u>731</u>	<u>454</u>	<u>277</u>
Total revenue from local sources	<u>\$ 79,569</u>	<u>\$ 77,192</u>	<u>\$ 2,377</u>
REVENUE FROM STATE SOURCES			
Unrestricted grants-in-aid:			
Other unrestricted grants-in-aid from state sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total unrestricted grants-in-aid	<u>-</u>	<u>-</u>	<u>-</u>
Restricted grants-in-aid:			
School infrastructure - maintenance projects	<u>-</u>	<u>-</u>	<u>-</u>
Total restricted grants-in-aid	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue from state sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total direct revenue	<u>\$ 79,569</u>	<u>\$ 77,192</u>	<u>\$ 2,377</u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Fire Prevention and Safety Fund

Statement of Expenditures Disbursed - Actual and Budget
Year ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Actual over (under) Budget</u>
SUPPORT SERVICES			
Support services - business:			
Facilities acquisition and construction services			
Purchased services	\$ -	\$ 36,900	\$ (36,900)
Capital outlay	<u>158,634</u>	<u>-</u>	<u>158,634</u>
Total support services	<u>\$ 158,634</u>	<u>\$ 36,900</u>	<u>\$ 121,734</u>
Total direct expenditures	<u>\$ 158,634</u>	<u>\$ 36,900</u>	<u>\$ 121,734</u>
Excess (deficiency) of revenue over expenditures	<u><u>\$ (79,065)</u></u>	<u><u>\$ 40,292</u></u>	<u><u>\$ (119,357)</u></u>

See accompanying notes to financial statements.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Agency Funds

Activity Funds and Trust Funds
Statement of Assets and Liabilities
Arising from Cash Transactions
June 30, 2014

	Balance 07/01/13	Revenues Received	Expenditures Disbursed	Balance 06/30/14
ASSETS				
Elementary & High School	\$ 212,476	\$ 615,456	\$ 624,211	\$ 203,721
Junior High School	<u>58,416</u>	<u>74,014</u>	<u>66,180</u>	<u>66,250</u>
Total Activity Funds	<u>\$ 270,892</u>	<u>\$ 689,470</u>	<u>\$ 690,391</u>	<u>\$ 269,971</u>
LIABILITIES				
Amounts due to agency fund organizations *	<u>\$ 270,892</u>	<u>\$ 689,470</u>	<u>\$ 690,391</u>	<u>\$ 269,971</u>

* (See the supplementary schedule for activity fund breakdown.)

See accompanying notes to financial statements.

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

The District's accounting policies conform to the cash basis of accounting, as defined by the Illinois State Board of Education.

(a) *Principles Used to Determine the Scope of the Reporting Entity*

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

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

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

(b) *Basis of Presentation – Fund Accounting*

These financial statements comply with the regulatory basis of reporting as prescribed by the Illinois State Board of Education.

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 paid. The District maintains individual funds required by the State of Illinois. These funds are presented on the regulatory basis

Notes to Financial Statements

(1) Summary of Significant Accounting Policies (Continued)

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 fund types and account groups are used by the District:

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities arising from cash transactions are accounted for through governmental funds.

Educational Fund – This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Operations and Maintenance Fund – This fund is also a general operating fund used to account for costs of maintaining school buildings.

Debt Service Fund – This fund is a debt retirement fund. Resources of this fund are used to retire principal and interest maturities of outstanding bond obligations and other long-term debt instruments.

Transportation Fund – This fund is a special revenue fund used to account for the costs of transporting pupils to and from school and school activities.

Municipal Retirement/Social Security Fund – This fund is a special revenue fund used to pay the District's share of municipal retirement benefits for covered employees. The District's share of Social Security and Medicare-only is also paid from this fund.

Working Cash Fund – The resources of this fund are held by the District to be used for temporary interfund loans to any fund of the District for which taxes are levied.

Capital Projects Fund – Proceeds of construction bond issues, the capital improvement tax levy, and if applicable, school facility occupation tax proceeds are accounted for in this fund.

Tort Fund – This fund is a special revenue fund used to account for tort immunity or tort judgment purposes.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies (Continued)

Fire Prevention and Safety Fund – Proceeds of fire prevention and safety bond issues and tax levy are accounted for in this fund.

Fiduciary Funds

Fiduciary 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.

Agency Funds – Agency funds include Student Activity Funds and Convenience Accounts. They account for assets held by the District as agent for the students, teachers and other organizations. These funds are custodial in nature and do not involve the measurement of the results of operations. The amounts due to the activity fund organizations are equal to the assets.

Governmental Funds – Measurement Focus

The financial statements of all governmental 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." Governmental fund operating statements present increases (cash receipts and other financing sources) and decreases (cash disbursements and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

General Fixed Assets and General Long-Term Debt Account Groups

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

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

Notes to Financial Statements

(1) Summary of Significant Accounting Policies (Continued)

(c) Basis of Accounting

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

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

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

(d) Budgets and Budgetary Accounting

The budget for all Governmental Fund Types is prepared on the cash basis of accounting which is the same basis that is used in financial reporting. This allows for comparability between budget and actual amounts. This is an acceptable method in accordance with 105 ILCS 5/17-1. The budget was passed on September 26, 2013. The budget lapses at the end of each fiscal year.

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

1. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is held as to such budget prior to final action.
3. Prior to October 1, the budget is legally adopted through passage of a resolution.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies (Continued)

4. Formal budgetary integration is employed as a management control device during the year.
5. The Board of Education may make transfers between the various items in any fund not exceeding in the aggregate 10% of the total of such fund as set forth in the budget.
6. The Board of Education may amend the budget by the same procedures required of its original adoption.

(e) Cash

The District considers cash on hand, cash on deposit with banks and other institutions, certificates of deposit, money market accounts, and repurchase agreements to be cash for financial statement purposes.

(f) Investments

All investments are reported at fair value. The District has adopted a formal written investment policy. The institutions in which investments are made must be approved by the Board of Education.

(g) Commingled Accounts

The District uses common bank accounts to hold the monies of more than one fund. Interest earned on these common accounts is credited to each participating fund based on its approximate share of the account prior to the payment of interest.

(h) General Fixed Assets

General fixed assets with expected useful lives that exceed one year and cost more than \$500, are recorded as expenditures paid in the Governmental or Activity Funds and capitalized at cost in the general fixed assets account group. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated general fixed assets are stated at estimated fair market value as of the date of acquisition. Depreciation accounting is not considered applicable (except to determine the per capita tuition charge).

Depreciation is computed using the straight line method over estimated lives ranging from three to fifty years. Estimated lives are determined based on the policies prescribed by the Illinois State Board of Education.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Notes to Financial Statements

(2) Property Taxes

The District's property tax is levied each year on all taxable real property located in the District on or before the last Tuesday in December. The levy was passed by the board on December 19, 2013. Property taxes attach as an enforceable lien on property as of January 1 and are payable in two installments on approximately June 1 and September 1. The District receives significant distributions of tax receipts during July, August, September, October, and November. Taxes recorded in these financial statements are from the 2012, and prior tax levies.

The following are the tax rate limits permitted by the *Illinois Compiled Statutes* and by local referendum and the actual rates levied per \$100 of assessed valuation:

	- 2013 Levy Year -		- 2012 Levy Year -	
	Limit	Actual	Limit	Actual
Educational	2.7800	2.7800	2.7800	2.7800
Special education	0.0400	0.0400	0.0400	0.0400
Oper. & maint.	0.5000	0.5000	0.5000	0.5000
Debt Service	As needed	1.0247	As needed	1.2052
Transportation	0.2000	0.2000	0.2000	0.2000
Municipal retirement	As needed	0.1812	As needed	0.1670
Social security	As needed	0.1937	As needed	0.1808
Working cash	0.0500	0.0500	0.0500	0.0000
Tort immunity	As needed	0.2169	As needed	0.1377
Facilities leasing	0.0500	0.0500	0.0500	0.0000
Fire prevention and safety	0.0500	0.0500	0.0500	0.0500
		<u>5.2865</u>		<u>5.2607</u>

(3) Cash Deposits and Investments

The District is allowed to invest in securities as authorized by the Illinois Public Funds Investment Act - 30 ILCS 235/2 and 6; and the Illinois School Code - 105 ILCS 5/8-7.

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Statement of Assets and Liabilities Arising from Cash Transactions

Cash	\$ 3,032,312
Investments	<u>2,304,669</u>
Total cash and investments	<u>\$ 5,336,981</u>

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Notes to Financial Statements

(3) Cash Deposits and Investments (Continued)

Cash and investments as of June 30, 2014 consist of the following:

Cash on hand	\$ -
Deposits with financial institutions	
District	2,762,341
Agency	269,971
Investments	
District	2,304,669
Agency	-
Total cash and investments	<u>\$ 5,336,981</u>

Deposits – custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of a depository financial institution failure, the District's deposits may not be returned to it. The District's policy requires all amounts deposited or invested with financial institutions in excess of any insurance limit shall be collateralized by: (1) securities eligible for district investment or any other high-quality, interest-bearing security rated at least AA/Aa by one or more standard rating service to include Standard & Poor's, Moody's, or Fitch, (2) mortgages, (3) letters of credit issued by a Federal Home Loan Bank, or (4) loans covered by a State Guaranty under the Illinois Farm Development Act. The market value of the pledged securities shall equal or exceed the portion of the deposit requiring collateralization. The Chief Investment Officer shall determine other collateral requirements.

Safekeeping and custody arrangements

The preferred method of safekeeping is to have pledged securities registered in the District's name and held by a third-party custodian. Safekeeping practices should qualify for the Governmental Accounting Standards Board (GASB) Statement No. 3 Deposits with Financial Institution, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements, Category I, the highest recognized safekeeping procedures.

