

HILLSBORO COMMUNITY UNIT
SCHOOL DISTRICT NO. 3
HILLSBORO, ILLINOIS

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017



HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
TABLE OF CONTENTS

	<u>PAGE</u>
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	1-4
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
<u>EXHIBIT</u>	
A Statement of Net Position	5-6
B Statement of Activities	7-8
FUND FINANCIAL STATEMENTS:	
C Balance Sheet - Governmental Funds	9
D Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	10
E Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	11-13
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds to the Statement of Activities	14
G Statement of Net Position - Fiduciary Fund	15
INDEX TO NOTES	16-17
NOTES TO FINANCIAL STATEMENTS	18-54
REQUIRED SUPPLEMENTARY INFORMATION:	
<u>SCHEDULE</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - Major Governmental Funds	
A General Fund	55-59

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
TABLE OF CONTENTS

PAGE

REQUIRED SUPPLEMENTARY INFORMATION (CONT'D):

SCHEDULE

Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (GAAP Basis) and Actual - Major Governmental Funds (cont'd)

A-1	Transportation Fund	60
A-2	Municipal Retirement and Social Security Fund	61-62
A-3	Tort Fund	63
B	Notes to Required Supplementary Information	64
C	Multiyear Schedule of Changes in Net Pension Liability and Related Ratios - Illinois Municipal Retirement Fund	65
D	Multiyear Schedule of Contributions - Illinois Municipal Retirement Fund	66
E	Notes to the Schedule of Contributions - Illinois Municipal Retirement Fund	67-68
F	Schedule of the District's Proportionate Share of the Net Pension Liability - Teachers' Retirement System of the State of Illinois	69
G	Schedule of Employer Contributions - Teachers' Retirement System of the State of Illinois	70
H	Notes to Schedule of Contributions - Teachers' Retirement System of the State of Illinois	71

SUPPLEMENTARY INFORMATION:

STATEMENT

1	Combining Balance Sheet - Major Governmental Funds - General Fund	72
2	Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Major Governmental Funds - General Fund	73-74
3	Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - Educational Fund	75-79

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
TABLE OF CONTENTS

PAGE

SUPPLEMENTARY INFORMATION (CONT'D):

STATEMENT

4	Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - Operations, Building and Maintenance Fund	80-81
5	Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - Working Cash Fund	82
6	Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - Major Special Revenue Fund - Transportation Fund	83-84
7	Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - Major Special Revenue Fund - Municipal Retirement and Social Security Fund	85-86
8	Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - Major Special Revenue Fund - Tort Fund	87
9	Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - Major Debt Service Fund	88
10	Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - Major Capital Projects Fund - Capital Projects Fund	89
11	Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - Major Capital Projects Fund - Fire Prevention and Life Safety Fund	90
12	Statement of Changes in Assets and Liabilities - Fiduciary Student Activity Agency Fund	91-92

OTHER INFORMATION:

TABLE

1	Per Capita Cost Data	93
---	----------------------	----

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
TABLE OF CONTENTS

	<u>PAGE</u>
<u>Single Audit Section</u>	
Schedule of Expenditures of Federal Awards	94-96
Notes to Schedule of Expenditures of Federal Awards	97-98
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	99-100
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	101-103
Summary of Findings and Questioned Costs	104-105
Schedule of Findings and Questioned Costs	106
Summary Schedule of Prior Audit Findings	107
Corrective Action Plan	108



ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON BARTELSO

INDEPENDENT AUDITOR'S REPORT

Board of Education
Hillsboro Community Unit School District No. 3
Hillsboro, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hillsboro Community Unit School District No. 3, Montgomery County, Illinois as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic 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 accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or

error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinions on the Governmental Activities

Hillsboro Community Unit School District No. 3 has not recognized the other post-employment benefit (OPEB) expense or obligation which is required in accordance with accounting principles generally accepted in the United States of America and under Governmental Accounting Standards Board (GASB) Statement No. 45, to be recorded in the government-wide financial statements. The effects of this departure on the financial statements are not reasonably determinable. Hillsboro Community Unit School District No. 3 has also not disclosed the descriptive information about the other post-employment benefits required by standards.

Qualified Opinions on the Governmental Activities

In our opinion, except for the omission of the OPEB expense and the obligation and disclosures as described in the "Basis for Qualified Opinions on the Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Hillsboro Community Unit School District No. 3, Montgomery County, Illinois, as of June 30, 2017, and the respective changes in financial position, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Hillsboro Community Unit School District No. 3, Montgomery County, Illinois, as of June 30, 2017, and the respective changes in financial position, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Summarized Comparative Information

The prior year summarized comparative information has been derived from Hillsboro Community Unit School District No. 3's June 30, 2016 financial statements and, in our report dated November 4, 2016, we expressed unmodified opinions on the respective financial statements of each major governmental

fund and the aggregate remaining fund information. We expressed a qualified opinion on the governmental activities for not recognizing the other post-employment benefit (OPEB) expense or obligation and because Hillsboro Community Unit School District No. 3 did not disclose descriptive information about OPEB.

Required Supplementary Information

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

Hillsboro Community Unit School District No. 3 has not presented management's discussion and analysis or the schedule of funding progress for the other post-employment benefits that accounting principles generally accepted in the United States of America require, to be presented, to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hillsboro Community Unit School District No. 3's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves,

and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2017, on our consideration of Hillsboro Community Unit School District No. 3's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hillsboro Community Unit School District No. 3's internal control over financing reporting and compliance.



Belleville, Illinois

October 26, 2017

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
STATEMENT OF NET POSITION
JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2016)

	<u>2017</u>	<u>2016</u>
	Total	Total
	Governmental Activities and Primary Government	Governmental Activities and Primary Government
ASSETS:		
Cash	\$ 5,076,085	\$ 3,690,891
Receivables		
Taxes	9,310,897	9,329,449
Other	1,302,321	906,494
Prepaid Expenses	30,619	31,856
Inventory	68,895	39,223
Land and Construction in Progress	509,730	509,730
Capital Assets, Net of Accumulated Depreciation	12,137,021	12,842,208
Total Assets	<u>28,435,568</u>	<u>27,349,851</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Related to Defined Benefit Pension - TRS	486,133	201,608
Related to Defined Benefit Pension - IMRF	1,329,507	1,659,946
Total Deferred Outflows of Resources	<u>1,815,640</u>	<u>1,861,554</u>
LIABILITIES:		
Accounts Payable	60,890	79,389
Accrued Salaries	1,031,759	1,015,324
Unremitted Payroll Withholdings	2,069	2,522
Long-Term Debt - Portion Due in One Year	1,469,761	1,583,520
Unearned Revenue	-	17,500
Net Pension Liability - IMRF	3,023,846	2,900,672
Net Pension Liability - TRS	2,628,263	2,136,550
Compensated Absences, Capital Leases and Bonds		
Compensated Absences - Portion Due After One Year	88,447	100,913
Capital Leases - Portion Due After One Year	136,997	202,758
General Obligation Bonds Payable - Portion Due After One Year	6,685,006	6,042,869
Total Liabilities	<u>15,127,038</u>	<u>14,082,017</u>

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
STATEMENT OF NET POSITION
JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2016)

	2017	2016
	Total	Total
	Governmental Activities and Primary Government	Governmental Activities and Primary Government
DEFERRED INFLOWS OF RESOURCES:		
Unavailable Property Taxes	\$ 9,310,897	\$ 9,329,449
Related to Defined Benefit Pension - IMRF	111,630	91,669
Related to Defined Benefit Pension - TRS	282,708	470,227
Total Deferred Inflows of Resources	9,705,235	9,891,345
NET POSITION:		
Net Investment in Capital Assets	7,041,772	5,965,660
Restricted For		
Lease Levy	125,294	83,088
Tort Immunity	890,230	840,399
Transportation	255,346	294,969
Municipal Retirement and Social Security	554,941	541,703
Working Cash	1,972,161	872,488
Debt Service	90,133	84,436
Capital Projects	12,637	-
Fire Prevention and Life Safety	52,116	184,947
Unrestricted	(5,575,695)	(3,629,647)
TOTAL NET POSITION	\$ 5,418,935	\$ 5,238,043

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

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2016)

	Program Revenues		Net (Expenses) Revenues and Changes in Net Position			
			Primary Government			
	Expenses	Charges for Services	Operating Grants	Governmental Activities	2017 Total	2016 Total
FUNCTIONS/PROGRAMS						
PRIMARY GOVERNMENT:						
Governmental Activities						
Instruction						
Regular Programs	\$ 7,296,032	\$ 255,095	\$ 1,197,657	\$ (5,843,280)	\$ (5,843,280)	\$ (4,997,442)
Special Education Programs	46,386	-	-	(46,386)	(46,386)	(44,447)
Other Instructional Programs	1,176,342	101,097	355,759	(719,486)	(719,486)	(774,471)
Support Services						
Pupils	574,127	-	-	(574,127)	(574,127)	(523,741)
Instructional Staff	128,191	-	31,930	(96,261)	(96,261)	(100,789)
General Administration	1,407,457	7,157	32,237	(1,368,063)	(1,368,063)	(1,274,536)
School Administration	957,408	-	-	(957,408)	(957,408)	(869,952)
Business Services	4,185,652	393,807	1,031,054	(2,760,791)	(2,760,791)	(3,731,025)
Central	3,837	-	3,837	-	-	-
Community Services	697,934	450,458	92,744	(154,732)	(154,732)	(237,038)
Nonprogrammed Charges	1,743,635	-	1,840	(1,741,795)	(1,741,795)	(1,724,859)
Debt Service						
Interest on Long-Term Borrowing	359,413	-	-	(359,413)	(359,413)	(371,126)
Other Debt Service	(25,563)	-	-	25,563	25,563	12,893
TOTAL GOVERNMENTAL ACTIVITIES AND TOTAL PRIMARY GOVERNMENT	18,550,851	1,207,614	2,747,058	(14,596,179)	(14,596,179)	(14,636,533)

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2016)

Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
	Charges for Services	Operating Grants	Primary Government		
			Governmental Activities	2017 Total	2016 Total
General Revenues:					
Taxes					
Property Taxes, Levied for General Purposes			7,661,205	7,661,205	7,615,462
Property Taxes, Levied for Debt Service			1,673,257	1,673,257	1,651,026
Replacement Taxes			1,377,691	1,377,691	1,247,363
Interest Income			30,423	30,423	25,995
Grants and Contributions Not Restricted to Specific Activities			4,034,495	4,034,495	3,893,144
Total General Revenues			<u>14,777,071</u>	<u>14,777,071</u>	<u>14,432,990</u>
Change in Net Position			180,892	180,892	(203,543)
NET POSITION - BEGINNING			<u>5,238,043</u>	<u>5,238,043</u>	<u>5,441,586</u>
NET POSITION - ENDING			<u>\$ 5,418,935</u>	<u>\$ 5,418,935</u>	<u>\$ 5,238,043</u>

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

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2016)

	<u>Special Revenue Fund</u>				<u>Capital Projects Fund</u>			<u>2017</u>	<u>2016</u>
	<u>General</u>	<u>Transportation Fund</u>	<u>Municipal Retirement and Social Security Fund</u>	<u>Tort Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Fire Prevention and Life Safety Fund</u>	<u>Total Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:									
Cash	\$ 3,313,177	\$ 136,237	\$ 554,941	\$ 916,544	\$ 90,133	\$ 12,637	\$ 52,416	\$ 5,076,085	\$ 3,690,891
Receivables									
Taxes	5,522,804	363,342	799,902	849,897	1,684,116	-	90,836	9,310,897	9,329,449
Other	1,048,641	253,680	-	-	-	-	-	1,302,321	906,494
Prepaid Expenses	30,619	-	-	-	-	-	-	30,619	31,856
Inventory	68,895	-	-	-	-	-	-	68,895	39,223
TOTAL ASSETS	\$ 9,984,136	\$ 753,259	\$ 1,354,843	\$ 1,766,441	\$ 1,774,249	\$ 12,637	\$ 143,252	\$ 15,788,817	\$ 13,997,913
LIABILITIES:									
Accounts Payable	\$ 42,676	\$ 7,309	\$ -	\$ 10,605	\$ -	\$ -	\$ 300	\$ 60,890	\$ 79,389
Accrued Salaries	1,016,050	-	-	15,709	-	-	-	1,031,759	1,015,324
Unearned Revenue	-	-	-	-	-	-	-	-	17,500
Unremitted Payroll Withholdings	1,647	422	-	-	-	-	-	2,069	2,522
Total Liabilities	1,060,373	7,731	-	26,314	-	-	300	1,094,718	1,114,735
DEFERRED INFLOWS OF RESOURCES:									
Unavailable Property Taxes	5,522,804	363,342	799,902	849,897	1,684,116	-	90,836	9,310,897	9,329,449
Unearned Grants	233,983	126,840	-	-	-	-	-	360,823	234,930
Total Deferred Inflows of Resources	5,756,787	490,182	799,902	849,897	1,684,116	-	90,836	9,671,720	9,564,379
FUND BALANCE:									
Nonspendable	99,514	-	-	-	-	-	-	99,514	68,721
Restricted	2,097,455	255,346	554,941	890,230	90,133	12,637	52,116	3,952,858	2,902,030
Unassigned	970,007	-	-	-	-	-	-	970,007	348,048
Total Fund Balance	3,166,976	255,346	554,941	890,230	90,133	12,637	52,116	5,022,379	3,318,799
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 9,984,136	\$ 753,259	\$ 1,354,843	\$ 1,766,441	\$ 1,774,249	\$ 12,637	\$ 143,252	\$ 15,788,817	\$ 13,997,913

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

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

TOTAL FUND BALANCE OF GOVERNMENTAL FUNDS (EXHIBIT "C")	\$ 5,022,379
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of \$24,211,343, net of accumulated depreciation of \$11,564,592, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	12,646,751
Accounts receivable assets that are not available to pay current period expenditures and, therefore, are unavailable in governmental funds. Unavailable grants	360,823
Governmental funds report the effect of premiums, discounts, gain or loss on refunding and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Premium on bonds of \$325,603, net of accumulated amortization of \$71,597	(254,006)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds (see Note 6).	(8,126,205)
Some liabilities, including net pension liabilities, are not due and payable in the current period and, therefore, are not reported in the funds. Net pension liability - TRS Net pension liability - IMRF	(2,628,263) (3,023,846)
Deferred outflows and inflows of resources related to defined benefit pensions are applicable to future periods and, therefore, are not reported in the funds. Deferred outflows of resources related to defined benefit pensions consists of \$1,117,225, deferred outflows of resources related to pension expense and \$212,282 deferred outflows of 2016 employer contributions related to defined benefit pension - IMRF	1,329,507
Deferred outflows of resources related to defined benefit pensions consists of \$355,597, deferred outflows of resources related to pension expense and \$130,536 deferred outflows of 2016 employer contributions related to defined benefit pension - TRS.	486,133
Deferred inflows of resources related to defined benefit pension - IMRF	(111,630)
Deferred inflows of resources related to defined benefit pension - TRS	(282,708)
NET POSITION OF GOVERNMENTAL ACTIVITIES (EXHIBIT "A")	\$ 5,418,935

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

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2016)

