

**FINANCIAL REPORT
OF
ROCK RIVER COOPERATIVE
ALTERNATIVE SCHOOL
FOR**

The regular Board of Education Meeting of the
Geneseo Community Unit School District #228,
Administrative District

ON

October 10, 2013

Board bills for the month were:	\$ 16,618.34
Payroll in the amount of:	<u>\$ 8,189.36</u>
Total Expenditures of:	\$24,807.70

NOTES:

This financial report reflects expenses for the complete month of August 2013. Expenses include building rental, copier rental, postage and telephone.

Last month the report was:	Board bills:	\$ 8,872.29
	Payroll:	<u>\$ 7,816.83</u>
	TOTAL:	\$16,689.12

Last year the OCTOBER report was:	Board bills:	\$ 26,802.46
	Payroll:	<u>\$ 8,186.72</u>
	TOTAL:	\$34,989.18

Balance on Oct 1, 2013: \$ 158,225.60

Balance one year ago on Oct 1, 2012 \$ 235,846.70

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	CHECK NUMBER	CHECK VENDOR	INVOICE NUMBER	INVOICE DESCRIPTION	PO NUMBER	PO AMOUNT
10E000 1900 3230 00 000000	GENERAL/ALTERNATIVE	66479	OFFICE MACHINE CONSU	10102013	COPIER RENTAL	0	200.00
					Totals for account		200.00
10E000 1900 3320 00 000000	GENERAL/ALTERNATIVE	66476	BUYCK, MARK	09252013	MILEAGE	0	23.85
					Totals for account		23.85
10E000 1900 4100 00 000000	GENERAL/ALTERNATIVE	66476	BUYCK, MARK	09132013	STUDENT TREATS	0	34.27
					Totals for account		34.27
10E000 2540 3400 00 000000	GENERAL/OPERATIONS &	66478	GENESEO TELEPHONE CO	10102013	TELEPHONE	0	234.29
					Totals for account		234.29
10E000 4110 3100 00 000000	GENERAL/NONPROGRAMME	66477	GENESEO C.U.S.D. #22	10102013	ADMIN FEE	0	5,797.56
10E000 4110 3100 00 000000	GENERAL/NONPROGRAMME	66477	GENESEO C.U.S.D. #22	1010213	BLDG RENTAL	0	5,000.00
					Totals for account		10,797.56
					Totals for checks		11,289.97

FUND SUMMARY

<u>FUND</u>	<u>DESCRIPTION</u>	<u>BALANCE SHEET</u>	<u>REVENUE</u>	<u>EXPENSE</u>	<u>TOTAL</u>
10	EDUCATION FUND	0.00	0.00	11,289.97	11,289.97
***	Fund Summary Totals ***	0.00	0.00	11,289.97	11,289.97

***** End of report *****

Rock River Alternative School
A Component Unit of
Geneseo Community Unit School District No. 228
Geneseo, Illinois
Annual Financial Report
and Other Financial Information
June 30, 2013

ROCK RIVER ALTERNATIVE SCHOOL
A COMPONENT UNIT OF
GENESEO COMMUNITY UNIT SCHOOL DISTRICT NO. 228

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Gorenz and Associates, Ltd.

Certified Public Accountants

Thomas R. Peffer, CPA
Stephanie K. Ramsay, CPA

Tim C. Custis, CPA
Russell J. Rumbold II, CPA

Independent Auditor's Report

To the Board of Education
Geneseo Community Unit School District No. 228
as Administrative District for Rock River Alternative School
Geneseo, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Geneseo Community Unit School District No. 228 as Administrative District for Rock River Alternative School as of and for the fiscal year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise Geneseo Community Unit School District No. 228 as Administrative District for Rock River Alternative School'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 the financial reporting provisions prescribed and permitted by the Illinois State Board of Education. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note #1 of the financial statements, the financial statements are prepared by Geneseo Community Unit School District No. 228 as Administrative District for Rock River Alternative School on the basis of the financial reporting provisions prescribed by the Illinois State Board of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the audit requirements of the State of Illinois.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of Geneseo Community Unit School District No. 228 as Administrative District for Rock River Alternative School as of June 30, 2013, or changes in financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balances arising from cash transactions of Geneseo Community Unit School District No. 228 as Administrative District for Rock River Alternative School as of June 30, 2013, and its revenue received and expenditures disbursed during the fiscal year then ended and the respective budgetary comparison statements, in accordance with the financial reporting provisions prescribed by the Illinois State Board of Education and described in Note #1.

