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NIPPERSINK SCHOOL DISTRICT NO. 2  
McHENRY COUNTY, ILLINOIS  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NIPPERSINK SCHOOL DISTRICT NO. 2  
TABLE OF CONTENTS  
JUNE 30, 2015

	PAGE
INDEPENDENT AUDITOR'S REPORT	1-2
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	3-4
 <b>REQUIRED SUPPLEMENTAL INFORMATION:</b>	
Management's Discussion and Analysis (M D & A)	5-12
 <b>BASIC FINANCIAL STATEMENTS:</b>	
District-Wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet - Government Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17-18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19
Statement of Fiduciary Net Position - Fiduciary Funds	20
Notes to Financial Statements	21-44
 <b>SUPPLEMENTAL FINANCIAL INFORMATION:</b>	
<b>Illinois Municipal Retirement Fund</b>	
Schedule of Changes in the Employer's Net Pension Liability and Related Ratios	45
Schedule of Employer Contribution	46
 <b>Teachers' Retirement System of the State of Illinois</b>	
Schedule of Employer's Proportionate Share of the Net Pension Liability	47
Schedule of Employer Contribution	48

NIPPERSINK SCHOOL DISTRICT NO. 2  
 TABLE OF CONTENTS  
 JUNE 30, 2015

	PAGE
<b>REQUIRED SUPPLEMENTARY INFORMATION - INDIVIDUAL FUND SCHEDULES:</b>	
<b>General Funds</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	51-52
<b>Operations and Maintenance Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual</b>	53
<b>Transportation Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual</b>	54
<b>IMRF Fund/Social Security - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual</b>	55
Notes to Required Supplementary Information	56
 <b>SUPPLEMENTARY FINANCIAL INFORMATION:</b>	
<b>General Fund</b>	
Combining Balance Sheet	57
Combining Schedule of Revenue, Expenditures, and Change in Fund Balances	58
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	
Educational Fund	59-62
Working Cash Fund	63
Tort Immunity Fund	64
<b>Bond and Interest Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual</b>	65
<b>Capital Projects Fund - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	66
<b>Site and Construction Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual</b>	67
<b>Fire Prevention and Safety Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual</b>	68
 <b>SUPPLEMENTAL INFORMATION:</b>	
Student Activity Funds - Summary of Cash Receipts and Disbursements	69
Schedule of Debt Certificates and Interest Payable	70
Computation of Per Capita Tuition Charge	71

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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  
McHENRY COUNTY, ILLINOIS

as of and for the year ended June 30, 2015, and the related notes to financial statements which collectively comprise the District's basic financial statements, as listed in the accompanying 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. Management is also responsible for the design, implementation, and maintenance of internal control relevant to preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

**Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2015, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

As discussed in Notes 12 and 14 of the notes to the financial statements, in 2015 the District adopted new accounting guidance: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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, historical pension information, and certain budgetary comparison information on pages 5-12 and 49-56 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 Nippersink School District No. 2's basic financial statements. The combining and individual fund financial statements on pages 57-68 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The schedules listed in the table of contents as Supplemental Information on pages 69-71 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015 on our consideration of Nippersink School District No. 2's internal control over financial reporting and our tests of its compliance with 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



MILBURN CAIN & CO.  
Certified Public Accountants

Gurnee, Illinois  
September 30, 2015

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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  
McHENRY COUNTY, ILLINOIS

as of and for the year ended June 30, 2015, and the related notes to financial statements which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 30, 2015.

**Internal Control Over Financial Reporting**

Management of District No. 2 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Nippersink School District No. 2's (the District) internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is 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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 of material misstatement, we performed tests on its compliance with certain provisions of laws, regulations, contracts and grants agreements, non-compliance 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 non-compliance 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.



MILBURN CAIN & CO.  
Certified Public Accountants

Gurnee, Illinois  
September 30, 2015

**REQUIRED SUPPLEMENTAL INFORMATION**



NIPPERSINK SCHOOL DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

Management of Nippersink School District No. 2 (the District) presents this narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2015. The information presented here should be considered in conjunction with the financial statements presented elsewhere in this report.