As of June 30, 2014, \$3,410,835 of the District's bank balance of \$3,956,321, were exposed to custodial credit risk as follows:

Uninsured and collateralized by securities held by the pledging financial institution	<u>\$ 3,410,835</u>
--	---------------------

Notes to Financial Statements

(3) Cash Deposits and Investments (Continued)

Investments

As of June 30, 2014, the District had the following investments:

<u>Investment</u>	<u>Fair Value</u>
Illinois Funds Money Market Fund	\$ 295,486
Illinois School District	
Liquid Asset Fund Plus (ISDLAF+)	\$ 2,009,183

The Illinois Funds Money Market Fund (formerly known as IPTIP) is a money market fund created in 1975 by the Illinois General Assembly. Its primary purpose is to provide the Public Treasurer and other custodians of public funds with an alternative investment vehicle which enable them to earn a competitive rate of return of fully collateralized investments, while maintaining immediate access to invested funds. The monies invested by the individual participants are pooled together and invested in U.S. Treasury bills and notes backed by full faith and credit of the U.S. Treasury. In addition, monies are invested in fully collateralized time deposits in Illinois financial institutions, in collateralized repurchase agreements, and in treasury mutual funds that invest in U.S. Treasury obligations and collateralized repurchase agreements. Investments in Illinois Funds Money Market Fund are valued at the funds share price which is equivalent to fair market value. The Illinois School District Liquid Asset Fund Plus (ISDLAF+ or the "Fund") is an intergovernmental investment program for school districts and community colleges in Illinois. Co-sponsored by Illinois ASBO, IASA and IASB, the program offers numerous opportunities to school districts for the investment and management of funds. The fund invests member deposits, on a pooled basis, primarily in short-term certificates of deposit and in high rated short-term obligations of the U.S. Treasury and major United States corporations and banks. The fair value of the District's position in the pool is the same as the value of the pool shares.

Interest rate risk

In accordance with its investment policy, the District limits its exposure to interest rate risk, by structuring its portfolio to provide sufficient liquidity to pay District obligations as they come due.

Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. The District's investment policy seeks to minimize credit risk by requiring investment in securities allowed under the investment policy. The Illinois Funds and the Illinois School District Liquid Asset Plus – Max Class are rated AAAM by Standard & Poor's at June 30, 2014.

Notes to Financial Statements

(3) Cash Deposits and Investments (Continued)

Custodial credit risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to indirect investments in securities through the use of mutual funds or governmental investment pools such as Illinois Funds and ISDLAF+.

Concentration of credit risk

No investment in any one issuer, other than U.S. Treasury securities, mutual funds, Illinois Funds, and ISDLAF+, represent 5% or more of the District's total investments.

(4) Changes in General Fixed Assets & Depreciation

Under the regulatory basis of accounting, assets and depreciation are not recorded and therefore the financial statements do not reflect the amounts below.

<u>Assets at Cost</u>					
	<u>Balance</u> <u>7/1/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/14</u>	<u>Life in</u> <u>Years</u>
Land	\$ 2,569,982	\$ -	\$ -	\$ 2,569,982	0
Buildings and improvements	24,283,018	182,953	-	24,465,971	50
Land improvements	1,165,088	-	49,839	1,115,249	20
Other equipment	2,705,063	61,892	181,415	2,585,540	10
Transportation equipment	1,657,367	410,304	798,763	1,268,908	20
Food service equipment	<u>63,596</u>	<u>18,678</u>	<u>-</u>	<u>82,274</u>	10
Total general fixed assets	<u>\$ 32,444,114</u>	<u>\$ 673,827</u>	<u>\$ 1,030,017</u>	<u>\$ 32,087,924</u>	

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Notes to Financial Statements

(4) Changes in General Fixed Assets & Depreciation (Continued)

	<u>Accumulated Depreciation</u>				
	Balance	Depreciation		Balance	Undepreciated
	<u>7/1/13</u>	<u>for Year</u>	<u>Deletions</u>	<u>6/30/14</u>	<u>Cost</u>
					<u>6/30/14</u>
Land					\$ 2,569,982
Buildings and					
improvements	\$ 9,039,561	\$ 451,502	\$ -	\$ 9,491,063	14,974,908
Land improvements	624,933	55,690	49,839	630,784	484,465
Other equipment	1,338,282	254,558	181,415	1,411,425	1,174,115
Transportation					
equipment	1,530,554	52,523	388,458	1,194,619	74,289
Food service					
equipment	<u>7,281</u>	<u>6,790</u>	<u>-</u>	<u>14,071</u>	<u>68,203</u>
Total general					
fixed assets	<u>\$ 12,540,611</u>	<u>\$ 821,063</u>	<u>\$ 619,712</u>	<u>\$ 12,741,962</u>	<u>\$ 19,345,962</u>

(5) Retirement Fund Commitments

(a) Teachers' Retirement System of the State of Illinois

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 the 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, 2014 was 9.4 percent of creditable earnings. The same contribution rate applies to members

Notes to Financial Statements

(5) Retirement Fund Commitments (Continued)

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, 2013 and June 30, 2012.

The State of Illinois makes contributions directly to TRS on behalf of the District's TRS-covered employees.

- **On behalf contributions to TRS.**

The State of Illinois makes employer pension contributions on behalf of the District. For the year ended June 30, 2014, State of Illinois contributions were based on 35.41 percent of creditable earnings not paid from federal funds, and the District recognized revenue and expenditures of \$2,587,111 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2013 and June 30, 2012, the contribution rates were 28.05 percent \$(2,311,714) and 24.91 percent \$(2,085,981), respectively.

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

- **2.2 formula contributions.**

Employers contributed 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, 2014 were \$43,046. Contributions for the years ended June 30, 2013 and June 30, 2012 were \$48,343 and \$49,112, 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 in the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the state contribution rate to TRS. Public Act 98-0674 now requires the two rates to be the same.

Notes to Financial Statements

(5) Retirement Fund Commitments (Continued)

For the year ended June 30, 2014, the employer pension contribution was 35.41 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2013 and June 30, 2012, the employer contribution was 28.05 and 24.91 percent, respectively. For the year ended June 30, 2014, salaries totaling \$115,503 were paid from federal and special trust funds that required employer contributions of \$40,900. For the years ended June 30, 2013 and June 30, 2012, required District contributions were \$26,251 and \$23,302, 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 under the current program is 146.5 percent and applies when the member is age 55 at retirement.

For the year ended June 30, 2014, the District paid \$119,235 to TRS for employer contributions under the ERO program. For the years ended June 30, 2013 and June 30, 2012, the District paid \$0 and \$0, respectively.

- **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, 2014, the District paid \$2,447 to TRS for employer contributions due on salary increases in excess of 6 percent. For the years ended June 30, 2013 and June 30, 2012, the District paid \$0 and \$0, 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 a 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 (17.29 percent of salary during the year ended June 30, 2014).

Notes to Financial Statements

(5) Retirement Fund Commitments (Continued)

For the year ended June 30, 2014, the District paid \$0 to TRS for sick leave days granted in excess of the normal annual allotment. For the years ended June 30, 2013 and June 30, 2012, the District paid \$0 and \$0, 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, 2013. The report for the year ended June 30, 2014, is expected to be available in late 2014.

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://trs.illinois.gov>.

(b) Teacher Health Insurance Security (THIS) Fund

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. Beginning February 1, 2014, annuitants who were enrolled in Medicare Parts A and B may be eligible to enroll in Medicare Advantage plans.

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. 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. 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.

Notes to Financial Statements

(5) Retirement Fund Commitments (Continued)

- **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 0.97 percent of pay during the year ended June 30, 2014. State of Illinois contributions were \$71,990, 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, 2013 and June 30, 2012 were 0.92 and 0.88 percent of pay, respectively. State contributions on behalf of employees were \$76,682 and \$74,515, respectively.

- **Employer contributions to the THIS Fund.**

The District also makes contributions to the THIS Fund. The employer THIS Fund contribution was 0.72 percent during the year ended June 30, 2014 and 0.69 and 0.66 percent during the years ended June 30, 2013 and June 30, 2012, respectively. For the year ended June 30, 2014, the District paid \$53,436 to the THIS Fund. For the years ended June 30, 2013 and June 30, 2012, the District paid \$57,511 and \$55,886, respectively, which was 100 percent of the required contribution.

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

(c) Illinois Municipal Retirement Fund Pension Plan

Plan Description. The employer’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 employer 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 on-line at www.imrf.org.

Notes to Financial Statements

(5) Retirement Fund Commitments (Continued)

Funding Policy. As set by statute, your employer 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 2013 was 13.18 percent. The employer 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 the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost. The required contribution for calendar year 2013 was \$289,309.

Three-Year Trend Information for the Regular Plan

Calendar Year <u>Ending</u>	Annual Pension Cost (APC) <u> </u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
12/31/2013	\$ 289,309	100%	\$ -
12/31/2012	301,586	100%	-
12/31/2011	301,328	100%	-

The required contribution for 2013 was determined as part of the December 31, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2011, 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 your employer 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 employer Regular plan's unfunded actuarial accrued liability at December 31, 2011 is being amortized as a level percentage of projected payroll on an open 30 year basis.

Notes to Financial Statements

(5) Retirement Fund Commitments (Continued)

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the Regular plan was 82.43 percent funded. The actuarial accrued liability for benefits was \$4,802,930 and the actuarial value of assets was \$3,959,185, resulting in an underfunded actuarial accrued liability (UAAL) of \$843,745. The covered payroll for calendar year 2013 (annual payroll of active employees covered by the plan) was \$2,195,062 and the ratio of the UAAL to the covered payroll was 38 percent.

The schedule of funding progress, presented as other 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.

(d) Social Security

Employees not qualifying for coverage under the Teachers' Retirement System of the State of Illinois or the Illinois Municipal Retirement Fund are considered "non-participating employees". These employees and those qualifying for coverage under the Illinois Municipal Retirement Fund are covered under Social Security. The District paid \$146,042, the total required contribution for the current fiscal year.

(e) Medicare

All employees, except certificated personnel hired prior to April 1, 1986, are covered under the Basic Hospital Insurance Plan provision of the medicare health insurance program. The District paid \$144,341, the total required contribution for the current fiscal year.

(6) Fund Balance Reporting

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. The Regulatory Model, followed by the District, only reports Reserved and Unreserved Fund Balances. Below are definitions of the differences and a reconciliation of how these balances are reported.

Notes to Financial Statements

(6) Fund Balance Reporting (Continued)***(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 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. Due to the cash basis nature of the District, all such items are expensed at the time of purchase, so there is nothing to report for this classification.

(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

Cash receipts and the related cash disbursements of this restricted tax levy are accounted for in the Educational Fund. Expenditures disbursed exceeded revenue received for this purpose, resulting in no restricted fund balance.

2. State Grants

Proceeds from state grants and the related expenditures have been included in the Educational, Transportation, and Municipal Retirement/Social Security Funds. At June 30, 2014, revenue received from state grants exceeded expenditures disbursed for these purposes in the Educational Fund, resulting in no restricted fund balance.