Other Reporting Responsibilities

Supplemental Information

The schedules listed in the table of contents as "Supplemental Information" are presented for the purposes of additional analysis and are not a required part of the basic financial statements of Geneseo Community Unit School District No. 228 as Administrative District for Rock River Alternative School. Such information is the responsibility of management and has been 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2013, on our consideration of Geneseo Community Unit School District No. 228 as Administrative District for Rock River Alternative School 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 testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Geneseo Community Unit School District No. 228 as Administrative District for Rock River Alternative School's internal control over financial reporting and compliance.

Gorenz and Associates, Ltd.

Peoria, Illinois

September 18, 2013

Gorenz and Associates, Ltd.

Certified Public Accountants

Thomas R. Pepper, CPA
Stephanie K. Ramsay, CPA

Tim C. Custis, CPA
Russell J. Humboldt II, CPA

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

To the Board of Education
Geneseo Community Unit School District No. 228
as Administrative District for Rock River Alternative School
Geneseo, Illinois

Report on Internal Control and Compliance

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Geneseo Community Unit School District No. 228 as Administrative District for Rock River Alternative School as of and for the year ended June 30, 2013 and the related notes to the financial statements which collectively comprise Geneseo Community Unit School District No. 228 as Administrative District for Rock River Alternative School's basic financial statements, and have issued our report thereon dated September 18, 2013. Our opinion was adverse because the financial statements are not prepared in accordance with generally accepted accounting principles. However, the financial statements were found to be fairly stated on the cash basis of accounting, in accordance with regulatory reporting requirements established by the Illinois State Board of Education, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Geneseo Community Unit School District No. 228 as Administrative District for Rock River Alternative School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Geneseo Community Unit School District No. 228 as Administrative District for Rock River Alternative School's internal control. Accordingly we do not express an opinion on the effectiveness of Geneseo Community Unit School District No. 228 as Administrative District for Rock River Alternative School'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the school district's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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 the 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 Geneseo Community Unit School District No. 228 as Administrative District for Rock River Alternative School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Gorenz and Associates, Ltd.

Peoria, Illinois
September 18, 2013

ROCK RIVER ALTERNATIVE SCHOOL
 A COMPONENT UNIT OF
 GENESEO COMMUNITY UNIT SCHOOL DISTRICT NO. 228
 STATEMENT OF ASSETS AND LIABILITIES
 ARISING FROM CASH TRANSACTIONS
 JUNE 30, 2013

	Educational	Total	Trust and Agency Funds	Total (Memorandum Only)
<u>Assets</u>				
Cash and Cash Equivalents	171,410	7,993	66	179,469
Total Assets	171,410	7,993	66	179,469
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Due to Organizations			66	66
Total Liabilities	0	0	66	66
Fund Balances:				
Reserved				
Unreserved	171,410	7,993		179,403
Total Fund Balances	171,410	7,993	0	179,403
Total Liabilities and Fund Balances	171,410	7,993	66	179,469

ROCK RIVER ALTERNATIVE SCHOOL
A COMPONENT UNIT OF
GENESEO COMMUNITY UNIT SCHOOL DISTRICT NO. 228
STATEMENT OF REVENUES RECEIVED, EXPENDITURES DISBURSED,
OTHER SOURCES (USES) AND CHANGES IN FUND BALANCES (ALL FUNDS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Educational	Total	Total (Memorandum Only)
Receipts:			
Local Sources	56,606	48,956	105,562
State Sources	146,185		146,185
Total Direct Receipts	202,791	48,956	251,747
Receipts for On-Behalf Payments	34,542		34,542
Total Receipts	237,333	48,956	286,289
Disbursements:			
Instruction	138,573		138,573
Support Services	38,564	53,597	92,161
Payments to Other Governmental Units	71,860		71,860
Total Direct Disbursements	248,997	53,597	302,594
Disbursements for On-Behalf Payments	34,542		34,542
Total Disbursements	283,539	53,597	337,136
Excess of Direct Receipts Over (Under) Direct Disbursements	(46,206)	(4,641)	(50,847)
Other Sources of Funds:			0
Other Uses of Funds:			0
Total Other Sources and (Uses) of Funds	0	0	0
Excess of Receipts and Other Sources of Funds Over (Under) Disbursements and Other Uses of Funds	(46,206)	(4,641)	(50,847)
Fund Balances - July 1, 2012	217,616	12,634	230,250
Other Changes in Fund Balance - Increases (Decreases)	0	0	0
Fund Balances - June 30, 2013	171,410	7,993	179,403

ROCK RIVER ALTERNATIVE SCHOOL
A COMPONENT UNIT OF
GENESECO COMMUNITY UNIT SCHOOL DISTRICT NO. 228
STATEMENT OF REVENUES RECEIVED (ALL FUNDS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Statement 3