This discussion and analysis is designed to:

1. Assist the reader in focusing on significant financial issues,
2. Provide an overview of the District's financial activity,
3. Identify changes in the District's financial position (its ability to cope with the next and subsequent year challenges),
4. Identify any material deviations from the financial plan (the approved budgets), and
5. Identify individual fund issues or concerns.

Since Management's Discussion and Analysis (M D & A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the District's financial statements beginning on page 13.

**Financial Highlights**

- The District's net position increased \$352,651 for the year.
- Nippersink reduced its long-term debt and contracts payable by \$87,540.
- The District's fund balances (as shown on the fund financial statements) were increased by \$245,921.
- The District added \$837,820 in capital assets.
- The District incurred a capital lease for \$416,935 to purchase copier equipment.
- The District implemented GASB 68 and 71, resulting in a decrease in its net position of \$882,215.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Nippersink School's basic financial statements. The District's basic financial statements consist of three components:

1. District-wide financial statements,
2. Fund financial statements and,
3. Notes to financial statements.

In addition, this report also includes other supplementary information which is presented after the notes to financial statements.

## District-Wide Financial Statements

The district-wide financial statements are designed to provide readers with a broad overview of Nippersink School's finances presented in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the asset total and the liabilities total reported as the District's 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 most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the 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 years (e.g., earned but unused vacation or sick pay).

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). Governmental activities include instruction, support services, operation and maintenance of plant, student transportation, and certain other activities and expenses such as non-programmed charges, interest and fees, and unallocated depreciation.

The district-wide financial statements can be found on pages 13 and 14 of this report.

## Fund Financial Statements

Nippersink's fund financial statements provide additional detail about the District's funds, focusing on its "major" funds -not the District as a whole. For purposes of this report, the District considers all of its governmental funds as major funds. Funds are accounting devices used to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law, by Board covenants, or by contractual agreements. Still other funds are established to control and manage money for particular purposes (such as repaying its long-term debt) or to show that it is properly using certain revenues for their intended purposes.

Nippersink has two categories of funds:

- Governmental Funds - Most of the District's basic services are included in governmental funds. These funds generally focus on (1) how cash and other financial assets that can readily be converted to cash flows in and out of the District and (2) the balances which are left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future for District purposes. Because the information contained in the fund financial statements does not encompass the additional long-term focus of the district-wide statements, a reconciliation statement follows the governmental funds financial statements to explain the relationship (or differences) between them.

The basic fund financial statements and related reconciliation statements can be found at pages 15-19 of this report.

- Fiduciary Funds - Nippersink is the trustee, or fiduciary, for assets that belong to others, such as the student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and only by those to whom the assets belong. The assets are excluded from the district-wide financial statements because the District cannot use these assets to finance operations.

The basic fiduciary fund financial statements can be found on page 20 of this report.

## Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and also the fund financial statements. The notes to financial statements can be found on pages 21-44 of this report.

## Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain Required Supplementary Information. A budgetary comparison statement has been provided for each fund as required supplementary information. This information can be found on pages 49-68 of this report.

### Financial Analysis of the District as a Whole

Net Position - Nippersink's net position was \$484,720 smaller at June 30, 2015 than the year before, decreasing by .5% to \$22.5 million. The following table presents a summary of the District's net position at year-end:

Table 1  
Statement of Net Position  
As of June 30, 2015 and 2014

	Amount (In Millions)	
	2015	2014
Assets		
Current and Other Assets	\$ 26.3	\$ 25.2
Capital Assets (Net)	<u>11.5</u>	<u>11.2</u>
Total Assets	\$ <u>37.8</u>	\$ <u>36.4</u>
Deferred Outflows		
Pensions	\$ <u>.4</u>	\$ <u>.0</u>
Liabilities		
Pension and OPEB	\$ .9	\$ .0
Long-term Debt Outstanding	.4	.1
Other Liabilities	<u>1.7</u>	<u>1.3</u>
Total Liabilities	\$ <u>3.0</u>	\$ <u>1.4</u>
Deferred Inflows of Resources		
Pensions	\$ .2	\$ .0
Unavailable Revenue - Property Taxes	<u>12.5</u>	<u>.0</u>
Total Deferred Inflows of Resources	\$ <u>12.7</u>	\$ <u>.0</u>
Net Position		
Invested in Capital Assets, Net of Related Debt	\$ 11.1	\$ 11.2
Restricted	6.8	6.4
Unassigned	<u>4.6</u>	<u>5.4</u>
Total Net Position	\$ <u>22.5</u>	\$ <u>23.0</u>

The following are significant current year transactions that have had an impact on the Statement of Net Position and related reconciliation statements.

- The District added \$416,935 in debt.

- The District added a little over \$837,820 in new capital assets.
- Depreciation expense of \$516,187 was charged against income.
- The District implemented GASB 68, *Accounting For Pension Plans*, resulting in a change again in its net position of \$882,215.

**Changes in Net Position** - The District's total revenues for the fiscal year ended June 30, 2015 were \$18.0 million. The total cost of all programs and services were \$17.6 million. Revenues exceeded expenses, decreasing net position by \$.4 million. Operating and capital grants and charges for governmental activities totaled \$5.2 million. The following table presents a summary of changes in net position for the fiscal year ended June 30, 2015 and 2014:

Table 2  
Changes in Net Position  
For the Fiscal Years Ended  
June 30, 2015 and 2014

	Governmental Activities (In Millions)	
	2015	2014
<b>Revenue</b>		
Program Revenues		
Charges for Services	\$ .5	\$ .4
Operating Grants and Contributions	4.7	3.7
General Revenue		
Taxes and Interest	12.2	11.0
Federal and State Aid - Formula Grants	<u>.6</u>	<u>.6</u>
Total Revenue (In Millions)	\$ <u>18.0</u>	\$ <u>15.7</u>
<b>Expenses</b>		
Instruction	\$ 11.4	\$ 9.7
Pupil and Instructional Services	1.2	1.0
Administration and Business	2.0	2.0
Central	.8	.8
Maintenance and Operations	1.4	1.4
Transportation	.6	.7
Other and Payments to Other Districts and Governments	.2	.3
Interest and Fees	<u>.0</u>	<u>.1</u>
Total Expenses (In Millions)	\$ <u>17.6</u>	\$ <u>16.0</u>
Change in Net Position	\$ .4	\$ (.3)
Net Position - July 1	23.0	23.4
Prior Period Adjustment	<u>(.9)</u>	<u>(.1)</u>
Net Position - June 30	\$ <u>22.5</u>	\$ <u>23.0</u>

**Summary and Highlights**

- Total revenues increased \$2.3 million while total expense increased \$1.6 million as compared to the previous year.
- Net position increased \$.4 million as compared to a \$.3 million decrease last year.

- Prior period adjustment for pensions reduced net position by \$.9 million.

Net Cost of Governmental Activities - The following schedule presents the cost of five major and all other District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation and all other costs including depreciation and excluding capital outlay and debt service - principal only. This schedule also shows each activity's net cost; i.e., total cost less fees and intergovernmental aid allocable to each activity. The net is equivalent to the financial burden borne by the District's taxpayers to support each of these functions.

	2015		2014	
	Total Cost	Net Cost	Total Cost	Net Cost
Instruction	11.4	7.1	9.7	6.4
Pupil and Instructional Services	1.2	1.0	1.0	.7
Administration and Business	2.0	1.7	2.0	1.8
Maintenance and Operations	1.4	1.3	1.4	1.3
Transportation	.6	.3	.7	.4
All Other	<u>1.0</u>	<u>1.0</u>	<u>1.2</u>	<u>1.2</u>
Total Cost (In Millions)	<u>17.6</u>	<u>12.4</u>	<u>16.0</u>	<u>11.8</u>

### Summary and Highlights

- The cost of all governmental activities for the year was \$17.6 million.
- \$.5 million of the cost was paid for by user fees for the District's programs.
- Federal and state subsidies to specific programs totaled \$4.7 million which includes \$3.5 million in state on-behalf payments paid directly to TRS.
- Most of the costs (\$12.1 million) however, were paid by the District's taxpayers.
- Replacement taxes, investment earnings, and federal and state aid-formula grants totaled \$.7 million.

