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***NIPPERSINK SCHOOL DISTRICT NO. 2
McHENRY COUNTY, ILLINOIS***

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

eder, casella & co.



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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Nippersink School District No. 2
Richmond, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of

Nippersink School District No. 2

as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Nippersink School District No. 2 as of June 30, 2018, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 15 to the financial statements, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No. 85, *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of the Employer's Net Pension Liability/OPEB and Related Ratios, Schedules of Employer Contribution, Schedule of the Employer's Proportionate Share of the Net Pension Liability/OPEB, Schedule of Funding Progress, and budgetary comparison information on pages 6 through 11 and 44 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the average daily attendance figure included in the computation of operating expense per pupil and per capita tuition charges, 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 supplemental 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 October 10, 2018 on our consideration of Nippersink School District No. 2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nippersink School District No. 2's internal control over financial reporting and compliance.

Eder, Casella & Co.
EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
October 10, 2018



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
Nippersink School District No. 2
Richmond, Illinois

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 the governmental activities, each major fund, and the aggregate remaining fund information of

Nippersink School District No. 2

as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Nippersink School District No. 2's basic financial statements, and have issued our report thereon dated October 10, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Nippersink School District No. 2'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 Nippersink School District No. 2's internal control. Accordingly, we do not express an opinion on the effectiveness of Nippersink School District No. 2's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nippersink School District No. 2's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with

which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Eder, Casella & Co.
EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
October 10, 2018

REQUIRED SUPPLEMENTARY INFORMATION



NIPPERSINK SCHOOL DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

The Management's Discussion and Analysis of Nippersink School District No. 2's (District) financial performance provides an overall review of the District's financial activities for the year ended June 30, 2018. The management of the District encourages readers to consider the information presented herein in conjunction with the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at June 30, 2018 by \$13,553,458 (net position).
- The District's total net position decreased by \$10,888,526. This includes a net position adjustment of \$(9,809,804).
- At June 30, 2018, the District's governmental funds reported combined ending fund balances of \$14,384,805, a decrease of \$50,749 in comparison with the prior year.
- The District's total long-term debt decreased by \$83,387 during the current fiscal year due to scheduled repayment of debt.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources, less its liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the fiscal year being reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements present the functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The District has no business-type activities; that is, functions that are intended to recover all or a significant portion of their costs through user fees and charges. The District's governmental activities include instructional services (regular education, special education, and other), supporting services, operation and maintenance of facilities, and transportation services.

The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds (the District maintains no proprietary funds).

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General; Debt Services; Operations and Maintenance; Transportation; Illinois Municipal Retirement/Social Security; and Capital Projects Funds, all of which are considered to be major funds.

The District adopts an annual budget for each of the funds listed above. A budgetary comparison statement has been provided for each fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14 through 17 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that for the government-wide financial statements.

The basic fiduciary fund financial statement can be found on page 18 of this report.

Notes to the Financial Statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 19 through 43 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in meeting its obligation to provide, as fully adequate as possible, educational services and extracurricular activities to all of its residents' students.

Required supplementary information can be found on pages 44 through 60 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$13,553,458 at the close of the most recent fiscal year.

The following table presents a summary of the District's net position for the years ended June 30, 2018 and 2017:

Nippersink School District No. 2's Net Position at Year-End

	Governmental Activities	
	FY 2018	FY 2017
Assets		
Current and Other Assets	\$ 28,295,963	\$ 28,197,756
Capital Assets	11,051,963	11,601,879
Total Assets	\$ 39,347,926	\$ 39,799,635
Deferred Outflows of Resources		
Deferred Pension Expense	\$ 753,966	\$ 1,200,252
Deferred Employer Pension Contributions	146,616	138,666
Deferred OPEB Expense	210,531	-
Deferred Employer OPEB Contribution	66,096	-
Total Deferred Outflows of Resources	\$ 1,177,209	\$ 1,338,918
Liabilities		
Other Liabilities	\$ 1,454,788	\$ 1,305,847
Long-Term Debt Outstanding	10,338,779	2,792,314
Total Liabilities	\$ 11,793,567	\$ 4,098,161
Deferred Inflows of Resources		
Unavailable Revenue - Property Taxes	\$ 12,456,370	\$ 12,456,355
Deferred Pension Revenue	1,213,652	142,053.00
Deferred OPEB Revenue	1,508,088	-
Total Deferred Inflows of Resources	\$ 15,178,110	\$ 12,598,408
Net Position		
Net Investment in Capital Assets	\$ 10,947,729	\$ 11,414,258
Restricted	7,224,878	7,004,221
Unrestricted	(4,619,149)	6,023,505
Total Net Position	\$ 13,553,458	\$ 24,441,984

The net investment in capital assets (80.1% of total net position) represents assets such as land, buildings, and equipment, less any related debt used to acquire those assets that is still outstanding. The District uses its assets to provide educational services and extracurricular activities for the students of the local community. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position (53.3%) represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the District has a negative unrestricted net position, but is able to report positive balances in the other two categories of net position.

The District's net position decreased by \$10,888,526 during the current fiscal year which includes a net position adjustment of \$(9,809,804).

Governmental Activities. Governmental activities decreased the District's net position by \$1,078,722. Key elements of this decrease are as follows:

Nippersink School District No. 2's Change in Net Position

	Governmental Activities	
	FY 2018	FY 2017
Revenues:		
Program Revenues		
Charges for Services	\$ 350,824	\$ 345,895
Operating Grants and Contributions	6,432,699	7,059,249
Capital Grants and Contributions	32,917	22,781
General Revenues:		
Property Taxes	12,505,822	12,501,662
Other Taxes	107,450	128,414
Other	1,413,140	2,267,670
Total Revenues	\$ 20,842,852	\$ 22,325,671
Expenses:		
Instruction	\$ 9,392,260	\$ 8,576,014
Support Services	6,745,750	6,474,306
Other	5,783,564	5,900,684
Total Expenses	\$ 21,921,574	\$ 20,951,004
Increase in Net Position	\$ (1,078,722)	\$ 1,374,667
Net Position - Beginning	24,441,984	23,067,317
Net Position Adjustment	(9,809,804)	-
Net Position - Ending	\$ 13,553,458	\$ 24,441,984

During this past year, the District received over \$477,000 less in Special Education Programs than the prior year. Also, On-Behalf Payments decreased by \$183,449, which were the main factors of the decrease in the Operating Grants and Contributions.

The District's increase in Instruction Expenses is due to an increase of \$467,566 in expenditures for Regular Programs. The District's decrease of On-Behalf Payments (\$183,449) was the main factor of the decrease in Other Expenses.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's six governmental funds reported combined ending fund balances of \$14,384,805, a decrease of \$50,749.

The General Fund is the chief operating fund of the District. At June 30, 2018, unassigned fund balance was \$6,914,058. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 38% of total General Fund expenditures. The General Fund's balance decreased by \$530,108 in comparison with the prior year. The majority of this decrease is due to a decrease in State Aid received.

The Operations and Maintenance Fund's balance increased by \$156,961 in comparison with the prior year. This increase is due to an increase in Earnings on Investments along with a decrease in capital expenditures from the prior year.

The Transportation Fund's balance increased by \$31,642 in comparison with the prior year. This increase is due to an increase in Other Local Sources and Earnings on Investments.

The Illinois Municipal Retirement/Social Security Fund's balance increased by \$147,670 in comparison with the prior year. This increase is due to an increase in Property Taxes received.

The Capital Projects Fund's balance increased by \$85,389 in comparison with the prior year. This increase is a result of the District not having any expenditures related to capital projects during the fiscal year.

General Fund Budgetary Highlights

The District did not amend the budget during the year ended June 30, 2018; therefore, there are no differences between the original and final budget.

Significant differences between budgeted and actual revenues and expenditures are summarized as follows:

- The difference between budgeted revenues and actual revenues was \$5,530,253 (favorable) and was mainly due to On-Behalf Payments that were not budgeted for, as well as the District receiving more State Aid than budgeted.
- The difference between budgeted expenditures and actual expenditures was \$5,954,459 (unfavorable) due to the On-Behalf Payments that were not budgeted for.

Capital Asset and Debt Administration

Capital Assets. At June 30, 2018 the District had invested \$11,051,963 (net of accumulated depreciation) in a broad range of capital assets, including land, building and building improvements, site improvements and infrastructure, equipment other than food service, and food service equipment. Total depreciation expense for the year was \$817,250.

Major capital asset events during the current fiscal year included the following:

- Installation of a new gym floor for approximately \$135,512
- Purchase of a Lenovo ThinkPad for \$40,625
- Purchase of Stem Equipment for \$33,948

Nippersink School District No. 2's Capital Assets at Year-End
(net of depreciation)

	Governmental Activities	
	2018	2017
Land	\$ 791,988	\$ 791,988
Building and Building Improvements	7,948,391	8,073,834
Site Improvements and Infrastructure	1,230,132	1,313,094
Equipment other than Food Service	1,081,452	1,418,467
Food Service Equipment	-	4,496
Total	\$ 11,051,963	\$ 11,601,879

Additional information on the District's capital assets can be found in note 4 on page 25 of this report.

Long-Term Debt

At June 30, 2018 the District's long-term debt obligations consisted of the following:

Nippersink District No. 2's Outstanding Debt

	Governmental Activities	
	2018	2017
Lease/Purchase Agreements	\$ 104,234	\$ 187,621
Total	\$ 104,234	\$ 187,621

Principal payments on all outstanding debt were \$83,387 for the current fiscal year.

Additional information on the District's long-term debt can be found in Note 5 on pages 25 and 26 of this report and additional information on the District's debt limitation can be found in Note 14 on page 43 of this report.

Economic Factors and Next Year's Budget

The District's student population has decreased over the last several years as new housing construction has declined along with existing home sales in the Richmond and Spring Grove areas. This has leveled off the demands on the District's facilities and programs.

In light of the recent economic trend, the District does expect student enrollment to decrease, relieving the demand for additional classroom space and education staffing in the immediate future.

The assessed valuation for 2017 is \$345,220,153, an increase of \$19,069,999 (5.85%) over the prior year.

Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District's finances, and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Manager at the following address:

Nippersink School District No. 2
4213 Route 12
Richmond, IL 60071

BASIC FINANCIAL STATEMENTS



NIPPERSINK SCHOOL DISTRICT NO. 2
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 8,195,103
Investments, at Fair Value	14,059,349
Accrued Interest Receivable, net of allowance of \$0	20,283
Other Accounts Receivable, net of allowance of \$0	58,602
Property Taxes Receivable, net of allowance of \$75,189	5,703,541
Due from Other Governments, net of allowance of \$0	259,085
Capital Assets:	
Land	791,988
Depreciable Buildings, Property, and Equipment, net of depreciation	10,259,975
Total Assets	\$ 39,347,926
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension Expense	\$ 753,966
Deferred Employer Pension Contributions	146,616
Deferred OPEB Expense	210,531
Deferred Employer OPEB Contributions	66,096
Total Deferred Outflows of Resources	\$ 1,177,209
LIABILITIES	
Accounts Payable and Accrued Expenses	\$ 152,451
Payroll Liabilities	1,302,337
Long-Term Liabilities	
Due Within One Year	83,387
Due in More Than One Year	10,255,392
Total Liabilities	\$ 11,793,567
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Property Taxes	\$ 12,456,370
Deferred Pension Revenue	1,213,652
Deferred OPEB Revenue	1,508,088
Total Deferred Inflows of Resources	\$ 15,178,110
NET POSITION	
Net Investment in Capital Assets	\$ 10,947,729
Restricted for:	
Operations and Maintenance	2,504,691
Transportation	2,108,884
Retirement	39,693
Future Capital Projects	2,224,697
Tort	346,913
Unrestricted/(Deficit)	(4,619,149)
Total Net Position	\$ 13,553,458

The Notes to Financial Statements are an integral part of this statement.

NIPPERSINK SCHOOL DISTRICT NO. 2
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction					
Regular Programs	\$ 7,513,736	\$ 118,770	\$ 156,941	\$ -	\$ (7,238,025)
Special Education Programs	1,683,064	38,302	310,629	-	(1,334,133)
Other Instructional Programs	195,460	-	-	-	(195,460)
Support Services					
Pupils	679,081	-	-	-	(679,081)
Instructional Staff	694,424	-	18,340	-	(676,084)
General Administration	667,886	-	-	-	(667,886)
School Administration	899,255	-	-	-	(899,255)
Business	87,591	-	-	-	(87,591)
Facilities Acquisition and Construction	-	-	-	32,917	32,917
Operations and Maintenance	2,037,070	-	-	-	(2,037,070)
Transportation	650,410	-	316,751	-	(333,659)
Food Services	337,548	193,752	98,068	-	(45,728)
Central	683,536	-	-	-	(683,536)
Other Support Services	8,949	-	-	-	(8,949)
Payments to Other Districts and Governmental Units	248,024	-	-	-	(248,024)
Interest and Fees on Long-Term Debt	3,570	-	-	-	(3,570)
On-Behalf Retirement Contributions	5,531,970	-	5,531,970	-	-
Total Governmental Activities	<u>\$ 21,921,574</u>	<u>\$ 350,824</u>	<u>\$ 6,432,699</u>	<u>\$ 32,917</u>	<u>\$(15,105,134)</u>
General Revenues					
Taxes					
Property Taxes, Levied for General Purposes					\$ 12,505,822
Personal Property Replacement Taxes					107,450
Grants and Contributions not Restricted to Specific Activities					1,095,401
Unrestricted Investment Earnings					222,761
Miscellaneous Income					94,978
Total General Revenues					<u>\$ 14,026,412</u>
Change in Net Position					\$ (1,078,722)
Net Position - July 1, 2017					24,441,984
Net Position Adjustment (Note 16)					<u>(9,809,804)</u>
Net Position - June 30, 2018					<u>\$ 13,553,458</u>

The Notes to Financial Statements are an integral part of this statement.