	<u>Educational</u>	<u>Total</u>	<u>Total (Memorandum Only)</u>
Receipts From Local Sources:			
Interest on Investments	319		319
Services Provided Other LEAs	56,280		56,280
Refund of Prior Years' Expenditures	7		7
Local Fees		48,956	48,956
Total Receipts from Local Sources	<u>56,606</u>	<u>48,956</u>	<u>105,562</u>
Receipts From State Sources:			
Unrestricted Grants-in-Aid:			
General State Aid - Sec. 18-8.05	56,864		56,864
Restricted Grants-in-Aid:			
Other Restricted Revenues from State Funds	89,321		89,321
Total Receipts from State Sources	<u>146,185</u>	<u>0</u>	<u>146,185</u>
Total Direct Receipts	<u>202,791</u>	<u>48,956</u>	<u>251,747</u>

ROCK RIVER ALTERNATIVE SCHOOL
 A COMPONENT UNIT OF
 GENESEO COMMUNITY UNIT SCHOOL DISTRICT NO. 228
 STATEMENT OF EXPENDITURES DISBURSED
 BUDGET TO ACTUAL
 EDUCATIONAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Actual	Budget	Variance with Budget
Expenditures Disbursed:			
Instruction:			
Truants' Alternative & Optional Programs:			
Salaries	119,843	122,750	2,907
Employee Benefits	14,261	16,430	2,169
Purchased Services	3,639	4,550	911
Supplies and Materials	830	1,500	670
Total Truants' Alternative Programs	<u>138,573</u>	<u>145,230</u>	<u>6,657</u>
Total Instruction	<u>138,573</u>	<u>145,230</u>	<u>6,657</u>
Supporting Services:			
Support Services - Pupils:			
Guidance Services:			
Purchased Services	6,730	6,500	(230)
Total Guidance Services	<u>6,730</u>	<u>6,500</u>	<u>(230)</u>
Support Services-General Administration:			
Board of Education Services:			
Purchased Services	3,560	3,600	40
Total Board of Education Services	<u>3,560</u>	<u>3,600</u>	<u>40</u>
Support Services-School Administration:			
Office of the Principal Services:			
Salaries	14,611	16,500	1,889
Employee Benefits	2,966	3,375	409
Purchased Services	7,188	7,500	312
Supplies and Materials	599	500	(99)
Other Objects	0	400	400
Total Office of the Principal Service	<u>25,364</u>	<u>28,275</u>	<u>2,911</u>
Support Services-Business:			
Operation and Maintenance of Plant Services:			
Purchased Services	2,910	3,400	490
Total Operation and Maintenance of Plant Services	<u>2,910</u>	<u>3,400</u>	<u>490</u>
Total Supporting Services	<u>38,564</u>	<u>41,775</u>	<u>3,211</u>
Payments to Other Governmental Units (In-State):			
Payments for Regular Programs:			
Purchased Services	71,860	74,000	2,140
Total Payments for Regular Programs	<u>71,860</u>	<u>74,000</u>	<u>2,140</u>
Provision for Contingencies	<u>0</u>	<u>5,000</u>	<u>5,000</u>
Total Direct Disbursements	<u>248,997</u>	<u>266,005</u>	<u>17,008</u>

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

ROCK RIVER ALTERNATIVE SCHOOL
 A COMPONENT UNIT OF
 GENESEO COMMUNITY UNIT SCHOOL DISTRICT NO. 228
 STATEMENT OF EXPENDITURES DISBURSED
 BUDGET TO ACTUAL
 TORT FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Actual	Budget	Variance with Budget
Expenditures Disbursed:			
Support Services:			
Support Services-General Administration			
Workers' Compensation or Workers' Occupation Disease Act Payments:			
Purchased Services	4,114	4,500	386
Total Workers' Compensation Payments	<u>4,114</u>	<u>4,500</u>	<u>386</u>
Insurance Payments (regular or self-insurance):			
Purchased Services	10,694	12,500	1,806
Total Insurance Payments	<u>10,694</u>	<u>12,500</u>	<u>1,806</u>
Risk Management and Claims Services Payments:			
Purchased Services	38,694	40,000	1,306
Total Risk Management and Claims Payments	<u>38,694</u>	<u>40,000</u>	<u>1,306</u>
Legal Services:			
Purchased Services	95	100	5
Total Legal Services	<u>95</u>	<u>100</u>	<u>5</u>
Total Direct Disbursements	<u><u>53,597</u></u>	<u><u>57,100</u></u>	<u><u>3,503</u></u>

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

ROCK RIVER ALTERNATIVE SCHOOL
A COMPONENT UNIT OF
GENESEO COMMUNITY UNIT SCHOOL DISTRICT NO. 228
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Note #1 - Summary of Significant Accounting Policies

The Co-Op's accounting policies conform to the cash basis of accounting as defined by the Illinois State Board of Education Audit Guide.