	<u>Special Revenue Funds</u>				<u>Capital Projects Fund</u>			2017	2016
	General	Transportation Fund	Municipal Retirement and Social Security Fund	Tort Fund	Debt Service Fund	Capital Projects Fund	Fire Prevention and Life Safety Fund	Total Governmental Funds	Total Governmental Funds
REVENUES:									
Local Sources									
Property Taxes	\$ 5,522,448	\$ 363,307	\$ 821,755	\$ 862,871	\$ 1,673,257	\$ -	\$ 90,824	\$ 9,334,462	\$ 9,266,488
Replacement Tax	1,334,191	-	43,500	-	-	-	-	1,377,691	1,247,363
Interest Income	18,671	1,011	3,432	4,570	2,189	-	550	30,423	25,995
Tuition	101,097	-	-	-	-	-	-	101,097	99,000
Food Service	289,918	-	-	-	-	-	-	289,918	273,862
Pupil Activities	64,182	-	-	-	-	-	-	64,182	61,468
Textbook	81,298	-	-	-	-	-	-	81,298	73,592
Other	564,120	87,205	-	7,157	-	12,637	-	671,119	580,263
Flow-Through Sources	-	-	-	-	-	-	-	-	349,690
State Sources									
Unrestricted Grants-in-Aid	4,034,495	-	-	-	-	-	-	4,034,495	3,893,144
Restricted Grants-in-Aid	1,222,597	498,158	-	-	-	-	-	1,720,755	1,629,080
Federal Sources	900,410	-	-	-	-	-	-	900,410	918,059
Total Direct Revenues	14,133,427	949,681	868,687	874,598	1,675,446	12,637	91,374	18,605,850	18,418,004
Revenue for On-Behalf Payments	5,738,466	-	-	-	-	-	-	5,738,466	3,908,744
Total Revenues	19,871,893	949,681	868,687	874,598	1,675,446	12,637	91,374	24,344,316	22,326,748
EXPENDITURES:									
Current									
Instruction									
Regular Programs	6,912,662	-	158,818	-	-	-	-	7,071,480	7,018,200
Special Education Programs	31,793	-	1,254	-	-	-	-	33,047	36,814
Other Instructional Programs	1,029,236	-	36,897	-	-	-	-	1,066,133	1,047,642
Total Instruction	7,973,691	-	196,969	-	-	-	-	8,170,660	8,102,656

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2016)

	<u>Special Revenue Funds</u>				<u>Capital Projects Fund</u>			<u>2017</u>	<u>2016</u>
	<u>General</u>	<u>Transportation Fund</u>	<u>Municipal Retirement and Social Security Fund</u>	<u>Tort Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Fire Prevention and Life Safety Fund</u>	<u>Total Governmental Funds</u>	<u>Total Governmental Funds</u>
EXPENDITURES (CONT'D):									
Current (cont'd)									
Support Services									
Pupils	522,008	-	32,360	-	-	-	-	554,368	510,006
Instructional Staff	127,105	-	1,086	-	-	-	-	128,191	154,866
General Administration	452,469	-	78,754	824,767	-	-	-	1,355,990	1,255,887
School Administration	872,799	-	49,156	-	-	-	-	921,955	846,619
Business Services	2,269,061	836,438	341,546	-	-	-	44,205	3,491,250	3,956,826
Central	3,837	-	-	-	-	-	-	3,837	3,027
Total Support Services	4,247,279	836,438	502,902	824,767	-	-	44,205	6,455,591	6,727,231
Community Services	564,113	-	80,529	-	-	-	-	644,642	624,465
Nonprogrammed Charges	1,668,586	-	75,049	-	-	-	-	1,743,635	2,074,549
Debt Service									
Principal	-	143,520	-	-	1,410,000	-	-	1,553,520	1,412,631
Interest and Other Charges	-	9,346	-	-	350,067	-	-	359,413	371,126
Total Debt Service	-	152,866	-	-	1,760,067	-	-	1,912,933	1,783,757
Capital Outlay	16,509	-	-	-	-	-	-	16,509	475,505
Total Direct Expenditures	14,470,178	989,304	855,449	824,767	1,760,067	-	44,205	18,943,970	19,788,163
Expenditure for On-Behalf Payments	5,738,466	-	-	-	-	-	-	5,738,466	3,908,744
Total Expenditures	20,208,644	989,304	855,449	824,767	1,760,067	-	44,205	24,682,436	23,696,907
Excess (Deficiency) of Revenues Over Expenditures	(336,751)	(39,623)	13,238	49,831	(84,621)	12,637	47,169	(338,120)	(1,370,159)

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2016)

	<u>Special Revenue Funds</u>				<u>Capital Projects Fund</u>			<u>2017</u>	<u>2016</u>
	<u>General</u>	<u>Transportation Fund</u>	<u>Municipal Retirement and Social Security Fund</u>	<u>Tort Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Fire Prevention and Life Safety Fund</u>	<u>Total Governmental Funds</u>	<u>Total Governmental Funds</u>
OTHER FINANCING SOURCES (USES):									
Transfer In	1,180,000	-	-	-	48,618	-	-	1,228,618	52,298
Transfer (Out)	(1,048,618)	-	-	-	-	-	(180,000)	(1,228,618)	(52,298)
Proceeds From Sale of Bonds	2,000,000	-	-	-	-	-	-	2,000,000	-
Premium on Bonds Sold	-	-	-	-	41,700	-	-	41,700	-
Proceeds From Capital Lease	-	-	-	-	-	-	-	-	266,740
Total Other Financing Sources (Uses)	2,131,382	-	-	-	90,318	-	(180,000)	2,041,700	266,740
Net Change in Fund Balance	1,794,631	(39,623)	13,238	49,831	5,697	12,637	(132,831)	1,703,580	(1,103,419)
Fund Balance, Beginning of Year	1,372,345	294,969	541,703	840,399	84,436	-	184,947	3,318,799	4,422,218
FUND BALANCE, END OF YEAR	<u>\$ 3,166,976</u>	<u>\$ 255,346</u>	<u>\$ 554,941</u>	<u>\$ 890,230</u>	<u>\$ 90,133</u>	<u>\$ 12,637</u>	<u>\$ 52,116</u>	<u>\$ 5,022,379</u>	<u>\$ 3,318,799</u>

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

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS (EXHIBIT "E")	\$ 1,703,580
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, they are capitalized and depreciated in the statement of activities. This is the amount of capital outlays in the current period.	16,509
The Debt Service Fund (see Statement 9) is used to retire bonded debt of the District and pay related debt service expenses (interest and bank fees). Principal payments are recorded as fund expenses, but in the government-wide statements the principal payments are recognized as reducing the outstanding liability in the statement of net position. The principal retired during the current year was:	1,410,000
The proceeds of long-term debt issuances provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the statement of net position.	(2,000,000)
The repayment of capital leases is reported as an expenditure when due in governmental funds but as a reduction of principal outstanding in the statement of activities.	143,520
Governmental funds report the effect of premiums, discounts, deferred gain or loss on refunding and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Amortization reported in the government-wide statements Premium on Bonds	25,563 (41,700)
The change in compensated absences provide or use current financial resources in the governmental funds but the change increases or decreases long-term liabilities in the statement of net position.	12,466
Revenue in the statement of activities that do not provide current financial resources. Unavailable grants	125,893
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Depreciation expense	(721,696)
Governmental funds report district defined benefit pension contributions as expenditures. However, in the statement of activities, the cost of defined benefit pension benefits earned net of employee contributions is reported as pension expense.	(493,243)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (EXHIBIT "B")	\$ 180,892

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

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
STATEMENT OF NET POSITION
FIDUCIARY FUND
JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2016)

	<u>2017</u> <u>Agency Fund</u> <u>and</u> <u>Total</u> <u>Fiduciary Fund</u>	<u>2016</u> <u>Agency Fund</u> <u>and</u> <u>Total</u> <u>Fiduciary Fund</u>
ASSETS:		
Cash	\$ 197,312	\$ 194,237
LIABILITIES:		
Due to Other Organizations	<u>197,312</u>	<u>194,237</u>
NET POSITION	<u>\$ -</u>	<u>\$ -</u>

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

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
INDEX TO NOTES

<u>NOTE</u>	<u>PAGE</u>
1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	
A. Reporting Entity	18
B. Government-Wide and Fund Financial Statements	18-19
C. Fund Accounting	20-21
D. Measurement Focus, Basis of Accounting and Financial Statement Presentation	21-22
E. Budgets and Budgetary Accounting	22
F. Common Bank Account	22
G. Prepaid Items/Expenses	22
H. Inventory	23
I. Capital Assets	23
J. Compensated Absences	23-24
K. Long-Term Obligations	24
L. Net Position/Fund Balance	24-25
M. Estimates	25
N. Comparative Data	25
O. Deferred Outflows and Inflows of Resources	25-26
P. Date of Management Evaluation	26
2 PROPERTY TAXES	26-27
3 FUND BALANCES - GOVERNMENTAL FUNDS	27-29
4 DEPOSITS	29-30
5 CAPITAL ASSETS	30-31
6 LONG-TERM DEBT	31-36
7 RETIREMENT FUND CONTRIBUTIONS	
A. Teachers' Retirement System of the State of Illinois	36-43
B. Teacher Health Insurance Security Fund	43-44
C. Illinois Municipal Retirement Fund	44-51
D. Social Security	51
8 RELATED PARTY	51
9 RISK MANAGEMENT - INSURANCE	51

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
INDEX TO NOTES

<u>NOTE</u>	<u>PAGE</u>
10 TORT EXPENDITURES	52
11 RECONCILIATION OF EXHIBIT "E" - FEDERAL SOURCES - REVENUE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REVENUE	52
12 LEGAL DEBT MARGIN	52-53
13 CONTINGENCIES	53
14 OVERBUDGET	53
15 INTERFUND TRANSFERS	53-54
16 OPERATING LEASES	54

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Hillsboro Community Unit School District No. 3 (the District) are prepared in accordance with U. S. Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The District is governed by an elected seven-member Board of Education. As required by generally accepted accounting principles, these financial statements present the District (the primary government). The Student Activity Funds have been included as fiduciary funds due to the fiduciary responsibility exercised over these activity funds.

The District has developed criteria to determine whether outside agencies with activities that benefit the District should be included within its financial reporting entity. The criteria for including organizations within the District, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," and updated in GASB Statement No. 61 is financial accountability.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approved the budget, the issuance of debt or the levying of taxes. The District has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report financial information for the District as a whole excluding fiduciary activities of the District such as Student Activity Funds. The effect of material interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Government-Wide and Fund Financial Statements (cont'd)

separately from business-type activities, which rely to a significant extent on fees and charges to external customers. The District does not maintain any business-type activities.

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

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

The District reports the following major governmental funds:

The General Fund is the District's main operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds, which include the Transportation Fund, the Municipal Retirement and Social Security Fund, and the Tort Fund are used to account for cash received from specific sources (other than those accounted for in the Debt Service Fund, Capital Projects Fund or Fiduciary Funds) that are legally restricted to cash disbursements for specified purposes.

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

The Capital Projects Fund (Capital Projects Fund and Fire Prevention and Life Safety Fund) accounts for financial resources to be used for the acquisition or construction of major capital facilities.

The District has no business-type activities.

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

C. Fund Accounting

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

Funds are classified into two categories: governmental and fiduciary.

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 are accounted for through governmental funds.

The General Fund, which consists of the Educational Fund, the Operations, Building and Maintenance Fund and the Working Cash Fund, is the main operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The Special Education Levy and Lease Levy are also included in these funds. The Working Cash Fund accounts for financial resources held by the District to be used for temporary loans to other funds.

Special Revenue Funds, which include the Transportation Fund, the Municipal Retirement and Social Security Fund, and the Tort Fund are used to account for revenues from specific sources (other than those accounted for in the Debt Service Fund, Capital Projects Fund or Fiduciary Fund) that are legally restricted to cash disbursements for specified purposes.

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

The Capital Projects Fund (Capital Projects Fund and Fire Prevention and Life Safety Fund) accounts for financial resources to be used for the acquisition or construction of major capital facilities.

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

C. Fund Accounting (cont'd)

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.

The Agency Fund (Activity Funds) includes the Student Activity Fund. It accounts for assets held by the District as an agent for the students and teachers. 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.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements and the fiduciary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues and additions are recorded when earned and expenses and deductions are reported when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied (i.e., intended to finance). Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Nonexchange transactions, in which the District gives (or receives) value without directly receiving or giving equal values in exchange, include property taxes, grants and donations.

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

Property taxes, grant money and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (cont'd)

The District reports unearned revenue on its financial statements. Unearned revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

E. Budgets and Budgetary Accounting

The budget for all governmental fund types is prepared on the modified accrual basis of accounting, which is the same basis that is used in financial reporting. This allows for comparability between budget and actual amounts. The budget was passed on September 13, 2016 and amended on June 13, 2017.

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

F. Common Bank Account

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

Occasionally, certain funds participating in the common bank account will incur overdrafts (deficits) in the account. The overdrafts result from expenditures which have been approved by the School Board. As of June 30, 2017, no overdraft situations existed.

G. Prepaid Items/Expenses

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid items/expenses.

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

H. Inventory

Inventory is stated at cost. Inventory consists of houses, built by students for vocational education that are available for sale when construction is completed.

I. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) or at the District's discretion on transportation items and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of governmental activities is included as part of the capitalized value of the assets constructed. Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

Buildings	50-115 Years
Improvements Other Than Buildings	20 Years
Equipment Other Than Transportation/ Food Service	5 Years
Transportation Equipment	5 Years
Food Service Equipment	5 Years

J. Compensated Absences

Vested or accumulated vacation and/or sick pay in the government-wide financial statements is recorded as an expense and a liability of those funds as the benefits accrue to employees.

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

J. Compensated Absences (cont'd)

Noncertified employees earn vacation days after completing a full year of service. These vacation days are accrued at the end of the fiscal year and must be taken within the next year or are lost. Certified employees who work less than twelve calendar months per year do not earn vacation days. The amount is immaterial and is not accrued.

Employees who work on a twelve month basis receive 12 sick days annually and those working less than a twelve month basis receive 10 sick days annually and the unused portion is accumulated and carried forward. Part-time employees receive sick day pay equivalent to their regular workday. Upon termination, employees receive sick leave pay in accordance with the various policies established for the type of position held. As of June 30, 2017 and 2016 the liability for accumulated sick leave is approximately \$118,447 and \$130,913, respectively.

K. Long-Term Obligations

In government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, are deferred and amortized over the life of the bonds.

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

L. Net Position/Fund Balance

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

L. Net Position/Fund Balance (cont'd)

Net Position (cont'd)

through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. When both restricted and unrestricted net position is available for use, it is the District's policy to use the restricted resources first.

Fund Balance

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties or enabling legislation for use for a specific purpose. Commitments and assignments of fund balance represent tentative board and management plans that are subject to change.

M. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

N. Comparative Data

Comparative data for the prior year has been presented in selected sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, complete comparative data (i.e., presentation of prior year totals by fund type in each of the statements) has not been presented since this inclusion would make the statements unduly complex and difficult to read.

O. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position and the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

O. Deferred Outflows and Inflows of Resources (cont'd)

In addition to liabilities, the statement of net position and the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

P. Date of Management Evaluation

Management has evaluated subsequent events through the date of this report, the date on which the financial statements were available to be issued.

NOTE 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 8, 2015. Property taxes attach as an enforceable lien on property as of January 1 of the tax year and are payable in July and September of the subsequent year. The District receives a substantial portion of their taxes during these two months and the month subsequent to the due dates. The tax revenue in these financial statements represents the 2015 tax levy.

The following are the tax rate limits permitted by the School Code and by local referendum and the actual rates levied per \$100 of assessed valuation:

Montgomery and Bond Counties

		<u>2016</u>	<u>2015</u>
Equalized Assessed Valuations		<u>\$ 181,696,352</u>	<u>\$ 181,034,517</u>
Total Extensions		<u>\$ 9,310,897</u>	<u>\$ 9,329,449</u>
		<u>Actual</u>	
	<u>Limit</u>	<u>2016 Levy</u>	<u>2015 Levy</u>
Educational	2.40000	2.40000	2.40000
Operations, Building and Maintenance	0.50000	0.50000	0.50000
Bond and Interest	N/A	0.92701	0.92120

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. PROPERTY TAXES (CONT'D)

	Limit	Actual	
		2016 Levy	2015 Levy
Transportation	0.20000	0.20000	0.20000
Municipal Retirement	N/A	0.23666	0.24968
Working Cash	0.05000	0.05000	0.05000
Tort Immunity	N/A	0.46782	0.47505
Special Education	0.04000	0.04000	0.04000
Social Security and Medicare	N/A	0.20364	0.20273
Lease	N/A	0.05000	0.05000
Fire Prevention and Life Safety	0.05000	0.05000	0.05000
Total		5.12513	5.13866

NOTE 3. FUND BALANCES - GOVERNMENTAL FUNDS

As of June 30, 2017, fund balances of the governmental funds are classified as follows:

Nonspendable - consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - consists of fund balances that can only be used for specific purposes pursuant to constraints imposed by formal action by the District's Board of Education, the District's highest level of decision-making authority.