NIPPERSINK SCHOOL DISTRICT NO. 2
 FUND FINANCIAL STATEMENTS
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2018

	General Fund	Operations and Maintenance Fund	Debt Services Fund	Transportation Fund	Illinois Municipal Retirement/Social Security Fund	Capital Projects Fund	Total Governmental Funds
ASSETS							
Cash and Cash Equivalents	\$ 8,033,444	\$ 72,794	\$ -	\$ 10,665	\$ 14,302	\$ 63,898	\$ 8,195,103
Investments, at Fair Value	5,704,746	3,518,838	-	2,277,530	344,497	2,213,738	14,059,349
Accrued Interest Receivable, net of allowance of \$0	13,519	2,537	-	3,040	197	990	20,283
Other Accounts Receivable, net of allowance of \$0	58,602	-	-	-	-	-	58,602
Property Taxes Receivable, net of allowance of \$75,189	4,560,452	744,374	-	147,920	250,330	465	5,703,541
Due from Other Governments, net of allowance of \$0	179,214	-	-	79,871	-	-	259,085
Total Assets	\$ 18,549,977	\$ 4,338,543	\$ -	\$ 2,519,026	\$ 609,326	\$ 2,279,091	\$ 28,295,963
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE							
LIABILITIES							
Accounts Payable and Accrued Expenses	\$ 114,123	\$ 21,388	\$ -	\$ 16,940	\$ -	\$ -	\$ 152,451
Payroll Liabilities	1,214,988	72,152	-	-	15,197	-	1,302,337
Total Liabilities	\$ 1,329,111	\$ 93,540	\$ -	\$ 16,940	\$ 15,197	\$ -	\$ 1,454,788
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue - Property Taxes	\$ 9,959,895	\$ 1,625,694	\$ -	\$ 323,054	\$ 546,711	\$ 1,016	\$ 12,456,370
Total Deferred Inflows of Resources	\$ 9,959,895	\$ 1,625,694	\$ -	\$ 323,054	\$ 546,711	\$ 1,016	\$ 12,456,370
FUND BALANCE							
Restricted							
Operations and Maintenance	\$ -	\$ 2,504,691	\$ -	\$ -	\$ -	\$ -	\$ 2,504,691
Transportation	-	-	-	2,108,884	-	-	2,108,884
Illinois Municipal Retirement Fund	-	-	-	-	16,916	-	16,916
Social Security	-	-	-	-	22,777	-	22,777
Capital Projects	-	-	-	-	-	2,224,697	2,224,697
Tort	346,913	-	-	-	-	-	346,913
Assigned							
Operations and Maintenance	-	114,617	-	-	-	-	114,617
Transportation	-	-	-	70,148	-	-	70,148
Illinois Municipal Retirement Fund/Social Security	-	-	-	-	7,725	-	7,725
Capital Projects	-	-	-	-	-	53,378	53,378
Unassigned	6,914,058	1	-	-	-	-	6,914,059
Total Fund Balance	\$ 7,260,971	\$ 2,619,309	\$ -	\$ 2,179,032	\$ 47,418	\$ 2,278,075	\$ 14,384,805
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 18,549,977	\$ 4,338,543	\$ -	\$ 2,519,026	\$ 609,326	\$ 2,279,091	\$ 28,295,963

The Notes to Financial Statements are an integral part of this statement.

NIPPERSINK SCHOOL DISTRICT NO. 2
 FUND FINANCIAL STATEMENTS
 RECONCILIATION OF THE BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2018

Total Fund Balances - Governmental Funds \$ 14,384,805

Amounts reported for governmental activities in the
 Statement of Net Position are different because:

Deferred pension costs in governmental activities are not financial
 resources and therefore are not reported in the funds.

Deferred Pension Costs	\$ (459,686)	
Deferred Employer Contributions to Pension	146,616	
Deferred OPEB Costs	(1,297,557)	
Deferred Employer Contributions to OPEB	<u>66,096</u>	
		(1,544,531)

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds.

Capital Assets	\$ 20,376,067	
Accumulated Depreciation on Capital Assets	<u>(9,324,104)</u>	
		11,051,963

Some liabilities are not due and payable in the current
 period and therefore are not reported in the funds.

Leases Payable	\$ (104,234)	
Net Pension Liability/Asset	(1,037,499)	
Net OPEB Liability/Asset	<u>(9,197,046)</u>	
		<u>(10,338,779)</u>

Net Position of Governmental Activities \$ 13,553,458

NIPPERSINK SCHOOL DISTRICT NO. 2
 FUND FINANCIAL STATEMENTS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2018

	General Fund	Operations and Maintenance Fund	Debt Services Fund	Transportation Fund	Illinois Municipal Retirement/Social Security Fund	Capital Projects Fund	Total Governmental Funds
REVENUES							
Property Taxes	\$ 9,999,415	\$ 1,632,142	\$ -	\$ 324,340	\$ 548,909	\$ 1,016	\$ 12,505,822
Payments in Lieu of Taxes	76,290	-	-	-	31,160	-	107,450
Tuition	38,302	-	-	-	-	-	38,302
Earnings on Investments	90,493	41,599	-	33,998	5,513	51,456	222,761
Food Service	193,752	-	-	-	-	-	193,752
District/School Activity Income	32,543	-	-	-	-	-	32,543
Textbooks	86,227	-	-	-	-	-	86,227
Other Local Sources	83,082	4,633	-	7,263	-	32,917	127,895
State Aid	1,174,870	-	-	316,751	-	-	1,491,621
Federal Aid	504,509	-	-	-	-	-	504,509
On-Behalf Payments	5,531,970	-	-	-	-	-	5,531,970
	<u>\$ 17,811,453</u>	<u>\$ 1,678,374</u>	<u>\$ 2</u>	<u>\$ 682,052</u>	<u>\$ 585,582</u>	<u>\$ 85,389</u>	<u>\$ 20,842,852</u>
EXPENDITURES							
Current							
Instruction	\$ 6,673,277	\$ -	\$ -	\$ -	\$ 93,389	\$ -	\$ 6,766,666
Regular Programs	1,591,360	-	-	-	77,894	-	1,669,254
Special Education Programs	183,490	-	-	-	5,549	-	189,039
Other Instructional Programs	-	-	-	-	-	-	-
Support Services	-	-	-	-	-	-	-
Pupils	620,784	-	-	-	51,448	-	672,232
Instructional Staff	672,227	-	-	-	15,066	-	687,293
General Administration	650,010	-	-	-	12,031	-	662,041
School Administration	834,611	-	-	-	38,639	-	873,250
Business	124,352	-	-	-	17,389	-	141,741
Operations and Maintenance	-	1,485,102	-	-	70,921	-	1,556,023
Transportation	-	-	-	650,410	-	-	650,410
Food Services	305,769	-	-	-	20,881	-	326,650
Central	620,264	-	-	-	34,705	-	654,969
Other Support Services	8,949	-	-	-	-	-	8,949
Payments to Other Districts and Governmental Units	248,024	-	-	-	-	-	248,024
Debt Service	-	-	-	-	-	-	-
Principal	-	-	83,387	-	-	-	83,387
Interest and Fees	-	-	3,570	-	-	-	3,570
Capital Outlay	131,822	36,311	-	-	-	-	168,133
On-Behalf Payments	5,531,970	-	-	-	-	-	5,531,970
	<u>\$ 18,196,909</u>	<u>\$ 1,521,413</u>	<u>\$ 86,957</u>	<u>\$ 650,410</u>	<u>\$ 437,912</u>	<u>\$ -</u>	<u>\$ 20,893,601</u>
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (385,456)	\$ 156,961	\$ (86,955)	\$ 31,642	\$ 147,670	\$ 85,389	\$ (50,749)
OTHER FINANCING SOURCES (USES)							
Interfund Transfers	(144,652)	-	144,652	-	-	-	-
NET CHANGE IN FUND BALANCES	\$ (530,108)	\$ 156,961	\$ 57,697	\$ 31,642	\$ 147,670	\$ 85,389	\$ (50,749)
FUND BALANCES - JULY 1, 2017	7,791,079	2,462,348	(57,697)	2,147,390	(100,252)	2,192,686	14,435,554
FUND BALANCES - JUNE 30, 2018	<u>\$ 7,260,971</u>	<u>\$ 2,619,309</u>	<u>\$ -</u>	<u>\$ 2,179,032</u>	<u>\$ 47,418</u>	<u>\$ 2,278,075</u>	<u>\$ 14,384,805</u>

The Notes to Financial Statements are an integral part of this statement.

NIPPERSINK SCHOOL DISTRICT NO. 2
 FUND FINANCIAL STATEMENTS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances - Total Governmental Funds		\$ (50,749)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period.</p>		
Depreciation Expense	\$ (817,250)	
Capital Outlays	<u>267,334</u>	(549,916)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Pension Expense	\$ (224,293)	
OPEB Expense	<u>(645,834)</u>	(870,127)
<p>Repayment of long-term debt requires the use of current financial resources of governmental funds and is therefore shown as an expenditure in the Statement of Revenues, Expenditures, and Changes in Fund Balances, but the repayment reduces long-term liabilities in the Statement of Net Position and is therefore not reported in the Statement of Activities.</p>		
Repayment of Long-Term Debt		83,387
<p>Employer pension/OPEB contributions are expensed in the fund financial statements but treated as a reduction in the Net Pension/OPEB Liability on the the government-wide financial statements.</p>		
		<u>308,683</u>
Change in Net Position of Governmental Activities		<u>\$ (1,078,722)</u>

The Notes to Financial Statements are an integral part of this statement.

NIPPERSINK SCHOOL DISTRICT NO. 2
FUND FINANCIAL STATEMENTS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2018

	<u>Agency Fund - Student Activity Fund</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 113,805</u>
Total Assets	<u><u>\$ 113,805</u></u>
LIABILITIES	
Due to Activity Funds	<u>\$ 113,805</u>
Total Liabilities	<u><u>\$ 113,805</u></u>

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NIPPERSINK SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nippersink School District No. 2's (District) accounting policies conform to generally accepted accounting principles as applicable to local education agencies.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant accounting policies established in GAAP and used by the District are discussed below.

A. Reporting Entity

The accompanying financial statements comply with the provisions of GASB statement, in that the financial statements include all organizations, activities, and functions that comprise the District. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the District's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the District. Using these criteria, the District has no component units. In addition, the District is not included as a component unit in any other governmental reporting entity as defined by GASB pronouncements.

B. Basic Financial Statements – Government-Wide Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund (reporting the District's major funds) financial statements. Both the government-wide and fund financial statements categorize all of the primary activities of the District as governmental activities. The District does not have any business-type activities.

In the government-wide Statement of Net Position, the governmental activities column (a) is presented on a consolidated basis, and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables, as well as long-term debt and obligations. The District's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, personal property replacement taxes, grants and contributions not restricted to specific activities, unrestricted investment earnings, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating, and capital grants. Program revenues must be directly associated with the function (regular programs, special education programs, payments to other districts and governmental units, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenues (property taxes, personal property replacement taxes, grants and contributions not restricted to specific activities, unrestricted investment earnings, etc.).

The District does not allocate indirect costs.

NOTES TO FINANCIAL STATEMENTS (Continued)

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures of all governmental funds) for the determination of major funds. The District electively made all governmental funds major funds.

The following fund types are used by the District:

1. Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The Educational, Tort, and Working Cash levies are included in this fund.

Special Revenue Funds – The Special Revenue Funds (Operations and Maintenance Fund, Transportation Fund, and Illinois Municipal Retirement/Social Security Fund) are used to account for the proceeds of specific revenue sources that are restricted, committed, or assigned to expenditures for specified purposes other than debt service or capital projects.

Debt Services Fund – The Debt Services Fund is used to account for financial resources that are restricted, committed, or assigned to expenditures for the periodic payment of principal, interest, and related fees on general long-term debt.

Capital Projects Fund – The Capital Projects Funds (Capital Projects Fund and Fire Prevention and Safety Fund) are used to account for financial resources that are restricted, committed, or assigned to expenditures for the acquisition or construction of major capital facilities and fire prevention and safety projects.

2. Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is on net position and changes in net position and is reported using generally accepted accounting principles.

The District's fiduciary fund is presented in the fiduciary fund financial statement by type (agency). Since by definition these assets are being held for the benefit of a third party (student organizations) and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide statements.

The following is a description of the fiduciary fund of the District:

Agency Fund – The Agency Fund (Student Activity Fund and Flexible Spending Accounts) accounts for assets held by the District as an agent for the student organizations and employees. These funds are custodial in nature and do not involve the measurement of the results of operations. The amounts due to student organizations are equal to the assets.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual

The governmental activities in the government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Property taxes are reported in the period for which levied. Other nonexchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses when incurred.

2. Modified Accrual

The governmental funds' financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Property tax revenues are recognized in the period for which levied provided they are available. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are recognized when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

E. Cash and Cash Equivalents and Investments

Separate bank accounts are not maintained for all District funds. Instead, the funds maintain their uninvested cash balances in common bank deposit accounts, with accounting records being maintained to show the portion of the common bank account balances attributable to each participating fund.

Occasionally certain of the funds participating in the common bank accounts will incur overdrafts (deficits) in the account. Such overdrafts in effect constitute cash borrowed from other District funds and are, therefore, interfund loans which have not been authorized by School Board action.

The District has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are stated at fair value. Fair value is determined by quoted market prices. Gains or losses on the sale of investments are recognized as they are incurred. The District has adopted a formal written investment and cash management policy.

F. Receivables

All receivables are reported net of estimated uncollectible amounts.

G. Prepaid Items

Certain payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

H. Inventories

No inventory accounts are maintained to reflect the values of resale or supply items on hand. Instead, the costs of such items are charged to expense when purchased. The value of the District's inventories is not deemed to be material.

NOTES TO FINANCIAL STATEMENTS (Continued)

I. *Interfund Activity*

Interfund activity is reported either as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

J. *Capital Assets*

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building and Building Improvements	50 year
Site Improvements and Infrastructure	20 years
Capitalized Equipment	10 years
Vehicles	5 years

K. *Deferred Outflows and Inflows of Resources*

In addition to assets and liabilities, the balance sheet(s) and statement(s) of net position will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and therefore will not be recognized as an outflow of resource until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resource until that time.

L. *Compensated Absences*

Vacation benefits are granted to employees in varying amounts to specified maximums depending on tenure with the District. Vacation is required to be used by the time school starts and there is no allowance for carryover. Sick leave is accumulated from year to year without limit, but is not paid upon termination. No compensated absence accrual is recorded because vacation benefits do not accumulate from year to year and sick leave is not paid upon termination.

M. *Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds on a straight-line basis. Bond issuance costs are reported as debt service expenditures. Bonds payable are reported net of the applicable bond premium or discount and deferred losses on refunding.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

N. *Government-Wide Fund Net Position*

Government-wide fund net position is divided into three components:

- Net investment in capital assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net position – consists of net position that is restricted by the District's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted net position – all other net position is reported in this category.

O. *Governmental Fund Balances*

Governmental fund balances are divided between nonspendable and spendable.

Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

The spendable fund balances are arranged in a hierarchy based on spending constraints.