3. Federal Grants

Proceeds from federal grants and the related expenditures have been included in the Educational, Transportation, and Municipal Retirement/-Social Security Funds. At June 30, 2014, revenue received from federal grants exceeded expenditures disbursed for these purposes in the Educational Fund, resulting in a restricted fund balance of \$323. This balance is included in the financial statements as reserved in the Educational Fund.

Notes to Financial Statements

(6) Fund Balance Reporting (Continued)

4. IMRF/Social Security

Cash disbursed and the related cash receipts of these restricted tax levies are accounted for in the Municipal Retirement/Social Security Fund. Revenue received exceeded expenditures disbursed for these purposes, resulting in a restricted fund balance of \$98,705. For purposes of Regulatory reporting, the Social Security portion of the fund balance, \$15,596, will be classified as Reserved, and the Municipal Retirement portion of the tax levies, \$83,109 will be classified as Unreserved.

5. Food Service

All revenue generated by the school food service must be used to operate and improve its food services therefore making this a restricted fund balance. The District accounts for the food service in a separate fund within the Educational Fund to allow for the ease of tracking food service fund balance. At June 30, 2014 the restricted fund balance for food service is \$802,382.

(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.

The School Board commits fund balance by making motions or passing resolutions to adopt policy or to approve contracts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Employee contracts for services rendered during the school year for employees electing twelve month pay schedules are recorded as disbursements in the fiscal year when such checks are drawn. At June 30, 2014, the total amount of unpaid contracts for services performed during the fiscal year ended June 30, 2014 amounted to \$907,073. This amount is shown as Unreserved in the Educational Fund.

Notes to Financial Statements

(6) Fund Balance Reporting (Continued)

(d) Assigned Fund Balance

The assigned fund balance classification refers to amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed. Intent may be expressed by (a) the School Board itself or (b) the finance committee or by the Superintendent when the School Board has delegated the authority to assign amounts to be used for specific purposes.

The Board approved a settlement of the property tax appeal, as more fully described in Note 16. The remaining balance on this settlement of \$766,478 is considered an assignment of fund balance in the Educational Fund.

(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. Unassigned Fund Balance amounts are shown in the financial statements as Unreserved Fund Balances in the Educational, Operations and Maintenance, and Working Cash Funds.

(f) Regulatory – Fund Balance Definitions

Reserved Fund Balances are those balances that are reserved for a specific purpose, other than the regular purpose of any given fund. Unreserved Fund Balances are all balances that are not reserved for a specific purpose other than the specified purpose of a fund.

(g) Reconciliation of Fund Balance Reporting

The first five columns of the following table represent Fund Balance Reporting according to generally accepted accounting principles. The last two columns represent Fund Balance Reporting under the regulatory basis of accounting utilized in preparation of the financial statements.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Notes to Financial Statements

(6) Fund Balance Reporting (Continued)

<u>Fund</u>	Generally Accepted Accounting Principles					Regulatory Basis	
	<u>Non- spendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>	Financial Statements- <u>Reserved</u>	Financial Statements- <u>Unreserved</u>
Educational	-	802,705	907,073	766,478	1,331,360	802,705	3,004,911
Operations & Maintenance	-	-	-	-	8,058	-	8,058
Debt Service	-	94,897	-	-	-	-	94,897
Transportation	-	529,207	-	-	-	-	529,207
Municipal Retirement	-	98,705	-	-	-	15,596	83,109
Capital Projects	-	288,132	-	-	-	-	288,132
Working Cash	-	-	-	-	137,579	-	137,579
Tort Liability	-	42	-	-	-	-	42
Fire Prevention and Safety	-	145,848	-	-	-	-	145,848

(h) Expenditures of Fund Balance

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

(7) Long-Term Debt

As of June 30, 2014, the District had long-term debt outstanding in the amount of \$9,299,591. The long-term debt is reported in the General Long-Term Debt Group and consists of the following.

Bonded Indebtedness

Bonded indebtedness current requirements for principal and interest expenditures are payable from future revenues of the Debt Service Fund. The revenues consist principally of property taxes collected by the District and interest earnings. Bonded indebtedness consists of the following:

Capital Appreciation School Bonds, Series 2000

These bonds were issued in increments of \$5,000 with various maturity dates and interest is payable only at maturity. Accretion of interest is calculated annually and is shown as an increase in the principal balance at the time of accretion.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Notes to Financial Statements

(7) Long-Term Debt (Continued)

Original Issue	\$8,869,998
Interest Rate	6.19 to 6.62%
Issue Date	June 15, 2000
Interest Date	December 1

Year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 536,810	\$ 978,190	\$ 1,515,000
2016	519,435	1,055,565	1,575,000
2017	503,431	1,136,569	1,640,000
2018	487,153	1,217,847	1,705,000
2019	470,696	1,299,304	1,770,000
2020	455,437	1,384,563	1,840,000
	<u>\$ 2,972,962</u>	<u>\$ 7,072,038</u>	<u>\$ 10,045,000</u>

Capital Appreciation School Bonds, Series 2002

Original Issue	\$1,899,994
Interest Rate	5.95% Average coupon
Issue Date	August 27, 2002
Interest Date	June 1 and December 1

Year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 60,904	\$ 64,096	\$ 125,000
2016	59,732	70,268	130,000
2017	58,497	76,503	135,000
2018	57,208	82,792	140,000
2019	57,802	92,198	150,000
2020	56,329	98,671	155,000
2021	711,123	1,363,877	2,075,000
2022	87,261	182,739	270,000
	<u>\$ 1,148,856</u>	<u>\$ 2,031,144</u>	<u>\$ 3,180,000</u>

Working Cash Fund Bonds

The final payment on these bonds was made on 10/23/2013.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Notes to Financial Statements

(7) Long-Term Debt (Continued)

Notes Payable

The following are installment loans used to purchase copiers and transportation equipment and are accounted for in the general long-term debt account group.

Amounts outstanding at June 30, 2014 are:

	<u>Amount</u>
Note payable to bank, four annual payments including interest at 4.16%, of \$57,921 starting August 13, 2011	<u>\$ 56,150</u>

Long-term liability activity for the year ended June 30, 2014 was as follows:

	<u>Balance 7/1/2013</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 6/30/2014</u>
General obligation bonds*	\$ 10,578,762	\$ 611,677	\$ 1,946,998	\$ 9,243,441
Notes payable	<u>130,515</u>	<u>-</u>	<u>74,365</u>	<u>56,150</u>
	<u>\$ 10,709,277</u>	<u>\$ 611,677</u>	<u>\$ 2,021,363</u>	<u>\$ 9,299,591</u>

* Accretion of interest on Capital Appreciation School Bonds, Series 2000 of \$611,677 is shown as an increase in principal.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Notes to Financial Statements

(7) Long-Term Debt (Continued)

Future cash flow requirements of the District for retirement of principal and interest by fiscal year follow:

Bonds

Year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 597,714	\$ 1,042,286	\$ 1,640,000
2016	579,167	1,125,833	1,705,000
2017	561,928	1,213,072	1,775,000
2018	544,361	1,300,639	1,845,000
2019	528,498	1,391,502	1,920,000
2020	511,765	1,483,235	1,995,000
2021	711,123	1,363,877	2,075,000
2022	87,261	182,739	270,000
	<u>\$ 4,121,817</u>	<u>\$ 9,103,183</u>	<u>\$ 13,225,000</u>

Notes

Year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 56,150	\$ 2,320	\$ 58,470
	<u>\$ 56,150</u>	<u>\$ 2,320</u>	<u>\$ 58,470</u>

(8) Legal Debt Margin

2013 Equalized assessed valuation	<u>\$ 160,122,192</u>
Statutory debt limitation	
13.8% of 2013 equalized assessed valuation	\$ 22,096,862
Less total indebtedness	<u>9,299,591</u>
Legal Debt Margin	<u>\$ 12,797,271</u>

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Notes to Financial Statements

(9) Interfund Loans

There were no interfund loans made or repaid during the fiscal year ended June 30, 2014.

(10) Interfund Transfers

<u>From</u>	<u>To</u>	<u>Amount Transferred</u>	<u>Purpose</u>
Educational Fund	Operations & Maintenance Fund	\$595,000	To cover deficit in fund
Working Cash Fund	Debt Service Fund	\$207,501	To cover deficit in fund

(11) Overexpenditure of Budget

The District overexpended its budget in the following funds during the fiscal year ended June 30, 2014.

<u>Fund</u>	<u>Expenditures</u>	<u>Budget</u>
Operations & Maintenance Fund	\$ 1,520,687	\$ 1,189,059
Tort Fund	\$ 217,070	\$ 213,400
Fire Prevention & Safety Fund	\$ 158,634	\$ 36,900

All other funds were operated within the legal confines of their budgets during the fiscal year ended June 30, 2014.

(12) Joint Agreements

The District is a member of Ogle County Educational Cooperative Joint Agreement located at 417 N. Colfax, Box 52, Byron, IL 61010, along with other area school districts to provide special education services. The District pays tuition to the Cooperative based upon the Cooperative's budgeted expenditures and the District's special education enrollment. The District made payments to the Ogle County Educational Cooperative during fiscal year 2014 in the amount of \$470,727.

The District also has entered into an operating agreement with the Julia Hull District Library which is located on the Stillman Valley High School Campus. The Library reimburses the District for the cost of certain librarian and aides salaries and benefits and other operating costs. During the year ended June 30, 2014, the District received \$48,589 from the Library.

Notes to Financial Statements

(12) Joint Agreements (Continued)

The District is also a member of Career Education Associates of North Central Illinois (CEANCI) located at 4151 Samuelson Road, Rockford, Illinois, 61109. CEANCI provides technical education services and receives state grants and reallocates to member districts. During the year ended June 30, 2014, the District paid CEANCI \$20,963 for technical education services and received \$8,400 from CEANCI.

The District's pupils benefit from programs administered under these joint agreements, and the District benefits from jointly administered grants and programming. The District does not have any equity interest in these joint agreements. The joint agreements are separately audited and are not included in these financial statements. Financial information about the joint agreements can be obtained by contacting them at the addresses given above.

(13) Other Postemployment Benefits (OPEB)

The District has determined the effects of OPEB are immaterial to the financial statements and therefore has not presented the OPEB liability.