The Co-Op was established in September 1996 to provide alternative education to students who would not be able to continue through to graduation in a regular classroom environment.

A. Principles Used to Determine the Scope of the Reporting Entity

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

Component Units

The criteria to be considered a component unit includes, but is not limited to, whether the Administrative District exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

Rock River Alternative School, the Co-Op, has been determined to be part of the Administrative District's reporting entity since the Administrative District exercises significant influence over the assets, operations, and management of the Co-Op. These financial statements represent only the financial position and results of operations of Rock River Alternative School, which is a component unit of Geneseo Community Unit School District No. 228. Financial statements and financial records for the Administrative District are located at the 209 S. College, Geneseo, Illinois 61254.

B. Basis of Presentation - Fund Accounting

The accounts of the Co-Op are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets and liabilities (arising from cash transactions), fund balance, revenue received, and expenditures disbursed. The Co-Op maintains individual funds required by the State of Illinois. The various funds are summarized by type in the financial statements. These funds are grouped as required for reports filed with the Illinois State Board of Education. Co-Op resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following fund types and account groups are used by the Co-Op:

Governmental Funds -

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

The Educational Fund is the general operating fund of the Co-Op. It is used to account for all financial resources except those required to be accounted for in another fund.

The Tort Fund accounts for financial resources held by the Co-Op to be used for tort immunity and tort judgment purposes.

ROCK RIVER ALTERNATIVE SCHOOL
A COMPONENT UNIT OF
GENESEO COMMUNITY UNIT SCHOOL DISTRICT NO. 228
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Note #1 - Summary of Significant Accounting Policies (cont'd.)

B. Basis of Presentation - Fund Accounting (cont'd.)

Fiduciary Fund Type

The Agency Fund includes Convenience Accounts. They account for assets held by the District as an agent for the students, teachers and other entities. These funds are custodial in nature and do not involve the measurement of the results of operations. The amount due to the Agency Fund is equal to the assets.

Governmental and Expendable Trust Funds - Measurement Focus

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

General Fixed Assets and General Long-Term Debt Account Group

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. The Co-Op records purchases of property and equipment as expenditures of various funds when paid. The Co-Op maintains a detailed list of property and equipment purchased for insurance purposes.

The Co-Op adopted a \$5,000 capitalization policy and follows capitalization in accordance with grant guidelines, when applicable.

No depreciation has been provided on fixed assets in these financial statements. The Illinois State Board of Education's Annual Financial Report (ISBE Form SD50-35/JA50-60) includes depreciation of \$0 which has been utilized for the calculation of the per capita tuition charge, and accumulated depreciation totaling \$0. Depreciation has been computed over the estimated useful lives of the assets using the straight-line method.

The estimated useful lives are as follows:

Depreciable Land	50 years
Buildings	
Permanent	50 years
Temporary	20 years
Infrastructure Improvements other than Building	20 years
Capitalized Equipment	3-10 years

The account group is not a "fund". It is concerned only with the measurement of financial position. It is not involved with measurement of results or operations.

ROCK RIVER ALTERNATIVE SCHOOL
A COMPONENT UNIT OF
GENESEO COMMUNITY UNIT SCHOOL DISTRICT NO. 228
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Note #1 - Summary of Significant Accounting Policies (cont'd.)

C. Basis of Accounting

Basis of accounting refers to when revenues received and expenditures disbursed are recognized in the account and how they are reported in the financial statements. The Co-Op maintains its accounting records for all funds and account groups on the cash basis of accounting under guidelines prescribed by the Illinois State Board of Education. Accordingly, revenues are recognized and recorded in the accounts when cash is received. In the same manner, expenditures are recognized and recorded upon the disbursement of cash. Assets of a fund are only recorded when a right to receive cash exists which arises from a previous cash transaction. Liabilities of a fund, similarly, result from previous cash transactions.

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

D. Budgets and Budgetary Accounting

The budget for all Governmental Fund Types and for the Expendable Trust Fund is prepared on the cash basis of accounting, which is the same basis that is used in financial reporting. This allows for comparability between budget and actual amounts. This is an acceptable method in accordance with Chapter 105, Section 5, Paragraph 17-1 of the Illinois Compiled Statutes. The budget, which was not amended, was passed on August 21, 2012.