- Restricted – Restricted fund balances are restricted when constraints are placed on the use by either (a) external creditors, grantors, contributors, or laws or regulations of other governments or (b) law through constitutional provisions or enabling legislation.
- Committed – Committed fund balances are amounts that can only be used for specific purposes as a result of a resolution of the Board of Education. Committed amounts cannot be used for any other purpose unless the Board of Education removes those constraints by way of resolution. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
- Assigned – Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by an appointed body (e.g. a budget or finance committee) or official to which the Board of Education has delegated the authority to assign, modify or rescind amounts to be used for specific purposes. Pursuant to a resolution by the Board of Education, the Chief School Business Official has been delegated this authority.

Assigned fund balances also include (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue, capital projects, or debt services fund are assigned for purposes in accordance with the nature of their fund type. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the District itself.

- Unassigned – Unassigned fund balance is the residual classification for the General Fund. This classification represents the General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund. Unassigned fund balance in the General Fund also includes amounts levied and/or borrowed for working cash. This classification is also used to represent negative fund balances in special revenue funds, the Debt Services Fund, and capital projects funds.

The District permits funds to be expended in the following order: Restricted, Committed, Assigned, and Unassigned.

NOTES TO FINANCIAL STATEMENTS (Continued)

P. *Property Tax Calendar and Revenues*

Property taxes are levied each calendar year on all taxable real property located in the District on or before the last Tuesday in December. The 2017 tax levy was passed by the Board on December 20, 2017. Property taxes attach as an enforceable lien on property as of January 1 of the calendar year and are payable in two installments early in June and early in September of the following calendar year. The District receives significant distributions of tax receipts approximately one month after these dates.

Q. *Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits with financial institutions are fully insured or collateralized by securities held in the District's name.

The District is allowed to invest in securities as authorized by the School Code of Illinois, Chapter 30, Section 235/2 and 6; and Chapter 105, Section 5/8-7. As of June 30, 2018, the District had the following investments and maturities:

Investment	Fair Value	Investment Maturities (n Years)			
		Less Than 1	1-5	5-10	More Than 10
State Investment Pools	\$ 6,916,167	\$ 6,916,167	\$ -	\$ -	\$ -

The fair value of investments in the State Investment Pools is the same as the value of pool shares. The State Investment Pools are not SEC-registered but do have regulatory oversight through the State of Illinois.

Interest Rate Risk. The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments based on credit risk. The District's investment policy further limits its investment choices to ensure that capital loss, whether from credit or market risk, is avoided. As of June 30, 2018, the District's investments were rated as follows:

Investment	Credit Rating	Rating Source
State Investment Pools	AAAm	Standard and Poor's

NOTE 3 - FAIR VALUE MEASUREMENT

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable assets; Level 3 are significant unobservable inputs. The District has the following recurring fair value measurements as of June 30, 2018:

Investments by fair value level	6/30/2018	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Certificates of Deposit	\$ 14,059,348	\$ -	\$ 14,059,348
Total Investments by fair value level	\$ 14,059,348	\$ -	\$ 14,059,348

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 791,988	\$ -	\$ -	\$ 791,988
Total Capital Assets not being depreciated	\$ 791,988	\$ -	\$ -	\$ 791,988
Other Capital Assets				
Building and Building Improvements	\$ 12,979,998	\$ 135,512	\$ -	\$ 13,115,510
Site Improvements and Infrastructure	1,694,389	1,803	-	1,696,192
Equipment other than Food Service	4,605,308	130,019	-	4,735,327
Food Service Equipment	37,050	-	-	37,050
Total Other Capital Assets at historical cost	\$ 19,316,745	\$ 267,334	\$ -	\$ 19,584,079
Less Accumulated Depreciation for				
Building and Improvements	\$ 4,906,164	\$ 260,955	\$ -	\$ 5,167,119
Site Improvements and Infrastructure	381,295	84,765	-	466,060
Equipment other than Food Service	3,186,841	467,034	-	3,653,875
Food Service Equipment	32,554	4,496	-	37,050
Total Accumulated Depreciation	\$ 8,506,854	\$ 817,250	\$ -	\$ 9,324,104
Other Capital Assets, Net	\$ 10,809,891	\$ (549,916)	\$ -	\$ 10,259,975
Governmental Activities Capital Assets, Net	\$ 11,601,879	\$ (549,916)	\$ -	\$ 11,051,963

Depreciation expense was charged to functions as follows:

Governmental Activities	
Regular Programs	\$ 228,830
Business	8,172
Operations and Maintenance	580,248
Total Governmental Activities Depreciation Expense	\$ 817,250

NOTE 5 - LONG-TERM LIABILITY ACTIVITY

Long-term liability activity for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018	Amounts Due Within One Year
Governmental Activities					
Long-Term Debt					
Lease/Purchase Agreements	\$ 187,621	\$ -	\$ 83,387	\$ 104,234	\$ 83,387
Total Long-Term Debt Payable	\$ 187,621	\$ -	\$ 83,387	\$ 104,234	\$ 83,387
Other Long-Term Liabilities					
Net OPEB-IMRF/TRS Obligation	\$ 51,451	\$ 723,834	\$ -	\$ 775,285	\$ -
Net OPEB- THIS Liability	-	8,421,761	-	8,421,761	-
Net Pension Liability - IMRF	633,015	-	582,775	50,240	-
Net Pension Liability - TRS	1,920,227	-	932,968	987,259	-
Total Other Long-Term Liabilities	\$ 2,604,693	\$ 9,145,595	\$ 1,515,743	\$ 10,234,545	\$ -
Governmental Activities Long-Term Liabilities	\$ 2,792,314	\$ 9,145,595	\$ 1,599,130	\$ 10,338,779	\$ 83,387

Long-term debt consisted of the following at June 30, 2018:

NOTES TO FINANCIAL STATEMENTS (Continued)

	Date of Issuance	Maturity Date	Interest Rate	Face Amount	Carrying Amount
Governmental Activities					
Xerox Financial Capital Lease	8/27/2014	9/1/2019	0.00%	\$ 416,935	\$ 104,234

At June 30, 2018 the annual debt service requirements to service all long-term debt are:

Year Ending June 30	Principal	Interest	Total
2019	\$ 83,387	\$ -	\$ 83,387
2020	20,847	-	20,847
	<u>\$ 104,234</u>	<u>\$ -</u>	<u>\$ 104,234</u>

NOTE 6 - INTERFUND TRANSFERS

The District had interfund transfers between the following funds for the year ended June 30, 2018:

Transfer from	Transfer To	Amount
General Fund	Debt Services Fund	\$ 144,652

NOTE 7 - DEFICIT FUND BALANCE

No District funds had a deficit fund balance at June 30, 2018.

NOTE 8 - PROPERTY TAXES

Property taxes receivable and unavailable revenue recorded in these financial statements are from the 2017 tax levy. The unavailable revenue is 100% of the 2017 tax levy net of estimated uncollectible amounts. These taxes are unavailable as only a portion of the taxes are collected near the end of the fiscal year and the District does not consider the amounts to be available and does not budget for their use in fiscal year 2018. The District has determined that 100% of the amounts collected for the 2016 levy are allocable for use in fiscal year 2018. Therefore, 100% of the amounts collected for the 2016 and prior levies (\$12,505,822) are recorded in these financial statements as property tax revenue. A summary of the assessed valuations and extensions for tax years 2017, 2016, and 2015 is as follows:

ASSESSED VALUATION	2017		2016		2015	
	Rates	Extensions	Rates	Extensions	Rates	Extensions
	\$345,220,153		\$326,150,154		\$305,152,114	
Educational	2.7881	\$ 9,625,007	2.9511	\$ 9,625,004	3.1542	\$ 9,625,001
Tort Immunity	0.0536	185,003	0.0567	185,002	0.0606	185,002
Special Education	0.0536	185,003	0.0567	185,002	0.0606	185,002
Operations and Maintenance	0.4738	1,635,505	0.5015	1,635,503	0.5360	1,635,502
Transportation	0.0941	325,004	0.0996	325,002	0.1720	525,002
Fire Prevention/Safety	0.0003	1,022	0.0003	1,021	0.0003	1,019
Working Cash	0.0072	25,004	0.0077	25,003	0.0082	25,001
Municipal Retirement	0.0797	275,006	0.0843	275,003	0.0573	175,002
Social Security	0.0797	275,006	0.0843	275,003	0.0573	175,002
	<u>3.6300</u>	<u>\$ 12,531,561</u>	<u>3.8423</u>	<u>\$ 12,531,543</u>	<u>4.1067</u>	<u>\$ 12,531,533</u>

NOTE 9 - EXCESS OF EXPENDITURES OVER BUDGET

For the year ended June 30, 2018, the following District fund had expenditures that exceeded the budget:

Fund	Budget	Actual	Excess of Actual Over Budget
General Fund	\$ 12,242,450	\$ 18,196,909	\$ 5,954,459

NOTE 10 - RETIREMENT FUND COMMITMENTS

A. *Teachers' Retirement System of the State of Illinois*

General Information About the Pension Plan

Plan Description

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

TRS issues a publicly available financial report that can be obtained at <http://www.trsil.org/financial/cafrs/fy2017>; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling (888) 678-3675, option 2.

Benefits Provided

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

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

Essentially all Tier I retirees receive an annual 3% increase in the current retirement benefit beginning January 1 following the attainment of age 61 or on January 1 following the member's first anniversary in retirement, whichever is later. Tier II annual increases will be the lesser of 3% of the original benefit or ½% of the rate of inflation beginning January 1 following attainment of age 67 or on January 1 following the member's first anniversary in retirement, whichever is later.

Public Act 100-0023, enacted in 2017, creates an optional Tier III hybrid retirement plan, but it has not yet gone into effect. The earliest possible implementation date is July 1, 2019.

Contributions

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

NOTES TO FINANCIAL STATEMENTS (Continued)

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2017 was 9.0% of creditable earnings. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the employer.

On-Behalf Contributions to TRS. The State of Illinois makes employer pension contributions on behalf of the District. For the year ended June 30, 2018, State of Illinois contributions recognized by the District were based on the State's proportionate share of the collective net pension liability associated with the District, and the District recognized revenue and expenditures of \$5,457,596 in pension contributions from the State of Illinois.

2.2 Formula Contributions. Employers contribute 0.58% of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2018 were \$43,564 and are deferred because they were paid after the June 30, 2017 measurement date.

Federal and Special Trust Fund Contributions. When TRS members are paid from federal and special trust funds administered by the employer, there is a statutory requirement for the employer to pay an employer pension contribution from those funds. Under Public Act 100-340, the federal and special trust fund contribution rate is the total employer normal cost beginning with the year ended June 30, 2018.

Previously, employer contributions for employees paid from federal and special trust funds were at the same rate as the state contribution rate to TRS and were much higher.

For the year ended June 30, 2018, the District pension contribution was 10.10% of salaries paid from federal and special trust funds. For the year ended June 30, 2018, salaries totaling \$90,565 were paid from federal and special trust funds that required District contributions of \$9,147. These contributions are deferred because they were paid after the June 30, 2017 measurement date.

Employer Retirement Cost Contributions. Under GASB Statement No. 68, contributions that an employer is required to pay because of a TRS member retiring are categorized as specific liability payments. The employer is required to make a one-time contribution to TRS for members retiring under the ERO. The payments vary depending on the member's age and salary. The maximum employer ERO contribution under the program that ended on June 30, 2016 is 146.5% and applies when the member is age 55 at retirement. For the year ended June 30, 2018, the District paid \$0 to TRS for employer ERO contributions for retirements that occurred before July 1, 2016.

The employer is also required to make a one-time contribution to TRS for members granted salary increases over 6% if those salaries are used to calculate a retiree's final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2018, the District paid \$9,987 to TRS for employer contributions due on salary increases in excess of 6% and \$0 for sick leave days granted in excess of the normal annual allotment.

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability (first amount shown below) that reflected a reduction for state pension support provided to the District. The State's support and total are for disclosure purposes only. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District follows below:

District's proportionate share of the net pension liability	\$	987,259
State's proportionate share of the net pension liability associated with the District		55,454,806
Total Net Pension Liability	\$	<u>56,442,065</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 and rolled forward to June 30, 2017. The District's proportion of the net pension liability was based on the District's share of contributions to TRS for the measurement year ended June 30, 2017, relative to the contributions of all participating TRS employers and the State during that period. At June 30, 2017, the District's proportion was 0.001292%, which was a decrease of 0.00114% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$5,457,596 and revenue of \$5,457,596 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Outflows of Resources
Differences between expected and actual experience	\$ 10,723	\$ (456)	\$ 10,267
Net difference between projected and actual earnings on pension plan investments	677	-	677
Changes of assumptions	65,892	(28,369)	37,523
Changes in proportion and differences between employer contributions and proportionate share of contributions	536,583	(688,872)	(152,289)
Employer contributions subsequent to the measurement date	52,711	-	52,711
	<u>\$ 666,586</u>	<u>\$ (717,697)</u>	<u>\$ (51,111)</u>

\$52,711 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows in these reporting years:

Year Ending June 30	
2019	\$ (16,149)
2020	30,251
2021	30,828
2022	(126,407)
2023	(22,345)
	<u>\$ (103,822)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	varies by amount of service credit
Investment Rate of Return	7.0%, net of pension plan investment expenses, including inflation

Mortality rates were based on the RP-2014 White Collar Table with adjustments as appropriate for TRS experience. The rates are used on a fully-generational basis using projection table MP-2014. The same assumptions were used in the June 30, 2016 actuarial valuation.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equities large cap	14.4%	6.94%
U.S. equities small/mid cap	3.6%	8.09%
International equities developed	14.4%	7.46%
Emerging market equities	3.6%	10.15%
U.S. bonds core	10.7%	2.44%
International debt developed	5.3%	1.70%
Real estate	15.0%	5.44%
Commodities (real return)	11.0%	4.28%
Hedge funds (absolute return)	8.0%	4.16%
Private Equity	14.0%	10.63%
Total	100.0%	

Discount Rate

At June 30, 2017, the discount rate used to measure total pension liability was 7.00%, which was a change from the June 30, 2016 rate of 6.83%. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and State contributions will be made at the current statutorily-required rates.