(14) Risk Management

The District is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for workers' compensation for which the District participates in the Illinois Association of School Board Workers' Compensation Self Insurance Trust. Estimated payments are made annually to the Trust to cover claims, however, additional assessments could be required if the Trust reflects a deficit. For all insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

(15) Operating Leases

Bus Leases

The District entered into a lease agreement for four 77 passenger buses and one 51 passenger bus with a lift in February 2014 for a term of four years. The initial lease payment due February 14, 2014 was paid by the District in the amount of \$62,978, and was recorded as an expenditure in the Transportation Fund. The lease requires two additional payments of \$62,978 and a final payment of \$250,966. The District does not intend to make the final year lease payment and will return the buses to the lessor.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Notes to Financial Statements

(15) Operating Leases (Continued)

The remaining lease payments are as follows:

Year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	51,377	\$ 11,601	\$ 62,978
2016	53,093	9,885	62,978
2017	242,855	8,111	250,966
	<u>\$ 347,325</u>	<u>\$ 29,597</u>	<u>\$ 376,922</u>

(16) 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. The School Board believes any adjustments that may arise from these audits will be insignificant to District operations.

The District filed an assessment appeal with the Illinois Property Tax Appeal Board (PTAB) involving the Onyx Orchard Hills Landfill (Landfill), located in Davis Junction, Illinois, within the boundaries of the District. The appeal involved the 2003 tax year where the PTAB reduced the assessed value to \$3,321,000 for the 2003 tax year instead of the \$8,633,000 set by the Ogle County Board of Review. The District appealed this decision to the Illinois Appellate Court and on October 24, 2011 the Appellate Court affirmed the PTAB's decision for the 2003 tax year assessed value. The District also appealed the assessed value of Onyx for the years 2004 to 2007 and 2009 to 2010.

The District has agreed to a settlement with Veolia (formerly Onyx) and during the year ended June 30, 2014 made settlement payments of \$495,055. The agreed upon settlement payments are paid via an agreement with the Ogle County Treasurer whereby the Treasurer abates the required amount from the District's tax distributions. As a result, the settlement is reflected in these financial statements as a reduction in property tax receipts. The future settlement payments are due as follows:

Notes to Financial Statements

(16) Contingencies

Year ending June 30,	<u>Total</u>
2015	\$ 459,529
2016	306,949
	<u>\$ 766,478</u>

The District was also the defendant in a discrimination lawsuit filed by a former employee. The parties were able to settle the case in June of 2013. The settlement payment was covered by the District's insurance, except for the \$25,000 deductible which was paid by the District during the year ended June 30, 2014. The District also paid a settlement to a former District employee in the amount of \$7,320.

(17) Unemployment Compensation

The District is self-insured for unemployment compensation. The District is therefore liable to the state for any payments made to any of its former employees claiming benefits. For the year ended June 30, 2014, claims paid out under the plan were \$47,719.

(18) Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued or are available to be issued. These events and transactions either provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date (that is, non-recognized subsequent events).

The District has evaluated subsequent events through December 10, 2014, which was the date that these financial statements were available for issuance, and determined that there were no significant non-recognized subsequent events through that date, except as noted below:

Bus Lease Obligation

The District entered into a four year lease agreement with a local financial institution for seven 77 passenger school buses which became effective August 5, 2014. The principal amount of the lease is \$552,706. The District does not intent to make the final lease payment and will return the buses to the lessor.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Notes to Financial Statements

(18) Subsequent Events (Continued)

The future lease payments are as follows:

Year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 83,860	\$ 529	\$ 84,389
2016	68,248	16,141	84,389
2017	70,597	13,792	84,389
2018	330,001	11,361	341,362
	<u>\$ 552,706</u>	<u>\$ 41,823</u>	<u>\$ 594,529</u>

This lease agreement will be accounted for in the Transportation Fund for the year ended June 30, 2015.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

June 30, 2014

Other Information

Illinois Municipal Retirement Fund
Defined Benefit Pension Plan
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) --- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2013	\$ 3,959,185	\$ 4,802,930	\$ 843,745	82.43%	\$ 2,195,062	38.44%
12/31/2012	3,352,418	4,541,678	1,189,260	73.81%	2,369,094	50.20%
12/31/2011	2,875,104	4,107,026	1,231,922	70.00%	2,368,929	52.00%

On a market value basis, the actuarial value of assets as of December 31, 2013 is \$4,800,102.

On a market basis, the funded ratio would be 99.94%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with Meridian CUSD No. 223. They do not include amounts for retirees.

The actuarial accrued liability for retirees is 100% funded.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Elementary & High School Activity Fund
Statement of Operating Revenues Received and Expenditures Disbursed
For the year ended June 30, 2014

Fund	Balance 07/01/13	Revenues Received	Expenditures Disbursed	Balance 06/30/14
Academic Bowl	\$ 616	\$ 850	\$ 939	\$ 527
Baseball	(112)	10,787	9,386	1,289
Boys Basketball	2,535	3,288	3,734	2,089
Girls Basketball	514	10,512	9,402	1,624
Cardinal Fund	2,446	23,105	19,216	6,335
Cash Management	9,339	89,958	39,321	59,976
Cheerleaders	2,082	8,091	6,086	4,087
Chess Club	906	833	733	1,006
Drama Club	15,089	12,998	11,294	16,793
FFA	1,356	34,822	28,685	7,493
Football	21,034	91,601	99,728	12,907
French Club	217	2,604	2,112	709
Horticulture	1,338	4,714	3,917	2,135
Industrial Arts Club	5,744	1,488	2,371	4,861
Library - High School	1,291	330	95	1,526
Music	8,929	74,401	79,932	3,398
National Honors Society	310	728	803	235
Outdoor Club	588	5,616	4,155	2,049
Pom Pons	1,772	2,684	3,049	1,407
Renaissance Team	1,305	4,289	3,591	2,003
Scholarship Testing	881	11,414	10,655	1,640
Soccer - Boys	370	8,202	6,800	1,772
Soccer - Girls	117	2,900	2,074	943
Social Fund	238	7,351	7,510	79
Carried Forward	\$ 78,905	\$ 413,566	\$ 355,588	\$ 136,883

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Elementary & High School Activity Fund
Statement of Operating Revenues Received and Expenditures Disbursed
For the year ended June 30, 2014

Fund	Balance 07/01/13	Revenues Received	Expenditures Disbursed	Balance 06/30/14
Carried Forward	\$ 78,905	\$ 413,566	\$ 355,588	\$ 136,883
Girls Softball	1,204	8,540	9,199	545
Student Council	4,528	6,976	8,081	3,423
Students for Students	1	7,905	7,625	281
Tournament Fund	8,255	66,592	63,412	11,435
Track - Boys & Girls	1,017	1,419	1,487	949
Volleyball	2,689	10,399	10,359	2,729
Wrestling	620	9,025	8,296	1,349
Yearbook	4,898	5,114	3,506	6,506
Highland Assembly	1,517	4,184	4,093	1,608
Highland Teachers Lounge	9,525	7,635	6,819	10,341
Monroe Center Assembly	703	514	717	500
Monroe Center Teachers Lounge	4,552	13,624	15,691	2,485
Highland Library Club	754	2,407	2,690	471
Junior High Library	3,600	9,088	7,766	4,922
Monroe Center Library Club	1,407	756	1,353	810
High Yield	71,870	-	71,870	-
Class of 2011	-	1,299	1,299	-
Class of 2012	-	4,655	3,790	865
Class of 2013	710	1,634	2,344	-
Class of 2014	2,191	9,158	11,349	-
Class of 2015	1,343	14,024	11,649	3,718
Class of 2016	1,395	254	472	1,177
Class of 2017	-	2,839	1,831	1,008
K-5 Outdoor	-	1,807	-	1,807
Lorado Taft	10,341	12,042	12,474	9,909
Varsity Club	451	-	451	-
	<u>\$ 212,476</u>	<u>\$ 615,456</u>	<u>\$ 624,211</u>	<u>\$ 203,721</u>

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Junior High Activity Fund
Statement of Operating Revenues Received and Expenditures Disbursed
For the year ended June 30, 2014

Fund	Balance 07/01/13	Revenues Received	Expenditures Disbursed	Balance 06/30/14
6th Grade	\$ 825	\$ -	\$ -	\$ 825
6th Grade Reading	33	86	119	-
6th History	44	-	-	44
6th Grade Math	-	80	62	18
7th Grade	163	-	-	163
7th Grade Math	362	163	282	243
7th Grade Literature	-	356	169	187
7th Grade English	-	97	44	53
8th Grade	208	-	-	208
8th Grade English	-	40	-	40
Academic Team	8	25	33	-
Art	192	200	-	392
Athletics	39	-	-	39
Band & Chorus	2,330	46,559	47,523	1,366
Basketball	266	339	502	103
Cheerleading	200	4,740	1,664	3,276
Concession Stand	1,705	2,081	1,543	2,243
Drama	9,176	1,122	316	9,982
ELS Students	92	-	-	92
Girls PE	1,211	500	100	1,611
Office	29,447	6,610	1,068	34,989
PBIS	241	1,106	1,104	243
Piano Fund	-	750	-	750
Rachel's	485	-	38	447
Roller Skating	65	1,385	1,446	4
Science	3	-	-	3
Student Council	1,538	3,429	3,177	1,790
Track	-	45	300	(255)
Volleyball	3,212	4,301	6,690	823
Yearbook	6,571	-	-	6,571
	<u>\$ 58,416</u>	<u>\$ 74,014</u>	<u>\$ 66,180</u>	<u>\$ 66,250</u>

FEDERAL STIMULUS - AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) of 2009

1. Were any funds from the State Fiscal Stabilization Fund Program (SFSF) General State-Aid Accounts 4850, line 5 & 4870, line 23

	Payments of maintenance costs;	
	Stadiums or other facilities used for athletic contests, exhibitions or other events for which admission is charged to the general public;	
	Purchase or upgrade of vehicles;	
	Improvements of stand-alone facilities whose purpose is not the education of children such as central office administrative buildings;	
	Financial assistance to students to attend private elementary or secondary schools unless the funds are used to provide special education and related services to children with disabilities as authorized by the IDEA Act;	
	School modernization, renovation, or repair that is inconsistent with State Law.	