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 Co-Op follows these procedures in establishing the budgetary data reflected on the financial statements:

1. Prior to July 1, the Director submits to the Governing Board a proposed operating budget for the fiscal year commencing on that date. The operating budget includes proposed expenditures disbursed and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to September 1, the budget is legally adopted through passage of a resolution by the Administrative District. The Co-Op's Governing Board, which consists of all the Superintendents of the member districts, approves the budget at their October meeting.
4. Formal budgetary integration is employed as a management control device during the year.
5. The Governing Board may make transfers between the various items in any fund not exceeding in the aggregate 10% of the total of such fund as set forth in the budget.
6. The Governing Board may amend the budget (in other ways) by the same procedures required of its original adoption.

E. Cash and Cash Equivalents

Cash includes amounts in demand deposits and interest-bearing demand deposits, and time deposit (savings) accounts. Cash equivalents include amounts in time deposits, and other investments, with original maturities of less than 90 days.

ROCK RIVER ALTERNATIVE SCHOOL
A COMPONENT UNIT OF
GENESEO COMMUNITY UNIT SCHOOL DISTRICT NO. 228
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Note #1 - Summary of Significant Accounting Policies (cont'd.)

F. Investments

Investments are stated at cost or amortized cost, which approximates market. The District, under 30 ILCS 235/2, may legally invest in all securities guaranteed by the full faith and credit of the United States, as well as interest-bearing savings accounts, certificates of deposit, or time deposits constituting direct obligations of banks insured by FDIC and savings and loan associates insured by FSLIC. The District may also invest in short-term obligations of the Federal National Mortgage Association, the Public Treasurer's Investment Pool, as well as all interest-bearing obligations of the State of Illinois.

G. Inventories

Inventory consists of expendable supplies held for consumption. The cost is recorded as an expenditure disbursed at the time the individual inventory items are purchased.

H. Total Memorandum Only

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

These totals are presented only to facilitate financial analysis and are not intended to reflect the financial position or results of the Co-Op as a whole.

Note #2 - Fund Balance Reporting

According to Government Accounting Standards, fund balances are to be classified into five major classifications; Nonspendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance. The Regulatory Model, followed by the Co-Op, only reports Reserved and Unreserved Fund Balances. Below are definitions of the differences and a reconciliation of how these balances are reported.

A. Nonspendable Fund Balance

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example inventories and prepaid amounts. Due to the cash basis nature of the Co-Op all such items are expensed at the time of purchase, so there is nothing to report for this classification.

B. Restricted Fund Balance

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

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Note #2 – Fund Balance Reporting (cont'd.)

B. Restricted Fund Balance (cont'd.)

1. State Grants

Proceeds from state grants and the related expenditures have been included in the Educational Fund. At June 30, 2013, expenditures disbursed exceeded revenue received from state grants, resulting in no restricted balances.

C. Committed Fund Balance

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

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

Employee contracts for services rendered during the school year for employees electing twelve month pay schedules are recorded as disbursements in the fiscal year when such checks are drawn. At June 30, 2013, the total amount of unpaid contracts for services performed during the fiscal year ended June 30, 2013 amounted to \$19,792. This amount is shown as Unreserved in the Educational Fund.

D. Assigned Fund Balance

The assigned fund balance classification refers to amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted or committed. Intent may be expressed by (a) the School Board itself or (b) the finance committee or by the Superintendent when the School Board has delegated the authority to assign amounts to be used for specific purposes.

E. Unassigned Fund Balance

The unassigned fund balance classification is the residual classification for amounts in the General Operating Funds for amounts that have not been restricted, committed, or assigned to specific purposes within the General Funds. Unassigned Fund Balance amounts are shown in the financial statements as Unreserved Fund Balances in the Educational.

F. Regulatory – Fund Balance Definitions

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

G. Reconciliation of Fund Balance Reporting

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

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Note #2 – Fund Balance Reporting (cont'd.)

G. Reconciliation of Fund Balance Reporting (cont'd.)

Fund	Generally Accepted Accounting Principles					Regulatory Basis	
	Nonspendable	Restricted	Committed	Assigned	Unassigned	Financial Statements - Reserved	Financial Statements- Unreserved
Educational	0	0	19,792	0	151,618	0	171,410
Tort Liability	0	7,993	0	0	0	0	7,993

H. Expenditures of Fund Balance

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

Note #3 – Deposits and Investments

The Co-Op is allowed to invest in securities as authorized by the Co-Op's investment policy, Sections 2 and 6 of the Public Funds Investment Act (30 ICS 235), and Section 8-7 of the School Code of Illinois. These include the following items:

- (1) bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest;
- (2) bonds, notes, debentures, or other similar obligations of the United States of America or its agencies;
- (3) in interest-bearing savings accounts, interest-bearing certificates of deposits or interest-bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act;
- (4) in short-term obligations of corporations organized in the United States with assets exceeding \$500,000,000;
- (5) in money market mutual funds registered under the Investment Company Act of 1940, provided that the portfolio of any such money market mutual fund is limited to obligations described in (1) or (2) above and to agreements to repurchase such obligations;
- (6) in short-term discount obligations of the Federal National Mortgage Association or in shares or other forms of securities legally issuable by savings banks or savings and loan associations incorporated under the laws of this State or any other state or under the laws of the United States;
- (7) in dividend-bearing share accounts, share certificate accounts or class of share accounts of a credit union chartered under the laws of this State or the laws of the United States; provided, however, the principal office of any such credit union must be located within the State of Illinois;
- (8) in a Public Treasurers' Investment Pool created under Section 17 of the State Treasurer Act;
- (9) in the Illinois School District Liquid Asset Fund Plus;

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Note #3 – Deposits and Investments (cont'd.)

- (10) in repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986 subject to the provisions of said Act and the regulations issued thereunder;
- (11) in any investment as authorized by the Public Funds Investment Act, and Acts amendatory thereto. Paragraph 11 supersedes paragraphs 1-10 and controls in the event of conflict.

Custodial Credit Risk Related to Deposits with Financial Institutions

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Co-Op's general investment policy requires all amounts deposited or invested with financial institutions in excess of any insurance limit shall be collateralized by securities eligible for Co-Op investment or any other high-quality, interest-bearing security rated at least AA/Aa by one or more standard rating services to include Standard & Poor's, Moody's, or Fitch. The market value of the pledged securities shall equal or exceed the portion of the deposit requiring collateralization.

The Co-Op's investment policy states the preferred method for safekeeping of collateral is to have securities registered in the Co-Op's name and held by a third-party custodian. Safekeeping practices should qualify for the Governmental Accounting Standards Board's Statement III, Category I, the highest recognized safekeeping procedures.

At June 30, 2013, the carrying amount of the Co-Op's deposits with financial institutions, which includes demand deposits, savings accounts, and certificates of deposit, was \$179,469. The bank balance was \$192,138. As of June 30, 2013, the following Co-Op's bank balances (certificates of deposit, checking, and savings accounts) were exposed to custodial credit risk as follows (carrying amounts are presented as additional information only):

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Risk Class #1	179,469	192,138
Risk Class #2	0	0
Risk Class #3	0	0
Risk Class #4	<u>0</u>	<u>0</u>
	<u>179,469</u>	<u>192,138</u>

Risk Class #1 includes deposits that are insured or collateralized by securities held by an independent financial institution.

Risk Class #2 includes deposits that are uninsured and collateralized with securities held by the pledging financial institution.

Risk Class #3 includes deposits that are uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Co-Op's name.

Risk Class #4 includes deposits, which are uninsured and uncollateralized.

During the year ended June 30, 2013, the depository banks used by the Co-Op pledged \$-0- in federal securities to secure the Co-Op's deposits in excess of the amount insured by the FDIC. The pledged securities are held by the pledging financial institutions' trust department or agent in the district's name.

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Note #3 – Deposits and Investments (cont'd.)

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Co-Op will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, \$-0- of the Co-Op's investments was subject to custodial credit risk due to the collateral not being held by an independent financial institution.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Co-Op's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investments

As of June 30, 2013, the Co-Op had no investments.

Reconciliation

A reconciliation of cash and investments as shown on the combined balance sheet follows:

Petty Cash	0
Carrying Amount of Deposits	179,469
Carrying Amount of Investments	<u>0</u>
	<u>179,469</u>
Cash and Cash Equivalents	179,469
Investments	<u>0</u>
	<u>179,469</u>

Note #4 - Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions*</u>	Balance <u>June 30, 2013</u>
Capitalized 10-Year Equipment	<u>3,546</u>	<u>-0-</u>	<u>3,546</u>	<u>-0-</u>

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

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Note #5 - Retirement Fund Commitments

A. Teachers' Retirement System of the State of Illinois

The Co-Op participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago.

The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The state of Illinois maintains the primary responsibility for funding the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the system's administration.

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

The state of Illinois makes contributions directly to TRS on behalf of the Co-Op's TRS-covered employee.

On-behalf contributions to TRS. The State of Illinois makes employer pension contributions on behalf of the Co-Op. For the year ended June 30, 2013, State of Illinois contributions were based on 28.05 percent of creditable earnings not paid from federal funds, and the Co-Op recognized revenue and expenditures of \$33,445 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2012, and June 30, 2011, the State of Illinois contribution rates as percentages of creditable earnings not paid from federal funds were 24.91 percent (\$25,252) and 23.10 percent (\$31,212), respectively.

The Co-Op makes other types of employer contributions directly to TRS.