Based on those assumptions, TRS's fiduciary net position at June 30, 2017 was projected to be available to make all projected future benefit payments to current active and inactive members and all benefit recipients. Tier I's liability is partially funded by Tier II members, as the Tier II member contribution is higher than the cost of Tier II benefits. Due to this subsidy, contributions from future members in excess of the service cost are also included in the determination of the discount rate. All projected future payments were covered, so the long-term expected rate of return on TRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

At June 30, 2016, the discount rate used to measure the total pension liability was 6.83%. The discount rate was lower than the actuarially-assumed rate of return on investments that year because TRS's fiduciary net position and the subsidy provided by Tier II were not sufficient to cover all projected benefit payments.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point-higher (8.00%) than the current rate.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Employer's proportionate share of the net pension liability	\$ 1,212,976	\$ 987,259	\$ 802,377

TRS Fiduciary Net Position

Detailed information about the TRS's fiduciary net position as of June 30, 2017 is available in the separately issued TRS *Comprehensive Annual Financial Report*.

B. *Illinois Municipal Retirement Fund*

Plan Description

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

Benefits Provided

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

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

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

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

Employees Covered by Benefit Terms

All appointed employees of a participating employer who are employed in a position normally requiring 600 hours (1,000 hours for certain employees hired after 1981) or more of work in a year are required to participate. As of December 31, 2017, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	35
Inactive plan members entitled to but not yet receiving benefits	110
Active plan members	71
Total	<u>216</u>

Contributions

As set by statute, the District's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The District's annual contribution rate for calendar year 2017 was 9.16%. For the fiscal year ended June 30, 2018, the District contributed \$221,871 to the plan. The District also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The components of the net pension liability of the IMRF as of December 31, 2017, calculated in accordance with GASB Statement No. 68, were as follows:

Total Pension Liability/(Asset)	\$ 4,790,354
IMRF Fiduciary Net Position	4,740,114
District's Net Pension Liability/(Asset)	50,240
IMRF Fiduciary Net Position as a Percentage of the Total Pension Liability	98.95%

See the Schedule of Changes in the Employer's Net Pension Liability and Related Ratios in the Required Supplementary Information following the notes to the financial statements for additional information related to the funded status of the Plan.

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2017 using the following actuarial methods and assumptions:

Assumptions	
Inflation	2.50%
Salary Increases	3.39% - 14.25% including inflation
Interest Rate	7.50%
Asset Valuation Method	Market value of assets
Projected Retirement Age	Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2017 valuation according to an experience study from years 2014 to 2016.

For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future

NOTES TO FINANCIAL STATEMENTS (Continued)

real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2017:

Asset Class	Target Allocation	Projected Return
Equities	37.0%	6.85%
International Equities	18.0%	6.75%
Fixed Income	28.0%	3.00%
Real Estate	9.0%	5.75%
Alternatives	7.0%	
Private Equity		7.35%
Hedge Funds		5.05%
Commodities		2.65%
Cash	1.0%	2.25%
	<u>100.0%</u>	

Single Discount Rate

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

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

For the purpose of this discount rate, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.31%; and resulting single discount rate is 7.50%.

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A)-(B)
Balances at December 31, 2016	\$ 4,610,399	\$ 3,977,384	\$ 633,015
Changes for the year:			
Service Cost	\$ 202,596	\$ -	\$ 202,596
Interest on the Total Pension Liability	349,050	-	349,050
Differences Between Expected and Actual Experience of the Total Pension Liability	(128,440)	-	(128,440)
Changes of Assumptions	(127,848)	-	(127,848)
Contributions - Employer	-	168,901	(168,901)
Contributions - Employee	-	82,975	(82,975)
Net Investment Income	-	670,389	(670,389)
Benefit Payments, Including Refunds of Employee Contributions	(115,403)	(115,403)	-
Other (Net Transfer)	-	(44,132)	44,132
Net Changes	\$ 179,955	\$ 762,730	\$ (582,775)
Balances at December 31, 2017	\$ 4,790,354	\$ 4,740,114	\$ 50,240

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

	1% Lower 6.50%	Current Discount Rate 7.50%	1% Higher 8.50%
Net Pension Liability/(Asset)	\$ 653,292	\$ 50,240	\$ (444,697)

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

For the year ended June 30, 2018, the District recognized pension expense of \$159,975. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
Expense in Future Periods			
Differences between expected and actual experience	\$ 15,496	\$ 109,617	\$ (94,121)
Changes of assumptions	635	91,440	(90,805)
Net difference between projected and actual earnings on pension plan investments	123,959	294,898	(170,939)
Total deferred amounts to be recognized in pension expense in future periods	\$ 140,090	\$ 495,955	\$ (355,865)
Pension contributions made subsequent to the measurement date	93,905	-	93,905
Total deferred amounts related to pensions	<u>\$ 233,995</u>	<u>\$ 495,955</u>	<u>\$ (261,960)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Net Deferred Outflows of Resources
2018	\$ (86,606)
2019	(103,273)
2020	(92,260)
2021	(73,726)
2022	-
Thereafter	-
	<u>\$ (355,865)</u>

C. Social Security

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

NOTE 11 - POST EMPLOYMENT BENEFIT COMMITMENTS

A. Teacher Health Insurance Security Fund (THIS)

General Information About the OPEB Plan

Plan Description

The District participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit post-employment healthcare plan that was established by the Illinois legislature for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants not enrolled

NOTES TO FINANCIAL STATEMENTS (Continued)

in Medicare may participate in the state-administered participating provider option plan or choose from several managed care options. Annuitants who are enrolled in Medicare Parts A and B may be eligible to enroll in a Medicare Advantage plan.

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

Benefits Provided

The State of Illinois offers comprehensive health plan options, all of which include prescription drug and behavioral health coverage. The State of Illinois offers TCHP, HMO, and OAP plans.

- Teachers' Choice Health Plan (TCHP) benefit recipients can choose any physician or hospital for medical services; however, benefit recipients receive enhanced benefits, resulting in lower out-of-pocket costs, when receiving services from a TCHP in-network provider. TCHP has a nationwide network and includes CVS/Caremark for prescription drug benefits and Magellan Behavioral Health for behavioral health services.
- Health Maintenance Organizations (HMO) benefit recipients are required to stay within the health plan provider network. No out-of-network services are available. Benefit recipients will need to select a primary care physician (PCP) from a network of participating providers. The PCP will direct all healthcare services and make referrals to specialists and hospitalization.
- Open Access Plan (OAP) benefit recipients will have three tiers of providers from which to choose to obtain services. The benefit level is determined by the tier in which the healthcare provider is contracted.
 - Tier I offers a managed care network which provides enhanced benefits and operates like an HMO.
 - Tier II offers an expanded network of providers and is a hybrid plan operating like an HMO and PPO.
 - Tier III covers all providers which are not in the managed care networks of Tiers I or II (i.e., out-of-network providers). Using Tier III can offer benefit recipients flexibility in selecting healthcare providers but involves higher out-of-pocket costs. Furthermore, benefit recipients who use out-of-network providers will be responsible for any amount that is over and above the charges allowed by the plan for services (i.e., allowable charges), which could result in substantial out-of-pocket costs. Benefit recipients enrolled in an OAP can mix and match providers and tiers.

Contributions

For the fiscal year ended June 30, 2018, the State Employees Group Insurance Act of 1971 (5 ILCS 375/6.6) requires that all active contributors of the THIS make contributions to the plan at a rate of 1.18% of salary and for every employer of a teacher to contribute an amount equal to .88% of each teacher's salary. For the fiscal year ended June 30, 2017, the employee contribution was 1.12% of salary and the employer contribution was .84% of each teacher's salary. The Department of Central Management Services determines, by rule, the percentage required, which each year shall not exceed 105% of the percentage of salary actually required to be paid in the previous fiscal year. In addition, under the State Pension Funds Continuing Appropriations Act (40 ILCS 15/1.3), there is appropriated, on a continuing annual basis, from the General Revenue Fund, an account of the General Fund, to the State Comptroller for deposit in the Teachers' Health Insurance Security Fund (THISF), an amount equal to the amount certified by the Board of Trustees of THIS as the estimated total amount of contributions to be paid under 5 ILCS 376/6.6(a) in that fiscal year. The member contribution, which may be paid on behalf of employees by the employer, is submitted to THIS by the employer.

NOTES TO FINANCIAL STATEMENTS (Continued)

On-Behalf Contributions to THIS. The State of Illinois makes employer benefit contributions on behalf of the District. For the year ended June 30, 2018, State of Illinois contributions recognized by the District were based on the State's proportionate share of the collective net OPEB liability associated with the District, and the District recognized revenue and expenditures of \$74,374 in benefit contributions from the State of Illinois.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2018, the District reported a liability for its proportionate share of the net OPEB liability (first amount shown below) that reflected a reduction for state benefit support provided to the District. The State's support and total are for disclosure purposes only. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$ 8,421,761
State's proportionate share of the net OPEB liability associated with the District	9,171,038
Total	<u>\$ 17,592,799</u>

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016 and rolled forward to June 30, 2017. The District's proportion of the net OPEB liability was based on the District's share of contributions to THIS for the measurement year ended June 30, 2017, relative to the contributions of all participating THIS employers and the State during that period. At June 30, 2017, the District's proportion was 0.032454%, which was a decrease of 0.001282% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized benefit expense of \$579,343 and on-behalf revenue/expense of \$74,374 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Outflows of Resources
Differences between expected and actual experience	\$ -	\$ (4,770)	\$ (4,770)
Net difference between projected and actual earnings on pension plan investments	-	(93)	(93)
Changes of assumptions	-	(1,002,722)	(1,002,722)
Changes in proportion and differences between employee contributions and proportionate share of contributions	-	(303,715)	(303,715)
Employer contributions subsequent to the measurement date	66,096	-	66,096
	<u>\$ 66,096</u>	<u>\$ (1,311,300)</u>	<u>\$ (1,245,204)</u>

\$66,096 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the reporting year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows in these reporting years:

Year Ending June 30	
2019	\$ (203,968)
2020	382,002
2021	389,370
2022	(1,596,570)
2023	(282,213)
	<u>\$ (1,311,379)</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

Actuarial Assumptions

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

Inflation	2.75%	
Salary Increases		Depends on service and ranges from 9.25% at 1 year of service to 3.25% at 20 or more years of service. Salary increase includes a 3.25% wage inflation assumption.
Investment Rate of Return		0%, net of OPEB plan investment expense, including inflation
Healthcare Cost Trend Costs		Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.00% and 9.00% for non-Medicare costs and post-Medicare costs, respectively, and gradually decrease to an ultimate trend of 4.5%. Additional trend rate of 0.59% is added to non-Medicare costs on and after 2020 to account for the Excise Tax.

Mortality rates for retirement and beneficiary annuitants were based on the RP-2014 White Collar Annuitant Mortality Table, adjusted for THIS experience. For disabled annuitants, mortality rates were based on the RP-Disabled Annuitant Table. All tables reflect future improvements using Projection Scale MP-2014. The actuarial assumptions that were used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2014.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Illinois Public Treasurers' Investment Pool	100.0%	0.68%
	<u>100.0%</u>	

Discount Rate

Projected benefit payments were discounted to their actuarial present value using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bond with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met). Since TRIP (Teachers' Retirement Insurance Program) is financed on a pay-as-you-go basis, a discount rate consistent with the 20-year general obligation bond index has been selected. The discount rates are 2.85% as of June 30, 2016, and 3.56% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and State contributions will be made at the current statutorily-required rates.

Based on those assumptions, THIS's fiduciary net position at June 30, 2017 was projected to be available to make all projected future benefit payments to current active and inactive members and all benefit recipients. Due to this subsidy, contributions from future members in excess of the service cost are also

NOTES TO FINANCIAL STATEMENTS (Continued)

included in the determination of the discount rate. All projected future payments were covered, so the long-term expected rate of return on THIS investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

At June 30, 2017, the discount rate used to measure the total OPEB liability was 3.56%.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 3.56%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.56%) or 1 percentage-point higher (4.56%) than the current rate.

	1% Decrease 2.56%	Current Discount Rate 3.56%	1% Increase 4.56%
Employer's proportionate share of the net OPEB liability	\$ 21,111,160	\$ 17,592,799	\$ 14,777,393

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher. The key trend rates are 8.00% in 2018 decreasing to an ultimate trend rate of 5.09% in 2025, for non-Medicare coverage, and 9.00% in 2018 decreasing to an ultimate trend rate of 4.5% in 2027 for Medicare coverage.

	1% Decrease 7.00% (a)	Healthcare Cost Valuation Rate	1% Increase 9.00% (b)
Employer's proportionate share of the net OPEB liability	\$ 14,199,119	\$ 17,592,799	\$ 22,463,637

- (a) One percentage point decrease in healthcare trend rates are 7.00% in 2018 decreasing to an ultimate trend rate of 4.09% in 2025, for non-Medicare coverage, and 8.00% in 2018 decreasing to an ultimate trend rate of 3.50% in 2027 for Medicare coverage.
- (b) One percentage point decrease in healthcare trend rates are 9.00% in 2018 decreasing to an ultimate trend rate of 6.09% in 2025, for non-Medicare coverage, and 10.00% in 2018 decreasing to an ultimate trend rate of 5.50% in 2027 for Medicare coverage.

B. Retiree Insurance Plan

Plan Overview

In addition to the retirement plan described in Note 10, the District provides post-employment benefits other than pensions ("OPEB") to employees who meet certain criteria. The Plan, a single-employer defined benefit plan, provides the following coverage:

Medical Coverage

Administrators

The District pays 100% of the premium for District medical coverage for the individual and spouse. The subsidy for both the retiree and spouse ends upon attainment of age 65 by the retiree.

Certified Teachers

The District offers the option of an annual \$2,000 cash payment or an annual \$2,000 contribution for TRIP coverage. The subsidy ends upon attainment of age 65 by the retiree. The amount stays fixed and does not increase.

IMRF Employees

IMRF employees may continue coverage into retirement on the District plans if they pay the entire premium. Dependents may also continue coverage on a pay-all basis. Coverage may continue for as long as required contributions are paid.

NOTES TO FINANCIAL STATEMENTS (Continued)

The Plan does not issue a stand-alone financial report.

Eligibility

Employees of the District are eligible for retiree health benefits as listed below:

Administrators & Certified Teachers

Employees must meet the Teachers' Retirement System ("TRS") requirements for participation in the TRS retirement program:

Tier I Members (First Contributed Prior to January 1, 2011)

- Age 62 with 5 years of service, or
- Age 60 with 10 years of service, or
- Age 55 with 20 years of service (discounted benefits), or
- Age 55 with 35 years of service.

Tier II Members (First Contributed On or After January 1, 2011)

- 62 years old with 10 years of service (reduced pension), or
- 67 years old with 10 years of service (full pension).

IMRF Employees

Employees must meet the following Illinois Municipal Retirement Fund ("IMRF") requirements for participation in the IMRF retirement program.