2. If any above boxes are checked provide the total amount of questioned costs and provide an explanation below:

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

Schedule of Average Daily Attendance, Operating Expense per Pupil,
And Total Operating Expense
(Unaudited)

<u>Year ended June 30,</u>	<u>Average Daily Attendance</u>	<u>Operating Expense Per Pupil</u>	<u>Total Operating Expense</u>
2005	1698	\$ 6,285	\$ 10,668,499
2006	1775	6,563	11,651,110
2007	1826	6,790	12,398,614
2008	1817	7,473	13,575,714
2009	1849	8,218	15,191,902
2010	1809	8,994	16,207,739
2011	1814	9,021	16,368,450
2012	1816	9,808	17,808,720
2013	1737	9,433	16,383,232
2014	1681	9,403	15,809,814

ANNUAL FEDERAL FINANCIAL COMPLIANCE REPORT (COVER SHEET)
DISTRICT/JOINT AGREEMENT
Year Ending June 30, 2014

DISTRICT/JOINT AGREEMENT NAME MERIDIAN COMMUNITY UNIT SCHOO	RCDT NUMBER 47-071-2230-26	CPA FIRM 9-DIGIT STATE REGISTRATION NUMBER 066-004238		
ADMINISTRATIVE AGENT IF JOINT AGREEMENT (as applicable) PHILLIP J CAPOSEY		NAME AND ADDRESS OF AUDIT FIRM BENNING GROUP, LLC 50 W. DOUGLAS STREET, SUITE 801 FREEMONT IL 61032		
ADDRESS OF AUDITED ENTITY (Street and/or P.O. Box, City, State, Zip Code) 207 W. MAIN ST. STILLMAN VALLEY 61084		E-MAIL ADDRESS dbenning@benninggroup.com NAME OF AUDIT SUPERVISOR DONALD A. BENNING		
		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"> CPA FIRM TELEPHONE NUMBER 815/235-3157 </td> <td style="width: 50%;"> FAX NUMBER 815/235-3158 </td> </tr> </table>	CPA FIRM TELEPHONE NUMBER 815/235-3157	FAX NUMBER 815/235-3158
CPA FIRM TELEPHONE NUMBER 815/235-3157	FAX NUMBER 815/235-3158			

THE FOLLOWING INFORMATION MUST BE INCLUDED IN THE A-133 SINGLE AUDIT REPORT:

- ☒ A copy of the CPA firm's most recent peer review report and acceptance letter has been submitted to ISBE (either with the audit or under separate cover).
- ☒ Financial Statements including footnotes § .310 (a)
- ☒ Schedule of Expenditures of Federal Awards including footnotes § .310 (b)
- ☒ Independent Auditor's Report § .505
- ☒ Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* § .505
- ☒ Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 § .505
- ☒ Schedule of Findings and Questioned Costs § .505 (d)
- ☒ Summary Schedule of Prior Year Audit Findings § .315 (b)
- ☒ Corrective Action Plan § .315 (c)

THE FOLLOWING INFORMATION IS HIGHLY RECOMMENDED TO BE INCLUDED:

- ☐ Copy of Federal Data Collection Form § .320 (b)
- ☒ Copy(ies) of Management Letter(s)

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223
47-071-2230-26
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2014

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title and Major Program Designation	CFDA Number ² (A)	ISBE Project # (1st 8 digits) or Contract #3 (B)	Receipts/Revenues		Expenditure/Disbursements ⁴		Obligations/ Encumb. (G)	Final Status (H)	Budget (I)
			Year 7/1/12-6/30/13 (C)	Year 7/1/13-6/30/14 (D)	Year 7/1/12-6/30/13 (E)	Year 7/1/13-6/30/14 (F)			
U.S. DEPARTMENT OF AGRICULTURE:									
Through Illinois State Board of Education:									
DoD Fresh Fruits & Vegetables Program (Non-Cash) (M)	10.555	2013	9,954		9,954		0	9,954	N/A
DoD Fresh Fruits & Vegetables Program (Non-Cash) (M)	10.555	2014		10,722		10,722	0	10,722	N/A
Commodities Program (non-cash) (M)	10.555	2013	46,515		46,515		0	46,515	N/A
Commodities Program (non-cash) (M)	10.555	2014		43,419		43,419	0	43,419	N/A
National School Lunch Program (M)	10.555	13-4210-00	155,964	46,571	155,964	46,571	0	202,535	N/A
National School Lunch Program (M)	10.555	14-4210-00		169,272		169,272	0	169,272	N/A
Subtotal 10.555			212,433	269,984	212,433	269,984	0	482,417	
School Breakfast Program (M)	10.553	13-4220-00	29,905	4,758	29,905	4,758	0	34,663	N/A
School Breakfast Program (M)	10.553	14-4220-00		26,100		26,100	0	26,100	N/A
Subtotal 10.553			29,905	30,858	29,905	30,858	0	60,763	
TOTAL THROUGH USDA PROGRAMS			242,338	300,842	242,338	300,842	0	543,180	

• (M) Program was audited as a major program as defined by OMB Circular A-133.

The accompanying notes are an integral part of this schedule.

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

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

³ When awards are received as a subrecipient, the identifying number assigned by the pass-through entity should be included in the schedule.

⁴ Circular A-133 requires that the value of federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end be included in either the schedule or a note to the schedule. Although it is not required, Circular A-133 states that it is preferable to present this information in the schedule (versus the notes to the schedule). If the auditee presents non-cash assistance in the notes to the schedule, the auditor should be aware that such amounts must still be included in part III of the data collection form.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223
47-071-2230-26
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2014

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title and Major Program Designation	CFDA Number ² (A)	ISBE Project # (1st 8 digits) or Contract #3 (B)	Receipts/Revenues		Expenditure/Disbursements ⁴		Obligations/ Encumb. (G)	Final Status (H)	Budget (I)
			Year 7/1/12-6/30/13 (C)	Year 7/1/13-6/30/14 (D)	Year 7/1/12-6/30/13 (E)	Year 7/1/13-6/30/14 (F)			
U.S. DEPARTMENT OF EDUCATION:									
Through Illinois State Board of Education:									
Title I - Low Income	84.010A	13-4300-00	60,438	70,141	105,724	18,792	0	124,516	170,227
Title I - Low Income (M)	84.010A	14-4300-00		53,392		130,030	39,398	169,428	179,830
Subtotal 84.010A			60,438	123,533	105,724	148,822	39,398	293,944	
Title II - Teacher Quality	84.367A	13-4932-00	36,172	7,018	43,190	0	0	43,190	43,361
Title II - Teacher Quality	84.367A	14-4932-00		37,282		37,282	0	37,282	37,282
Subtotal 84.367A			36,172	44,300	43,190	37,282	0	80,472	
Title III - Lang Inst Prog-Limited Eng LIPLP	84.365A	13-4909-00	5,146	8,540	12,091	1,595	0	13,686	14,106
Title III - Lang Inst Prog-Limited Eng LIPLP	84.365A	14-4909-00		4,824		6,851	0	6,851	11,820
Subtotal 84.365A			5,146	13,364	12,091	8,446	0	20,537	
Through Ogle County Education Cooperative (47-071-8010-60):									
Fed. Sp. Ed. - Pre-School Flow-Through	84.173A	13-4600-00	6,663		6,663		0	6,663	6,663
Fed. Sp. Ed. - Pre-School Flow-Through	84.173A	14-4600-00		5,975		7,685	0	7,685	7,688
Subtotal 84.173A			6,663	5,975	6,663	7,685	0	14,348	

• (M) Program was audited as a major program as defined by OMB Circular A-133.

The accompanying notes are an integral part of this schedule.

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

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

³ When awards are received as a subrecipient, the identifying number assigned by the pass-through entity should be included in the schedule.

⁴ Circular A-133 requires that the value of federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end be included in either the schedule or a note to the schedule. Although it is not required, Circular A-133 states that it is preferable to present this information in the schedule (versus the notes to the schedule). If the auditee presents non-cash assistance in the notes to the schedule, the auditor should be aware that such amounts must still be included in part III of the data collection form.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223
47-071-2230-26
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2014

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title and Major Program Designation	CFDA Number ² (A)	ISBE Project # (1st 8 digits) or Contract #3 (B)	Receipts/Revenues		Expenditure/Disbursements ⁴		Obligations/ Encumb. (G)	Final Status (H)	Budget (I)
			Year 7/1/12-6/30/13 (C)	Year 7/1/13-6/30/14 (D)	Year 7/1/12-6/30/13 (E)	Year 7/1/13-6/30/14 (F)			
Fed. Sp. Ed. - IDEA Flow-Through	84.027A	13-4620-00	89,367	18,525	108,730	583	0	109,313	110,511
Fed. Sp. Ed. - IDEA Flow-Through	84.027A	14-4620-00		65,112		122,991	0	122,991	124,445
Subtotal 84.027A			89,367	83,637	108,730	123,574	0	232,304	
Through Lee/Ogle County ROE(47-000-0000-00):									
McKinney Education for Homeless Children	84.196A	13-4920-00		315		315	0	315	N/A
McKinney Education for Homeless Children	84.196A	14-4920-00		76		76	0	76	N/A
Subtotal 84.196A			0	391	0	391	0	391	
Direct USDE Programs:									
Physical Education Program - cumulative prior to FY13	84.215F	Q215F110024	124,316		118,299			118,299	388,900
Physical Education Program - FY 13	84.215F	Q215F110024	252,929	56,974	295,598	83,583		379,181	132,237
Physical Education Program - FY 14	84.215F	Q215F110024		80,600		23,868	0	23,868	117,398
Subtotal 84.215F			377,245	137,574	413,897	107,451	0	521,348	
TOTAL THROUGH USDE PROGRAMS			575,031	408,774	690,295	433,651	39,398	1,163,344	

• (M) Program was audited as a major program as defined by OMB Circular A-133.

The accompanying notes are an integral part of this schedule.

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

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

³ When awards are received as a subrecipient, the identifying number assigned by the pass-through entity should be included in the schedule.

