

***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, 2010***

ROCK RIVER ALTERNATIVE SCHOOL  
A COMPONENT UNIT OF  
GENESEO COMMUNITY UNIT SCHOOL DISTRICT NO. 228  
HENRY COUNTY, ILLINOIS

TABLE OF CONTENTS  
JUNE 30, 2010

<u>Financial Section</u>	<u>Page No.</u>
Independent Auditors' Report	1-2
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	3-4
 <u>Basic Financial Statements</u>	 <u>Statement</u>
Statement of Assets, Liabilities, and Fund Balances Arising from Cash Transactions – Regulatory Basis	1 5
Statement of Revenue Received, Expenditures Disbursed, Other Financing Sources (Uses) and Changes in Fund Balances – All Funds	2 6
Statement of Revenue Received – All Funds	3 7
Statement of Expenditures Disbursed (and Comparison with Budget):	
Educational Fund	4 8-9
Tort Fund	5 10
Notes to Financial Statements	11-22
 <u>Required Supplementary Information</u>	
Illinois Municipal Retirement Fund – Schedule of Funding Progress	23
 <u>Supplemental Information</u>	 <u>Schedule</u>
Trust Fund – Student Activity Fund	
Statement of Revenue Received and Expenditures Disbursed	1 24

# 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 Auditors' Report

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

We have audited the accompanying financial statements of the 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, 2010, as listed in the table of contents. These financial statements are the responsibility of the school district's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note #1, Geneseo Community Unit School District No. 228 as Administrative District for Rock River Alternative School has prepared these financial statements using accounting practices prescribed or permitted by the Illinois State Board of Education, which practices differ from accounting principles generally accepted in the United States of America. Also as described in Note 1, Geneseo Community Unit School District No. 228 as Administrative District for Rock River Alternative School prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Geneseo Community Unit School District No. 228 as Administrative District for Rock River Alternative School as of June 30, 2010, or changes in financial position for the fiscal year then ended.

The District has omitted disclosures required by Governmental Accounting Standards Board Statement 45 *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. The amount by which this disclosure would affect the financial statements is not reasonably determinable.

In our opinion, except for the effects of the omissions described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of Geneseo Community Unit School District No. 228 as Administrative District for Rock River Alternative School as of June 30, 2010, and its revenue received and expenditures disbursed during the fiscal year then ended, on the basis of accounting described in Note #1.

In accordance with Government Auditing Standards, we have also issued a report dated September 27, 2010, on our consideration of Geneseo Community Unit School District No. 228 as Administrative District for Rock River Alternative School'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 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 and should be considered in assessing the results of our audit.

The information listed in the table of contents as "Required Supplementary Information" is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules listed in the table of contents as "Supplemental Information" are presented for the purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Peoria, Illinois  
September 27, 2010

# *Gorenz and Associates, Ltd.*

*Certified Public Accountants*

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

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

## **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

We have audited 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, 2010, and have issued our report thereon dated September 27, 2010. Our opinion was adverse because financial statements are not prepared in accordance with generally accepted accounting principles. However, the financial statements were found to be fairly stated, except for the effects of the omitted disclosures required by Governmental Accounting Standards Board Statement 45, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, 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. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Geneseo Community Unit School District No. 228 as Administrative District for Rock River Alternative School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### 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,

Compliance and Other Matters (Cont'd)

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.

In accordance with SAS No. 114 *The Auditor's Communication With Those Charged With Governance* we have issued a separate letter dated September 27, 2010 to the Board of Education addressing those required communications.

This report is intended solely for the information and use of the Board of Education, management, the Illinois State Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Ernst and Associates Ltd.*

Peoria, Illinois  
September 27, 2010

ROCK RIVER ALTERNATIVE SCHOOL  
A COMPONENT UNIT OF  
GENESEO COMMUNITY UNIT SCHOOL DISTRICT NO. 228  
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
ARISING FROM CASH TRANSACTIONS - REGULATORY BASIS  