2.2 formula contributions. Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ended June 30, 2013, were \$692. Contributions for the years ended June 30, 2012, and June 30, 2011, were \$588 and \$784, respectively.

Federal and special trust fund contributions. When TRS members are paid from federal and special trust funds administered by the Co-Op, there is a statutory requirement for the Co-Op to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective in the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the state contribution rate to TRS.

For the year ended June 30, 2013, the employer pension contribution was 28.05 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2012 and 2011, the employer contribution was 24.91 and 23.10 percent of salaries paid from federal and special trust funds, respectively. For the year ended June 30, 2013, salaries totaling \$-0- were paid from federal and special trust funds that required employer contributions of \$-0-. For the years ended June 30, 2012, and June 30, 2011, required Co-Op contributions were \$-0- and \$-0-, respectively.

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Note #5 - Retirement Fund Commitments (cont'd.)

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

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

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

For the year ended June 30, 2013, the Co-Op paid \$-0- to TRS for employer contributions under the ERO program. For the years ended June 30, 2012, and June 30, 2011, the Co-Op paid \$-0- and \$-0- in employer ERO contributions, respectively.

Salary increases over 6 percent and excess sick leave.

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

For the year ended June 30, 2013, the Co-Op paid \$-0- to TRS for employer contributions due on salary increases in excess of 6 percent. For the years ended June 30, 2012, and June 30, 2011, the Co-Op paid \$-0- and \$-0- to TRS for employer contributions due on salary increases in excess of 6 percent, respectively.

If an employer grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used as service credit, the highest salary rate reported by the district during the four-year sick leave review period, and the TRS total normal cost rate (17.63 percent of salary during the year ended June 30, 2013, as recertified pursuant to Public Act 96-1511).

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

TRS financial information, an explanation of TRS' benefits, and descriptions of member, employer and state funding requirements can be found in the TRS *Comprehensive Annual Financial Report* for the year ended June 30, 2012. The report for the year ended June 30, 2013, is expected to be available in late 2013.

The reports may be obtained by writing to the Teachers' Retirement System of the State of Illinois, 2815 West Washington Street, PO Box 19253, Springfield, IL 62794-9253. The most current report is also available on the TRS Web site at <http://trs.illinois.gov>.

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JUNE 30, 2013

Note #5 - Retirement Fund Commitments (cont'd.)

B. THIS Fund Contributions

The Co-Op participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit postemployment healthcare plan that was established by the Illinois legislature for the benefit of Illinois public school teachers employed outside the City of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants may participate in the state administered participating provider option plan or choose from several managed care options.

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. Effective July 1, 2012, in accordance with Executive Order 12-01, the plan is administered by the Illinois Department of Central Management Services (CMS) with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to the TRS who are not employees of the state make a contribution to THIS Fund.

The percentage of employer required contributions in the future will be determined by the director of Healthcare and Family Services and will not exceed 105 percent of the percentage of salary actually required to be paid in the previous fiscal year.

- **On behalf contributions to THIS Fund.** The State of Illinois makes employer retiree health insurance contributions on behalf of the Co-Op. State contributions are intended to match contributions to THIS Fund from active members, which were 0.92 percent of pay during the year ended June 30, 2013. State of Illinois contributions were \$1,097 and the Co-Op recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the year ended June 30, 2012 and June 30, 2011, were 0.88 percent of pay, both years. State contributions on behalf of Co-Op employees were \$892 and \$1,189, respectively.

- **Employer contributions to THIS Fund.** The Co-op also makes contributions to THIS Fund. The District THIS Fund contribution was 0.69 percent during the years ended June 30, 2013, and 0.66 percent during the years ended June 30, 2012 and June 30, 2011. For the year ended June 30, 2013, the Co-Op paid \$823 to the THIS Fund. For the years ended June 30, 2012, and June 30, 2011, the Co-Op paid \$669 and \$892 to the THIS Fund, respectively, which was 100 percent of the required contribution.

The publicly available financial report of the THIS Fund may be found on the website of the Illinois Auditor General: <http://www.auditor.illinois.gov/Audit-Reports/ABC-List.asp>. The 2013 report is listed under "Central Management Services." Prior reports are available under "Healthcare and Family Services."

C. Illinois Municipal Retirement Fund

Plan Description. The Co-Op'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 Co-Op's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF uses a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

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Note #5 - Retirement Fund Commitments (cont'd.)

C. Illinois Municipal Retirement Fund (cont'd.)

Funding Policy. As set by statute, the Co-Op's Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual required contribution rate for calendar year 2012 was 12.52 percent. The Co-Op also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost. The required contribution rate for year 2012 was \$2,111.