Regular Plan Tier I (Enrolled in IMRF Prior to January 1, 2011)

- At least 55 years old and at least 8 years of credited service (reduced pension)
- At least 60 years old and at least 8 years of credited service (full pension)

Regular Plan Tier II (Enrolled in IMRF Prior to January 1, 2011)

- At least 62 years old and at least 10 years of credited service (reduced pension)
- At least 67 years old and at least 10 years of credited service (full pension)

Membership in the plan consisted of the following at June 1, 2017, the date of the latest actuarial valuation:

Active Employees	182
Inactive Employees Entitled to but not yet Receiving Benefits	0
Inactive Employees Currently Receiving Benefits	2
Total	<u>184</u>

Contribution

The required contribution is based on projected pay-as-you-go financing requirements. Employees are not required to contribute to the plan.

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2018, and the total OPEB liability was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

NOTES TO FINANCIAL STATEMENTS (Continued)

Discount rate	2.98%
Salary Rate Increase	4.00%
Expected long-term investment rate of return	N/A
Health Care Trend	

	Insurance Year Trends			Fiscal Year Trends		
	Period	PPO	HMO	Period	PPO	HMO
(1) Known rate	IY17-IY18	4.80% ⁽¹⁾	5.40% ⁽¹⁾	FY18-FY19	5.80%	5.07%
	IY18-IY19	6.00%	5.00%	FY19-FY20	5.90%	4.95%
	IY19-IY20	5.88%	4.94%	FY20-FY21	5.77%	4.89%
	IY20-IY21	5.75%	4.88%	FY21-FY22	5.65%	4.82%
	IY21-IY22	5.63%	4.81%	FY22-FY23	5.52%	4.76%
	IY22-IY23	5.50%	4.75%	FY23-FY24	5.40%	4.70%
	IY23-IY24	5.38%	4.69%	FY24-FY25	5.27%	4.64%
	IY24-IY25	5.25%	4.63%	FY25-FY26	5.15%	4.57%
	IY25-IY26	5.13%	4.56%	FY26-FY27	5.02%	4.51%
	IY26-IY27	5.00%	4.50%	FY27-FY28	5.00%	4.50%
	Subsequent	5.00%	4.50%	Subsequent	5.00%	4.50%

Retiree Contribution Trend: Same as Health Care Trend

Mortality: IMRF Employees & Retirees: Rates from the December 31, 2017 IMRF Actuarial Valuation Report. TRS Employees & Retirees: Rates from the June 30, 2017 Teachers' Retirement System Actuarial Valuation Report.

Retirement Rates: IMRF Employees: Rates from the Dec. 31, 2017 IMRF Actuarial Valuation Report. No Early Retirement Rates assumed. TRS Employees: Rates from the June 30, 2017 Teachers' Retirement System Actuarial Valuation Report.

Withdrawal Rates: IMRF Employees: Rates from the Dec. 31, 2017 IMRF Actuarial Valuation Report. TRS Employees: Rates from the June 30, 2017 Teachers' Retirement System Actuarial Valuation Report.

Disability Rates: IMRF Employees: Rates from the Dec. 31, 2017 IMRF Actuarial Valuation Report. TRS Employees: Rates from the June 30, 2017 Teachers' Retirement System Actuarial Valuation Report.

Age	PPO Plan		HMO Plan	
	Retiree	Spouse	Retiree	Spouse
55	\$ 11,261	\$ 17,350	\$ 8,537	\$ 14,824
57	12,179	18,766	9,234	16,033
60	13,700	21,109	10,387	18,035
62	14,818	22,831	11,234	19,507
64	16,027	24,694	12,151	21,099

	Retiree	Spouse
PPO Plan	\$ 8,228	\$ 12,677
HMO Plan	6,238	10,832

Morbidity: Under 65 - 4.00%

Election at Retirement: 20% of IMRF employees are assumed to elect continuation of coverage at retirement. 100% of administrators are assumed to elect free medical coverage on the District plan at retirement. 50% of Teachers are assumed to elect the \$2,000 annual payment for TRIP coverage and 50% are assumed to elect the \$2,000 annual cash payment.

Marital Status: 40% over IMRF employees and 80% of Administrators electing retiree coverage are assumed to be married and to elect spousal coverage with males three years older than females. Actual spouse data was used for current retirees.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2017 through June 30, 2018.

There is no long-term expected rate of return on OPEB plan investments because the District does not have a trust dedicated exclusively to the payment of OPEB benefits.

Discount Rate

The District does not have a dedicated trust to pay retiree healthcare benefits. Per GASB 75, the discount rate should be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

NOTES TO FINANCIAL STATEMENTS (Continued)

A rate of 2.98% is used, which is the S&P Municipal Bond 20-Year High-Grade Rate Index as of June 29, 2018.

Changes in the Total OPEB Liability

	Increase/(Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2017	\$ 707,537	\$ -	\$ 707,537
Changes for the year:			
Service Cost	\$ 41,955	\$ -	\$ 41,955
Interest on Total OPEB Liability	22,917	-	22,917
Actuarial Experience	226,672	-	226,672
Assumption Changes	(187,320)	-	(187,320)
Benefit Payments	(12,486)	-	(12,486)
Other Changes	(23,990)	-	(23,990)
Net Changes	\$ 67,748	\$ -	\$ 67,748
Balances at June 30, 2018	\$ 775,285	\$ -	\$ 775,285

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate:

Plan's Total OPEB Liability/(Asset)		
1% Increase	Valuation Rate	1% Decrease
\$ 718,780	\$ 775,285	\$ 835,170

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

Plan's Total OPEB Liability/(Asset)		
Healthcare Cost		
1% Increase	Valuation Rate	1% Decrease
\$ 856,866	\$ 775,285	\$ 704,814

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of \$66,491. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Inflows of Resources
Differences Between Expected and Actual Experience	\$ 202,796	\$ -	\$ 202,796
Changes of Assumptions	7,735	196,788	(189,053)
Total	\$ 210,531	\$ 196,788	\$ 13,743

Changes in total OPEB liability related to the difference in actual and expected experience, or changes in assumptions regarding future events, are recognized in OPEB expense over the expected remaining service life of all employees (9.49 years, active and retired) in the postretirement plan.

NOTES TO FINANCIAL STATEMENTS (Continued)

Amounts reported as deferred outflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Year ending June 30	Net Outflows/(Inflows)
2019	\$ 1,618
2020	1,618
2021	1,618
2022	1,618
2023	1,618
2024	1,618
2025	1,618
2026	1,618
2027	799
	<u>\$ 13,743</u>

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; and injuries to employees.

The District is a member of the Collective Liability Insurance Cooperative (CLIC), a joint risk management pool of school districts through which property, general liability, automobile liability, crime, excess property, excess liability, and boiler and machinery coverage is provided in excess of specified limits for the members, acting as a single insurable unit.

The relationship between the District and CLIC is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The District is contractually obligated to make all annual and supplementary contributions for CLIC, to report claims on a timely basis, cooperate with CLIC, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by CLIC. Members have a contractual obligation to fund any deficit of CLIC attributable to a membership year during which they were a member.

CLIC is responsible for administering the self-insurance program and purchasing excess insurance according to the direction of the Board of Directors. CLIC also provides its members with risk management services, including the defense of and settlement of claims, and establishes reasonable and necessary loss of reduction and prevention procedures to be followed by the members.

As of June 30, 2018, there have been no settlement amounts which have exceeded insurance coverage in the past three years.

NOTE 13 - CONTINGENCIES

The District is not aware of any litigation which might have a material adverse effect on the District's financial position.

NOTE 14 - LEGAL DEBT LIMITATION

The Illinois School Code limits the amount of indebtedness to 6.9% of the most recent available equalized assessed valuation (EAV) of the District. The District's legal debt limitation is as follows:

2017 EAV	\$ 345,220,153
Rate	<u>6.90%</u>
Debt Margin	\$ 23,820,191
Current Debt	104,234
Remaining Debt Margin	<u>\$ 23,715,957</u>

NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE

Effective in the year ended June 30, 2018, the District has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No. 85, *Omnibus 2017*. These Statements establish financial reporting standards for postemployment benefits other than pension agreements offered by the District. The Statements also require additional disclosures about the postemployment benefits other than pensions offered by the District.

NOTE 16 - NET POSITION ADJUSTMENT

An adjustment was made to the District's net position in the amount of \$9,809,804. Due to the implementation of the new standard of GASB 75, an adjustment was made in this amount to the OPEB liability beginning balance.



REQUIRED SUPPLEMENTARY INFORMATION



NIPPERSINK SCHOOL DISTRICT NO. 2
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION
LIABILITY AND RELATED RATIOS
JUNE 30, 2018

	6/30/2018 *	6/30/2017 *	6/30/2016 *	6/30/2015 *
TOTAL PENSION LIABILITY				
Service Cost	\$ 202,596	\$ 190,714	\$ 162,043	\$ 167,365
Interest on the Total Pension Liability	349,050	322,358	286,382	255,512
Differences Between Expected and Actual Experience	(128,440)	(48,290)	129,460	(61,175)
Changes of Assumptions	(127,848)	(5,694)	5,315	168,527
Benefit Payments, Including Refunds of Member Contributions	(115,403)	(114,354)	(109,883)	(122,041)
Net Change in Total Pension Liability	\$ 179,955	\$ 344,734	\$ 473,317	\$ 408,188
Total Pension Liability - Beginning	4,610,399	4,265,665	3,792,348	3,384,160
Total Pension Liability - Ending	\$ 4,790,354	\$ 4,610,399	\$ 4,265,665	\$ 3,792,348
PLAN FIDUCIARY NET POSITION				
Contributions - Employer	\$ 168,901	\$ 160,777	\$ 149,818	\$ 140,998
Contributions - Member	82,975	79,331	70,081	61,126
Net Investment Income	670,389	253,153	18,292	203,793
Benefit Payments, Including Refunds of Member Contributions	(115,403)	(114,354)	(109,883)	(122,041)
Other (Net Transfers)	(44,132)	(30,900)	(102,274)	18,647
Net Change in Plan Fiduciary Net Position	\$ 762,730	\$ 348,007	\$ 26,034	\$ 302,523
Plan Net Position - Beginning	3,977,384	3,629,377	3,603,343	3,300,820
Plan Net Position - Ending	\$ 4,740,114	\$ 3,977,384	\$ 3,629,377	\$ 3,603,343
District's Net Pension Liability	\$ 50,240	\$ 633,015	\$ 636,288	\$ 189,005
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.95%	86.27%	85.08%	95.02%
Covered-Valuation Payroll	\$ 1,844,426	\$ 1,762,905	\$ 1,557,349	\$ 1,429,764
Employer's Net Pension Liability as a Percentage of Covered-Valuation Payroll	2.72%	35.91%	40.86%	13.22%

* This information presented is based on the actuarial valuation performed as of the December 31 year end prior to the fiscal year end listed above.

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

NIPPERSINK SCHOOL DISTRICT NO. 2
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF EMPLOYER CONTRIBUTION
JUNE 30, 2018

	<u>6/30/2018 *</u>	<u>6/30/2017 *</u>	<u>6/30/2016 *</u>	<u>6/30/2015 *</u>
Actuarially-Determined Contribution	\$ 168,900	\$ 160,777	\$ 149,817	\$ 148,410
Contributions in relation to Actuarially-Determined Contribution	<u>168,901</u>	<u>160,777</u>	<u>149,818</u>	<u>140,998</u>
Contribution deficiency/(excess)	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ 7,412</u>
Covered-Valuation Payroll	\$ 2,018,312	\$ 1,762,905	\$ 1,557,349	\$ 1,429,764
Contributions as a percentage of Covered-Valuation Payroll	8.37%	9.12%	9.62%	9.86%

Notes to Schedule:

Actuarial Method and Assumptions Used on the Calculation of the 2017 Contribution Rate *

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

Actuarial Cost Method: Aggregate entry age = normal

Amortization Method: Level percentage of payroll, closed

Remaining Amortization Period: 26-year closed period

Asset Valuation Method: 5-year smoothed market; 20% corridor

Wage Growth: 3.5%

Price Inflation: 2.75%, approximate; No explicit price inflation assumption is used in this valuation.

Salary Increases: 3.75% to 14.50%, including inflation

Investment Rate of Return: 7.50%

Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011 to 2013.

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

*Based on Valuation Assumptions used in the December 31, 2015 actuarial valuation; note two year lag between valuation and rate setting.

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

NIPPERSINK SCHOOL DISTRICT NO. 2
 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
 SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 JUNE 30, 2018

	<u>6/30/2018 *</u>	<u>6/30/2017 *</u>	<u>6/30/2016 *</u>	<u>6/30/2015 *</u>
Employer's proportion of the Net Pension Liability	0.0012923%	0.0024326%	0.0011060%	0.0011254%
Employer's proportionate share of the Net Pension Liability	\$ 987,259	\$ 1,920,217	\$ 724,542	\$ 684,892
State's proportionate share of the Net Pension Liability associated with the employer	<u>55,454,806</u>	<u>57,355,949</u>	<u>43,264,650</u>	<u>42,710,532</u>
Total	<u>\$ 56,442,065</u>	<u>\$ 59,276,166</u>	<u>\$ 43,989,192</u>	<u>\$ 43,395,424</u>
Employer's Covered-Employee Payroll	\$ 7,385,226	\$ 7,311,686	\$ 6,960,107	\$ 6,747,521
Employer's proportionate share of the Net Pension Liability as a percentage of its Covered-Employee Payroll	13.37%	26.26%	10.41%	10.15%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	39.30%	36.40%	41.50%	43.00%

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

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

Changes of Assumptions:

For the 2017 and 2016 measurement year, the assumed investment rate of return was of 7.0%, including an inflation rate of 2.5% and a real return of 4.5%. Salary increases were assumed to vary by service credit.

For the 2015 measurement year, the assumed investment rate of return was 7.5%, including an inflation rate of 3.0% and a real return of 4.5%. Salary increases were assumed to vary by service credit. Various other changes in assumptions were adopted based on the experience analysis for the three-year period ending June 30, 2014.

For the 2014 measurement year, the assumed investment rate of return was also 7.5%, including an inflation rate of 3.0% and a real return of 4.5%. However, salary increases were assumed to vary by age.