⁴ Circular A-133 requires that the value of federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end be included in either the schedule or a note to the schedule. Although it is not required, Circular A-133 states that it is preferable to present this information in the schedule (versus the notes to the schedule). If the auditee presents non-cash assistance in the notes to the schedule, the auditor should be aware that such amounts must still be included in part III of the data collection form.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223
47-071-2230-26
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2014

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title and Major Program Designation	CFDA Number ² (A)	ISBE Project # (1st 8 digits) or Contract #3 (B)	Receipts/Revenues		Expenditure/Disbursements ⁴		Obligations/ Encumb. (G)	Final Status (H)	Budget (I)
			Year 7/1/12-6/30/13 (C)	Year 7/1/13-6/30/14 (D)	Year 7/1/12-6/30/13 (E)	Year 7/1/13-6/30/14 (F)			
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES:									
Through Illinois Dept. of Healthcare & Family Services:									
Through Sycamore District #147 (16-019-4270-26) :									
Through Northwestern Illinois Association:									
Medicaid Administrative Outreach	93.778	12-4991-00	<u>25,064</u>		<u>25,064</u>			25,064	N/A
Medicaid Administrative Outreach	93.778	13-4991-00						0	N/A
Medicaid Administrative Outreach	93.778	14-4991-00		<u>357</u>		<u>357</u>		<u>357</u>	N/A
Subtotal 93.778F			<u>25,064</u>	<u>357</u>	<u>25,064</u>	<u>357</u>	<u>0</u>	<u>25,421</u>	
TOTAL THROUGH USDHHS PROGRAMS			<u>25,064</u>	<u>357</u>	<u>25,064</u>	<u>357</u>	<u>0</u>	<u>25,421</u>	
TOTAL FEDERAL AWARD PROGRAMS			<u>842,433</u>	<u>709,973</u>	<u>957,697</u>	<u>734,850</u>	<u>39,398</u>	<u>1,731,945</u>	

• (M) Program was audited as a major program as defined by OMB Circular A-133.

The accompanying notes are an integral part of this schedule.

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

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

³ When awards are received as a subrecipient, the identifying number assigned by the pass-through entity should be included in the schedule.

⁴ Circular A-133 requires that the value of federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end be included in either the schedule or a note to the schedule. Although it is not required, Circular A-133 states that it is preferable to present this information in the schedule (versus the notes to the schedule). If the auditee presents non-cash assistance in the notes to the schedule, the auditor should be aware that such amounts must still be included in part III of the data collection form.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223
47-071-2230-26
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)
Year Ending June 30, 2014

Note 1: Basis of Presentation⁵

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of **Meridian Community Unit School District No. 223** and is presented on the **cash basis of accounting**. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the **general-purpose** financial statements.

Note 2: Subrecipients⁶

Of the federal expenditures presented in the schedule, **Meridian Community Unit School District No. 223** provided federal awards to subrecipients as follows:

Program Title/Subrecipient Name	Federal CFDA Number	Amount Provided to Subrecipients
NONE		

Note 3: Non-Cash Assistance

The following amounts were expended in the form of non-cash assistance by **Meridian Community Unit School District No. 223** and are included in the Schedule of Expenditures of Federal Awards:

NON-CASH COMMODITIES (CFDA 10.555)**:

\$54,141

OTHER NON-CASH ASSISTANCE

\$0

Note 4: Other Information

Insurance provided by Federal agencies in effect during the fiscal year:

Property

\$0

Auto

\$0

General Liability

\$0

Workers Compensation

\$0

Loans/Loan Guarantees Outstanding at June 30:

\$0

District had Federal grants requiring matching expenditures

NO

(Yes/No)

** The amount reported here should match the value reported for non-cash Commodities on the Indirect Cost Rate Computation page.

⁵ This note is included to meet the Circular A-133 requirement that the schedule include notes that describe the significant accounting policies used in preparing the schedule.

⁶ Circular A-133 requires the Schedule of Expenditures of Federal Awards to include, to the extent practical, an identification of the total amount provided to subrecipients, from each federal program. Although this example includes the required subrecipient information in the notes to the schedule, the information may be included on the face of the schedule as a separate column or section, if that is preferred by the auditee.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223
47-071-2230-26
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

GAAP/REGULATORY

Type of auditor's report issued:

ADVERSE / UNQUALIFIED

(Unmodified, Qualified, Adverse, Disclaimer)

INTERNAL CONTROL OVER FINANCIAL REPORTING:

- Material weakness(es) identified? X YES None Reported
- Significant Deficiency(s) identified that are not considered to be material weakness(es)? X YES None Reported
- Noncompliance material to financial statements noted? YES X NO

FEDERAL AWARDS

INTERNAL CONTROL OVER MAJOR PROGRAMS:

- Material weakness(es) identified? X YES None Reported
- Significant Deficiency(s) identified that are not considered to be material weakness(es)? X YES None Reported

Type of auditor's report issued on compliance for major programs:

Unmodified - Child Nutrition Cluster/ Qualified - Title I

(Unmodified, Qualified, Adverse, Disclaimer⁷)

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, § .510(a)?

 X YES NO

IDENTIFICATION OF MAJOR PROGRAMS:⁸

CFDA NUMBER(S) ⁹	NAME OF FEDERAL PROGRAM or CLUSTER ¹⁰
10.555, 10.553	Child Nutrition Cluster
84.010A	Title I - Low Income

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000.00

Auditee qualified as low-risk auditee?

 YES X NO

⁷ If the audit report for one or more major programs is other than unmodified, indicate the type of report issued for each program. Example: "Unmodified for all major programs except for [name of program], which was modified and [name of program], which was a disclaimer."

⁸ Major programs should generally be reported in the same order as they appear on the SEFA.

⁹ When the CFDA number is not available, include other identifying number, if applicable.

¹⁰ The name of the federal program or cluster should be the same as that listed in the SEFA. For clusters, auditors are only required to list the name of the cluster.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223
47-071-2230-26
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

1. FINDING NUMBER:¹¹ 2014- 001 2. THIS FINDING IS: ☐ New ☒ Repeat from Prior Year?
Year originally reported? 2012

3. Criteria or specific requirement

Management is responsible for the accuracy and completeness of all financial records. This includes having controls over the financial reporting process which serve to prevent and detect errors in financial reporting that ensure that the financial statements are free of material misstatements.

4. Condition

During the audit, misstatements of the financial records were found, resulting in adjusting entries. These entries were material to the financial statements and necessary to ensure that the financial statements were fairly stated. Management agreed with the adjustments and they were included in the 2014 financial statements.

5. Context¹²

N/A

6. Effect

As the District's control policies and procedures did not detect or prevent these material misstatements of the financial statements, we conclude that there is a significant deficiency in the District's internal control policies and procedures.

7. Cause

Lack of procedures over financial reporting to identify potential adjustments throughout the year and during the year end reporting process.

8. Recommendation

Management should attempt to develop procedures to identify potential adjustments throughout the year and during the year end reporting process to minimize adjustments by the auditor.

9. Management's response¹³

Management will work on developing procedures to identify potential adjustments.

For ISBE Review

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

¹¹ A suggested format for assigning reference numbers is to use the digits of the fiscal year being audited followed by a numeric sequence of findings. For example, findings identified and reported in the audit of fiscal year 2014 would be assigned a reference number of 2014-001, 2014-002, etc. The sheet is formatted so that only the number need be entered (1, 2, etc.).

¹² Provide sufficient information for judging the prevalence and consequences of the finding, such as relation to universe of costs and/or number of items examined and quantification of audit findings in dollars.

¹³ See paragraphs 5.18 through 5.20 and 7.38 through 7.42 of Government Auditing Standards for additional guidance on reporting management's response.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223
47-071-2230-26
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

1. FINDING NUMBER:¹¹ **2014- 002** 2. THIS FINDING IS: ☐ New ☒ Repeat from Prior Year?
Year originally reported? 2012

3. Criteria or specific requirement

The Illinois School Code gives the Board of Education certain powers to incur debt to finance various acquisitions of property and equipment.

4. Condition

The District has obtained financing for various property and equipment acquisitions from a local financial institution that is not authorized by state statutes.

5. Context¹²

N/A

6. Effect

The District is not in compliance with state statutes.

7. Cause

Lack of familiarity with the Illinois School Code borrowing authorizations.

8. Recommendation

The District should either pay off or restructure the existing bank loans to come into compliance with the Illinois School Code.

9. Management's response¹³

The District will refrain from using this funding source in the future.

For ISBE Review

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

¹¹ A suggested format for assigning reference numbers is to use the digits of the fiscal year being audited followed by a numeric sequence of findings. For example, findings identified and reported in the audit of fiscal year 2014 would be assigned a reference number of 2014-001, 2014-002, etc. The sheet is formatted so that only the number need be entered (1, 2, etc.).

¹² Provide sufficient information for judging the prevalence and consequences of the finding, such as relation to universe of costs and/or number of items examined and quantification of audit findings in dollars.

¹³ See paragraphs 5.18 through 5.20 and 7.38 through 7.42 of Government Auditing Standards for additional guidance on reporting management's response.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223
47-071-2230-26
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

1. FINDING NUMBER:¹¹ **2014- 003** 2. THIS FINDING IS: ☒ New ☐ Repeat from Prior Year?
 Year originally reported? _____

3. Criteria or specific requirement

The district should be performing reconciliations of bank and payroll liability accounts and should have a District Treasurer oversee the accounting functions.

4. Condition

Bank and payroll liability account reconciliations were not performed on a timely basis during the year. The district was also without a Treasurer for several months. This is considered a material weakness.

5. Context¹²

During the course of performing audit procedures, we noted bank reconciliations had not been performed. The district hired an outside accounting firm to perform these reconciliations. Payroll liability accounts have not been reconciled.

6. Effect

Significant journal entries were required as a result of the bank reconciliations performed by the outside accountant and an internal review of the payroll liability accounts.

7. Cause

Account reconciliations were not performed in a timely manner.

8. Recommendation

The district needs to hire a qualified District Treasurer as well as implement timely account reconciliation procedures.

9. Management's response¹³

Board has hired a Treasurer effective August 14, 2014. Reconciliations will be performed monthly.

For ISBE Review

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

¹¹ A suggested format for assigning reference numbers is to use the digits of the fiscal year being audited followed by a numeric sequence of findings. For example, findings identified and reported in the audit of fiscal year 2014 would be assigned a reference number of 2014-001, 2014-002, etc. The sheet is formatted so that only the number need be entered (1, 2, etc.).

¹² Provide sufficient information for judging the prevalence and consequences of the finding, such as relation to universe of costs and/or number of items examined and quantification of audit findings in dollars.