Assigned - consists of fund balances that are intended to be used for specific purposes but are neither restricted nor committed. Intent is expressed by the District's Board of Education or the Superintendent or their designee. The District has no assigned fund balances as of June 30, 2017.

Unassigned - fund balance that has not been assigned to other funds and has not been restricted, committed or assigned to specific purposes within the fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources - committed, assigned and unassigned - in order as needed.

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3. FUND BALANCES - GOVERNMENTAL FUNDS (CONT'D)

As of June 30, 2017, fund balances are comprised of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Unassigned</u>
General Fund:			
Prepaid Expenses	\$ 30,619	\$ -	\$ -
Inventory	68,895	-	-
Lease Levy	-	125,294	-
Working Cash	-	1,972,161	-
Unassigned	-	-	970,007
Total General Fund	<u>99,514</u>	<u>2,097,455</u>	<u>970,007</u>
Transportation Fund:			
Student Transportation	-	255,346	-
Municipal Retirement and Social Security:			
Municipal Retirement Payments	-	304,728	-
Social Security Payments	-	250,213	-
Tort Fund:			
Tort Immunity	-	890,230	-
Debt Service Fund:			
Debt Service	-	90,133	-
Capital Projects Fund:			
Approved Projects	-	12,637	-
Fire Prevention and Life Safety Fund:			
Approved Projects	<u>-</u>	<u>52,116</u>	<u>-</u>
Total	<u>\$ 99,514</u>	<u>\$ 3,952,858</u>	<u>\$ 970,007</u>

Tort Immunity

Revenue and related expenditures of this restricted tax levy are accounted for in the Tort Fund. All of this fund's equity, \$890,230, represents the excess of cumulative revenues over cumulative expenditures which is either nonspendable or is restricted for future tort immunity expenditures in accordance with Illinois Compiled Statutes, 745 ILCS 10/9-101 to 745 ILCS 10/9-107.

Special Education

Revenue and related expenditures of this restricted tax levy are accounted for in the Educational Fund. No portion of this fund's equity represents any excess of cumulative revenues

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3. FUND BALANCES - GOVERNMENTAL FUNDS (CONT'D)

Special Education (cont'd)

over cumulative expenditures. If a surplus existed from special education it would be restricted for future special education expenditures in accordance with Illinois Compiled Statutes, 105 ILCS 5/17-2.2A.

Fire Prevention and Life Safety

Revenue and related expenditures of this restricted tax levy are accounted for in the Fire Prevention and Life Safety Fund. All of this fund's equity, \$52,116, represents the excess of cumulative revenues over cumulative expenditures which is restricted for future life safety projects expenditures in accordance with Illinois Compiled Statutes, 105 ILCS 5/17-2.11.

Leasing Facility

Revenue and related expenditures of this restricted tax levy are accounted for in the Educational Fund. A portion, \$125,294, of this fund's equity represents the excess of cumulative revenues over cumulative expenditures which is restricted for future leasing expenditures in accordance with Illinois Compiled Statutes, 105 ILCS 5/17-2.2C.

School Facility Occupation Taxes

Revenue and related expenditures of this restricted tax are accounted for in the Capital Projects Fund. All of this fund's equity, \$12,637, represents the excess of cumulative revenues over cumulative expenditures which is restricted for school facility purposes in accordance with Illinois Compiled Statutes, 55 ILCS 5/5-1006.7.

NOTE 4. DEPOSITS

The District is authorized by state statute to make deposits/investments in insured commercial banks, savings and loan institutions, obligations of the United States of America, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreement to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the highest classifications by at least two standard rating services, and the Illinois Funds Investment Pool.

The District's policy is that all amounts deposited or invested with financial institutions in excess of any insurance limit shall be collateralized and the preferred method for safekeeping is to have securities registered in the District's name and held by a third-party custodian.

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4. DEPOSITS (CONT'D)

Deposits

At year-end, the carrying amount of the District's deposits totaled \$5,273,397 and bank balances totaled \$5,395,045. Of the bank balances, \$505,977 was insured by the Federal Deposit Insurance Corporation (FDIC), \$4,889,068 was covered by pledged collateral.

Deposits at June 30, 2017 appear in the financial statements as summarized below:

Cash - Statement of Net Position - Exhibit "A"	\$ 5,076,085
Cash - Statement of Net Position - Fiduciary Funds - Exhibit "G"	197,312
	<u>\$ 5,273,397</u>

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
GOVERNMENTAL ACTIVITIES:				
Capital Assets Not Being Depreciated				
Land	\$ 509,730	\$ -	\$ -	\$ 509,730
Capital Assets Being Depreciated				
Buildings	16,485,550	-	-	16,485,550
Improvements Other Than Buildings	3,885,830	-	-	3,885,830
Equipment Other Than Transportation/ Food Service	599,487	8,250	-	607,737
Transportation Equipment	2,696,241	-	227,779	2,468,462
Food Service Equipment	245,775	8,259	-	254,034
Total Capital Assets Being Depreciated	<u>23,912,883</u>	<u>16,509</u>	<u>227,779</u>	<u>23,701,613</u>
Less Accumulated Depreciation for				
Buildings	6,102,916	319,982	-	6,422,898
Improvements Other Than Buildings	2,045,618	184,076	-	2,229,694
Equipment Other Than Transportation/ Food Service	466,896	37,163	-	504,059

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5. CAPITAL ASSETS (CONT'D)

	Beginning Balances	Increases	Decreases	Ending Balances
GOVERNMENTAL ACTIVITIES (CONT'D):				
Less Accumulated Depreciation for (cont'd)				
Transportation Equipment	2,311,410	164,357	227,779	2,247,988
Food Service Equipment	143,835	16,118	-	159,953
Total Accumulated Depreciation	<u>11,070,675</u>	<u>721,696</u>	<u>227,779</u>	<u>11,564,592</u>
 Total Capital Assets Being Depreciated, Net	 <u>12,842,208</u>	 <u>(705,187)</u>	 <u>-</u>	 <u>12,137,021</u>
 GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	 <u>\$ 13,351,938</u>	 <u>\$ (705,187)</u>	 <u>\$ -</u>	 <u>\$ 12,646,751</u>

Depreciation expense is charged to functions/programs of the primary government as follows:

GOVERNMENTAL ACTIVITIES:

Instructional	
Regular Programs	\$ 153,485
Other Instructional Programs	104,580
Support Services	
School Administration	5,121
Business Services	<u>458,510</u>

TOTAL DEPRECIATION EXPENSE -
GOVERNMENTAL ACTIVITIES

\$ 721,696

NOTE 6. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2017, and the related fund where this debt is recorded on the accompanying financial statements:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
<u>Governmental Activities</u>					
Capital Assets:					
Bonded Indebtedness	\$ 7,215,000	\$ 2,000,000	\$ 1,410,000	\$ 7,805,000	\$ 1,374,000
Deferred Premium	237,869	41,700	25,563	254,006	-
	<u>7,452,869</u>	<u>2,041,700</u>	<u>1,435,563</u>	<u>8,059,006</u>	<u>1,374,000</u>

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6. LONG-TERM DEBT (CONT'D)

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
<u>Governmental Activities (cont'd)</u>					
Capital Assets (cont'd):					
Net Pension Liability-IMRF	2,900,672	123,174	-	3,023,846	-
Net Pension Liability-TRS	2,136,550	491,713	-	2,628,263	-
Capital Leases					
Bus Leases **	346,278	-	143,520	202,758	65,761
Accrued Compensated:					
Absences	130,913	-	12,466	118,447	30,000
	<u>\$ 12,967,282</u>	<u>\$ 2,656,587</u>	<u>\$ 1,591,549</u>	<u>\$ 14,032,320</u>	<u>\$ 1,469,761</u>

** Paid From Transportation Fund

Debt Service Requirements to Maturity

The annual debt service requirements to maturity for bonded debt as of June 30, 2017 are as follows:

Year Ending June 30	Governmental Activities	
	Major Funds	
	General	
	Obligation Bonds	
	Principal	Interest
2018	\$ 1,374,000	\$ 310,335
2019	676,000	230,771
2020	805,000	208,676
2021	820,000	184,409
2022	405,000	165,475
2023	300,000	152,875
2024	300,000	140,876
2025	250,000	129,876
2026	250,000	119,875
2027	325,000	108,375
2028	325,000	94,969
2029	325,000	81,156
2030	325,000	66,937
2031	325,000	52,313

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6. LONG-TERM DEBT (CONT'D)

Debt Service Requirements to Maturity (cont'd)

Year Ending June 30	Governmental Activities	
	Major Funds	
	General	
	Obligation Bonds	
	Principal	Interest
2032	325,000	37,687
2033	325,000	23,062
2034	350,000	7,875
	\$ 7,805,000	\$ 2,115,542

Bonds payable at June 30, 2017 are comprised of the following issues:

General Obligation Refunding Bonds - Series 2007

On June 1, 2007, the District issued \$5,050,000 in General Obligation Refunding Bonds - Series 2007 to refund \$2,380,000 of Fire Life Safety Bonds issued on December 1, 2006. The remaining bond funds were to provide money to the Educational Fund for improvements in educational resources and to the Operations, Building and Maintenance Fund for repairs to buildings.

Principal is due annually starting December 1, 2010 in varying amounts from \$175,000 to \$955,000 with a varying rate of interest from 4.1 percent to 5.5 percent due semi-annually.

Fiscal Year Ended	Beginning Balance	Paid	Ending Balance
2017	\$ 175,000	\$ 175,000	\$ -

Fire Prevention and Life Safety Bonds - Series 2008

On June 1, 2008, the District issued \$1,605,000 in Fire Prevention and Life Safety Bonds - Series 2008 with a varying interest rate of 4.25 percent to 4.95 percent due semi-annually starting December 1, 2009, and with a maturity date of December 1, 2017. Principal is due annually on December 1. The proceeds were used for Fire Prevention and Life Safety improvements and repairs in the school buildings.

Fiscal Year Ended	Principal	Interest	Total
2018	\$ 345,000	\$ 7,331	\$ 352,331

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6. LONG-TERM DEBT (CONT'D)

General Obligation School Bonds - Series 2011

On December 1, 2011, the District issued \$875,000 in General Obligation School Bonds - Series 2011 with a varying interest rate of 1.40 percent to 3.80 percent due semi-annually starting December 1, 2012, and with a maturity date of December 1, 2021. Principal is due annually on December 1. The proceeds were used for Fire Prevention and Life Safety improvements and repairs in the school buildings.

Fiscal Year Ended	Principal	Interest	Total
2018	\$ 90,000	\$ 16,088	\$ 106,088
2019	95,000	13,187	108,187
2020	95,000	9,863	104,863
2021	100,000	6,200	106,200
2022	105,000	2,100	107,100
	<u>\$ 485,000</u>	<u>\$ 47,438</u>	<u>\$ 532,438</u>

General Obligation Bonds - Series 2014

On June 9, 2014, the District issued \$5,325,000 in General Obligation Bonds - Series 2014 with a varying interest rate of 3.00 percent to 4.50 percent due semi-annually starting December 1, 2014, and with a maturity date of December 1, 2033. Principal is due annually on December 1. The proceeds were used for Fire Prevention and Life Safety improvements and repairs in the school buildings.

Fiscal Year Ended	Principal	Interest	Total
2018	\$ 350,000	\$ 191,126	\$ 541,126
2019	300,000	181,375	481,375
2020	200,000	173,875	373,875
2021	100,000	169,374	269,374
2022	300,000	163,375	463,375
2023	300,000	152,875	452,875
2024	300,000	140,876	440,876
2025	250,000	129,876	379,876
2026	250,000	119,875	369,875
2027	325,000	108,375	433,375
2028	325,000	94,969	419,969

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6. LONG-TERM DEBT (CONT'D)

General Obligation Bonds - Series 2014 (cont'd)

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2029	325,000	81,156	406,156
2030	325,000	66,937	391,937
2031	325,000	52,313	377,313
2032	325,000	37,687	362,687
2033	325,000	23,062	348,062
2034	350,000	7,875	357,875
	<u>\$ 4,975,000</u>	<u>\$ 1,895,001</u>	<u>\$ 6,870,001</u>

General Obligation School Bonds - Series 2016

On August 3, 2016, the District issued \$2,000,000 in General Obligation School Bonds - Series 2016 with an interest rate of 2.85 percent due semi-annually starting December 1, 2017, and with a maturity date of December 1, 2020. Principal is due annually on December 1. The proceeds were used for Working Cash purposes.

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 589,000	\$ 95,790	\$ 684,790
2019	281,000	36,209	317,209
2020	510,000	24,938	534,938
2021	620,000	8,835	628,835
	<u>\$ 2,000,000</u>	<u>\$ 165,772</u>	<u>\$ 2,165,772</u>

There is \$90,133 of net position available in the Debt Service Fund for the retirement of long-term debt.

Bus Lease

During a prior year, the District entered into a bus lease for the purchase of five new buses. The original cost of these assets was \$376,500. The lease payments are due annually starting August 1, 2012. The District paid \$79,538 during the current year. Future payments for this lease are as follows:

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6. LONG-TERM DEBT (CONT'D)

Bus Lease (cont'd)

Fiscal Year Ended	Beginning Balance	Paid	Ending Balance
<u>2017</u>	<u>\$ 79,538</u>	<u>\$ 79,538</u>	<u>\$ -</u>

During a prior year, the District entered into a bus lease for the purchase of four new buses. The original cost of these assets was \$324,740. The lease payments are due annually starting August 18, 2016. The District paid \$63,982 during the current year. Future payments for this lease are as follows:

Fiscal Year Ended	Principal	Interest	Total
2018	\$ 65,761	\$ 5,576	\$ 71,337
2019	67,570	3,767	71,337
2020	69,427	1,910	71,337
	<u>\$ 202,758</u>	<u>\$ 11,253</u>	<u>\$ 214,011</u>

Compensated Absences

See Note 1-J for additional information on compensated absences.

NOTE 7. RETIREMENT FUND CONTRIBUTIONS

A. Teachers' Retirement System of the State of Illinois

General Information About the Pension Plan

Plan Description. The District participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the City of Chicago. TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The TRS Board of Trustees is responsible for the System's administration.

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7. RETIREMENT FUND CONTRIBUTIONS (CONT'D)

A. Teachers' Retirement System of the State of Illinois (cont'd)

TRS issues a publicly available financial report that can be obtained at <http://trs.illinois.gov/pubs/cafr>; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling (888) 877-0890, option 2.

Benefits Provided. TRS provides retirement, disability, and death benefits. Tier I members have TRS or reciprocal system service prior to January 1, 2011. Tier I members qualify for retirement benefits at age 62 with 5 years of service, at age 60 with 10 years, or age 55 with 20 years. The benefit is determined by the average of the 4 highest years of creditable earnings within the last 10 years of creditable service and the percentage of average salary to which the member is entitled. Most members retire under a formula that provides 2.2 percent of final average salary up to a maximum of 75 percent with 34 years of service. Disability and death benefits are also provided.

Tier II members qualify for retirement benefits at age 67 with 10 years of service, or a discounted annuity can be paid at age 62 with 10 years of service. Creditable earnings for retirement purposes are capped and the final average salary is based on the highest consecutive 8 years of creditable service rather than the last 4. Disability provisions for Tier II are identical to those of Tier I. Death benefits are payable under a formula that is different from Tier I.