NIPPERSINK SCHOOL DISTRICT NO. 2
 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
 SCHEDULE OF EMPLOYER CONTRIBUTION
 JUNE 30, 2018

	<u>6/30/2018 *</u>	<u>6/30/2017 *</u>	<u>6/30/2016 *</u>	<u>6/30/2015 *</u>
Statutorily-Required Contribution	\$ 53,240	\$ 84,357	\$ 68,917	\$ 64,237
Contributions in relation to Statutorily-Required Contribution	<u>51,637</u>	<u>94,208</u>	<u>38,754</u>	<u>40,425</u>
Contribution deficiency/(excess)	<u>\$ 1,603</u>	<u>\$ (9,851)</u>	<u>\$ 30,163</u>	<u>\$ 23,812</u>
Employer's Covered-Employee Payroll	\$ 7,385,226	\$ 7,311,686	\$ 6,960,107	\$ 6,747,521
Contributions as a percentage of Covered-Employee Payroll	0.70%	1.29%	0.56%	0.60%

* - This information presented is based on the actuarial valuation performed as of the prior June 30 year end.

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

NIPPERSINK SCHOOL DISTRICT NO. 2
 TEACHER HEALTH INSURANCE SECURITY FUND OF THE STATE OF ILLINOIS
 SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE
 OF THE NET OPEB LIABILITY
 JUNE 30, 2018

	6/30/2018 *
Employer's proportion of the Net OPEB Liability	0.0324540%
Employer's proportionate share of the Net OPEB Liability	\$ 8,421,761
State's proportionate share of the Net OPEB Liability associated with the employer	9,171,038
Total	\$ 17,592,799
Employer's Covered Payroll	\$ 7,408,068
Employer's proportionate share of the Net OPEB Liability as a percentage of Covered Payroll	113.68%
OPEB Plan Net Position as a percentage of the Total OPEB Liability	-0.17%

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

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

Changes of Assumptions:

For the 2017 measurement year, the assumed investment rate of return was 0%, including an inflation rate of 2.75%, and the healthcare cost trend rates used the actual trend. Salary increases include a 3.25% wage inflation.

NIPPERSINK SCHOOL DISTRICT NO. 2
 TEACHER HEALTH INSURANCE SECURITY FUND OF THE STATE OF ILLINOIS
 SCHEDULE OF EMPLOYER CONTRIBUTION
 JUNE 30, 2018

	6/30/2018 *
Statutorily-Required Contribution	\$ 68,298
Contributions in relation to the Statutorily-Required Contribution	62,036
Contribution deficiency/(excess)	\$ 6,262
Employer's Covered Payroll	\$ 7,601,515
Contributions as a percentage of Covered Payroll	0.82%

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

* - This information presented is based on the actuarial valuation performed as of the prior June 30 year end.

NIPPERSINK SCHOOL DISTRICT NO. 2
 OTHER POST-EMPLOYMENT BENEFIT
 SCHEDULE OF CHANGES IN THE EMPLOYER'S NET OPEB
 LIABILITY AND RELATED RATIOS
 JUNE 30, 2018

	6/30/2018
TOTAL OPEB LIABILITY	
Service Cost	\$ 41,955
Interest	22,917
Changes in Benefit Terms	-
Differences Between Expected and Actual Experience	226,672
Benefit Payments	(12,485)
Changes in Assumptions	(187,320)
Other Changes	(23,991)
Net Change in Total OPEB Liability	\$ 67,748
 Total OPEB Liability - Beginning	 707,537
Total OPEB Liability - Ending	\$ 775,285
District's Net OPEB Plan Liability	\$ 775,285
 OPEB Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%
 Covered-Employee Payroll	\$ 8,816,879
 Employer's Net OPEB Liability as a Percentage of Covered-Valuation Payroll	8.79%

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

NIPPERSINK SCHOOL DISTRICT NO. 2
 OTHER POST-EMPLOYMENT BENEFIT
 SCHEDULE OF EMPLOYER CONTRIBUTION
 JUNE 30, 2018

	6/30/2018
Actuarially-Determined Contribution	N/A
Contributions in Relation to Actuarially-Determined Contribution	-
Contribution Deficiency/(Excess)	N/A
Covered-Employee Payroll	\$ 8,816,879
Contributions as a Percentage of Covered-Employee Payroll	0.00%

Notes to Schedule:

There is no ADC or employer contribution in relation to the ADC, as the total OPEB liabilities are currently an unfunded obligation.

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

NIPPERSINK SCHOOL DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2018

	Budgeted	
	Original and Final	Actual
REVENUES		
Property Taxes	\$ 10,210,000	\$ 9,999,415
Payments in Lieu of Taxes	90,000	76,290
Tuition	15,000	38,302
Earnings on Investments	32,000	90,493
Food Service	190,000	193,752
District/School Activity Income	120,000	32,543
Textbooks	-	86,227
Other Local Sources	77,500	83,082
State Aid		
General State Aid	601,000	1,095,401
Special Education	490,400	77,102
State Free Lunch and Breakfast	300	770
Other Restricted Revenue from State Sources	-	1,597
Federal Aid		
Food Service	85,000	97,298
Title I	110,000	116,160
Title IV	-	10,000
Federal Special Education	215,000	233,527
Title II - Teacher Quality	20,000	29,184
Medicaid Matching Funds - Administrative Outreach	25,000	18,340
On-Behalf Payments	-	5,531,970
Total Revenues	\$ 12,281,200	\$ 17,811,453
EXPENDITURES		
Instruction		
Regular Programs		
Salaries	\$ 5,128,000	\$ 5,283,519
Employee Benefits	1,145,000	1,212,275
Purchased Services	30,000	16,510
Supplies and Materials	140,000	160,973
Other Objects	5,000	-
	\$ 6,448,000	\$ 6,673,277
Special Education Programs		
Salaries	\$ 1,189,000	\$ 1,381,892
Employee Benefits	27,000	22,644
Purchased Services	50,000	179,882
Supplies and Materials	2,000	6,942
	\$ 1,268,000	\$ 1,591,360
Interscholastic Programs		
Salaries	\$ 61,000	\$ 53,077
Employee Benefits	1,000	684
Purchased Services	5,000	5,828
Supplies and Materials	5,000	724
Other Objects	3,000	2,095
	\$ 75,000	\$ 62,408
Summer School Programs		
Salaries	\$ 55,000	\$ 47,315
Employee Benefits	750	506
	\$ 55,750	\$ 47,821
Gifted Programs		
Salaries	\$ 53,000	\$ 60,712
Employee Benefits	1,000	828
Supplies and Materials	2,500	5,948
Other Objects	1,000	5,773
	\$ 57,500	\$ 73,261
Total Instruction	\$ 7,904,250	\$ 8,448,127

NIPPERSINK SCHOOL DISTRICT NO. 2
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts Original and Final</u>	<u>Actual Amounts</u>
EXPENDITURES (Continued)		
Support Services		
Pupils		
Attendance and Social Work Services		
Salaries	\$ 162,000	\$ 146,158
Employee Benefits	2,500	1,710
	<u>\$ 164,500</u>	<u>\$ 147,868</u>
Guidance Services		
Salaries	\$ 66,000	\$ 67,877
Employee Benefits	1,000	981
Purchased Services	-	2,437
Supplies and Materials	4,000	-
	<u>\$ 71,000</u>	<u>\$ 71,295</u>
Health Services		
Salaries	\$ 132,000	\$ 121,653
Employee Benefits	4,200	4,247
Supplies and Materials	8,000	5,804
	<u>\$ 144,200</u>	<u>\$ 131,704</u>
Psychological Services		
Salaries	\$ 120,000	\$ 53,642
Employee Benefits	1,750	1,035
	<u>\$ 121,750</u>	<u>\$ 54,677</u>
Other Support Services - Pupils		
Salaries	\$ 170,000	\$ 206,340
Employee Benefits	9,000	8,900
	<u>\$ 179,000</u>	<u>\$ 215,240</u>
Total Support Services - Pupils	<u>\$ 680,450</u>	<u>\$ 620,784</u>
Instructional Staff		
Improvement of Instruction Services		
Salaries	\$ 90,000	\$ 50,395
Employee Benefits	12,000	471
Purchased Services	150,000	243,599
Supplies and Materials	70,000	77,315
	<u>\$ 322,000</u>	<u>\$ 371,780</u>
Educational Media Services		
Salaries	\$ 185,000	\$ 267,535
Employee Benefits	6,000	17,100
Purchased Services	-	377
Supplies and Materials	13,000	15,435
	<u>\$ 204,000</u>	<u>\$ 300,447</u>
Total Support Services - Instructional Staff	<u>\$ 526,000</u>	<u>\$ 672,227</u>
General Administration		
Board of Education Services		
Purchased Services	\$ 100,000	\$ 80,691
Supplies and Materials	1,000	227
Other Objects	7,500	7,972
	<u>\$ 108,500</u>	<u>\$ 88,890</u>
Executive Administration Services		
Salaries	\$ 100,000	\$ 143,057
Employee Benefits	10,000	14,574
Purchased Services	300,000	263,307
Supplies and Materials	1,000	361
Other Objects	2,000	240
	<u>\$ 413,000</u>	<u>\$ 421,539</u>
Tort Immunity Services		
Purchased Services	\$ -	\$ 579
	<u>\$ -</u>	<u>\$ 579</u>
Workers' Compensation or Worker's Occupational Disease Act		
Purchased Services	\$ 80,000	\$ 136,952
	<u>\$ 80,000</u>	<u>\$ 136,952</u>

See Accompanying Independent Auditor's Report

NIPPERSINK SCHOOL DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts	Actual Amounts
	Original and Final	
EXPENDITURES (Continued)		
Support Services (Continued)		
General Administration (Continued)		
Unemployment Insurance Payments		
Purchased Services	\$ 55,000	\$ -
	<u>\$ 55,000</u>	<u>\$ -</u>
Insurance Payments		
Purchased Services	\$ 42,000	\$ 2,050
	<u>\$ 42,000</u>	<u>\$ 2,050</u>
Total Support Services - General Administration	<u>\$ 698,500</u>	<u>\$ 650,010</u>
School Administration		
Office of the Principal Services		
Salaries	\$ 545,000	\$ 624,064
Employee Benefits	52,000	53,385
Purchased Services	1,000	1,802
Supplies and Materials	50,000	59,386
Other Objects	7,500	3,036
	<u>\$ 655,500</u>	<u>\$ 741,673</u>
Other Support Services - School Administration		
Salaries	\$ 70,000	\$ 73,404
Employee Benefits	9,750	9,814
Purchased Services	500	8,844
Supplies and Materials	-	876
	<u>\$ 80,250</u>	<u>\$ 92,938</u>
Total Support Services - School Administration	<u>\$ 735,750</u>	<u>\$ 834,611</u>
Business		
Fiscal Services		
Salaries	\$ 68,000	\$ 97,018
Employee Benefits	5,000	4,523
Purchased Services	16,000	14,587
Supplies and Materials	10,000	7,674
Other Objects	-	550
	<u>\$ 99,000</u>	<u>\$ 124,352</u>
Total Support Services - Business	<u>\$ 99,000</u>	<u>\$ 124,352</u>
Food Services		
Salaries	\$ 130,000	\$ 123,096
Employee Benefits	28,000	26,971
Purchased Services	1,500	630
Supplies and Materials	155,000	154,472
Other Objects	-	600
	<u>\$ 314,500</u>	<u>\$ 305,769</u>
Total Support Services - Food Services	<u>\$ 314,500</u>	<u>\$ 305,769</u>
Central		
Staff Services		
Purchased Services	-	200
	<u>\$ -</u>	<u>\$ 200</u>
Data Processing Services		
Salaries	\$ 215,000	\$ 224,618
Employee Benefits	11,000	9,361
Purchased Services	405,000	214,962
Supplies and Materials	262,000	171,123
Other Objects	1,000	-
	<u>\$ 894,000</u>	<u>\$ 620,264</u>
Total Support Services - Central	<u>\$ 894,000</u>	<u>\$ 620,264</u>
Other Support Services		
Purchased Services	\$ -	\$ 8,949
	<u>\$ -</u>	<u>\$ 8,949</u>
Total Other Support Services	<u>\$ -</u>	<u>\$ 8,949</u>
Total Support Services	<u>\$ 3,948,200</u>	<u>\$ 3,836,966</u>

See Accompanying Independent Auditor's Report

NIPPERSINK SCHOOL DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts Original and Final	Actual Amounts
EXPENDITURES (Continued)		
Payments to Other Districts and Governmental Units		
Payments to Other Districts and Governmental Units (In-State)		
Payments for Special Education Programs		
Purchased Services	\$ 75,000	\$ 250
Other Objects	225,000	247,774
Total Payments to Other Districts and Governmental Units (In-State)	\$ 300,000	\$ 248,024
Total Payments to Other Districts and Governmental Units	\$ 300,000	\$ 248,024
Capital Outlay		
Instruction		
Regular Programs	\$ 10,000	\$ 34,192
Special Education Programs	3,000	4,653
Other Instructional Programs	1,000	5,632
Support Services		
School Administration	25,000	500
Central	51,000	86,845
	\$ 90,000	\$ 131,822
On-Behalf Payments	\$ -	\$ 5,531,970
Total Expenditures	\$ 12,242,450	\$ 18,196,909
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 38,750	\$ (385,456)
OTHER FINANCING SOURCES (USES)		
Interfund Transfers	-	(144,652)
NET CHANGE IN FUND BALANCE	\$ 38,750	\$ (530,108)
FUND BALANCE - JULY 1, 2017	7,609,160	7,791,079
FUND BALANCE - JUNE 30, 2018	\$ 7,647,910	\$ 7,260,971

See Accompanying Independent Auditor's Report

NIPPERSINK SCHOOL DISTRICT NO. 2
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 SPECIAL REVENUE FUND - OPERATIONS AND MAINTENANCE FUND
 YEAR ENDED JUNE 30, 2018

	Budgeted Amounts Original and Final	Actual Amounts
REVENUES		
Property Taxes	\$ 1,650,000	\$ 1,632,142
Earnings on Investments	10,000	41,599
Other Local Sources	500	4,633
Total Revenues	\$ 1,660,500	\$ 1,678,374
EXPENDITURES		
Support Services		
Operations and Maintenance		
Salaries	\$ 425,000	\$ 420,166
Employee Benefits	95,000	81,117
Purchased Services	475,000	237,975
Supplies and Materials	700,000	745,844
Total Support Services - Operations and Maintenance	\$ 1,695,000	\$ 1,485,102
Total Support Services	\$ 1,695,000	\$ 1,485,102
Capital Outlay		
Support Services		
Operations and Maintenance	\$ 50,000	\$ 36,311
Total Capital Outlay	\$ 50,000	\$ 36,311
Total Expenditures	\$ 1,745,000	\$ 1,521,413
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (84,500)	\$ 156,961
OTHER FINANCING SOURCES (USES)		
Interfund Transfers	(472,000)	-
NET CHANGE IN FUND BALANCE	\$ (556,500)	\$ 156,961
FUND BALANCE - JULY 1, 2017	2,406,503	2,462,348
FUND BALANCE - JUNE 30, 2018	\$ 1,850,003	\$ 2,619,309