¹³ See paragraphs 5.18 through 5.20 and 7.38 through 7.42 of Government Auditing Standards for additional guidance on reporting management's response.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

47-071-2230-26

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ending June 30, 2014

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

1. FINDING NUMBER:¹⁴ **2014- 004** 2. THIS FINDING IS: ☐ New ☒ Repeat from Prior year?
Year originally reported? **2013**

3. Federal Program Name and Year: **National School Lunch Program 2014 & School Breakfast Program 2014**

4. Project No.: **14-4210-00 & 14-4220-00** 5. CFDA No.: **10.555 & 10.553**

6. Passed Through: **Illinois State Board of Education**

7. Federal Agency: **U.S. Department of Agriculture**

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

Eligibility for free and reduced lunch & breakfast is determined based upon gross income of the applicant compared against USDA established guidelines.

9. Condition¹⁵

During testing, we noted 3 students were allowed free lunch & breakfast but should have been denied & 1 student was allowed reduced lunch & breakfast but qualified for free lunch & breakfast.

10. Questioned Costs¹⁶

\$1,143.00 for Free & Reduced Lunch

\$486.00 for School Breakfast

11. Context¹⁷

The District inaccurately calculated income on 2 out of 5 income verified applications.

12. Effect

Child Nutrition funding provided to the District based upon low income eligibility is incorrect.

13. Cause

USDA income guidelines were not properly utilized resulting in an application being allowed reduced lunch and breakfast when it should have been denied. Another application did not have the results of the income verification process documented which resulted in questioned costs.

14. Recommendation

We believe that this was an isolated incidence and that the District has made a good-faith effort to rectify the finding from the prior year. Documenting the results of the income verification process in the appropriate space on the application would aid in determining status of applicant as well as correct use of the USDA income guidelines.

15. Management's response¹⁸

The district will implement the recommended changes. To that end, the staff in the position at the time of the mistake has since been removed from that position and a focus on improving our performance in this area has been adopted.

For ISBE Review

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

¹⁴ See footnote 11.

¹⁵ Include facts that support the deficiency identified on the audit finding.

¹⁶ Identify questioned costs as required by sections 510(a)(3) and 510 (a) (4) of Circular A-133.

¹⁷ See footnote 12.

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

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

47-071-2230-26

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ending June 30, 2014

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

1. FINDING NUMBER:¹⁴ **2014- 005** 2. THIS FINDING IS: ☒ New ☐ Repeat from Prior year?
Year originally reported? _____

3. Federal Program Name and Year: National School Lunch Program 2014 & School Breakfast Program 2014

4. Project No.: 14-4210-00 & 14-4220-00 5. CFDA No.: 10.555 & 10.553

6. Passed Through: Illinois State Board of Education

7. Federal Agency: U.S. Department of Agriculture

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

The 2014 Compliance Supplement provided by the U.S. Office of Management and Budget for the Child Nutrition Cluster, which includes the National School Lunch Program and the School Breakfast Program, states that the food service program is to operate as a non-profit.

9. Condition¹⁵

The food service program operated at a profit of \$108,000 during the fiscal year ending June 30, 2014.

10. Questioned Costs¹⁶

N/A

11. Context¹⁷

N/A

12. Effect

Excess food service funds on hand at the end of the year.

13. Cause

The District does not utilize its accounting system to adequately monitor the non-profit status of the food service program.

14. Recommendation

The Compliance Supplement requires the excess funds to be reinvested into the food service program.

15. Management's response¹⁸

The recommendation will be followed as well as ensuring that we are coding all possible food service expenses correctly. The intent is not to run a for-profit program and this will be an area of focus.

For ISBE Review

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

¹⁴ See footnote 11.

¹⁵ Include facts that support the deficiency identified on the audit finding.

¹⁶ Identify questioned costs as required by sections 510(a)(3) and 510 (a) (4) of Circular A-133.

¹⁷ See footnote 12.

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

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

47-071-2230-26

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ending June 30, 2014

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

1. FINDING NUMBER:¹⁴ **2014- 006** 2. THIS FINDING IS: ☒ New ☐ Repeat from Prior year?
Year originally reported? _____

3. Federal Program Name and Year: _____ Title I - Low Income 2014

4. Project No.: _____ **14-4300-00** 5. CFDA No.: _____ **84.010A**

6. Passed Through: _____ **Illinois State Board of Education**

7. Federal Agency: _____ **U.S. Department of Education**

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

Federal grant expenditure reports are to be submitted to ISBE within 20 days after the quarter end.

9. Condition¹⁵

Title I expenditure reports for the quarters ending 9/30/13, 12/31/13 and 3/31/14 were not filed within 20 days after the quarter end.

10. Questioned Costs¹⁶

N/A

11. Context¹⁷

Expenditure reports for Title I were not filed within the 20 day window after the appropriate quarter end.

12. Effect

None. No federal funds were frozen as a result of late expenditure reports.

13. Cause

An inadequate internal control system.

14. Recommendation

The District is to establish and utilize internal control procedures for completing and submitting the required quarterly grant expenditure reports within 20 days after the quarter end.

15. Management's response¹⁸

Monitoring of the recommended process will take place directly from the Superintendent's office from this point forward and the expectation is that this error will cease.

For ISBE Review

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

¹⁴ See footnote 11.

¹⁵ Include facts that support the deficiency identified on the audit finding.

¹⁶ Identify questioned costs as required by sections 510(a)(3) and 510 (a) (4) of Circular A-133.

¹⁷ See footnote 12.

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

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

47-071-2230-26

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ending June 30, 2014

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

1. FINDING NUMBER:¹⁴ **2014- 007** 2. THIS FINDING IS: ☒ New ☐ Repeat from Prior year?
Year originally reported? _____

3. Federal Program Name and Year: _____ Title I - Low Income 2014

4. Project No.: _____ **14-4300-00** 5. CFDA No.: _____ **84.010A**

6. Passed Through: _____ **Illinois State Board of Education**

7. Federal Agency: _____ **U.S. Department of Education**

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

Sufficient evidence of Federal expenditures is to exist for expenditures claimed on the expenditure reports.

9. Condition¹⁵

The District recorded 50% of Title I salaries as federal funds rather than 76% according to the approved grant budget. Also transportation, general administration, and food service expenditures were commingled with other local expenditures therefore expenditures were not substantiated.

10. Questioned Costs¹⁶

\$8,314

11. Context¹⁷

Title I expenditures for transportation (\$4055), general administration (\$3741) and food service (\$518) were not ascertainable.

12. Effect

Expenditures were not able to be verified.

13. Cause

Federal expenditures are comingled with non-federal expenditures due to lack of proper internal control procedures.

14. Recommendation

The District is to document all expenditures claimed by Title I. Establish and utilize internal control procedures to ensure Title I salaries, benefits, purchased services, supplies, etc. are recorded in accounts designated for Title I only. Review the FY 15 Title I grant budget to ensure the FY 15 expenditures are appropriately recorded.

15. Management's response¹⁸

The District will follow the recommendation as given.

For ISBE Review

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

¹⁴ See footnote 11.

¹⁵ Include facts that support the deficiency identified on the audit finding.

¹⁶ Identify questioned costs as required by sections 510(a)(3) and 510 (a) (4) of Circular A-133.

¹⁷ See footnote 12.

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

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

47-071-2230-26

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ending June 30, 2014

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

1. FINDING NUMBER:¹⁴ **2014- 008** 2. THIS FINDING IS: ☒ New ☐ Repeat from Prior year?
Year originally reported? _____

3. Federal Program Name and Year: _____ Title I - Low Income 2014

4. Project No.: _____ **14-4300-00** 5. CFDA No.: _____ **84.010A**

6. Passed Through: _____ **Illinois State Board of Education**

7. Federal Agency: _____ **U.S. Department of Education**

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

The District is to file an accurate expenditure report.

9. Condition¹⁵

The June 30, 2014 expenditure report for Title I includes July and August 2014 salaries of \$15,756 as actual costs rather than as outstanding obligations.

10. Questioned Costs¹⁶

\$0

11. Context¹⁷

The District reported future salaries as current salaries rather than as outstanding obligations.

12. Effect

Actual expenditures are overstated and outstanding obligations are understated for the 6/30/14 expenditure report, but the overall effect on the expenditure report is \$0.

13. Cause

Inadequate internal control procedures.

14. Recommendation

The District is to establish and utilize internal control procedures to ensure salaries that are to be paid after the fiscal year end, but within the grant period, are properly reported on the June 30th expenditure report.

15. Management's response¹⁸

After training and additional understanding of this topic by the Superintendent and the Bookkeeper this error will not occur again as a result of the district adopting the recommendation as presented.

For ISBE Review

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

¹⁴ See footnote 11.

¹⁵ Include facts that support the deficiency identified on the audit finding.

¹⁶ Identify questioned costs as required by sections 510(a)(3) and 510 (a) (4) of Circular A-133.

¹⁷ See footnote 12.

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

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223

47-071-2230-26

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ending June 30, 2014

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

1. FINDING NUMBER:¹⁴ **2014- 009** 2. THIS FINDING IS: ☒ New ☐ Repeat from Prior year?
Year originally reported? _____

3. Federal Program Name and Year: Nat'l School Lunch 2014, School Breakfast 2014/ Title I - Low Income 2014

4. Project No.: 14-4210 & 14-4220 / 14-43000 5. CFDA No.: 10.555 & 10.553 / 84.010

6. Passed Through: Illinois State Board of Education

7. Federal Agency: U.S. Department of Agriculture / U.S. Department of Education

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

The district should be performing reconciliations of bank and payroll liability accounts and should have a District Treasurer oversee the accounting functions.

9. Condition¹⁵

Bank and payroll liability account reconciliations were not performed on a timely basis during the year. The district was also without a Treasurer for several months. This is considered a material weakness.

10. Questioned Costs¹⁶

N/A

11. Context¹⁷

During the course of performing audit procedures, we noted bank reconciliations had not been performed. The district hired an outside accounting firm to perform these reconciliations. Payroll liability accounts have not been reconciled.

12. Effect

Significant journal entries were required as a result of the bank reconciliations performed by the outside accountant and an internal review of the payroll liability accounts.

13. Cause

Account reconciliations were not performed in a timely manner.

14. Recommendation

The district needs to hire a qualified District Treasurer as well as implement timely account reconciliation procedures.

15. Management's response¹⁸

Board has hired a Treasurer effective August 15, 2014. Reconciliations will be performed monthly.

For ISBE Review

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

¹⁴ See footnote 11.

¹⁵ Include facts that support the deficiency identified on the audit finding.

¹⁶ Identify questioned costs as required by sections 510(a)(3) and 510 (a) (4) of Circular A-133.