### **Financial Analysis of the District's Funds**

Nippersink School's financial performance is reflected in the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds appearing on pages 18 and 19 of this report. Total revenues were \$18.0, which is \$2.4 million more than the amount posted last year. Total expenditures were \$18.2 million compared to \$16.4 million a year ago, increasing by \$1.8 million, or 11.0%. Current year expenditures exceeded revenues by \$.2 million. The excess of expenditures over revenues of \$.2 million and capital lease proceeds of \$.4 million brought the total fund balance for all funds combined to \$12.1 million at year-end.

Educational Fund (Pages 59-62) - Property taxes produced \$9.5 million in revenue for the Educational Fund during fiscal 2015, or 63.2% of all of the fund's revenue. State sources accounted for 30.2% of revenue at \$4.6 million, including \$3.5 million in on-behalf pension payments. Without the on-behalf pension payments, state revenues were \$1.1 million, accounting for 7.0% of total revenue. Federal sources provided \$.5 million, or 3.1% of total Educational Fund revenue. Fees, earnings on investments, and other local sources of revenue produced \$.5 million, or 3.5% of total revenue. Thus, property taxes and other local revenues combined accounted for \$10.0 million, or more than 66.7% of Educational Fund revenues.

Total Educational Fund expenditures were \$15.5 million, which is \$2.1 million more than the amount posted last year. Of the \$15.5 million, \$11.6 million, or 74.5%, was used for direct instruction and teachers' pensions; \$3.7 million paid for instructional support services, administration, utilities, food service, legal and financial services, and liability insurance; and \$.3 million was used to pay for tuition paid to other governments.

After taking into account the revenues of \$15.1 million and expenditures and transfers of \$15.5 million, the Educational Fund posted an excess of expenditures over revenues of \$.4 million. The fund had other financing sources totaling \$.4 million. The fund balance decreased for the year to \$4.3 million.

Operations and Maintenance Fund (Page 53) - As with the Educational Fund, the Operations and Maintenance Fund's largest source of revenue comes from property taxes which account for \$1,679,480 out of total fund revenues of \$1,696,772, or 98.9% of total fund revenue. Other local revenue sources account for \$17,292, or 1.1%. The total revenue of \$1,696,772 is \$162,281 more than the amount that was posted last year.

Total expenditures of \$1,422,973 were \$319,821 less than prior year expenditures of \$1,742,794. Revenues exceeded expenditures and transfers (\$28,480) by \$245,319, increasing the fund balance to \$2,186,432.

Transportation Fund (Page 54) - Revenues for transportation exceeded expenditures and transfers by \$259,024. Local sources accounted for \$553,099, or 64.1% of total revenue while state sources accounted for \$309,300, or 35.9%.

Total expenditures of \$603,375 for 2015 is \$120,606 lower than the 2014 total.

The net result for the year is that the fund balance was increased by \$259,024 to \$1,833,735 at the end of 2015.

IMRF/Social Security Fund (Page 55) - IMRF/Social Security Fund revenues for 2015 were \$48,821 compared to \$46,475 in 2014. Expenditures of \$348,383 were \$6,100 more than the 2014 cost of \$342,283 after transfers. The fund spent \$299,562 more than it received, decreasing its fund balance to a deficit of \$53,108 at June 30, 2015.

Working Cash Fund (Page 63) - The Working Cash Fund revenues totaled \$100,546. There were no expenditures so its fund balance increased \$100,546 to \$942,866.

Tort Immunity Fund (Page 64) - Revenues totaled \$178,767, consisting mainly of property taxes. Total expenditures were \$118,216. At year-end, the fund balance was \$204,510.