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JUNE 30, 2010

	<u>Educational</u>	<u>Tort</u>	<u>Trust and Agency Funds</u>	<u>General Fixed Assets</u>	<u>Total (Memorandum Only)</u>
<u>Assets</u>					
Cash and Cash Equivalents	371,023	18,693	1,528		391,244
Capitalized Equipment				12,553	12,553
Total Assets	<u>371,023</u>	<u>18,693</u>	<u>1,528</u>	<u>12,553</u>	<u>403,797</u>
<u>Liabilities and Fund Balances</u>					
<u>Liabilities:</u>					
Due to Organizations			1,528		1,528
Total Liabilities	<u>0</u>	<u>0</u>	<u>1,528</u>	<u>0</u>	<u>1,528</u>
<u>Fund Balances:</u>					
Reserved	0				0
Unreserved	371,023	18,693			389,716
Investments in General Fixed Assets				12,553	12,553
Total Fund Balances	<u>371,023</u>	<u>18,693</u>	<u>0</u>	<u>12,553</u>	<u>402,269</u>
Total Liabilities and Fund Balances	<u>371,023</u>	<u>18,693</u>	<u>1,528</u>	<u>12,553</u>	<u>403,797</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 REVENUE RECEIVED, EXPENDITURES DISBURSED,  
OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCES -  
ALL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Educational	Total	Total (Memorandum Only)
Revenue Received:			
Local Sources	264,518	58,466	322,984
State Sources	150,406		150,406
Total Direct Receipts	414,924	58,466	473,390
Receipts for On-Behalf Payments	40,612		40,612
Total Receipts	455,536	58,466	514,002
Expenditures Disbursed:			
Instruction	189,867		189,867
Support Services	29,465	40,691	70,156
Payments to Other Governmental Units	163,656		163,656
Total Direct Disbursements	382,988	40,691	423,679
Disbursements for On-Behalf Payments	40,612		40,612
Total Disbursements	423,600	40,691	464,291
Excess (Deficiency) of Receipts Over Disbursements	31,936	17,775	49,711
Other Financing Sources:			0
Other Financing (Uses):			0
Total Other Financing Sources and (Uses)	0	0	0
Excess (Deficiency) of Receipts Over Disbursements and Other Financing Sources (Uses)	31,936	17,775	49,711
Beginning Fund Balance - July 1, 2009	339,087	918	340,005
Changes in Fund Balance	0	0	0
Ending Fund Balance - June 30, 2010	371,023	18,693	389,716

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 REVENUE RECEIVED - ALL FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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	<u>Educational</u>	<u>Tort</u>	<u>Total (Memorandum Only)</u>
Revenue Received:			
Receipts From Local Sources:			
Interest on Investments	1,285		1,285
Services Provided Other LEAs	263,184		263,184
Refund of Prior Years' Expenditures	49		49
Local Fees		58,466	58,466
Total Receipts from Local Sources	<u>264,518</u>	<u>58,466</u>	<u>322,984</u>
Receipts From State Sources:			
Unrestricted Grants-in-Aid:			
General State Aid - Sec. 18-8.05	108,889		108,889
Restricted Grants-in-Aid:			
Other State Funds	41,517		41,517
Total Receipts from State Sources	<u>150,406</u>	<u>0</u>	<u>150,406</u>
Total Direct Receipts	<u>414,924</u>	<u>58,466</u>	<u>473,390</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  
 (AND COMPARISON WITH BUDGET)  
 EDUCATIONAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Actual</u>	<u>Budget</u>	<u>Unexpended Budget</u>
Expenditures Disbursed:			
Instruction:			
Truants' Alternative & Optional Programs:			
Salaries	162,278	164,250	1,972
Employee Benefits	24,376	38,720	14,344
Purchased Services	2,511	8,000	5,489
Supplies and Materials	702	6,000	5,298
	<u>189,867</u>	<u>216,970</u>	<u>27,103</u>
Total Instruction			
Supporting Services:			
Support Services - Pupils:			
Guidance Services:			
Purchased Services	6,395	8,000	1,605
Support Services-General Administration:			
Board of Education Services:			
Purchased Services	2,920	3,000	80
Support Services-School Administration:			
Office of the Principal Services:			
Salaries	13,482	15,000	1,518
Employee Benefits	2,583	3,108	525
Purchased Services	120	450	330
Supplies and Materials	1,325	3,000	1,675
Other Objects	0	400	400
	<u>17,510</u>	<u>21,958</u>	<u>4,448</u>
Total Support Services-School Administration			
Support Services-Business:			
Operation and Maintenance of Plant Services:			
Purchased Services	2,640	51,610	48,970
	<u>29,465</u>	<u>84,568</u>	<u>55,103</u>
Total Supporting Services			