¹⁷ See footnote 12.

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

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223
47-071-2230-26
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS¹⁹
Year Ending June 30, 2014

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status²⁰</u>
13-1	Eligibility testing of Free & Reduced Lunch and School Breakfast programs resulted in 9 students that should have been denied and 3 were allowed free but qualified for reduced.	The District reviewed all FY 13 - 14 lunch applications per the FY 13 audit recommendations and believe that the issue has been corrected.
13-2	As a result of finding 13-1, the funding for Title I was incorrectly allocated.	The District believes this was rectified as a result of the procedures implemented for finding 13-1.
13-3	Misstatements of financial statements were found during the audit, resulting in material adjusting entries.	This is an ongoing issue for the fiscal year ended June 30, 2014. See finding 2014-001
13-4	The District obtained financing for property and equipment acquisitions from a local financial institution which is not an authorized financing source.	The District continues to pay down on the existing loans, but no new loans were established See finding 2014-002.
13-5	The District's activity fund custodians are not properly bonded.	Appropriate bonding was obtained by the District.

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

¹⁹ See the instructions in the Guide to Auditing and Reporting for Illinois Public Local Education Agencies for an explanation of this schedule.

²⁰ Current Status should include one of the following:

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

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223
47-071-2230-26
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS²¹
Year Ending June 30, 2014

Corrective Action Plan

Finding No.: **2014-** **001**

Condition:

During the audit, material misstatements of the financial records were found, resulting in adjusting entries. These entries were material to the financial statements and necessary to ensure that the financial statements are fairly stated. Management agreed with the adjustments and they were included in the 2014 financial statements.

Plan:

Management will develop a checklist to identify potential adjustment to be posted prior to year end.

Anticipated Date of Completion: 6/30/2015

Name of Contact Person: Phillip J. Caposey

Management Response: Management will work on developing procedures to identify potential adjustments.

²¹ See the instructions in the Guide to Auditing and Reporting for Illinois Public Local Education Agencies for an explanation of this schedule.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223
47-071-2230-26
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS²¹
Year Ending June 30, 2014

Corrective Action Plan

Finding No.: **2014-** **002**

Condition:

The District has obtained financing for various property and equipment acquisitions from a local financial institution that is not authorized by the Illinois School Code.

Plan:

The District will refrain from using this source of funding in the future.

Anticipated Date of Completion: 6/30/2015

Name of Contact Person: Phillip J. Caposey

Management Response: Management will implement the plan noted above.

²¹ See the instructions in the Guide to Auditing and Reporting for Illinois Public Local Education Agencies for an explanation of this schedule.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223
47-071-2230-26
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS²¹
Year Ending June 30, 2014

Corrective Action Plan

Finding No.: **2014-** **003**

Condition:

Bank and payroll liability account reconciliations were not performed on a timely basis during the year. The district was also without a Treasurer for several months. This is considered a material weakness.

Plan:

The district needs to hire a qualified District Treasurer as well as implement timely account reconciliation procedures.

Anticipated Date of Completion: 6/30/2015

Name of Contact Person: Phillip J. Caposey

Management Response:

Board has hired a Treasurer effective August 15, 2014. Reconciliations will be performed monthly.

²¹ See the instructions in the Guide to Auditing and Reporting for Illinois Public Local Education Agencies for an explanation of this schedule.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223
47-071-2230-26
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS²¹
Year Ending June 30, 2014

Corrective Action Plan

Finding No.: **2014- 004**

Condition:

During testing, we noted 3 students were allowed free lunch & breakfast but should have been denied & 1 student was allowed reduced lunch & breakfast but qualified for free lunch & breakfast.

Plan:

Documenting the results of the income verification process in the appropriate space on the application would aid in determining status of applicant as well as correct use of the USDA income guidelines.

Anticipated Date of Completion: 1/31/2014

Name of Contact Person: Phillip J. Caposey

Management Response: The district will implement the recommended changes. To that end, the staff in the position at the time of the mistake has since been removed from that position and a focus on improving our performance in this area has been adopted.

²¹ See the instructions in the Guide to Auditing and Reporting for Illinois Public Local Education Agencies for an explanation of this schedule.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223
47-071-2230-26
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS²¹
Year Ending June 30, 2014

Corrective Action Plan

Finding No.: **2014-** **005**

Condition:

The food service program operated at a profit of \$108,000 during the fiscal year ending June 30, 2014.

Plan:

The Compliance Supplement requires the excess funds to be reinvested into the food service program.

Anticipated Date of Completion: 6/30/2015

Name of Contact Person: Phillip J. Caposey

Management Response: The recommendation will be followed as well as ensuring that we are coding all possible food service expenses correctly. The intent is not to run a for-profit program and this will be an area of focus.

²¹ See the instructions in the Guide to Auditing and Reporting for Illinois Public Local Education Agencies for an explanation of this schedule.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223
47-071-2230-26
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS²¹
Year Ending June 30, 2014

Corrective Action Plan

Finding No.: **2014- 006**

Condition:

Title I expenditure reports for the quarters ending 9/30/13, 12/31/13, and 3/31/14 were not filed within 20 days after the quarter end.

Plan:

The District is to establish and utilize an internal control procedures for completing and submitting the required quarterly grant expenditure reports within 20 days of the quarter end.

Anticipated Date of Completion: 6/30/2015

Name of Contact Person: Phillip J. Caposey

Management Response:

Monitoring of the recommended process will take place directly from the Superintendent's office from this point forward and the expectation is that this error will cease.

²¹ See the instructions in the Guide to Auditing and Reporting for Illinois Public Local Education Agencies for an explanation of this schedule.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223
47-071-2230-26
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS²¹
Year Ending June 30, 2014

Corrective Action Plan

Finding No.: **2014- 007**

Condition:

The District recorded 50% of Title I salaries in the appropriate expenditure accounts, but 76% of Title I expenditures qualified according to the approved grant budget. Also, transportation, general administration, and food service expenditures for Title I were commingled with other local expenditures and not recorded in separate Title I expenditure accounts.

Plan:

The District is to document all expenditures claimed by Title I as well as establish and utilize internal control procedures to ensure Title I salaries, benefits, purchased services, supplies, etc. are recorded in accounts designated for Title I only (separate from non-federal funds). The District will review the FY 15 Title I grant budget to ensure the FY 15 expenditures (including salary %'s) are appropriately recorded.

Anticipated Date of Completion: 6/30/2015

Name of Contact Person: Phillip J Caposey

Management Response: The District will follow the recommendation as given.

²¹ See the instructions in the Guide to Auditing and Reporting for Illinois Public Local Education Agencies for an explanation of this schedule.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223
47-071-2230-26
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS²¹
Year Ending June 30, 2014

Corrective Action Plan

Finding No.: **2014-** **008**

Condition:

The June 30, 2014 Title I expenditure report includes July and August 2014 salaries as actual expenditures rather than as outstanding obligations.

Plan:

The District will establish and utilize proper internal control procedures to ensure that July and August salaries paid after the fiscal year end are correctly reported as outstanding obligations on the June 30 expenditure report.

Anticipated Date of Completion: 6/30/2015

Name of Contact Person: Phillip J. Caposey

Management Response: After training and additional understanding of this topic by the Superintendent and the Bookkeeper this error will not occur again as a result of the district adopting the recommendation as presented.

²¹ See the instructions in the Guide to Auditing and Reporting for Illinois Public Local Education Agencies for an explanation of this schedule.

MERIDIAN COMMUNITY UNIT SCHOOL DISTRICT NO. 223
47-071-2230-26
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS²¹
Year Ending June 30, 2014

Corrective Action Plan

Finding No.: **2014-** **009**

Condition:

Bank and payroll liability account reconciliations were not performed on a timely basis during the year. The district was also without a Treasurer for several months. This is considered a material weakness.

Plan:

The district needs to hire a qualified District Treasurer as well as implement timely account reconciliation procedures.

Anticipated Date of Completion: 6/30/2015

Name of Contact Person: Phillip J. Caposey

Management Response:

Board has hired a Treasurer effective August 15, 2014. Reconciliations will be performed monthly.

²¹ See the instructions in the Guide to Auditing and Reporting for Illinois Public Local Education Agencies for an explanation of this schedule.



BENNING GROUP, LLC

CERTIFIED PUBLIC ACCOUNTANTS

www.BenningGroup.com

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

Board of Education
Meridian Community Unit School District No. 223
Ogle County, Illinois

Report on Compliance for Each Major Federal Program

We have audited the Meridian Community Unit School District No. 223's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Meridian Community Unit School District No. 223's major federal programs for the year ended June 30, 2014. Meridian Community Unit School District No. 223's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Meridian Community Unit School District No. 223's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Meridian Community Unit School District No. 223's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

50 W. Douglas Street, Suite 801
Freeport, Illinois 61032
(815) 235-3157
Fax (815) 235-3158

6785 Weaver Road, Suite 2A
Rockford, Illinois 61114
(815) 316-2375
Fax (815) 316-2389

1809 10th Street
Monroe, Wisconsin 53566
(608) 325-5035
Fax (608) 328-2843

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Meridian Community Unit School District No. 223's compliance.

Basis for Qualified Opinion on Title I – Low Income

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of Meridian Community Unit School District No. 223 with Title I – Low Income as described in finding number 2014-007 for Allowable Costs/Cost Principles, consequently we were unable to determine whether Meridian Community Unit School District No. 223 complied with those requirements applicable to that program.

Qualified Opinion on Title I – Low Income

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, Meridian Community Unit School District No. 223 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Title I – Low Income for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Meridian Community Unit School District No. 223 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as findings 2014-004 & 2014-005. Our opinion on each major federal program is not modified with respect to these matters.

Meridian Community Unit School District No. 223's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Meridian Community Unit School District No. 223's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Meridian Community Unit School District No. 223 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Meridian Community Unit School District No. 223's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Meridian Community Unit School District No. 223's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 2014-009 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance as described in the accompanying schedule of finding and questioned costs as findings 2014-006, 2014-007, and 2014-008 to be significant deficiencies

Meridian Community Unit School District No. 223's response(s) to the finding(s) identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Meridian Community Unit School District No. 223's response(s) and, accordingly, we express no opinion on the response(s).

The purpose of this report on internal control is solely to describe the scope of our testing internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Benning Group, LLC

Freeport, Illinois
December 10, 2014