Three-Year Trend Information for the Regular Plan

Fiscal Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
12/31/12	2,111	100%	\$0
12/31/11	1,974	100%	0
12/31/10	1,853	100%	0

The required contribution for 2012 was determined as part of the December 31, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2010, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of the Co-Op's Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The Co-Op Regular plan's unfunded actuarial accrued liability at December 31, 2010 is being amortized as a level percentage of projected payroll on an open 10 year basis.

Funded Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the Regular plan was 83.51 percent funded. The actuarial accrued liability for benefits was \$37,837 and the actuarial value of assets was \$31,597, resulting in an underfunded actuarial accrued liability (UAAL) of \$6,240. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was \$16,863 and the ratio of the UAAL to the covered payroll was 37 percent.

Note #6 - Debt Service Requirements

As of June 30, 2013, the Co-Op had no general obligation debt service requirements outstanding.

Note #7 - Deficit Fund Balances

As of June 30, 2013, the Co-Op did not have a deficit fund balance in any fund.

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Note #8 - Contingencies

The Co-Op has received funding from state grants in the current year which are subject to audits by the granting agencies. The school board believes any adjustments that may arise from these audits will be insignificant to Co-Op operations.

Note #9 - Commitments

As of June 30, 2013, the Co-Op had no construction commitments.

Unpaid Teachers' Contracts

Teachers' contracts for services rendered during the school year for teachers electing twelve month pay schedules are recorded as disbursements in the fiscal year when such checks are drawn. At June 30, 2013, the total amount of unpaid teachers' contracts for services performed during the year ended June 30, 2013, amounted to \$19,792.

Vacation Pay – Vacation pay is considered to be an expenditure in the year paid. Eligible administrators and support staff receive vacation pay. At June 30, 2013, the estimated unused vacation pay liability is \$-0-.

Sick Pay – Sick pay is considered to be an expenditure in the year paid. Accumulated sick pay benefits are available to eligible employees to use in future years. Sick pay does not vest if not used during the term of employment with the district.

Termination Benefits – Termination benefits are considered to be an expenditure in the year paid. At June 30, 2013, the estimated termination benefits due are \$-0-.

Note #10 - Disbursements and Transfers in Excess of Budget

The Co-Op had no expenditures in excess of amounts budgeted for the year ended June 30, 2013.

Note #11 - Joint Agreements/Member Districts

The Co-Op administers grants and programs for the benefit of its member district's pupils. The member districts are Colona, Geneseo, Rockridge, Silvis, Alwood, Orion, Sherrard, Erie, Riverdale, East Moline, Carbon-Cliff and Cambridge school districts. The member districts do not have an equity interest in the Co-Op. The member districts are separately audited and are not included in these financial statements.

Note #12 - Risk Management - Claims and Judgments

Significant losses are covered by commercial insurance for all major programs: property, liability and worker's compensation. During the year ended June 30, 2013, there were no significant reductions in insurance coverage. Also, there have been no settlement amounts which have exceeded insurance coverage.

The Co-Op is insured under a retrospectively-rated policy for workers' compensation coverage, whereas, the initial premium may be adjusted based on actual experience. Adjustments in premiums are recorded when paid or received. During the year ended June 30, 2013, there were no significant adjustments in premiums based on actual experience.

The Co-Op is self-funded for medical insurance provided to the Co-Op personnel through Geneseo Community Unit School District No. 228. The Co-Op is responsible for payment of claims up to \$90,000 per employee. Additional claims are covered by commercial insurance. Future potential claims as of June 30, 2013, were not estimable.

At the beginning of each year, the administrative district determines the amount of funds needed to operate the plan. This estimated total cost is used to develop a standard charge for employees and dependent coverage under the plan.

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Note #13 – Related Party Transactions

The Co-Op entered into an annual renewable lease agreement with Geneseo Community Unit School District No. 228 to lease a building. The Co-Op paid \$4,841 per month for ten months totaling \$48,410. There were no future commitments as of June 30, 2013.

The Co-Op paid a total of \$23,450 to Geneseo Community Unit School District No. 228 in consideration for administrative services during the year ended June 30, 2013.

Note #14 – Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through September 18, 2013 the date the financial statements were available to be issued.

ROCK RIVER ALTERNATIVE SCHOOL
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FIDUCIARY FUND TYPE
TRUST FUND - STUDENT ACTIVITY FUND
STATEMENT OF REVENUE RECEIVED AND EXPENDITURES DISBURSED
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Cash Balance at July 1, 2012	670.70
Revenue Received - General Fund	0.32
Expenditures Disbursed - General Fund	<u>604.81</u>
Cash Balance at June 30, 2013	<u><u>66.21</u></u>