Essentially all Tier I retirees receive an annual 3 percent increase in the current retirement benefit beginning January 1 following the attainment of age 61 or on January 1 following the member's first anniversary in retirement, whichever is later. Tier II annual increases will be the lesser of 3 percent of the original benefit or one-half percent of the rate of inflation beginning January 1 following attainment of age 67 or on January 1 following the member's first anniversary in retirement, whichever is later.

Contributions. The State of Illinois maintains the primary responsibility for funding TRS. The Illinois Pension Code, as amended by Public Act 88-0593 and subsequent acts, provides that for years 2010 through 2045, the minimum contribution to the System for each fiscal year shall be an amount determined to be sufficient to bring the total assets of the System up to 90 percent of the total actuarial liabilities of the System by the end of fiscal year 2045.

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7. RETIREMENT FUND CONTRIBUTIONS (CONT'D)

A. Teachers' Retirement System of the State of Illinois (cont'd)

active member contribution rate for the year ended June 30, 2016, was 9.4 percent of creditable earnings. On July 1, 2016, the rate dropped to 9.0 percent of pay due to the expiration of the Early Retirement Option (ERO). The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the employer.

On-behalf contributions to TRS. The State of Illinois makes employer pension contributions on behalf of the District. For the year ended June 30, 2017, State of Illinois contributions recognized by the District were based on the state's proportionate share of the collective net pension liability associated with the District, and the District recognized revenue and expenditures of \$5,656,131 in pension contributions from the State of Illinois.

2.2 formula contributions. Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2017 were \$42,638 and are deferred because they were paid after the June 30, 2016 measurement date.

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 has been in effect since the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the state contribution rate to TRS. Public Act 98-0674 now requires the two rates to be the same.

For the year ended June 30, 2017, the employer pension contribution was 38.54 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2017, salaries totaling \$228,069 were paid from federal and special trust funds that required employer contributions of \$87,898. These contributions are deferred because they were paid after the June 30, 2016 measurement date.

Employer retirement cost contributions. Under GASB Statement No. 68, contributions that an employer is required to pay because of a TRS member retiring are categorized as specific liability payments. The District is required to make a one-time contribution to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the member's age and salary. The maximum employer ERO contribution

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7. RETIREMENT FUND CONTRIBUTIONS (CONT'D)

A. Teachers' Retirement System of the State of Illinois (cont'd)

under the program that ended on June 30, 2016 is 146.5 percent and applies when the member is age 55 at retirement. For the year ended June 30, 2017, the District paid \$-0- to TRS for employer ERO contributions for retirements that occurred before July 1, 2016.

The District is also required to make a one-time contribution to TRS for members granted salary increases over 6 percent if those salaries are used to calculate a retiree's final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2017, the District paid \$-0- to TRS for employer contributions due on salary increases in excess of 6 percent and \$-0- for sick leave days granted in excess of the normal annual allotment.

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

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

District's Proportionate Share of the Net Pension Liability	\$ 2,628,263
State's Proportionate Share of the Net Pension Liability Associated With the Employer	57,594,497
Total	<u>\$ 60,222,760</u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, and rolled forward to June 30, 2016. The District's proportion of the net pension liability was based on the District's share of contributions to TRS for the measurement year ended June 30, 2016, relative to the contributions of all participating TRS employers and the state during that period. At June 30, 2016, the District's proportion was .0033296111 percent, which was an increase of .000068204 from its proportion measured as of June 30, 2015.

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7. RETIREMENT FUND CONTRIBUTIONS (CONT'D)

A. Teachers' Retirement System of the State of Illinois (cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (cont'd)

For the year ended June 30, 2017, the District recognized pension expense of \$5,656,131 and revenue of \$5,656,131 for support provided by the state. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 19,434	\$ 1,783
Net Differences Between Projected and Actual		
Earnings on Pension Plan Investments	74,253	-
Changes of Assumptions	225,729	-
Changes in Proportion and Differences Between		
Employer Contributions and Proportionate Share		
of Contributions	36,181	280,925
Employer Contributions Subsequent to the		
Measurement Date	<u>130,536</u>	<u>-</u>
Total	<u>\$ 486,133</u>	<u>\$ 282,708</u>

\$130,536 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2018	\$ (34,930)
2019	(34,930)
2020	45,316
2021	84,548
2022	<u>12,885</u>
	<u>\$ 72,889</u>

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7. RETIREMENT FUND CONTRIBUTIONS (CONT'D)

A. Teachers' Retirement System of the State of Illinois (cont'd)

Actuarial Assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	Varies by amount of service credit
Investment Rate of Return	7.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 White Collar Table with adjustments as appropriate for TRS experience. The rates are used on a fully-generational basis using projection table MP-2014.

For the June 30, 2016 valuation, the investment return assumption was lowered from 7.50 percent to 7.0 percent. Salary increase assumptions were lowered from their 2015 levels. Other assumptions were based on the 2015 experience analysis which increased retirement rates, improved mortality assumptions and made other changes.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equities Large Cap	14.4%	6.94%
U.S. Equities Small/Mid Cap	3.6%	8.09%
International Equities Developed	14.4%	7.46%
Emerging Markets Equities	3.6%	10.15%
U.S. Bonds Core	10.7%	2.44%
International Debt Developed	5.3%	1.70%
Real Estate	15.0%	5.44%

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7. RETIREMENT FUND CONTRIBUTIONS (CONT'D)

A. Teachers' Retirement System of the State of Illinois (cont'd)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Commodities (Real Return)	11.0%	4.28%
Hedge Funds (Absolute Return)	8.0%	4.16%
Private Equity	14.0%	10.63%
Total	100%	

Discount Rate. At June 30, 2016, the discount rate used to measure the total pension liability was a blended rate of 6.83 percent, which was a change from the June 30, 2015 rate of 7.47 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and state contributions will be made at the current statutorily-required rates.

Based on those assumptions, TRS's fiduciary net position at June 30, 2016 was not projected to be available to make all projected future benefit payments of current active and inactive members and all benefit recipients. Tier I's liability is partially-funded by Tier II members, as the Tier II member contribution is higher than the cost of Tier II benefits. Due to this subsidy, contributions from future members in excess of the service cost are also included in the determination of the discount rate. Despite the subsidy, all projected future payments were not covered, so a slightly lower long-term expected rate of return on TRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

At June 30, 2015, the discount rate used to measure the total pension liability was 7.47 percent. The discount rate was lower than the actuarially-assumed rate of return on investments that year as well because TRS's fiduciary net position and the subsidy provided by Tier II were not sufficient to cover all projected benefit payments.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.83 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.83 percent) or 1-percentage-point higher (7.83 percent) than the current rate.

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7. RETIREMENT FUND CONTRIBUTIONS (CONT'D)

A. Teachers' Retirement System of the State of Illinois (cont'd)

	1% Lower 5.83%	Current Discount 6.83%	1% Higher 7.83%
District's Proportionate Share of the Net Pension Liability	\$ 3,214,473	\$ 2,628,263	\$ 2,149,486

TRS Fiduciary Net Position. Detailed information about the TRS's fiduciary net position as of June 30, 2016 is available in the separately issued TRS Comprehensive Annual Financial Report.

Payable to TRS. As of June 30, 2017, the District reported a payable of \$-0- for outstanding required contributions to TRS for the month of June 2017.

B. Teacher Health Insurance Security 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. Annuitants who are enrolled in Medicare Parts A and B may be eligible to enroll in a Medicare Advantage plan.

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

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

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7. RETIREMENT FUND CONTRIBUTIONS (CONT'D)

B. Teacher Health Insurance Security Fund (cont'd)

On-Behalf Contributions to the THIS Fund. The State of Illinois makes employer retiree health insurance contributions on behalf of the District. State contributions are intended to match contributions to the THIS Fund from active members which were 1.12 percent of pay during the year ended June 30, 2017. State of Illinois contributions were \$82,335, and the District recognized revenue and expenditures of this amount during the year.

Employer Contributions to the THIS Fund. The District also makes contributions to the THIS Fund. The employer THIS Fund contribution was 0.84 percent during the year ended June 30, 2017. For the year ended June 30, 2017, the District paid \$61,751 to the THIS Fund, which was 100 percent of the required contribution.

Further Information on the THIS Fund

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

C. Illinois Municipal Retirement Fund

IMRF Plan Description

The District's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The District's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7. RETIREMENT FUND CONTRIBUTIONS (CONT'D)

C. Illinois Municipal Retirement Fund (cont'd)

Benefits Provided

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired *before* January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least 8 years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with 8 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3 percent of the final rate of earnings for the first 15 years of service credit, plus 2 percent for each year of service credit after 15 years to a maximum of 75 percent of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3 percent of the original amount on January 1 every year after retirement.

Employees hired *on or after* January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after 10 years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with 10 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3 percent of the final rate of earnings for the first 15 years of service credit, plus 2 percent for each year of service credit after 15 years to a maximum of 75 percent of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of:

- 3 percent of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7. RETIREMENT FUND CONTRIBUTIONS (CONT'D)

C. Illinois Municipal Retirement Fund (cont'd)

Employees Covered by Benefit Terms

As of December 31, 2016, the following employees were covered by the benefit terms:

	IMRF
Retirees and Beneficiaries Currently Receiving Benefits	133
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	57
Active Plan Members	135
Total	325

Contributions

As set by statute, the District's Regular Plan Members are required to contribute 4.5 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 District's annual contribution rate for calendar year 2016 was 13.35 percent. For the fiscal year ended June 30, 2017, the District contributed \$424,756 to the plan. The District also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

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

Actuarial Assumptions

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

Actuarial Cost Method	Entry Age Method
Asset Valuation Method	Market Value of Assets
Price Inflation	2.75%

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7. RETIREMENT FUND CONTRIBUTIONS (CONT'D)

C. Illinois Municipal Retirement Fund (cont'd)

Actuarial Assumptions (cont'd)

Salary Increases	3.75% to 14.50%
Investment Rate of Return	7.50%
Projected Retirement Age	Experience-based table of rates specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
Mortality	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information:

Notes: There were no benefit changes during the year.

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

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

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7. RETIREMENT FUND CONTRIBUTIONS (CONT'D)

C. Illinois Municipal Retirement Fund (cont'd)

Actuarial Assumptions (cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Equities	38.00%	6.85%
International Equities	17.00%	6.75%
Fixed Income	27.00%	3.00%
Real Estate	8.00%	5.75%
Alternatives	9.00%	
Private Equity		7.35%
Hedge Funds		5.25%
Commodities		2.65%
Cash Equivalents	1.00%	2.25%

Single Discount Rate

A Single Discount Rate of 7.50 percent was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

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

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50 percent, the municipal bond rate is 3.78 percent, and the resulting single discount rate is 7.50 percent.

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7. RETIREMENT FUND CONTRIBUTIONS (CONT'D)

C. Illinois Municipal Retirement Fund (cont'd)

Changes in the Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2015	<u>\$ 19,274,632</u>	<u>\$ 16,373,960</u>	<u>\$ 2,900,672</u>
Change for the Year:			
Service Cost	363,381	-	363,381
Interest on the Total Pension Liability	1,417,780	-	1,417,780
Differences Between Expected and Actual Experience of the Total Pension Liability	141,474	-	141,474
Changes of Assumptions	(71,038)	-	(71,038)
Contributions - Employer	-	450,423	(450,423)
Contributions - Employees	-	151,777	(151,777)
Net Investment Income	-	1,135,861	(1,135,861)
Benefit Payments, Including Refunds of Employee Contributions	(953,338)	(953,338)	-
Other (Net Transfer)	-	(9,638)	9,638
Net Changes	<u>898,259</u>	<u>775,085</u>	<u>123,174</u>
Balances at December 31, 2016	<u>\$ 20,172,891</u>	<u>\$ 17,149,045</u>	<u>\$ 3,023,846</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.50 percent as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1 percent lower or 1 percent higher:

	1% Lower 6.50%	Current Discount 7.50%	1% Higher 8.50%
Net Pension Liability/(Asset)	<u>\$ 5,570,938</u>	<u>\$ 3,023,846</u>	<u>\$ 913,969</u>

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7. RETIREMENT FUND CONTRIBUTIONS (CONT'D)

C. Illinois Municipal Retirement Fund (cont'd)

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

For the year ended June 30, 2017, the District recognized pension expense of \$898,330. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred Amounts to be Recognized in Pension Expense in Future Periods		
Difference Between Expected and Actual Experience	\$ 106,904	\$ 59,010
Changes in Assumptions	168,188	52,620
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	<u>842,133</u>	<u>-</u>
Total Deferred Amounts to be Recognized in Pension Expense in Future Periods	1,117,225	111,630
 Pension Contribution Made Subsequent to the Measurement Date	 <u>212,282</u>	 <u>-</u>
 Total Deferred Amounts Related to Pensions	 <u>\$ 1,329,507</u>	 <u>\$ 111,630</u>

\$212,282 realized as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be realized as a reduction of the net pension liability in the reporting year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

<u>Year Ending December 31</u>	<u>Net Deferred Outflows of Resources</u>
2017	\$ 441,345
2018	287,060
2019	261,457
2020	15,733
2021	-
Total	<u>\$ 1,005,595</u>

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7. RETIREMENT FUND CONTRIBUTIONS (CONT'D)

C. Illinois Municipal Retirement Fund (cont'd)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (cont'd)

Payable to TRS. As of June 30, 2017, the District reported a payable of \$-0- for outstanding required contributions to IMRF for the month of June 2017.

The District's aggregate employer pension expense on an accrual basis for the year ended June 30, 2017 was \$940,968.

D. Social Security

Employees not qualifying for coverage under the Illinois Downstate Teachers' Retirement System or the Illinois Municipal Retirement Fund are considered "nonparticipating employees". These employees and those qualifying for coverage under the Illinois Municipal Retirement Fund are covered under Social Security. The District paid \$215,052, the total required contribution for the current fiscal year.

NOTE 8. RELATED PARTY

The District has a relationship with the Hillsboro Community Unit School District No. 3 Educational Foundation, Inc., which is a 501(c)(3) corporation. This Foundation accepts contributions and provides educational assistance, scholarships and special programs within the School District. For the fiscal year ended June 30, 2017, the Foundation distributed \$34,990 to various District teachers for approved educational projects plus \$80,923 in scholarships to District students. As of June 30, 2017, no inter-party balances existed. The Foundation is not included in these financial statements as a component unit because it is not material to the financial statements as a whole.

NOTE 9. RISK MANAGEMENT - INSURANCE

The District purchases commercial general liability, workers' compensation, auto, accident and sickness, and property insurance through a local insurance broker for all risks. There has been no significant reduction in insurance coverage from the prior year.

The District, therefore, retains no significant amount of risk. The District is liable for any claims in excess of its coverage liability. No claims were in excess of coverage during the current and prior three years.

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10. TORT EXPENDITURES

The following is a detail of the changes in net assets in Exhibit "A" for the Tort Fund:

Beginning Restricted Net Assets, June 30, 2016	\$ 840,399
Receipts:	
Property Taxes	862,871
Interest Income	4,570
Other Income	7,157
Total Available	1,714,997
Expenditures:	
Workers' Compensation Insurance	87,402
Insurance	114,151
Legal	48,873
Salaries and Benefits	527,053
Educational, Inspectional, Supervisory Services Related to Loss Prevention	47,288
Total Expenditures	824,767
Ending Restricted Net Assets, June 30, 2017	\$ 890,230

NOTE 11. RECONCILIATION OF EXHIBIT "E" - FEDERAL SOURCES - REVENUE TO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REVENUE

Exhibit "E" - Federal Sources - Revenue	\$ 900,410
Add Commodities	64,013
Less Medicaid Fee for Service	(19,896)
Adjusted Federal Sources - Revenue	\$ 944,527
Schedule of Expenditures of Federal Awards - Revenue	\$ 944,527

NOTE 12. LEGAL DEBT MARGIN

	2016 Tax Levy Year
ASSESSED VALUATION - 2016 LEVY	\$ 181,696,352

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12. LEGAL DEBT MARGIN (CONT'D)

		<u>2016 Tax Levy Year</u>
STATUTORY DEBT LIMITATION		
13.8% of Assessed Valuation		\$ 25,074,097
Less Indebtedness		
Bonds Payable	\$ 7,805,000	
Capital Lease	<u>202,758</u>	<u>8,007,758</u>
LEGAL DEBT MARGIN		<u>\$ 17,066,339</u>

NOTE 13. CONTINGENCIES

The District has received funding from state and federal grants in the current and prior years that 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 is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect on the financial position of the District.