Debt Service - Bond and Interest Fund (Page 65) - Debt service funds are intended to be self-liquidating. This means that over time, revenues received from taxes should equal required expenditures. Except for timing differences where taxes are collected prior to required disbursements, the theory says there should be no accumulation of fund balances. However, accumulations do often occur when tax collections are higher than expected or when interest earnings are retained in the fund. Because of the revenue timing differences, however, analysis of annual operating results is generally not useful for the reader.

For 2015, the District's Bond and Interest Fund had revenues of \$1 and there were \$116,109 in expenditures. The fund received transfers totaling \$56,486. The net result for the year is the fund balance decreased to a deficit of \$54,101.

Site and Construction Fund (Page 67) - Revenues of \$36,334 were comprised of investment earnings of \$2,504 and contributions and donations of \$33,830. Revenues were \$6,132 more than the previous year's total of \$30,698 due mainly to a increase in contributions and donations.

Expenditures of \$77,993 were \$75,800 more than the previous year's total of \$1,763. Thus, the fund decreased its fund balance by \$41,659 to \$2,569,363.

Fire Prevention and Safety Fund (Page 68) - The account had revenues of \$1,895 in income and had no expenditures, resulting in a fund balance increase to \$151,647.

General Fund Budgetary Highlights (Page 49-52) - The District budgeted general fund expenditures to total \$11.2 million. Net results of operations were expected to result in a general fund increase in fund balance of \$1.0 million. Actual results for the year produced a fund balance decrease of \$.2 million.

Total actual revenues of \$15.4 million were \$3.2 million more than the total budgeted revenues of \$12.2 million due to no amounts of revenue being budgeted for on-behalf revenue of \$3.5 million. Total expenditures for the General Fund of \$15.6 million were \$4.4 million higher than budgeted expenditures due to not budgeting for on-behalf payments of \$3.5 million.

### Capital Asset and Debt Administration

Capital Assets - At June 30, 2015, Nippersink's net capital assets totaled \$11,562,405 in a broad range of capital assets. These assets, which are listed in Note 3 of the notes to financial statements according to six categories (land, buildings, improvements other than buildings, equipment, construction in progress, and food service equipment) include the District's land and buildings, lab facilities, computer and audio-visual equipment, furniture and other classroom, and administrative equipment.

During the year, the District invested \$837,820 in additions to its capital assets. The following schedule presents capital asset balances net of depreciation at June 30, 2015:

Land	\$ 791,988
Buildings	8,593,034
Improvements Other Than Buildings	809,765
Equipment	1,355,643
Food Service Equipment	5,702
Construction in Progress	<u>6,273</u>
 Totals	 \$ <u>11,562,405</u>

Long-term Debt - At year-end, Nippersink School's long-term debt obligations consisted of the following amounts:

Debt Certificates	\$ 60,000
Capital Lease Payable	<u>354,395</u>
	 \$ <u>414,395</u>

### Summary and Highlights

- Property taxes continue to be the District's largest single source of revenues at \$12.1 million with locally generated fees, charges and interest earnings generating \$.5 million. State and federal aid provided \$5.3 million in revenue which included \$3.5 million in State on-behalf payments. Thus, a little over 67% of revenue comes from local sources.
- The District added \$837,820 in capital assets.
- The District implemented GASB 68, *Accounting For Pension Plans*.
- The District implemented GASB 68 and 71, resulting in a decrease in its net position of \$882,215.

### Factors Bearing on the District's Future

Nippersink'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.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, investors, and creditors with an accurate overview of Nippersink School's finances and to demonstrate its accountability for the money it receives. Readers who have questions about this report or need additional financial information should contact the District's Business Manager at 4213 Route 12, Richmond, Illinois 60071.