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  
 (AND COMPARISON WITH BUDGET)  
 EDUCATIONAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Actual</u>	<u>Budget</u>	<u>Unexpended Budget</u>
Payments to Other Governmental Units (In-State):			
Payments for Regular Programs:			
Purchased Services	163,656	115,475	(48,181)
Provision for Contingencies	0	6,500	6,500
Total Direct Disbursements	<u>382,988</u>	<u>423,513</u>	<u>40,525</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  
 (AND COMPARISON WITH BUDGET)  
 TORT FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Actual	Budget	Unexpended Budget
Expenditures Disbursed:			
Support Services:			
Support Services-General Administration			
Workers' Compensation or Workers' Occupational Disease Act Payments:			
Purchased Services	4,287	4,000	(287)
Insurance Payments (regular or self-insurance):			
Purchased Services	10,644	12,250	1,606
Risk Management and Claims Services Payments:			
Purchased Services	25,665	28,000	2,335
Legal Services:			
Purchased Services	95	125	30
Total Direct Disbursements	40,691	44,375	3,684

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  
HENRY COUNTY, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

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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. Principals 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  
HENRY COUNTY, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

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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 \$496 which has been utilized for the calculation of the per capita tuition charge, and accumulated depreciation totaling \$12,154. 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  
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GENESEO COMMUNITY UNIT SCHOOL DISTRICT NO. 228  
HENRY COUNTY, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

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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 13, 2009.

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  
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GENESEO COMMUNITY UNIT SCHOOL DISTRICT NO. 228  
HENRY COUNTY, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

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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 - Restricted Balances

The Co-Op had no restricted balances as of June 30, 2010, other than for alternative school purposes.

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 ILCS 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;



ROCK RIVER ALTERNATIVE SCHOOL  
A COMPONENT UNIT OF  
GENESEO COMMUNITY UNIT SCHOOL DISTRICT NO. 228  
HENRY COUNTY, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  


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JUNE 30, 2010

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

- (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;
- (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, 2010, the carrying amount of the Co-Op's deposits with financial institutions, which includes demand deposits, savings accounts, and certificates of deposit, was \$391,244. The bank balance was \$393,707. As of June 30, 2010, 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	250,000	250,000
Risk Class # 2	141,244	143,707
Risk Class # 3	0	0
Risk Class # 4	0	0
	<u>391,244</u>	<u>393,707</u>

ROCK RIVER ALTERNATIVE SCHOOL  
A COMPONENT UNIT OF  
GENESEO COMMUNITY UNIT SCHOOL DISTRICT NO. 228  
HENRY COUNTY, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  


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JUNE 30, 2010

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

**Custodial Credit Risk Related to Deposits with Financial Institutions (cont'd.)**

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, 2010, the depository banks used by the Co-Op pledged \$655,815 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.

**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, \$141,244 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, 2010, 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	391,244
Carrying Amount of Investments	<u>0</u>
	<u>391,244</u>
Cash and Cash Equivalents	391,244
Investments	<u>0</u>
	<u>391,244</u>

ROCK RIVER ALTERNATIVE SCHOOL  
A COMPONENT UNIT OF  
GENESEO COMMUNITY UNIT SCHOOL DISTRICT NO. 228  
HENRY COUNTY, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  


---

JUNE 30, 2010

Note # 4 - Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	Balance <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions*</u>	Balance <u>June 30, 2010</u>
Capitalized 10-Year Equipment	<u>12,553</u>	<u>-0-</u>	<u>-0-</u>	<u>12,553</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.

Note # 5 - Retirement Fund Commitments

A. Teachers' Retirement System of the State of Illinois

The Co-Op as a component unit of Geneseo Community Unit School District No. 228 participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago.

The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The State of Illinois maintains primary responsibility for the funding of 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, 2010, was 9.4 percent of creditable earnings. 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, 2009 and 2008.