NOTE 14. OVERBUDGET

The following funds were overbudget:

	<u>Budget</u>	<u>Actual</u>
General Fund	\$ 18,669,092	\$ 20,208,644

NOTE 15. INTERFUND TRANSFERS

During the year ended June 30, 2017 the District has the following interfund transfers:

	<u>From</u>	<u>To</u>
MAJOR GOVERNMENTAL FUND:		
General Fund - Educational Fund		
Debt Service Fund	\$ -	\$ 48,618
Working Cash Fund	1,000,000	-

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 15. INTERFUND TRANSFERS (CONT'D)

	From	To
MAJOR GOVERNMENTAL FUND (CONT'D):		
General Fund - Working Cash Fund		
General Fund - Educational Fund	-	1,000,000
General Fund - Operations and Maintenance Fund		
Capital Projects Fund - Fire Prevention and Life Safety	180,000	-
Debt Service Fund		
General Fund - Educational Fund	48,618	-
Capital Projects Fund - Fire Prevention and Life Safety		
General Fund - Operations and Maintenance Fund	-	180,000
	\$ 1,228,618	\$ 1,228,618

The transfer from the Educational Fund to the Debt Service Fund was to move lease payments to the Debt Service Fund. The transfer from the Working Cash Fund to the Educational Fund was to transfer part of the bond proceeds. The transfer from the Fire Prevention and Life Safety Fund to the Operations and Maintenance Fund was to transfer excess earnings.

NOTE 16. OPERATING LEASES

During a prior year, the District entered into a copier lease for five copiers starting April 11, 2014 and maturing April 11, 2019. The monthly payments are \$4,386. The current year expenses were \$52,632.

The future minimum lease payments are:

Year Ending	Amount
June 30	
2018	\$ 52,632
2019	43,860
	\$ 96,492

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
YEAR ENDED JUNE 30, 2017

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES:			
Local Sources			
Property Taxes	\$ 5,501,000	\$ 5,519,875	\$ 5,522,448
Replacement Taxes	1,070,351	1,070,351	1,334,191
Interest	16,100	16,100	18,671
Tuition	99,000	99,000	101,097
Food Service	273,000	273,000	289,918
Pupil Activities	58,800	63,800	64,182
Textbook	75,000	75,000	81,298
Other	518,500	576,600	564,120
Flow-Through Sources			
State Sources	26,604	26,604	-
Federal Sources	4,905	4,905	-
State Sources			
Unrestricted Grants-in-Aid			
General State Aid	4,033,532	4,033,532	4,034,495
Restricted Grants-in-Aid			
Special Education	629,069	629,069	577,635
Vocational Education	21,334	21,334	-
State Lunch and Breakfast	4,000	4,000	1,965
Drivers Education	20,000	20,000	22,413
Early Childhood Block Grant	711,639	752,395	601,920
Other	1,000	19,664	18,664
Federal Sources			
School Lunch and Breakfast	403,000	403,000	406,960
Title I - Low Income	354,913	349,070	330,107
Medicaid Matching	20,000	20,000	15,558
Medicaid Matching - Fee for Service	30,000	30,000	19,896
Child Care and Development Block Grant	-	-	832
Perkins	-	17,377	17,170
Title II - Teacher Quality	108,775	112,204	109,887
Total Direct Revenues	<u>13,980,522</u>	<u>14,136,880</u>	<u>14,133,427</u>
Revenue for On-Behalf Payments	3,831,088	3,831,088	5,738,466
Total Revenues	<u>17,811,610</u>	<u>17,967,968</u>	<u>19,871,893</u>

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
YEAR ENDED JUNE 30, 2017

	General Fund		
	Original Budget	Final Budget	Actual
EXPENDITURES:			
Instruction			
Regular Programs			
Salaries	5,237,310	5,230,494	5,257,529
Employee Benefits	1,346,532	1,337,832	1,323,752
Purchased Services	97,540	100,540	101,703
Supplies and Materials	272,470	272,770	205,021
Capital Outlay	19,000	6,800	-
Other Objects	6,800	25,500	3,129
Noncapital Equipment	-	-	21,528
Total Regular Programs	6,979,652	6,973,936	6,912,662
Special Education Programs			
Salaries	39,000	39,000	31,575
Employee Benefits	125	125	218
Total Special Education Programs	39,125	39,125	31,793
Other Instructional Programs			
Salaries	695,738	681,304	656,811
Employee Benefits	169,760	163,965	154,154
Purchased Services	31,900	34,204	39,164
Supplies and Materials	53,150	54,351	50,585
Capital Outlay	16,000	28,989	-
Other Objects	143,750	113,750	117,972
Noncapital Equipment	-	-	10,550
Total Other Instructional Programs	1,110,298	1,076,563	1,029,236
Total Instruction	8,129,075	8,089,624	7,973,691
Support Services			
Support Services - Pupils			
Salaries	365,000	372,500	372,966
Employee Benefits	75,805	75,805	75,932
Purchased Services	12,200	25,200	19,736

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
YEAR ENDED JUNE 30, 2017

	General Fund		
	Original Budget	Final Budget	Actual
EXPENDITURES (CONT'D):			
Support Services (cont'd)			
Support Services - Pupils (cont'd)			
Supplies and Materials	12,300	12,300	12,336
Capital Outlay	5,000	22,000	-
Other Objects	700	700	322
Noncapital Equipment	8,000	46,000	40,716
Total Support Services - Pupils	479,005	554,505	522,008
Support Services - Instructional Staff			
Salaries	68,675	73,715	73,344
Employee Benefits	16,545	26,003	26,367
Purchased Services	8,813	24,718	22,747
Supplies and Materials	5,450	5,450	4,647
Total Support Services - Instructional Staff	99,483	129,886	127,105
Support Services - General Administration			
Salaries	266,641	268,141	267,858
Employee Benefits	47,075	47,075	47,126
Purchased Services	77,120	137,120	123,244
Supplies and Materials	11,500	11,500	5,858
Other Objects	40,900	11,900	8,383
Total Support Services - General Administration	443,236	475,736	452,469
Support Services - School Administration			
Salaries	615,021	615,021	624,164
Employee Benefits	110,105	110,105	109,756
Purchased Services	85,800	118,800	126,311
Supplies and Materials	10,000	10,000	10,674
Other Objects	2,100	2,100	1,894
Total Support Services - School Administration	823,026	856,026	872,799

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
YEAR ENDED JUNE 30, 2017

	General Fund		
	Original Budget	Final Budget	Actual
EXPENDITURES (CONT'D):			
Support Services (cont'd)			
Support Services - Business Services			
Salaries	1,168,919	1,181,340	1,150,376
Employee Benefits	128,290	136,290	135,963
Purchased Services	227,618	269,974	233,050
Supplies and Materials	733,500	767,720	729,944
Capital Outlay	20,000	28,300	16,509
Other Objects	950	950	1,076
Noncapital Equipment	7,000	14,650	18,652
Total Support Services - Business Services	<u>2,286,277</u>	<u>2,399,224</u>	<u>2,285,570</u>
Support Services - Central			
Salaries	-	3,000	2,500
Employee Benefits	-	1,625	1,337
Total Support Services - Central	<u>-</u>	<u>4,625</u>	<u>3,837</u>
Total Support Services	<u>4,131,027</u>	<u>4,420,002</u>	<u>4,263,788</u>
Community Services			
Salaries	435,680	453,675	438,037
Employee Benefits	34,249	35,097	34,712
Purchased Services	42,025	37,119	30,123
Supplies and Materials	60,691	60,137	61,171
Other Objects	1,200	1,200	70
Noncapital Equipment	2,000	2,000	-
Total Community Services	<u>575,845</u>	<u>589,228</u>	<u>564,113</u>
Nonprogrammed Charges			
Tuition	<u>1,752,209</u>	<u>1,739,150</u>	<u>1,668,586</u>
Total Direct Expenditures	<u>14,588,156</u>	<u>14,838,004</u>	<u>14,470,178</u>

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
YEAR ENDED JUNE 30, 2017

	General Fund		
	Original Budget	Final Budget	Actual
EXPENDITURES (CONT'D):			
Expenditure for On-Behalf Payments	3,831,088	3,831,088	5,738,466
Total Expenditures	<u>18,419,244</u>	<u>18,669,092</u>	<u>20,208,644</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(607,634)</u>	<u>(701,124)</u>	<u>(336,751)</u>
OTHER FINANCING SOURCES (USES):			
Transfer In	1,180,000	1,180,000	1,180,000
Transfer (Out)	(1,050,000)	(1,050,000)	(1,048,618)
Proceeds From Sale of Bonds	2,000,000	2,000,000	2,000,000
Total Other Financing Sources (Uses)	<u>2,130,000</u>	<u>2,130,000</u>	<u>2,131,382</u>
Net Change in Fund Balance	<u>\$ 1,522,366</u>	<u>\$ 1,428,876</u>	1,794,631
Fund Balance, Beginning of Year			<u>1,372,345</u>
FUND BALANCE, END OF YEAR			<u>\$ 3,166,976</u>

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
MAJOR GOVERNMENTAL FUNDS - TRANSPORTATION FUND
YEAR ENDED JUNE 30, 2017

	Special Revenue Funds		
	Transportation Fund		
	Original Budget	Final Budget	Actual
REVENUES:			
Local Sources			
Property Taxes	\$ 362,000	\$ 362,000	\$ 363,307
Interest	1,600	1,600	1,011
Other	70,000	70,000	87,205
Restricted Grants-in-Aid			
Transportation Aid - Regular	404,838	404,838	378,977
Transportation Aid - Special Education	104,200	104,200	119,181
Total Direct Revenues	<u>942,638</u>	<u>942,638</u>	<u>949,681</u>
EXPENDITURES:			
Support Services			
Support Services - Business Services			
Salaries	564,580	564,580	572,748
Employee Benefits	12,550	12,550	13,210
Purchased Services	55,500	55,500	61,514
Supplies and Materials	241,300	241,300	183,049
Other Objects	3,000	3,000	3,418
Noncapital Equipment	3,000	3,000	2,499
Total Support Services - Business Services	<u>879,930</u>	<u>879,930</u>	<u>836,438</u>
Debt Service			
Principal	153,000	153,000	143,520
Interest	-	-	9,346
Total Debt Service	<u>153,000</u>	<u>153,000</u>	<u>152,866</u>
Total Direct Expenditures	<u>1,032,930</u>	<u>1,032,930</u>	<u>989,304</u>
Net Change in Fund Balance	<u>\$ (90,292)</u>	<u>\$ (90,292)</u>	<u>(39,623)</u>
Fund Balance, Beginning of Year			<u>294,969</u>
FUND BALANCE, END OF YEAR			<u>\$ 255,346</u>

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
MUNICIPAL RETIREMENT AND SOCIAL SECURITY FUND
YEAR ENDED JUNE 30, 2017

	Special Revenue Funds		
	Municipal Retirement and Social Security		
	Original Budget	Final Budget	Actual
REVENUES:			
Local Sources			
Property Taxes	\$ 819,000	\$ 819,000	\$ 821,755
Replacement Taxes	43,500	43,500	43,500
Interest	3,000	3,000	3,432
Total Direct Revenues	<u>865,500</u>	<u>865,500</u>	<u>868,687</u>
EXPENDITURES:			
Instruction			
Regular Programs			
Employee Benefits	170,400	170,400	158,818
Special Education Programs			
Employee Benefits	2,000	2,000	1,254
Other Instructional Programs			
Employee Benefits	38,130	38,130	36,897
Total Instruction	<u>210,530</u>	<u>210,530</u>	<u>196,969</u>
Support Services			
Support Services - Pupils			
Employee Benefits	35,200	35,200	32,360
Support Services - Instructional Staff			
Employee Benefits	1,500	1,500	1,086
Support Services - General Administration			
Employee Benefits	87,100	87,100	78,754
Support Services - School Administration			
Employee Benefits	50,500	50,500	49,156
Support Services - Business Services			
Employee Benefits	356,000	356,000	341,546
Total Support Services	<u>530,300</u>	<u>530,300</u>	<u>502,902</u>

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
MUNICIPAL RETIREMENT AND SOCIAL SECURITY FUND
YEAR ENDED JUNE 30, 2017

	<u>Special Revenue Funds</u>		
	<u>Municipal Retirement and Social Security</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
EXPENDITURES (CONT'D):			
Community Services	82,000	82,000	80,529
Nonprogrammed Services			
Payments for Special Education Programs	75,100	75,100	75,049
Payments for CTE Programs	2,500	2,500	-
Total Nonprogrammed Services	<u>77,600</u>	<u>77,600</u>	<u>75,049</u>
Total Expenditures	<u>900,430</u>	<u>900,430</u>	<u>855,449</u>
Net Change in Fund Balance	<u>\$ (34,930)</u>	<u>\$ (34,930)</u>	13,238
Fund Balance, Beginning of Year			<u>541,703</u>
FUND BALANCE, END OF YEAR			<u>\$ 554,941</u>

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
MAJOR GOVERNMENTAL FUND - TORT FUND
YEAR ENDED JUNE 30, 2017

	Special Revenue Funds		
	Tort Fund		
	Original Budget	Final Budget	Actual
REVENUES:			
Local Sources			
Property Taxes	\$ 860,000	\$ 862,800	\$ 862,871
Interest	4,000	4,000	4,570
Other	-	7,000	7,157
Total Direct Revenues	<u>864,000</u>	<u>873,800</u>	<u>874,598</u>
EXPENDITURES:			
Support Services			
Support Services - General Administration			
Salaries	474,500	474,500	449,797
Employee Benefits	80,200	80,200	77,256
Purchased Services	301,400	326,000	297,714
Supplies and Materials	-	20,000	-
Other Objects	20,000	-	-
Total Support Services - General Administration	<u>876,100</u>	<u>900,700</u>	<u>824,767</u>
Net Change in Fund Balance	<u>\$ (12,100)</u>	<u>\$ (26,900)</u>	49,831
Fund Balance, Beginning of Year			<u>840,399</u>
FUND BALANCE, END OF YEAR			<u>\$ 890,230</u>

HILLBSORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

NOTE 1. EXPENDITURES IN EXCESS OF BUDGET

The following funds had expenditures in excess of budgeted amounts:

	Final Budget	Actual
General Fund	\$ 18,669,092	\$ 20,208,644

NOTE 2. BUDGET

The budget for all governmental fund types is prepared on the modified accrual basis of accounting, which is the same basis that is used in financial reporting. This allows for comparability between budget and actual amounts. The budget was passed on September 13, 2016.

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

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

1. Prior to July 1, the Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing on that date, which was distributed to the Board for their review. The operating budget includes proposed expenditures disbursed and the means of financing them.
2. The Board of Education budget review session was conducted on August 9, 2016.
3. A public hearing was conducted to obtain taxpayer comments on August 9, 2016.
4. Formal Board of Education adoption of the budget was on September 13, 2016.
5. Formal budgetary integration is employed as a management control device during the year.
6. 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.
7. The Board of Education may amend the budget (in other ways) by the same procedures required of its original adoption. The budget was amended on June 13, 2017.