See Accompanying Independent Auditor's Report

NIPPERSINK SCHOOL DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - TRANSPORTATION FUND
YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts Original and Final</u>	<u>Actual Amounts</u>
REVENUES		
Property Taxes	\$ 425,000	\$ 324,340
Earnings on Investments	3,500	33,698
Other Local Sources	-	7,263
State Aid		
Transportation	344,000	316,751
Total Revenues	<u>\$ 772,500</u>	<u>\$ 682,052</u>
EXPENDITURES		
Support Services		
Transportation		
Purchased Services	\$ 675,000	\$ 650,410
Total Support Services - Transportation	<u>\$ 675,000</u>	<u>\$ 650,410</u>
Total Support Services	<u>\$ 675,000</u>	<u>\$ 650,410</u>
Total Expenditures	<u>\$ 675,000</u>	<u>\$ 650,410</u>
NET CHANGE IN FUND BALANCE	<u>\$ 97,500</u>	<u>\$ 31,642</u>
FUND BALANCE - JULY 1, 2017	<u>1,957,697</u>	<u>2,147,390</u>
FUND BALANCE - JUNE 30, 2018	<u><u>\$ 2,055,197</u></u>	<u><u>\$ 2,179,032</u></u>

See Accompanying Independent Auditor's Report

NIPPERSINK SCHOOL DISTRICT NO. 2
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 SPECIAL REVENUE FUND - ILLINOIS MUNICIPAL RETIREMENT/SOCIAL SECURITY FUND
 YEAR ENDED JUNE 30, 2018

	Budgeted Amounts <u>Original and Final</u>	Actual Amounts
REVENUES		
Property Taxes	\$ 225,000	\$ 274,439
FICA/Medicare Only Purposes Levies	225,000	274,470
Payments in Lieu of Taxes	25,000	31,160
Earnings on Investments	2,500	5,513
Total Revenues	\$ 477,500	\$ 585,582
EXPENDITURES		
Instruction		
Employee Benefits		
Regular Programs	\$ 92,000	\$ 93,389
Special Education Programs	72,900	77,894
Interscholastic Programs	2,750	1,814
Summer School Programs	2,000	2,910
Gifted Programs	850	825
Total Instruction	\$ 170,500	\$ 176,832
Support Services		
Pupils		
Employee Benefits		
Attendance and Social Work Services	\$ 2,500	\$ 2,229
Guidance Services	1,000	978
Health Services	13,500	14,133
Psychological Services	1,825	1,035
Other Support Services - Pupils	34,000	33,073
Total Supports Services - Pupils	\$ 52,825	\$ 51,448
Instructional Staff		
Employee Benefits		
Improvement of Instruction Services	\$ 2,250	\$ 2,172
Educational Media Services	12,500	12,894
Total Support Services - Instructional Staff	\$ 14,750	\$ 15,066
General Administration		
Employee Benefits		
Executive Administration Services	\$ 13,775	\$ 12,031
Total Support Services - General Administration	\$ 13,775	\$ 12,031
School Administration		
Employee Benefits		
Office of the Principal Services	\$ 34,000	\$ 33,825
Other Support Services - School Administration	5,000	4,814
Total Support Services - School Administration	\$ 39,000	\$ 38,639
Business		
Employee Benefits		
Fiscal Services	\$ 16,750	\$ 17,389
Total Support Services - Business	\$ 16,750	\$ 17,389

See Accompanying Independent Auditor's Report

NIPPERSINK SCHOOL DISTRICT NO. 2
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 SPECIAL REVENUE FUND - ILLINOIS MUNICIPAL RETIREMENT/SOCIAL SECURITY FUND
 YEAR ENDED JUNE 30, 2018

	Budgeted Amounts Original and Final	Actual Amounts
EXPENDITURES (Continued)		
Support Services (Continued)		
Operations and Maintenance		
Employee Benefits	\$ 75,000	\$ 70,921
Total Support Services - Operations and Maintenance	\$ 75,000	\$ 70,921
Food Services		
Employee Benefits	\$ 25,000	\$ 20,881
Total Support Services - Food Services	\$ 25,000	\$ 20,881
Central		
Data Processing Services		
Employee Benefits	\$ 37,500	\$ 34,705
Total Support Services - Central	\$ 37,500	\$ 34,705
Total Support Services	\$ 274,600	\$ 261,080
Total Expenditures	\$ 445,100	\$ 437,912
NET CHANGE IN FUND BALANCE	\$ 32,400	\$ 147,670
FUND BALANCE - JULY 1, 2017	8,018	(100,252)
FUND BALANCE - JUNE 30, 2018	\$ 40,418	\$ 47,418

See Accompanying Independent Auditor's Report

NIPPERSINK SCHOOL DISTRICT NO. 2
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 JUNE 30, 2018

NOTE 1 - BUDGETARY PROCESS

The District follows procedures mandated by Illinois State law and District Board policy to establish the budgetary data reflected in its financial statements. The budget was passed on September 27, 2017. The modified accrual basis budgeted amounts in this report are the result of full compliance with the following procedures:

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

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

1. Prior to July 1, the Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing on that date. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally adopted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year.
5. The Board of Education may make transfers between the various items in any fund not exceeding in the aggregate 10% of the total of such fund as set forth in the budget.
6. The Board of Education may amend the budget (in other ways) by the same procedures required of its original adoption.

NOTE 2 - EXCESS OF EXPENDITURES OVER BUDGET

For the year ended June 30, 2018, the following District fund presented as Required Supplementary Information had expenditures that exceeded budget:

Fund	Budget	Actual	Excess of Actual Over Budget
General Fund	\$ 12,242,450	\$ 18,196,909	\$ 5,954,459

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SUPPLEMENTAL FINANCIAL INFORMATION



NIPPERSINK SCHOOL DISTRICT NO. 2
 COMBINING BALANCE SHEET
 GENERAL FUND
 JUNE 30, 2018

ASSETS	Educational Fund	Working Cash Fund	Tort Immunity Fund	Total General Fund
Cash and Cash Equivalents	\$ 8,015,033	\$ -	\$ 18,411	\$ 8,033,444
Investments, at Fair Value	4,206,804	1,046,105	451,837	5,704,746
Accrued Interest Receivable, net of allowance of \$0	12,270	822	427	13,519
Other Accounts Receivable, net of allowance of \$0	58,602	-	-	58,602
Property Taxes Receivable, net of allowance of \$59,010	4,464,871	11,380	84,201	4,560,452
Due from Other Governments, net of allowance of \$0	179,214	-	-	179,214
Total Assets	<u>\$ 16,936,794</u>	<u>\$ 1,058,307</u>	<u>\$ 554,876</u>	<u>\$ 18,549,977</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 114,123	\$ -	\$ -	\$ 114,123
Payroll Liabilities	1,214,988	-	-	1,214,988
Total Liabilities	<u>\$ 1,329,111</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,329,111</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	\$ 9,751,148	\$ 24,854	\$ 183,893	\$ 9,959,895
Total Deferred Revenue	<u>\$ 9,751,148</u>	<u>\$ 24,854</u>	<u>\$ 183,893</u>	<u>\$ 9,959,895</u>
FUND BALANCE				
Restricted				
Tort	\$ -	\$ -	\$ 346,913	\$ 346,913
Unassigned	5,856,535	1,033,453	24,070	6,914,058
Total Fund Balance	<u>\$ 5,856,535</u>	<u>\$ 1,033,453</u>	<u>\$ 370,983</u>	<u>\$ 7,260,971</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 16,936,794</u>	<u>\$ 1,058,307</u>	<u>\$ 554,876</u>	<u>\$ 18,549,977</u>

See Accompanying Independent Auditor's Report

NIPPERSINK SCHOOL DISTRICT NO. 2
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GENERAL FUND
 YEAR ENDED JUNE 30, 2018

	Educational Fund	Working Cash Fund	Tort Immunity Fund	Total General Fund
REVENUES				
Property Taxes	\$ 9,789,845	\$ 24,947	\$ 184,623	\$ 9,999,415
Payments in Lieu of Taxes	76,290	-	-	76,290
Tuition	38,302	-	-	38,302
Earnings on Investments	77,007	7,995	5,491	90,493
Food Service	193,752	-	-	193,752
District/School Activity Income	32,543	-	-	32,543
Textbooks	86,227	-	-	86,227
Other Local Sources	68,794	-	14,288	83,082
State Aid	1,174,870	-	-	1,174,870
Federal Aid	504,509	-	-	504,509
On-Behalf Payments	5,531,970	-	-	5,531,970
	<u>\$ 17,574,109</u>	<u>\$ 32,942</u>	<u>\$ 204,402</u>	<u>\$ 17,811,453</u>
EXPENDITURES				
Current				
Instruction				
Regular Programs	\$ 6,673,277	\$ -	\$ -	\$ 6,673,277
Special Education Programs	1,591,360	-	-	1,591,360
Other Instructional Programs	183,490	-	-	183,490
Support Services				
Pupils	620,784	-	-	620,784
Instructional Staff	672,227	-	-	672,227
General Administration	511,008	-	139,002	650,010
School Administration	834,611	-	-	834,611
Business	124,352	-	-	124,352
Food Services	305,769	-	-	305,769
Central	620,264	-	-	620,264
Other Support Services	8,949	-	-	8,949
Payments to Other Districts and Governmental Units	248,024	-	-	248,024
Capital Outlay	131,822	-	-	131,822
On-Behalf Payments	5,531,970	-	-	5,531,970
	<u>\$ 18,057,907</u>	<u>\$ -</u>	<u>\$ 139,002</u>	<u>\$ 18,196,909</u>
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (483,798)	\$ 32,942	\$ 65,400	\$ (385,456)
OTHER FINANCING SOURCES (USES)				
Interfund Transfers	(144,652)	-	-	(144,652)
NET CHANGE IN FUND BALANCES	\$ (628,450)	\$ 32,942	\$ 65,400	\$ (530,108)
FUND BALANCE - JULY 1, 2017	6,484,985	1,000,511	305,583	7,791,079
FUND BALANCE - JUNE 30, 2018	<u>\$ 5,856,535</u>	<u>\$ 1,033,453</u>	<u>\$ 370,983</u>	<u>\$ 7,260,971</u>

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NIPPERSINK SCHOOL DISTRICT NO. 2
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 GENERAL FUND - EDUCATIONAL FUND
 YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts Original and Final</u>	<u>Actual Amounts</u>
EXPENDITURES (Continued)		
Support Services		
Pupils		
Attendance and Social Work Services		
Salaries	\$ 162,000	\$ 146,158
Employee Benefits	2,500	1,710
	<u>\$ 164,500</u>	<u>\$ 147,868</u>
Guidance Services		
Salaries	\$ 66,000	\$ 67,877
Employee Benefits	1,000	981
Purchased Services	-	2,437
Supplies and Materials	4,000	-
	<u>\$ 71,000</u>	<u>\$ 71,295</u>
Health Services		
Salaries	\$ 132,000	\$ 121,653
Employee Benefits	4,200	4,247
Supplies and Materials	8,000	5,804
	<u>\$ 144,200</u>	<u>\$ 131,704</u>
Psychological Services		
Salaries	\$ 120,000	\$ 53,642
Employee Benefits	1,750	1,035
	<u>\$ 121,750</u>	<u>\$ 54,677</u>
Other Support Services - Pupils		
Salaries	\$ 170,000	\$ 206,340
Employee Benefits	9,000	8,900
	<u>\$ 179,000</u>	<u>\$ 215,240</u>
Total Support Services - Pupils	<u>\$ 680,450</u>	<u>\$ 620,784</u>
Instructional Staff		
Improvement of Instruction Services		
Salaries	\$ 90,000	\$ 50,395
Employee Benefits	12,000	471
Purchased Services	150,000	243,599
Supplies and Materials	70,000	77,315
	<u>\$ 322,000</u>	<u>\$ 371,780</u>
Educational Media Services		
Salaries	\$ 185,000	\$ 267,535
Employee Benefits	6,000	17,100
Purchased Services	-	377
Supplies and Materials	13,000	15,435
	<u>\$ 204,000</u>	<u>\$ 300,447</u>
Total Support Services - Instructional Staff	<u>\$ 526,000</u>	<u>\$ 672,227</u>
General Administration		
Board of Education Services		
Purchased Services	\$ 100,000	\$ 80,691
Supplies and Materials	1,000	227
Other Objects	7,500	7,972
	<u>\$ 108,500</u>	<u>\$ 88,890</u>
Executive Administration Services		
Salaries	\$ 100,000	\$ 143,057
Employee Benefits	10,000	14,574
Purchased Services	300,000	263,307
Supplies and Materials	1,000	361
Other Objects	2,000	240
	<u>\$ 413,000</u>	<u>\$ 421,539</u>

NIPPERSINK SCHOOL DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - EDUCATIONAL FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts <u>Original and Final</u>	Actual Amounts <u></u>
EXPENDITURES (Continued)		
Support Services (Continued)		
General Administration (Continued)		
Tort Immunity Services		
Purchased Services	\$ -	\$ 579
	<u>\$ -</u>	<u>\$ 579</u>
Total Support Services - General Administration	\$ 521,500	\$ 511,008
School Administration		
Office of the Principal Services		
Salaries	\$ 545,000	\$ 624,064
Employee Benefits	52,000	53,385
Purchased Services	1,000	1,802
Supplies and Materials	50,000	59,386
Other Objects	7,500	3,036
	<u>\$ 655,500</u>	<u>\$ 741,673</u>
Other Support Services - School Administration		
Salaries	\$ 70,000	\$ 73,404
Employee Benefits	9,750	9,814
Purchased Services	500	8,844
Supplies and Materials	-	876
	<u>\$ 80,250</u>	<u>\$ 92,938</u>
Total Support Services - School Administration	\$ 735,750	\$ 834,611
Business		
Fiscal Services		
Salaries	\$ 68,000	\$ 97,018
Employee Benefits	5,000	4,523
Purchased Services	16,000	14,587
Supplies and Materials	10,000	7,674
Other Objects	-	550
	<u>\$ 99,000</u>	<u>\$ 124,352</u>
Total Support Services - Business	\$ 99,000	\$ 124,352
Food Services		
Salaries	\$ 130,000	\$ 123,096
Employee Benefits	28,000	26,971
Purchased Services	1,500	630
Supplies and Materials	155,000	154,472
Other Objects	-	600
	<u>\$ 314,500</u>	<u>\$ 305,769</u>
Total Support Services - Food Services	\$ 314,500	\$ 305,769
Central		
Staff Services		
Purchased Services	\$ -	\$ 200
	<u>\$ -</u>	<u>\$ 200</u>
Data Processing Services		
Salaries	\$ 215,000	\$ 224,618
Employee Benefits	11,000	9,361
Purchased Services	405,000	214,962
Supplies and Materials	262,000	171,123
Other Objects	1,000	-
	<u>\$ 894,000</u>	<u>\$ 620,064</u>
Total Support Services - Central	\$ 894,000	\$ 620,264