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

**On-behalf contributions to TRS.** The State of Illinois makes employer pension contributions on behalf of the Co-Op. For the year ended June 30, 2010, state of Illinois contributions were based on 23.38 percent of creditable earnings not paid from federal funds, and the Co-Op recognized revenue and expenditures of \$39,203 on contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2009, and June 30, 2008, the on-behalf contributions to TRS that were made by the State of Illinois as percentages of creditable earnings not paid from federal funds were 17.08 percent (\$27,127) and 13.11 percent (\$19,231), 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, 2010, were \$973. Contributions for the years ended June 30, 2009, and June 30, 2008, were \$921 and \$851, respectively.

ROCK RIVER ALTERNATIVE SCHOOL  
A COMPONENT UNIT OF  
GENESEO COMMUNITY UNIT SCHOOL DISTRICT NO. 228  
HENRY COUNTY, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

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

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

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

For the year ended June 30, 2010, the employer pension contribution was 23.38 percent of salaries paid from federal and special trust funds. For the years ended June 30, 2009 and 2008, the employer contribution was 17.08 and 13.11 percent of salaries paid from federal and special trust funds, respectively. For the year ended June 30, 2010, salaries totaling \$-0- were paid from federal and special trust funds that required employer contributions of \$-0-. For the years ended June 30, 2009, and June 30, 2008, required district contributions were \$-0- and \$-0-, respectively.

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

Public Act 94-0004 made changes in the ERO program that were in effect for all ERO retirements in fiscal years 2008 through 2010. The act increased member and employer contributions and eliminated the waiver of member and employer ERO contributions that had been in effect for members with 34 years of service.

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

For the year ended June 30, 2010, the district paid \$-0- to TRS for employer contributions under the ERO program. For the years ended June 30, 2009, and June 30, 2008, the district paid \$-0- and \$-0- for employer ERO contributions, respectively.

**Salary increases over 6 percent and excess sick leave.** Public Act 94-0004 added two additional employer contributions to TRS.

- 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, 2010, the district paid \$-0- to TRS for employer contributions due on salary increases in excess of 6 percent. For the years ended June 30, 2009, and June 30, 2008, the district paid \$-0- and \$-0- in employer contributions due on salary increases in excess of 6 percent, respectively.

ROCK RIVER ALTERNATIVE SCHOOL  
A COMPONENT UNIT OF  
GENESEO COMMUNITY UNIT SCHOOL DISTRICT NO. 228  
HENRY COUNTY, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

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

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

- 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 used to calculate final average salary, and the TRS total normal cost rate (18.55 percent of salary during the year ended June 30, 2010).

For the year ended June 30, 2010, the district paid \$-0- to TRS for sick leave days granted in the excess of the normal annual allotment. For the years ended June 30, 2009, and June 30, 2008, the district 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, 2009. The report for the year ended June 30, 2010, is expected to be available in late 2010.

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

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. The Illinois Department of Healthcare and Family Services (HFS) and the Illinois Department of Central Management Services (CMS) administer the plan with the cooperation of TRS. The director of HFS determines the rates and premiums for annuitants and dependent beneficiaries and establishes the cost-sharing parameters. 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.

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 0.84 percent of pay during the year ended June 30, 2010. State of Illinois contributions were \$1,409, and the Co-Op recognized revenue and expenditures of this amount during the year.

State contributions intended to match active member contributions during the years ended June 30, 2009 and 2008, were also 0.84 percent of pay. State contributions on behalf of Co-Op employees were \$1,334 and \$1,232, respectively.

ROCK RIVER ALTERNATIVE SCHOOL  
A COMPONENT UNIT OF  
GENESEO COMMUNITY UNIT SCHOOL DISTRICT NO. 228  
HENRY COUNTY, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

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

B. THIS Fund Contributions (cont'd.)

- **Employer contributions to THIS Fund.** The Co-Op also makes contributions to THIS Fund. The Co-Op THIS Fund contribution was 0.63 percent during the years ended June 30, 2010, 2009, and 2008. For the year ended June 30, 2010, the Co-Op paid \$1,056 to the THIS Fund. For the years ended June 30, 2009, and June 30, 2008, the Co-Op paid \$1,001 and \$924 to the THIS Fund, respectively, which was 100 percent of the required contribution.