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
MULTIYEAR SCHEDULE OF CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS
ILLINOIS MUNICIPAL RETIREMENT FUND
JUNE 30, 2017

LAST THREE CALENDAR YEARS

<u>Calendar Year Ending December 31,</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability			
Service Cost	\$ 363,381	\$ 353,535	\$ 370,352
Interest on the Total Pension Liability	1,417,780	1,368,316	1,257,201
Benefit Changes	-	-	-
Difference Between Expected and Actual Experience	141,474	(124,328)	10,481
Assumption Changes	(71,038)	22,897	781,441
Benefit Payments and Refunds	(953,338)	(924,022)	(837,502)
Net Change in Total Pension Liability	<u>898,259</u>	<u>696,398</u>	<u>1,581,973</u>
Total Pension Liability - Beginning	19,274,632	18,578,234	16,996,261
Total Pension Liability - Ending (a)	<u>\$ 20,172,891</u>	<u>\$ 19,274,632</u>	<u>\$ 18,578,234</u>
Plan Fiduciary Net Position			
Employer Contributions	\$ 450,423	\$ 404,072	\$ 386,876
Employee Contributions	151,777	139,335	135,482
Pension Plan Net Investment Income	1,135,861	81,894	957,627
Benefit Payments and Refunds	(953,338)	(924,022)	(837,502)
Other	(9,638)	103,603	70,212
Net Change in Plan Fiduciary Net Position	<u>775,085</u>	<u>(195,118)</u>	<u>712,695</u>
Plan Fiduciary Net Position - Beginning	16,373,960	16,569,078	15,856,383
Plan Fiduciary Net Position - Ending (b)	<u>\$ 17,149,045</u>	<u>\$ 16,373,960</u>	<u>\$ 16,569,078</u>
Net Pension Liability/(Asset) - Ending (a)-(b)	<u>\$ 3,023,846</u>	<u>\$ 2,900,672</u>	<u>\$ 2,009,156</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	85.01%	84.95%	89.19%
Covered Valuation Payroll	\$ 3,237,244	\$ 3,096,337	\$ 3,010,704
Net Pension Liability as a Percentage of Covered Valuation Payroll	93.41%	93.68%	66.73%

Notes to Schedule:

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

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
MULTIYEAR SCHEDULE OF CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND
LAST 10 CALENDAR YEARS
(SCHEDULE TO BE BUILT PROSPECTIVELY FROM 2014)
JUNE 30, 2017

<u>Calendar Year</u> <u>Ending</u> <u>December 31,</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Valuation</u> <u>Payroll</u>	<u>Actual Contribution</u> <u>as a % of Covered</u> <u>Valuation Payroll</u>
2016	\$ 432,172	\$ 450,423	\$ (18,251)	\$ 3,237,244	12.74%
2015	404,072	404,072	-	3,096,337	13.05%
2014	386,876	386,876	-	3,010,704	12.85%

Notes to Schedule:

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

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE SCHEDULE OF CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND
SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS
USED IN THE CALCULATION OF THE 2016 CONTRIBUTION RATE*
JUNE 30, 2017

Valuation Date:

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

Methods and Assumptions Used to Determine 2016 Contribution Rates:

<p>Actuarial Cost Method Amortization Method Remaining Amortization Period</p>	<p>Aggregate Entry Age Normal Level Percentage of Payroll, Closed Non-Taxing bodies: 10-year rolling period. Taxing bodies (Regular, SLEP and ECO groups): 27-year closed period until remaining period reaches 15 years (then 15 year rolling period). Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 22 years for most employers (two employers were financed over 31 years).</p>
<p>Asset Valuation Method Wage Growth Price Inflation</p>	<p>5-Year smoothed market; 20% corridor 3.50% 2.75% - approximate; No explicit price inflation assumption is used in this valuation.</p>
<p>Salary Increases Investment Rate of Return Retirement Age</p>	<p>3.75% to 14.50% including inflation 7.50% Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.</p>
<p>Mortality</p>	<p>For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled</p>

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE SCHEDULE OF CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND
SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS
USED IN THE CALCULATION OF THE 2016 CONTRIBUTION RATE*
JUNE 30, 2017

Mortality (cont'd)

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

Other Information:

Notes

There were no benefit changes during the year.

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

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
JUNE 30, 2017

LAST THREE FISCAL YEARS

	2016*	2015*	2014*
District's Proportion of the Net Pension Liability	0.0033296111%	0.0032614071%	0.0036727666%
District's Proportionate Share of the Net Pension Liability	\$ 2,628,263	\$ 2,136,550	\$ 2,235,182
State's Proportionate Share of the Net Pension Liability Associated With the District	57,594,497	46,761,394	45,489,575
Total	<u>\$ 60,222,760</u>	<u>\$ 48,897,944</u>	<u>\$ 47,724,757</u>
District's Covered-Employee Payroll	\$ 7,257,610	\$ 7,220,168	\$ 7,383,227
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	36.21%	29.59%	30.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	36.40%	41.50%	43.00%

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

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
JUNE 30, 2017

LAST THREE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily-Required Contribution	\$ 130,536	\$ 128,955	\$ 114,272
Contributions in Relation to the Statutorily-Required Contribution	130,536	128,955	114,272
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 7,351,359	\$ 7,257,610	\$ 7,220,168
Contributions as a Percentage of Covered-Employee Payroll	1.78%	1.78%	1.58%

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULE OF CONTRIBUTIONS
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
JUNE 30, 2017

Changes of Assumptions

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

For the 2015 measurement year, the assumed investment rate of return was 7.50 percent, including an inflation rate of 3.0 percent and a real return of 4.5 percent. Salary increases were assumed to vary by service credit. Various other changes in assumptions were adopted based on the experience analysis for the three-year period ending June 30, 2014.

For the 2014 measurement year, the assumed investment rate of return was also 7.50 percent, including an inflation rate of 3.0 percent and a real return of 4.5 percent. However, salary increases were assumed to vary by age.

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
COMBINING BALANCE SHEET
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
JUNE 30, 2017

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2016)

	Educational Fund	Operations, Building and Maintenance Fund	Working Cash Fund	2017 Total	2016 Total
ASSETS:					
Cash					
Demand Deposits	\$ 1,168,654	\$ 172,362	\$ 1,972,161	\$ 3,313,177	\$ 1,724,081
Receivables					
Taxes	4,523,612	908,356	90,836	5,522,804	5,519,396
Other	1,048,641	-	-	1,048,641	789,292
Prepaid Expenses	30,619	-	-	30,619	29,498
Inventory	68,895	-	-	68,895	39,223
TOTAL ASSETS	\$ 6,840,421	\$ 1,080,718	\$ 2,062,997	\$ 9,984,136	\$ 8,101,490
LIABILITIES:					
Unremitted Payroll Withholdings	\$ 1,647	\$ -	\$ -	\$ 1,647	\$ 2,394
Accounts Payable	19,374	23,302	-	42,676	73,145
Accrued Salaries	1,002,712	13,338	-	1,016,050	998,982
Unearned Revenue	-	-	-	-	17,500
Total Liabilities	1,023,733	36,640	-	1,060,373	1,092,021
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Property Taxes	4,523,612	908,356	90,836	5,522,804	5,519,396
Unearned Grants	233,983	-	-	233,983	117,728
Total Deferred Inflows of Resources	4,757,595	908,356	90,836	5,756,787	5,637,124
FUND BALANCE:					
Nonspendable	99,514	-	-	99,514	68,721
Restricted	125,294	-	1,972,161	2,097,455	955,576
Unassigned	834,285	135,722	-	970,007	348,048
Total Fund Balance	1,059,093	135,722	1,972,161	3,166,976	1,372,345
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 6,840,421	\$ 1,080,718	\$ 2,062,997	\$ 9,984,136	\$ 8,101,490

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

YEAR ENDED JUNE 30, 2017

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2016)

	Educational Fund	Operations, Building and Maintenance Fund	Working Cash Fund	2017 Total	2016 Total
REVENUES:					
Local Sources	\$ 6,858,886	\$ 1,017,366	\$ 99,673	\$ 7,975,925	\$ 7,688,624
Flow-Through Sources	-	-	-	-	349,690
State Sources	5,054,461	202,631	-	5,257,092	5,171,290
Federal Sources	900,410	-	-	900,410	918,059
Total Direct Revenues	<u>12,813,757</u>	<u>1,219,997</u>	<u>99,673</u>	<u>14,133,427</u>	<u>14,127,663</u>
Revenue for On-Behalf Payments	5,738,466	-	-	5,738,466	3,908,744
Total Revenues	<u>18,552,223</u>	<u>1,219,997</u>	<u>99,673</u>	<u>19,871,893</u>	<u>18,036,407</u>
EXPENDITURES:					
Instruction					
Regular Programs	6,912,662	-	-	6,912,662	6,859,740
Special Education Programs	31,793	-	-	31,793	34,917
Other Instructional Programs	1,029,236	-	-	1,029,236	1,012,013
Total Instruction	<u>7,973,691</u>	<u>-</u>	<u>-</u>	<u>7,973,691</u>	<u>7,906,670</u>
Support Services					
Pupils	522,008	-	-	522,008	475,134
Instructional Staff	127,105	-	-	127,105	153,732
General Administration	452,469	-	-	452,469	354,112
School Administration	872,799	-	-	872,799	797,336
Business Services	984,854	1,300,716	-	2,285,570	2,177,558
Central	3,837	-	-	3,837	3,027
Total Support Services	<u>2,963,072</u>	<u>1,300,716</u>	<u>-</u>	<u>4,263,788</u>	<u>3,960,899</u>
Community Services	564,113	-	-	564,113	547,385
Nonprogrammed Charges	1,668,586	-	-	1,668,586	2,014,547
Total Direct Expenditures	<u>13,169,462</u>	<u>1,300,716</u>	<u>-</u>	<u>14,470,178</u>	<u>14,429,501</u>
Expenditure for On-Behalf Payments	5,738,466	-	-	5,738,466	3,908,744
Total Expenditures	<u>18,907,928</u>	<u>1,300,716</u>	<u>-</u>	<u>20,208,644</u>	<u>18,338,245</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(355,705)</u>	<u>(80,719)</u>	<u>99,673</u>	<u>(336,751)</u>	<u>(301,838)</u>

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

YEAR ENDED JUNE 30, 2017

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2016)

	Educational Fund	Operations, Building and Maintenance Fund	Working Cash Fund	2017 Total	2016 Total
OTHER FINANCING SOURCES (USES):					
Proceeds From Sale of Bonds	-	-	2,000,000	2,000,000	-
Transfer In	1,000,000	180,000	-	1,180,000	-
Transfer (Out)	(48,618)	-	(1,000,000)	(1,048,618)	(52,298)
Total Other Financing Sources (Uses)	<u>951,382</u>	<u>180,000</u>	<u>1,000,000</u>	<u>2,131,382</u>	<u>(52,298)</u>
Net Change in Fund Balance	595,677	99,281	1,099,673	1,794,631	(354,136)
Fund Balance, Beginning of Year	<u>463,416</u>	<u>36,441</u>	<u>872,488</u>	<u>1,372,345</u>	<u>1,726,481</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,059,093</u>	<u>\$ 135,722</u>	<u>\$ 1,972,161</u>	<u>\$ 3,166,976</u>	<u>\$ 1,372,345</u>

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
EDUCATIONAL FUND
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2016)

	<u>Final Budget</u>	<u>2017 Actual</u>	<u>2016 Actual</u>
REVENUES:			
Local Sources			
Property Taxes - Current			
Regular Levy	\$ 4,359,875	\$ 4,359,876	\$ 4,310,040
Leasing Levy	90,000	90,824	89,964
Special Education	72,000	72,660	71,968
Replacement Tax	970,351	1,234,191	1,103,863
Interest Earned	9,000	8,337	9,197
Tuition	99,000	101,097	99,000
Food Services	273,000	289,918	273,862
Pupil Activities	63,800	64,182	61,468
Textbooks	75,000	81,298	73,592
Other	573,600	556,503	498,519
Total Local Sources	<u>6,585,626</u>	<u>6,858,886</u>	<u>6,591,473</u>
Flow-Through Sources			
State Sources	26,604	-	262,749
Federal Sources	4,905	-	86,941
Total Flow-Through Sources	<u>31,509</u>	<u>-</u>	<u>349,690</u>
State Sources			
Unrestricted Grants-in-Aid			
General State Aid	3,744,532	3,850,528	3,643,144
Restricted Grants-in-Aid			
Special Education	629,069	577,635	514,305
Vocational Education	21,334	-	25,436
School Lunch Program	4,000	1,965	3,502
Drivers Education	20,000	22,413	22,266
Early Childhood Block Grant	752,395	601,920	711,639
State Library Grant	1,000	-	998
Total State Sources	<u>5,172,330</u>	<u>5,054,461</u>	<u>4,921,290</u>
Federal Sources			
Other Restricted Grants-in-Aid			
School Lunch and Breakfast	403,000	406,960	398,338
Title I - Low Income	349,070	330,107	341,470
Title II - Teacher Quality	112,204	109,887	128,787

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
EDUCATIONAL FUND
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2016)

	Final Budget	2017 Actual	2016 Actual
REVENUES (CONT'D):			
Federal Sources (cont'd)			
Other Restricted Grants-in-Aid (cont'd)			
Medicaid Matching	20,000	15,558	24,989
Medicaid Fee for Service	30,000	19,896	23,085
Child Care and Development Block Grant	-	832	1,390
Perkins	17,377	17,170	-
Total Federal Sources	<u>931,651</u>	<u>900,410</u>	<u>918,059</u>
Total Direct Revenues	12,721,116	12,813,757	12,780,512
Revenue for On-Behalf Sources	3,831,088	5,738,466	3,908,744
Total Revenues	<u>16,552,204</u>	<u>18,552,223</u>	<u>16,689,256</u>
EXPENDITURES:			
Instruction			
Regular Programs			
Salaries	5,230,494	5,257,529	5,154,254
Employee Benefits	1,337,832	1,323,752	1,330,688
Purchased Services	100,540	101,703	86,611
Supplies and Materials	272,770	205,021	225,583
Other Objects	6,800	3,129	6,242
Noncapital Equipment	25,500	21,528	56,362
Total Regular Programs	<u>6,973,936</u>	<u>6,912,662</u>	<u>6,859,740</u>
Special Education Programs			
Salaries	39,000	31,575	34,805
Employee Benefits	125	218	112
Total Special Education Programs	<u>39,125</u>	<u>31,793</u>	<u>34,917</u>
Other Instructional Programs			
Salaries	681,304	656,811	636,997
Employee Benefits	163,965	154,154	153,926
Purchased Services	34,204	39,164	31,973
Supplies and Materials	54,351	50,585	33,688
Capital Outlay	28,989	-	-

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
EDUCATIONAL FUND
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2016)

	<u>Final Budget</u>	<u>2017 Actual</u>	<u>2016 Actual</u>
EXPENDITURES (CONT'D):			
Instruction (cont'd)			
Other Instructional Programs (cont'd)			
Other Objects	113,750	117,972	139,829
Noncapital Equipment	-	10,550	15,600
Total Other Instructional Programs	<u>1,076,563</u>	<u>1,029,236</u>	<u>1,012,013</u>
Total Instruction	<u>8,089,624</u>	<u>7,973,691</u>	<u>7,906,670</u>
Support Services			
Support Services - Pupils			
Salaries	372,500	372,966	359,067
Employee Benefits	75,805	75,932	77,458
Purchased Services	25,200	19,736	10,318
Supplies and Materials	12,300	12,336	21,984
Capital Outlay	22,000	-	-
Other Objects	700	322	638
Noncapital Equipment	46,000	40,716	5,669
Total Support Services - Pupils	<u>554,505</u>	<u>522,008</u>	<u>475,134</u>
Support Services - Instructional Staff			
Salaries	73,715	73,344	77,429
Employee Benefits	26,003	26,367	33,773
Purchased Services	24,718	22,747	38,434
Supplies and Materials	5,450	4,647	4,096
Total Support Services - Instructional Staff	<u>129,886</u>	<u>127,105</u>	<u>153,732</u>
Support Services - General Administration			
Salaries	268,141	267,858	257,861
Employee Benefits	47,075	47,126	47,044
Purchased Services	137,120	123,244	35,656
Supplies and Materials	11,500	5,858	3,788
Other Objects	11,900	8,383	9,763
Total Support Services - General Administration	<u>475,736</u>	<u>452,469</u>	<u>354,112</u>