## **BASIC FINANCIAL STATEMENTS**

NIPPERSINK SCHOOL DISTRICT NO. 2  
DISTRICT-WIDE FINANCIAL STATEMENTS  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 19,877,749
Receivables	
Property Taxes	6,111,924
Claims and Grants	238,601
Interest	12,125
Other	54,070
Capital Assets, Net of Accumulated Depreciation	
Land and Construction in Progress	798,261
Land Improvements	809,765
Buildings	8,593,034
Equipment	<u>1,361,345</u>
Total Assets	<u>\$ 37,856,874</u>
<b>Deferred Outflows of Resources</b>	
Deferred Pension Expense	\$ 221,266
Deferred Employer Pension Contributions	<u>133,877</u>
Total Deferred Outflows of Resources	<u>\$ 355,143</u>
 Total Assets and Deferred Outflow of Resources	 <u>\$ 38,212,017</u>
<b>Liabilities</b>	
Accounts Payable	\$ 364,625
Accrued Expenses	1,384,983
Non-current Liabilities	
Due Within One Year	113,476
Due in More Than One Year	300,919
Net Pension Liabilities	<u>873,889</u>
Total Liabilities	<u>\$ 3,037,892</u>
<b>Deferred Inflows of Revenues</b>	
Deferred Pension Revenue	\$ 248,977
Unavailable Revenue - Property Taxes	<u>12,456,330</u>
Total Deferred Inflows of Revenues	<u>\$ 12,705,307</u>
<b>Net Position</b>	
Invested in Capital Assets, Net of Related Debt	\$ 11,148,010
Restricted For:	
Transportation	1,833,735
Operations and Maintenance	2,186,432
Capital Projects	2,721,010
Unrestricted	<u>4,579,631</u>
 Total Net Position	 <u>\$ 22,468,818</u>

See Accompanying Notes to Financial Statements.

NIPPERSINK SCHOOL DISTRICT NO. 2  
DISTRICT-WIDE FINANCIAL STATEMENTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenue and Changes in Net Position Governmental Activities</u>
<b>Governmental Activities:</b>					
Instruction					
Regular Programs	\$ 6,334,970	\$ 86,631	\$ 25,383	\$ ---	\$ (6,222,956)
Special Education Programs	1,187,601	---	674,955	---	(512,646)
Interscholastic Programs	306,073	31,666	---	---	(274,407)
State Retirement Contributions	3,509,644	---	3,509,644	---	---
Support Services					
Pupils	631,696	---	221,748	---	(409,948)
Instructional Staff	561,462	---	---	---	(561,462)
General Administration	771,675	---	---	---	(771,675)
School Administration	730,639	---	---	---	(730,639)
Business	478,042	259,296	---	---	(218,746)
Central	780,707	---	---	---	(780,707)
Facilities Acquisition and Construction	---	---	---	33,830	33,830
Operations and Maintenance	1,423,240	89,781	---	---	(1,333,459)
Transportation	603,375	---	309,300	---	(294,075)
Other	74,563	---	---	---	(74,563)
Payments to Other Districts and Governmental Units	257,301	---	---	---	(257,301)
Interest and Fees	<u>28,569</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>(28,569)</u>
<b>Total Governmental Activities</b>	<b>\$ <u>17,679,557</u></b>	<b>\$ <u>467,374</u></b>	<b>\$ <u>4,741,030</u></b>	<b>\$ <u>33,830</u></b>	<b>\$ <u>(12,437,323)</u></b>
<b>General Revenues</b>					
Taxes					
Real Estate Taxes, Levied for General Purposes					\$ 12,062,809
Personal Property Replacement Taxes					125,569
State and Federal Aid - Formula Grants					570,707
Investment Earnings					<u>30,889</u>
					<b>\$ <u>12,789,974</u></b>
Change in Net Position					<b>\$ 352,651</b>
Net Position - July 1, 2014					22,998,382
Net Position Adjustment - Note 12					<u>(882,215)</u>
Net Position - June 30, 2015					<b>\$ <u>22,468,818</u></b>

See Accompanying Notes to Financial Statements.