The publicly available financial report of the THIS Fund may be obtained by writing to the Department of Healthcare and Family Services, 201 S. Grand Ave., Springfield, IL 62763-3838.

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](http://www.imrf.org).

*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 contribution rate for calendar year 2009 was 11.83 percent of annual covered payroll. 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.* For 2009, the Co-Op's annual pension cost of \$1,842 for the Regular plan was equal to the Co-Op's required and actual contributions.

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

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
12/31/09	1,842	100%	\$0
12/31/08	1,768	100%	0
12/31/07	1,715	100%	0

The required contribution was determined as part of the December 31, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2007, 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 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 15% corridor between the actuarial and market value of assets. The Co-Op Regular plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at the December 31, 2007, valuation was 5 years.

ROCK RIVER ALTERNATIVE SCHOOL  
A COMPONENT UNIT OF  
GENESECO COMMUNITY UNIT SCHOOL DISTRICT NO. 228  
HENRY COUNTY, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

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

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

*Funded Status and Funding Progress.* As of December 31, 2009, the most recent actuarial valuation date, the Regular plan was 79.72 percent funded. The actuarial accrued liability for benefits was \$25,664 and the actuarial value of assets was \$20,444, resulting in an underfunded actuarial accrued liability (UAAL) of \$5,200. The covered payroll (annual payroll of active employees covered by the plan) was \$15,571 and the ratio of the UAAL to the covered payroll was 33 percent. In conjunction with the December 2009 actuarial valuation the market value of investments was determined using techniques that spread the effect 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. In 2010, the unfunded actuarial accrued liability is being amortized on a level percentage of projected payroll on an open 10 year basis.

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

Note # 6 - Debt Service Requirements

As of June 30, 2010, the Co-Op had no general obligation debt service requirements outstanding.

Note # 7 - Deficit Fund Balances

As of June 30, 2010, the Co-Op did not have a deficit fund balance in any fund.

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, 2010, 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, 2010, the total amount of unpaid teachers' contracts for services performed during the year ended June 30, 2010, amounted to \$26,607.

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, 2010, 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, 2010, the estimated termination benefits due are \$-0-.

ROCK RIVER ALTERNATIVE SCHOOL  
A COMPONENT UNIT OF  
GENESEO COMMUNITY UNIT SCHOOL DISTRICT NO. 228  
HENRY COUNTY, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

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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, 2010.

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, United Township High School, 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, 2010, 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, 2010, 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, 2010, 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.

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, 2010.

The Co-Op paid a total of \$115,246 to Geneseo Community Unit School District No. 228 in consideration for administrative services during the year ended June 30, 2010.

Note #14 - Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through September 27, 2010 the date the financial statements were available to be issued.



ROCK RIVER CO-OP ALTERNATIVE SCHOOL  
 A COMPONENT UNIT OF  
 GENESEO COMMUNITY UNIT SCHOOL DISTRICT NO. 228  
 HENRY COUNTY, ILLINOIS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 ILLINOIS MUNICIPAL RETIREMENT FUND  
 SCHEDULE OF FUNDING PROGRESS  
 JUNE 30, 2010

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/09	20,444	25,644	5,200	79.72%	15,571	33.40%
12/31/08	17,959	22,147	4,188	81.09%	14,994	27.93%
12/31/07	15,750	18,638	2,888	84.50%	14,789	19.53%

On a market value basis, the actuarial value of assets as of December 31, 2009 is \$20,054. On a market basis, the funded ratio would be 78.20%

ROCK RIVER ALTERNATIVE SCHOOL  
A COMPONENT UNIT OF  
GENESEO COMMUNITY UNIT SCHOOL DISTRICT NO. 228  
HENRY COUNTY, ILLINOIS  
FIDUCIARY FUND TYPE  
TRUST FUND - STUDENT ACTIVITY FUND  
STATEMENT OF REVENUE RECEIVED AND EXPENDITURES DISBURSED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Cash Balance at July 1, 2009	1,712.60
Revenue Received - General Fund	484.24
Expenditures Disbursed - General Fund	<u>668.93</u>
Cash Balance at June 30, 2010	<u>1,527.91</u>

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