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
EDUCATIONAL FUND

YEAR ENDED JUNE 30, 2017

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2016)

	Final Budget	2017 Actual	2016 Actual
EXPENDITURES (CONT'D):			
Support Services (cont'd)			
Support Services - School Administration			
Salaries	615,021	624,164	604,213
Employee Benefits	110,105	109,756	109,491
Purchased Services	118,800	126,311	73,819
Supplies and Materials	10,000	10,674	7,896
Other Objects	2,100	1,894	1,917
Total Support Services - School Administration	<u>856,026</u>	<u>872,799</u>	<u>797,336</u>
Support Services - Business Services			
Salaries	555,005	539,782	535,835
Employee Benefits	26,290	26,235	27,635
Purchased Services	63,774	60,364	58,680
Supplies and Materials	366,720	344,173	340,211
Capital Outlay	8,300	8,250	-
Other Objects	450	1,006	395
Noncapital Equipment	5,000	5,044	1,905
Total Support Services - Business Services	<u>1,025,539</u>	<u>984,854</u>	<u>964,661</u>
Support Services - Central			
Salaries	3,000	2,500	2,000
Employee Benefits	1,625	1,337	1,027
Total Support Services - Central	<u>4,625</u>	<u>3,837</u>	<u>3,027</u>
Total Support Services	<u>3,046,317</u>	<u>2,963,072</u>	<u>2,748,002</u>
Community Services			
Salaries	453,675	438,037	414,382
Employee Benefits	35,097	34,712	33,195
Purchased Services	37,119	30,123	27,316
Supplies and Materials	60,137	61,171	70,227
Other Objects	1,200	70	1,195
Noncapital Equipment	2,000	-	1,070
Total Community Services	<u>589,228</u>	<u>564,113</u>	<u>547,385</u>

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
EDUCATIONAL FUND
YEAR ENDED JUNE 30, 2017

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2016)

	<u>Final Budget</u>	<u>2017 Actual</u>	<u>2016 Actual</u>
EXPENDITURES (CONT'D):			
Nonprogrammed Charges			
Tuition	1,739,150	1,668,586	2,014,547
Total Direct Expenditures	13,464,319	13,169,462	13,216,604
Expenditure for On-Behalf Payments	3,831,088	5,738,466	3,908,744
Total Expenditures	<u>17,295,407</u>	<u>18,907,928</u>	<u>17,125,348</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(743,203)</u>	<u>(355,705)</u>	<u>(436,092)</u>
OTHER FINANCING SOURCES (USES):			
Transfer In	1,000,000	1,000,000	-
Transfer (Out)	(50,000)	(48,618)	(52,298)
Total Other Financing Sources (Uses)	<u>950,000</u>	<u>951,382</u>	<u>(52,298)</u>
Net Change in Fund Balance	<u>\$ 206,797</u>	595,677	(488,390)
Fund Balance, Beginning of Year		<u>463,416</u>	<u>951,806</u>
FUND BALANCE, END OF YEAR		<u>\$ 1,059,093</u>	<u>\$ 463,416</u>

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
OPERATIONS, BUILDING AND MAINTENANCE FUND
YEAR ENDED JUNE 30, 2017

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2016)

	Final Budget	2017 Actual	2016 Actual
REVENUES:			
Local Sources			
Property Taxes - Current			
Regular Levy	\$ 908,000	\$ 908,264	\$ 899,616
Replacement Tax	100,000	100,000	100,000
Interest Earned	1,100	1,485	1,107
Rentals	3,000	3,570	2,640
Other	-	4,047	500
Total Local Sources	<u>1,012,100</u>	<u>1,017,366</u>	<u>1,003,863</u>
State Sources			
Unrestricted Grants-in-Aid			
General State Aid	289,000	183,967	250,000
Restricted Grants-in-Aid			
Energy Efficiency Grant	18,664	18,664	-
Total State Sources	<u>307,664</u>	<u>202,631</u>	<u>250,000</u>
Total Revenues	<u>1,319,764</u>	<u>1,219,997</u>	<u>1,253,863</u>
EXPENDITURES:			
Support Services			
Support Services - Business Services			
Salaries	626,335	610,594	612,647
Employee Benefits	110,000	109,728	107,364
Purchased Services	206,200	172,686	105,264
Supplies and Materials	401,000	385,771	364,276
Capital Outlay	20,000	8,259	17,595
Other Objects	500	70	400
Noncapital Equipment	9,650	13,608	5,351
Total Expenditures	<u>1,373,685</u>	<u>1,300,716</u>	<u>1,212,897</u>

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
OPERATIONS, BUILDING AND MAINTENANCE FUND
YEAR ENDED JUNE 30, 2017

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2016)

	Final Budget	2017 Actual	2016 Actual
Excess (Deficiency) of Revenues Over Expenditures	(53,921)	(80,719)	40,966
OTHER FINANCING SOURCES:			
Transfer In	180,000	180,000	-
Net Change in Fund Balance	\$ 126,079	99,281	40,966
Fund Balance (Deficit), Beginning of Year		36,441	(4,525)
FUND BALANCE, END OF YEAR		\$ 135,722	\$ 36,441

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
WORKING CASH FUND
YEAR ENDED JUNE 30, 2017

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2016)

	Final Budget	2017 Actual	2016 Actual
REVENUES:			
Local Sources			
Property Taxes - Current	\$ 90,000	\$ 90,824	\$ 89,964
Interest Earned	6,000	8,849	3,324
Total Revenues	96,000	99,673	93,288
EXPENDITURES:			
None	-	-	-
Excess of Revenues Over Expenditures	96,000	99,673	93,288
OTHER FINANCING SOURCES:			
Sale of Bonds	2,000,000	2,000,000	-
Transfer (Out)	(1,000,000)	(1,000,000)	-
Total Other Financing Sources	1,000,000	1,000,000	-
Net Change in Fund Balance	\$ 1,096,000	1,099,673	93,288
Fund Balance, Beginning of Year		872,488	779,200
FUND BALANCE, END OF YEAR		\$ 1,972,161	\$ 872,488

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
MAJOR SPECIAL REVENUE FUND - TRANSPORTATION FUND
YEAR ENDED JUNE 30, 2017

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2016)

	Final Budget	2017 Actual	2016 Actual
REVENUES:			
Local Sources			
Property Taxes - Current Regular Levy	\$ 362,000	\$ 363,307	\$ 359,848
Interest Earned	1,600	1,011	1,668
Other	70,000	87,205	67,462
Total Local Sources	<u>433,600</u>	<u>451,523</u>	<u>428,978</u>
State Sources - Restricted Grants-in-Aid			
Transportation Aid - Regular	404,838	378,977	271,427
Special Education	104,200	119,181	79,507
Total State Sources - Restricted Grants-in-Aid	<u>509,038</u>	<u>498,158</u>	<u>350,934</u>
Total Revenues	<u>942,638</u>	<u>949,681</u>	<u>779,912</u>
EXPENDITURES:			
Support Services			
Support Services - Business Services			
Salaries	564,580	572,748	554,695
Employee Benefits	12,550	13,210	12,994
Purchased Services	55,500	61,514	52,615
Supplies and Materials	241,300	183,049	191,178
Capital Outlay	-	-	328,740
Other Objects	3,000	3,418	2,744
Noncapitalized Equipment	3,000	2,499	726
Total Support Services - Business Services	<u>879,930</u>	<u>836,438</u>	<u>1,143,692</u>
Debt Service			
Principal on Bus Lease	153,000	143,520	77,631
Interest on Bus Lease	-	9,346	3,898
Total Debt Service	<u>153,000</u>	<u>152,866</u>	<u>81,529</u>

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
MAJOR SPECIAL REVENUE FUND - TRANSPORTATION FUND
YEAR ENDED JUNE 30, 2017

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2016)

	<u>Final Budget</u>	<u>2017 Actual</u>	<u>2016 Actual</u>
Total Expenditures	<u>1,032,930</u>	<u>989,304</u>	<u>1,225,221</u>
Excess (Deficiency) of Revenues Over Expenditures	(90,292)	(39,623)	(445,309)
OTHER FINANCING SOURCES:			
Proceeds From Capital Lease	<u>-</u>	<u>-</u>	<u>266,740</u>
Net Change in Fund Balance	<u>\$ (90,292)</u>	(39,623)	(178,569)
Fund Balance, Beginning of Year		<u>294,969</u>	<u>473,538</u>
FUND BALANCE, END OF YEAR		<u>\$ 255,346</u>	<u>\$ 294,969</u>

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
MAJOR SPECIAL REVENUE FUND
MUNICIPAL RETIREMENT AND SOCIAL SECURITY FUND
YEAR ENDED JUNE 30, 2017

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2016)

	<u>Final Budget</u>	<u>2017 Actual</u>	<u>2016 Actual</u>
REVENUES:			
Local Sources			
Property Taxes - Current	\$ 819,000	\$ 821,755	\$ 844,051
Replacement Tax	43,500	43,500	43,500
Interest Earned	3,000	3,432	3,260
Total Revenues	<u>865,500</u>	<u>868,687</u>	<u>890,811</u>
EXPENDITURES:			
Instruction			
Regular Programs			
Employee Benefits	170,400	158,818	158,460
Special Education Programs			
Employee Benefits	2,000	1,254	1,897
Other Instructional Programs			
Employee Benefits	38,130	36,897	35,629
Total Instruction	<u>210,530</u>	<u>196,969</u>	<u>195,986</u>
Support Services			
Support Services - Pupils			
Employee Benefits	35,200	32,360	34,872
Support Services - Instructional Staff			
Employee Benefits	1,500	1,086	1,134
Support Services - General Administration			
Employee Benefits	87,100	78,754	77,439
Support Services - School Administration			
Employee Benefits	50,500	49,156	49,283
Support Services - Business Services			
Employee Benefits	356,000	341,546	349,191
Total Support Services	<u>530,300</u>	<u>502,902</u>	<u>511,919</u>

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
MAJOR SPECIAL REVENUE FUND
MUNICIPAL RETIREMENT AND SOCIAL SECURITY FUND
YEAR ENDED JUNE 30, 2017

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2016)

	<u>Final Budget</u>	<u>2017 Actual</u>	<u>2016 Actual</u>
EXPENDITURES (CONT'D):			
Community Services	<u>82,000</u>	<u>80,529</u>	<u>77,080</u>
Nonprogrammed Services			
Payments for Special Education Programs	75,100	75,049	46,058
Payments for CTE Programs	<u>2,500</u>	-	<u>13,944</u>
Total Nonprogrammed Services	<u>77,600</u>	<u>75,049</u>	<u>60,002</u>
Total Expenditures	<u>900,430</u>	<u>855,449</u>	<u>844,987</u>
Net Change in Fund Balance	<u>\$ (34,930)</u>	13,238	45,824
Fund Balance, Beginning of Year		<u>541,703</u>	<u>495,879</u>
FUND BALANCE, END OF YEAR		<u>\$ 554,941</u>	<u>\$ 541,703</u>

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
MAJOR SPECIAL REVENUE FUND - TORT FUND
YEAR ENDED JUNE 30, 2017

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2016)

	Final Budget	2017 Actual	2016 Actual
REVENUES:			
Local Sources			
Property Taxes - Current	\$ 862,800	\$ 862,871	\$ 860,047
Interest Earned	4,000	4,570	4,066
Other	7,000	7,157	11,142
Total Revenues	<u>873,800</u>	<u>874,598</u>	<u>875,255</u>
EXPENDITURES:			
Support Services - General Administration			
Salaries	474,500	449,797	441,440
Employee Benefits	80,200	77,256	76,448
Purchased Services	326,000	297,714	247,480
Other Objects	20,000	-	13,474
Noncapital Equipment	-	-	45,494
Total Expenditures	<u>900,700</u>	<u>824,767</u>	<u>824,336</u>
Net Change in Fund Balance	<u>\$ (26,900)</u>	49,831	50,919
Fund Balance, Beginning of Year		<u>840,399</u>	<u>789,480</u>
FUND BALANCE, END OF YEAR		<u>\$ 890,230</u>	<u>\$ 840,399</u>

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
MAJOR DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2017

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2016)

	Final Budget	2017 Actual	2016 Actual
REVENUES:			
Local Sources			
Property Taxes - Current	\$ 1,673,000	\$ 1,673,257	\$ 1,651,026
Interest Earned	2,000	2,189	2,174
Total Revenues	1,675,000	1,675,446	1,653,200
EXPENDITURES:			
Debt Service			
Bond Interest	257,700	257,681	312,795
Bond Principal	1,504,000	1,410,000	1,335,000
Bond Issuance Costs	-	43,768	-
Lease Payments	-	48,618	54,433
Total Expenditures	1,761,700	1,760,067	1,702,228
Excess (Deficiency) of Revenues Over Expenditures	(86,700)	(84,621)	(49,028)
OTHER FINANCING SOURCES:			
Premium of Bonds Sold	41,700	41,700	-
Transfer In	50,000	48,618	52,298
Total Other Financing Sources	91,700	90,318	52,298
Net Change in Fund Balance	\$ 5,000	5,697	3,270
Fund Balance, Beginning of Year		84,436	81,166
FUND BALANCE, END OF YEAR		\$ 90,133	\$ 84,436

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS)
AND ACTUAL - MAJOR CAPITAL PROJECTS FUND
CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2017

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2016)

	<u>Final Budget</u>	<u>2017 Actual</u>	<u>2016 Actual</u>
REVENUES:			
Local Sources			
School Facility Occupation Tax	\$ 12,000	\$ 12,637	\$ -
EXPENDITURES:			
Support Services	<u>12,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	12,637	-
Fund Balance, Beginning of Year		<u>-</u>	<u>-</u>
FUND BALANCE, END OF YEAR		<u>\$ 12,637</u>	<u>\$ -</u>

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS)
AND ACTUAL - MAJOR CAPITAL PROJECTS FUND
FIRE PREVENTION AND LIFE SAFETY FUND
YEAR ENDED JUNE 30, 2017

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2016)

	Final Budget	2017 Actual	2016 Actual
REVENUES:			
Local Sources			
Property Taxes - Current	\$ 90,000	\$ 90,824	\$ 89,964
Interest Earned	1,000	550	1,199
Total Revenues	91,000	91,374	91,163
EXPENDITURES:			
Support Services			
Support Services - Business Services			
Purchased Services	5,000	17,800	16,143
Supplies and Materials	-	26,405	534,267
Capital Outlay	90,000	-	129,170
Noncapital Equipment	-	-	82,310
Total Expenditures	95,000	44,205	761,890
Excess (Deficiency) of Revenues Over Expenditures	(4,000)	47,169	(670,727)
OTHER FINANCING SOURCES:			
Transfer Out	(180,000)	(180,000)	-
Net Change in Fund Balance	\$ (184,000)	(132,831)	(670,727)
Fund Balance, Beginning of Year		184,947	855,674
FUND BALANCE, END OF YEAR		\$ 52,116	\$ 184,947

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY STUDENT ACTIVITY AGENCY FUND
YEAR ENDED JUNE 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
ASSETS:				
Cash	\$ 194,237	\$ 526,002	\$ 522,927	\$ 197,312
LIABILITIES:				
Amounts Due to Activity Fund				
Organizations				
High School				
Athletic Director	1,199	11,855	12,193	861
Band	1,126	5,161	5,935	352
Baseball	180	5,201	4,603	778
Black Tide	-	2,176	2,085	91
Boys Basketball	3,161	17,732	15,572	5,321
Cheerleader Club	101	18,358	18,009	450
Chorus Fund	5,992	50,674	53,172	3,494
Class of 2017	3,286	1,686	4,972	-
Class of 2018	2,009	5,530	4,588	2,951
Class of 2019	825	1,932	237	2,520
Class of 2020	-	685	-	685
Concessions	1,500	13,644	5,890	9,254
Drill Team	1,622	2,751	3,013	1,360
Faculty	20	23,561	20,157	3,424
F.F.A.	1,625	19,978	21,262	341
Football	161	26,131	26,232	60
Girls Basketball	4,522	9,530	12,630	1,422
Girls Soccer	746	1,416	2,115	47
Golf	2,279	-	2,279	-
Golf (Boys)	-	11,328	5,942	5,386
Golf (Girls)	-	2,423	891	1,532
Hiltop	2,508	17,638	15,342	4,804
Interact	735	4,408	3,092	2,051
Library Club	1,294	250	268	1,276
Life Skills	647	474	517	604
Music Boosters	1,003	2,356	1,098	2,261
National Honor Society	604	2,816	3,009	411