NIPPERSINK SCHOOL DISTRICT NO. 2
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 GENERAL FUND - EDUCATIONAL FUND
 YEAR ENDED JUNE 30, 2018

	Budgeted Amounts Original and Final	Actual Amounts
EXPENDITURES (Continued)		
Support Services (Continued)		
Other Support Services		
Purchased Services	\$ -	\$ 8,949
Total Other Support Services	\$ -	\$ 8,949
Total Support Services	\$ 3,771,200	\$ 3,697,964
Payments to Other Districts and Governmental Units		
Payments to Other Districts and Governmental Units (In-State)		
Payments for Special Education Programs		
Purchased Services	\$ 75,000	\$ 250
Other Objects	225,000	247,774
Total Payments to Other Districts and Governmental Units (In-State)	\$ 300,000	\$ 248,024
Total Payments to Other Districts and Governmental Units	\$ 300,000	\$ 248,024
Capital Outlay		
Instruction		
Regular Programs	\$ 10,000	\$ 34,192
Special Education Programs	3,000	4,653
Other Instructional Programs	1,000	5,632
Support Services		
School Administration	25,000	500
Central	51,000	86,845
Total Capital Outlay	\$ 90,000	\$ 131,822
On-Behalf Payments	\$ -	\$ 5,531,970
Total Expenditures	\$ 12,065,450	\$ 18,057,907
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 1,250	\$ (483,798)
OTHER FINANCING SOURCES (USES)		
interfund Transfers	-	(144,652)
NET CHANGE IN FUND BALANCE	\$ 1,250	\$ (628,450)
FUND BALANCE - JULY 1, 2017	6,299,619	6,484,985
FUND BALANCE - JUNE 30, 2018	\$ 6,300,869	\$ 5,856,535

NIPPERSINK SCHOOL DISTRICT NO. 2
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 GENERAL FUND - WORKING CASH FUND
 YEAR ENDED JUNE 30, 2018

	Budgeted Amounts	Actual Amounts
	<u>Original and Final</u>	<u> </u>
REVENUES		
Property Taxes	\$ 25,000	\$ 24,947
Earnings on Investments	2,500	7,995
Total Revenues	<u>\$ 27,500</u>	<u>\$ 32,942</u>
EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>
NET CHANGE IN FUND BALANCE	\$ 27,500	\$ 32,942
FUND BALANCE - JULY 1, 2017	<u>1,000,162</u>	<u>1,000,511</u>
FUND BALANCE - JUNE 30, 2018	<u><u>\$ 1,027,662</u></u>	<u><u>\$ 1,033,453</u></u>

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NIPPERSINK SCHOOL DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
TORT FUND
YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual Amounts</u>
REVENUES		
Property Taxes	\$ 185,000	\$ 184,623
Earnings on Investments	2,000	5,491
Other Local Sources	-	14,288
Total Revenues	<u>\$ 187,000</u>	<u>\$ 204,402</u>
EXPENDITURES		
Support Services		
General Administration		
Workers' Compensation or Worker's Occupational Disease Act		
Purchased Services	\$ 80,000	\$ 136,952
	<u>\$ 80,000</u>	<u>\$ 136,952</u>
Unemployment Insurance Payments		
Purchased Services	\$ 55,000	-
	<u>\$ 55,000</u>	<u>\$ -</u>
Insurance Payments		
Purchased Services	\$ 42,000	\$ 2,050
	<u>\$ 42,000</u>	<u>\$ 2,050</u>
Total Support Services - General Administration	<u>\$ 177,000</u>	<u>\$ 139,002</u>
Total Support Services	<u>\$ 177,000</u>	<u>\$ 139,002</u>
Total Expenditures	<u>\$ 177,000</u>	<u>\$ 139,002</u>
NET CHANGE IN FUND BALANCE	\$ 10,000	\$ 65,400
FUND BALANCE - JULY 1, 2016	<u>309,379</u>	<u>305,583</u>
FUND BALANCE - JUNE 30, 2017	<u>\$ 319,379</u>	<u>\$ 370,983</u>

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NIPPERSINK SCHOOL DISTRICT NO. 2
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND
 JUNE 30, 2018

	Capital Projects Fund	Fire Prevention and Safety Fund	Total Capital Projects Fund
ASSETS			
Cash and Cash Equivalents	\$ 63,898	\$ -	\$ 63,898
Investments, at Fair Value	2,088,505	125,233	2,213,738
Accrued Interest Receivable, net of allowance of \$0	782	208	990
Property Taxes Receivable, net of allowance of \$6	-	465	465
Total Assets	\$ 2,153,185	\$ 125,906	\$ 2,279,091
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
LIABILITIES			
	\$ -	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	\$ -	\$ 1,016	\$ 1,016
Total Deferred Revenue	\$ -	\$ 1,016	\$ 1,016
FUND BALANCE			
Restricted			
Capital Projects	\$ 2,103,727	\$ 120,970	\$ 2,224,697
Assigned			
Capital Projects	49,458	3,920	53,378
Total Fund Balance	\$ 2,153,185	\$ 124,890	\$ 2,278,075
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 2,153,185	\$ 125,906	\$ 2,279,091

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NIPPERSINK SCHOOL DISTRICT NO. 2
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUND
 YEAR ENDED JUNE 30, 2018

	Capital Projects Fund	Fire Prevention and Safety Fund	Total Capital Projects Fund
REVENUES			
Property Taxes	\$ -	\$ 1,016	\$ 1,016
Earnings on Investments	49,458	1,998	51,456
Other Local Sources	32,917	-	32,917
Total Revenues	\$ 82,375	\$ 3,014	\$ 85,389
EXPENDITURES			
	\$ -	\$ -	\$ -
NET CHANGE IN FUND BALANCES	\$ 82,375	\$ 3,014	\$ 85,389
FUND BALANCE - JULY 1, 2017	2,070,810	121,876	2,192,686
FUND BALANCE - JUNE 30, 2018	\$ 2,153,185	\$ 124,890	\$ 2,278,075

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NIPPERSINK SCHOOL DISTRICT NO. 2
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 CAPITAL PROJECTS FUND
 YEAR ENDED JUNE 30, 2018

	Budgeted Amounts	Actual Amounts
	<u>Original and Final</u>	<u> </u>
REVENUES		
Earnings on Investments	\$ 5,000	\$ 49,458
Other Local Sources	20,000	32,917
Total Revenues	<u>\$ 25,000</u>	<u>\$ 82,375</u>
EXPENDITURES		
Support Services		
Facilities Acquisition and Construction		
Purchased Services	\$ 150,000	\$ -
Total Support Services - Facilities Acquisition and Construction	<u>\$ 150,000</u>	<u>\$ -</u>
Total Support Services	<u>\$ 150,000</u>	<u>\$ -</u>
Capital Outlay		
Support Services		
Facilities Acquisition and Construction	\$ 150,000	\$ -
Total Capital Outlay	<u>\$ 150,000</u>	<u>\$ -</u>
Total Expenditures	<u>\$ 300,000</u>	<u>\$ -</u>
NET CHANGE IN FUND BALANCE	\$ (275,000)	\$ 82,375
FUND BALANCE - JULY 1, 2017	<u>2,071,316</u>	<u>2,070,810</u>
FUND BALANCE - JUNE 30, 2018	<u>\$ 1,796,316</u>	<u>\$ 2,153,185</u>

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NIPPERSINK SCHOOL DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND - FIRE PREVENTION AND SAFETY FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts	Actual Amounts
	<u>Original and Final</u>	<u> </u>
REVENUES		
Property Taxes	\$ 1,000	\$ 1,016
Earnings on Investments	200	1,998
Total Revenues	<u>\$ 1,200</u>	<u>\$ 3,014</u>
EXPENDITURES		
Capital Outlay		
Support Services		
Business	\$ 100,000	\$ -
Total Capital Outlay	<u>\$ 100,000</u>	<u>\$ -</u>
Total Expenditures	<u>\$ 100,000</u>	<u>\$ -</u>
NET CHANGE IN FUND BALANCE	\$ (98,800)	\$ 3,014
FUND BALANCE - JULY 1, 2017	<u>121,724</u>	<u>121,876</u>
FUND BALANCE - JUNE 30, 2018	<u>\$ 22,924</u>	<u>\$ 124,890</u>

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NIPPERSINK SCHOOL DISTRICT NO. 2
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 ACTIVITY FUNDS
 YEAR ENDED JUNE 30, 2018

	<u>BALANCE</u> <u>JULY 1, 2017</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2018</u>
ASSETS				
Cash and Cash Equivalents	\$ 122,845	\$ 232,642	\$ 241,682	\$ 113,805
LIABILITIES				
Amount Due to Activity Funds	\$ 102,830	\$ 175,815	\$ 181,275	\$ 97,370
Flex Benefit Plan	20,015	56,827	60,407	16,435
TOTAL LIABILITIES	<u>\$ 122,845</u>	<u>\$ 232,642</u>	<u>\$ 241,682</u>	<u>\$ 113,805</u>

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NIPPERSINK SCHOOL DISTRICT NO. 2
COMPUTATION OF OPERATING EXPENSE PER PUPIL
AND PER CAPITA TUITION CHARGE
YEAR ENDED JUNE 30, 2018

OPERATING EXPENSE PER PUPIL			
EXPENDITURES:			
ED	Expenditures 15-22, L114	Total Expenditures	\$ 12,525,937
O&M	Expenditures 15-22, L150	Total Expenditures	1,521,413
DS	Expenditures 15-22, L168	Total Expenditures	86,957
TR	Expenditures 15-22, L204	Total Expenditures	650,410
MR/SS	Expenditures 15-22, L288	Total Expenditures	437,912
TORT	Expenditures 15-22, L331	Total Expenditures	139,002
Total Expenditures			\$ 15,361,631

LESS RECEIPTS/REVENUES OR DISBURSEMENTS/EXPENDITURES NOT APPLICABLE TO THE REGULAR K-12 PROGRAM:

ED	Expenditures 15-22, L15, Col K - (G+I)	1600	Summer School Programs	\$ 47,821
ED	Expenditures 15-22, L102, Col K	4000	Total Payments to Other Govt Units	248,024
ED	Expenditures 15-22, L114, Col G	-	Capital Outlay	131,822
O&M	Expenditures 15-22, L150, Col G	-	Capital Outlay	36,311
DS	Expenditures 15-22, L164, Col K	5300	Debt Service - Payments of Principal on Long-Term Debt	83,387
MR/SS	Expenditures 15-22, L218, Col K	1600	Summer School Programs	2,910
Total Deductions for OEPP Computation (Sum of Lines 18 - 73)				\$ 550,275
Total Operating Expenses Regular K-12 (Line 14 minus Line 75)				14,811,356
9 Mo ADA from the General State Aid Claimable for 2016-2017 and Payable in 2017-2018 (ISBE 54-33), L12				1,060,24
Estimated OEPP (Line 76 divided by Line 77)				\$ 13,969.81

PER CAPITA TUITION CHARGE			
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LESS OFFSETTING RECEIPTS/REVENUES:

ED	Revenues 9-14, L75, Col C	1600	Total Food Service	\$ 193,752
ED-O&M	Revenues 9-14, L82, Col C,D	1700	Total District/School Activity Income	32,543
ED	Revenues 9-14, L84, Col C	1811	Rentals - Regular Textbooks	86,227
ED-O&M-DS-TR-MR/SS	Revenues 9-14, L104, Col C,D,E,F,G	1991	Payment from Other Districts	40,047
ED-O&M-TR	Revenues 9-14, L131, Col C,D,F	3100	Total Special Education	77,102
ED	Revenues 9-14, L145, Col C	3360	State Free Lunch & Breakfast	770
ED-O&M-TR-MR/SS	Revenues 9-14, L154, Col C,D,F,G	3500	Total Transportation	316,751
ED-O&M-DS-TR-MR/SS-Tc	Revenues 9-14, L171, Col C-G,J	3999	Other Restricted Revenue from State Sources	1,597
ED-MR/SS	Revenues 9-14, L201, Col C,G	-	Total Food Service	97,298
ED-O&M-TR-MR/SS	Revenues 9-14, L211, Col C,D,F,G	-	Total Title I	116,160
ED-O&M-TR-MR/SS	Revenues 9-14, L216, Col C,D,F,G	-	Total Title IV	10,000
ED-O&M-TR-MR/SS	Revenues 9-14, L220, Col C,D,F,G	4620	Fed - Spec Education - IDEA - Flow Through	223,818
ED-O&M-TR-MR/SS	Revenues 9-14, L268, Col C,D,F,G	4932	Title II - Teacher Quality	29,184
ED-O&M-TR-MR/SS	Revenues 9-14, L270, Col C,D,F,G	4991	Medicaid Matching Funds - Administrative Outreach	18,340
ED-TR-MR/SS	Revenues (Part of EBF Payment)	3100	Special Education Contributions from EBF Funds	464,536
ED-MR/SS	Revenues (Part of EBF Payment)	3300	English Learning (Bilingual) Contributions from EBF Funds	116
Total Deductions for PCTC Computation Line 83 through Line 173				\$ 1,708,241
Net Operating Expense for Tuition Computation (Line 76 minus Line 175)				13,103,115
Total Depreciation Allowance (from page 27, Line 18, Col I)				817,250
Total Allowance for PCTC Computation (Line 176 minus Line 177)				13,920,365
9 Month ADA (from the GSA Claimable for 2016-2017 Payable in 2017-2018 (ISBE form 54-33, Line 12))				1,060,24
Total Estimated PCTC (Line 178 divided by Line 179)				\$ 13,129.45

* The total OEPP/PCTC may change based on the data provided. The final amounts will be calculated by ISBE

Unaudited