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY STUDENT ACTIVITY AGENCY FUND
YEAR ENDED JUNE 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
LIABILITIES (CONT'D):				
Amounts Due to Activity Fund				
Organizations (cont'd)				
High School (cont'd)				
Nature Trail	449	-	102	347
Rembrandt Society	1,394	-	1,394	-
Scholastic Bowl	239	884	1,049	74
Soccer	42	3,440	2,277	1,205
Softball	3,623	1,250	2,912	1,961
Sports Boosters	35,765	19,614	22,335	33,044
Sports Boosters - Bleacher	5,406	-	-	5,406
Student Council	341	1,369	813	897
Tennis - Boys	1,158	751	360	1,549
Tennis - Girls	5,408	1,300	1,486	5,222
Topper Art Club	-	7,448	6,347	1,101
Track	1,949	4,416	4,531	1,834
Volleyball	6,268	22,445	15,695	13,018
Wrestling	5,239	4,464	4,751	4,952
FCCLA	1,190	406	840	756
Total High School	<u>105,616</u>	<u>327,481</u>	<u>309,995</u>	<u>123,102</u>
Junior High	45,505	104,735	111,737	38,503
Beckemeyer	37,355	80,735	86,749	31,341
Coffeen	5,761	13,051	14,446	4,366
	<u>88,621</u>	<u>198,521</u>	<u>212,932</u>	<u>74,210</u>
TOTAL LIABILITIES	<u>\$ 194,237</u>	<u>\$ 526,002</u>	<u>\$ 522,927</u>	<u>\$ 197,312</u>

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
PER CAPITA COST DATA
LAST FIVE FISCAL YEARS ENDING JUNE 30, 2013, 2014, 2015, 2016 AND 2017
NET OPERATING EXPENSE PER PUPIL

Year Ended June 30,	Average Daily Attendance	Total Expenses	Net Operating Expense Per Pupil
2013	1,642	\$ 14,698,577	\$ 8,950
2014	1,612	13,978,869	8,674
2015	1,567	13,874,033	8,852
2016	1,556	13,867,269	8,910
2017	1,536	14,243,509	9,276

PER CAPITA TUITION CHARGE PER PUPIL

Year Ended June 30,	Average Daily Attendance	Total Allowance for Tuition Computation	Per Capita Tuition Charge Per Pupil
2013	1,642	\$ 12,431,905	\$ 7,570
2014	1,612	11,818,125	7,333
2015	1,567	12,041,874	7,683
2016	1,556	12,402,582	7,969
2017	1,536	12,516,387	8,151

Note: The above were taken from the Illinois State Board of Education formula which is included in the annual financial report.

Hillsboro Community Unit School District No 3
03-068-0030-26
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2017

Federal Grantor/Pass-Through Grantor Subrecipients *	CFDA Number ² (A)	ISBE Project # (1st 8 digits) or Contract # ³ (B)	Receipts/Revenues			Expenditure/Disbursements ⁴			Obligations/ Encumb. (G)	Final Status (E)+(F)+(G) (H)	Budget (I)
			Year 7/1/15-6/30/16 (C)	Year 7/1/16-6/30/17 (D)	Year 7/1/15-6/30/16 (E)	Year 7/1/15-6/30/16 Pass through to Subrecipients	Year 7/1/16-6/30/17 (F)	Year 7/1/16-6/30/17 Pass through to Subrecipients			
US DEPARTMENT OF AGRICULTURE - PASS THROUGH ILLINOIS STATE BOARD OF EDUCATION									0		
Federal Lunch Program FY 17	10.555	17-4210-00		253,252				253,252	253,252	n/a	
Federal Lunch Program FY 16	10.555	16-4210-00	249,831	57,919	249,831			57,919	307,750	n/a	
Federal Breakfast Program FY 17	10.553	17-4220-00		59,947				59,947	59,947	n/a	
Federal Breakfast Program FY 16	10.553	16-4220-00	56,716	13,672	56,716			13,672	70,388	n/a	
Total Child Nutrition Cluster			306,547	384,790	306,547			384,790	691,337		
									0		
Child and Adult Care Food Program FY 17	10.558	17-4226-00		17,308				17,308	17,308	n/a	
Child and Adult Care Food Program FY 16	10.558	16-4226-00	18,912	4,862	18,912			4,862	23,774	n/a	
Total Child and Adult Care Food Program			18,912	22,170	18,912			22,170	41,082		
									0		
TOTAL US DEPARTMENT OF AGRICULTURE - PASS THROUGH ILLINOIS STATE BOARD OF EDUCATION				406,960				406,960	406,960		
									0		
									0		
									0		
									0		
									0		

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

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

The accompanying notes are an integral part of this schedule.

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

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

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

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

Hillsboro Community Unit School District No 3
03-068-0030-26
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2017

Federal Grantor/Pass-Through Grantor Subrecipients*	CFDA Number ² (A)	ISBE Project # (1st 8 digits) or Contract # ³ (B)	Receipts/Revenues			Expenditure/Disbursements ⁴			Obligations/ Encumb. (G)	Final Status (E)+(F)+(G) (H)	Budget (I)
			Year 7/1/15-6/30/16 (C)	Year 7/1/16-6/30/17 (D)	Year 7/1/15-6/30/16 (E)	Year 7/1/15-6/30/16 Pass through to Subrecipients	Year 7/1/16-6/30/17 (F)	Year 7/1/16-6/30/17 Pass through to Subrecipients			
US DEPT OF HEALTH AND HUMAN SERVICES PASS THROUGH IL DEPT OF HEALTHCARE AND FAMILY SVCS									0		
Medicaid Matching	93.778	17-4991-00		15,558				15,558	15,558	n/a	
Child Care and Dev Block Grant	93.575	17-4999-00		832				832	832	n/a	
TOTAL US DEPT OF HEALTH AND HUMAN SERVICES PASS THROUGH IL DEPT OF HEALTHCARE AND FAMILY SVCS				16,390				16,390	16,390		
									0		
US DEPARTMENT OF EDUCATION - PASS THROUGH ILLINOIS STATE BOARD OF EDUCATION									0		
(M) Title I - Low Income FY 17	84.010	17-4300-00		330,107				330,107	330,107	349,070	
									0		
(M) Title II - Teacher Quality FY 17	84.367	17-4932-00		109,887				109,887	109,887	112,204	
									0		
TOTAL US DEPARTMENT OF EDUCATION - PASS THROUGH ILLINOIS STATE BOARD OF EDUCATION				439,994				439,994	439,994		
									0		
US DEPARTMENT OF EDUCATION PASS THROUGH BOND FAYETTE VOCATIONAL SYSTEM									0		
Perkins	84.048A	17.4745-00		17,170				17,170	17,170	17,377	
									0		
									0		
									0		

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

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

The accompanying notes are an integral part of this schedule.

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

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

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

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

Hillsboro Community Unit School District No 3
03-068-0030-26
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2017

Federal Grantor/Pass-Through Grantor Subrecipients *	CFDA Number ² (A)	ISBE Project # (1st 8 digits) or Contract # ³ (B)	Receipts/Revenues			Expenditure/Disbursements ⁴			Obligations/ Encumb. (G)	Final Status (E)+(F)+(G) (H)	Budget (I)
			Year 7/1/15-6/30/16 (C)	Year 7/1/16-6/30/17 (D)	Year 7/1/15-6/30/16 (E)	Year 7/1/15-6/30/16 Pass through to Subrecipients	Year 7/1/16-6/30/17 (F)	Year 7/1/16-6/30/17 Pass through to Subrecipients			
TOTAL FEDERAL FINANCIAL ASSISTANCE - CASH				880,514				880,514		880,514	
										0	
NONCASH FEDERAL ASSISTANCE DIVISION OF FISCAL SERVICES - FOOD DISTRIBUTION PROGRAM										0	
Commodities at Market Value - Part of Child Nutrition Cluster	10.555			50,221				50,221		50,221	
Department of Defense - Fresh Fruits and Vegetables - Part of Child Nutrition Cluster	10.555			13,792				13,792		13,792	
TOTAL NONCASH FEDERAL ASSISTANCE DIVISION OF FISCAL SERVICES - FOOD DISTRIBUTION PROGRAM										0	
										0	
TOTAL FEDERAL FINANCIAL ASSISTANCE - CASH AND NONCASH				944,527				944,527		944,527	
										0	
										0	
										0	
										0	
										0	
TOTAL CHILD NUTRITION CLUSTER								448,803		448,803	
										0	
										0	

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

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

The accompanying notes are an integral part of this schedule.

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

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

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

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

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of Hillsboro Community Unit School District No. 3 under programs of the federal government for the year ended June 30, 2017 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. INDIRECT COST RATE

Hillsboro Community Unit School District No. 3 has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4. FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. At June 30, 2017 the District received food commodities totaling \$64,013.

NOTE 5. CHILD AND ADULT CARE FOOD PROGRAM

The amount received on the Child and Adult Care Food Program was less than the expenditures by \$1,655. This deficit, which is included in accounts receivable, will be received in the next fiscal year.

NOTE 6. TITLE II - TEACHER QUALITY

The amount received on the Title II - Teacher Quality grant was less than the expenditures by \$31,329. This deficit, which is included in accounts receivable, will be received in the next fiscal year.

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017

NOTE 7. TITLE I- LOW INCOME

The amount received on the Title I - Low Income grant was less than the expenditures by \$107,942. This deficit, which is included in accounts receivable, will be received in the next fiscal year.

NOTE 8. INSURANCE

The District purchases commercial general liability, workers' compensation and property insurance to cover all risks. The District does not have any insurance provided by federal sources.

NOTE 9. PAYMENTS TO SUBRECIPIENTS

No amounts were provided to subrecipients for the year ended June 30, 2017.

NOTE 10. LOANS AND LOAN GUARANTEES

The District has no loans or loan guarantees agreements from federal sources.



ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON BARTELSON

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
Hillsboro Community Unit School District No. 3
Hillsboro, 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 the governmental activities, each major fund and the aggregate remaining fund information of Hillsboro Community Unit School District No. 3, Montgomery County, Illinois as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Hillsboro Community Unit School District No. 3's basic financial statements and have issued our report thereon dated October 26, 2017, which was qualified for the governmental activities for not reporting a cost or liability for other post-employment benefit costs and the omission of the other post-employment benefit disclosure.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hillsboro Community Unit School District No. 3'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 Hillsboro Community Unit School District No. 3's internal control. Accordingly, we do not express an opinion on the effectiveness of Hillsboro Community Unit School District No. 3's internal control.

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

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

Compliance and Other Matters

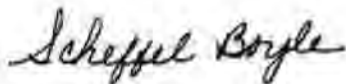
As part of obtaining reasonable assurance about whether Hillsboro Community Unit School District No. 3's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2017-001.

Hillsboro Community Unit School District No. 3's Response to Findings

Hillsboro Community Unit School District No. 3's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Hillsboro Community Unit School District No. 3's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 District'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 suitable for any other purpose.



Belleville, Illinois

October 26, 2017



ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON BARTELSO

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

Board of Education
Hillsboro Community Unit School District No. 3
Hillsboro, Illinois

Report on Compliance for Each Major Federal Program

We have audited Hillsboro Community Unit School District No. 3's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Hillsboro Community Unit School District No. 3's major federal programs for the year ended June 30, 2017. Hillsboro Community Unit School District No. 3'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hillsboro Community Unit School District No. 3's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An

audit includes examining, on a test basis, evidence about Hillsboro Community Unit School District No. 3's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Hillsboro Community Unit School District No. 3's compliance.

Opinion on Each Major Federal Program

In our opinion, Hillsboro Community Unit School District No. 3 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Hillsboro Community Unit School District No. 3 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 Hillsboro Community Unit School District No. 3's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hillsboro Community Unit School District No. 3's internal control over compliance.

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

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

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

Scheffel Boyle

Belleville, Illinois

October 26, 2017

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
SUMMARY OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

Summary of Auditor's Results

1. We have audited the financial statements of Hillsboro Community Unit School District No. 3 as of and for the year ended June 30, 2017 and issued a qualified opinion on the governmental activities and an unmodified opinion on each major governmental fund and the aggregate remaining fund information. Hillsboro Community Unit School District No. 3's policy is to prepare its financial statements under accounting principles generally accepted in the United States of America.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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.
3. An instance of noncompliance material to the financial statements of Hillsboro Community Unit School District No. 3, which is required to be reported in the 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, was disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal awards programs is reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Hillsboro Community Unit School District No. 3 expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The programs tested as major programs included:

Program	CFDA No.
Title I - Low Income	84.010
Title II - Teacher Quality	84.367

8. The threshold used for distinguishing type A and B programs was \$750,000.
9. Hillsboro Community Unit School District No. 3 does not qualify as a low-risk auditee.

HILLSBORO COMMUNITY UNIT SCHOOL DISTRICT NO. 3
SUMMARY OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

Financial Statement Findings

See attached Findings and Questioned Costs.

Findings and Questioned Costs

None

Prior Years Findings and Questioned Costs

See attached Summary Schedule of Prior Audit Findings.

Hillsboro Community Unit School District No 3
03-068-0030-26
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

1. FINDING NUMBER:¹¹ 2017- 001 2. THIS FINDING IS: New Repeat from Prior Year?
Year originally reported? 2015

3. Criteria or specific requirement

Compared budgeted expenditures with actual expenditures to determine if the District had overexpended its budget.

4. Condition

After completing the audit, it was noted that the District overexpended its budget in the General Fund.

5. Context¹²

After comparing the budget and actual expenditures it was noted that the Educational Fund had overexpended its budget.

6. Effect

The District was not in compliance by overexpending its budget for the year.

7. Cause

The General Fund was overbudget due to an increase in the on-behalf payments from TRS.

8. Recommendation

To increase budgeted amounts for TRS on-behalf payments for June 30, 2018.

9. Management's response¹³

Management will increase budgeted amounts for TRS on behalf.

For ISBE Review

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

¹¹ A suggested format for assigning reference numbers is to use the digits of the fiscal year being audited followed by a numeric sequence of findings. For example, findings identified and reported in the audit of fiscal year 2017 would be assigned a reference number of 2017-001, 2017-002, etc. The sheet is formatted so that only the number need be entered (1, 2, etc.).

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

¹³ See §200.521 *Management decision* for additional guidance on reporting management's response.

Hillsboro Community Unit School District No 3
03-068-0030-26
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS¹⁹
Year Ending June 30, 2017

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

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status²⁰</u>
2016-001	Overexpenditure of budget	In the prior year, the Educational Fund was overexpended due to higher on-behalf costs. In the current year, the Educational Fund was overbudget again due to higher on-behalf costs.

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

¹⁹ Explanation of this schedule - §200.511 (b)

²⁰ Current Status should include one of the following:

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

Hillsboro Community Unit School District No 3
03-068-0030-26
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS²¹
Year Ending June 30, 2017

Corrective Action Plan

Finding No.: **2017- 001**

Condition:

Overexpenditure of the budget in the Educational Fund due to an increase in TRS on-behalf payments.

Plan:

To increase the budget for TRS on-behalf payments for the year ended June 30, 2018.

Anticipated Date of Completion: 6/30/2018

Name of Contact Person: Mr. Powell

Management Response: Management will increase the budget for TRS on-behalf payments for the year ended June 30, 2018.

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