NIPPERINK SCHOOL DISTRICT NO. 2  
 FUND FINANCIAL STATEMENTS  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	<u>General</u>	<u>Operations and Maintenance</u>	<u>Transportation</u>	<u>IMRF/Social Security</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
<b>Assets</b>							
Cash and Cash Equivalents	\$ 11,743,625	\$ 3,144,235	\$ 2,114,898	\$ 140,854	\$ (54,101)	\$ 2,788,238	\$ 19,877,749
Receivables							
Property Taxes	4,887,003	797,675	256,053	170,704	---	489	6,111,924
Due From Other Governments	163,501	---	75,100	---	---	---	238,601
Interest	7,839	553	1,588	1,007	---	1,138	12,125
Other	54,070	---	---	---	---	---	54,070
Due From Other Funds	16,474	1,106	---	---	---	---	17,580
<b>Total Assets</b>	<u>\$ 16,872,512</u>	<u>\$ 3,943,569</u>	<u>\$ 2,447,639</u>	<u>\$ 312,565</u>	<u>\$ (54,101)</u>	<u>\$ 2,789,865</u>	<u>\$ 26,312,049</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts Payable	\$ 136,454	\$ 68,072	\$ 92,050	\$ 190	\$ ---	\$ 67,859	\$ 364,625
Accrued Salaries and Benefits	1,321,608	63,375	---	---	---	---	1,384,983
Due To Other Funds	---	---	---	17,580	---	---	17,580
<b>Total Liabilities</b>	<u>\$ 1,458,062</u>	<u>\$ 131,447</u>	<u>\$ 92,050</u>	<u>\$ 17,770</u>	<u>\$ ---</u>	<u>\$ 67,859</u>	<u>\$ 1,767,188</u>
<b>Deferred Inflows of Resources</b>							
Unavailable Revenue - Property Taxes	\$ 9,959,887	\$ 1,625,690	\$ 521,854	\$ 347,903	\$ ---	\$ 996	\$ 12,456,330
<b>Fund Balances</b>							
Fund Balance							
Restricted							
For Operations and Maintenance	\$ ---	\$ 2,120,844	\$ ---	\$ ---	\$ ---	\$ ---	\$ 2,120,844
For Transportation	---	---	1,818,330	---	---	---	1,818,330
Assigned							
For Operations and Maintenance	---	65,588	---	---	---	---	65,588
For Transportation	---	---	15,405	---	---	---	15,405
For Capital Projects	---	---	---	---	---	2,721,010	2,721,010
Undesignated	5,454,563	---	---	(53,108)	(54,101)	---	5,347,354
<b>Total Fund Balances</b>	<u>\$ 5,456,563</u>	<u>\$ 2,186,432</u>	<u>\$ 1,833,735</u>	<u>\$ (53,108)</u>	<u>\$ (54,101)</u>	<u>\$ 2,721,010</u>	<u>\$ 12,088,531</u>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<u>\$ 16,872,512</u>	<u>\$ 3,943,569</u>	<u>\$ 2,447,639</u>	<u>\$ 312,565</u>	<u>\$ (54,101)</u>	<u>\$ 2,789,865</u>	<u>\$ 26,312,049</u>

See Accompanying Notes to Financial Statements.

NIPPERSINK SCHOOL DISTRICT NO. 2

FUND FINANCIAL STATEMENTS

RECONCILIATION OF THE GOVERNMENTAL FUNDS

BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2015

Total Fund Balances - Governmental Funds		\$ 12,088,531
Amounts reported for governmental activities in the Statement of Net Position are different because:		
The cost of capital assets (land, buildings, furniture, and equipment) purchased or constructed is reported as expenditures in governmental funds. The Statement of Net Position includes those capital assets among the assets of the District as a whole.		
Cost of Capital Assets	\$ 18,934,992	
Depreciation Expense to Date	<u>(7,372,587)</u>	11,562,405
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities -- both current and long-term -- are reported in the Statement of Net Position.		
Balances at June 30, 2015 are:		
Debt Certificates Payable and Capital Leases		(414,395)
Deferred Outflows/Inflows and Pension and OPEB liabilities are not included in the Fund Financial Statements.		<u>(767,723)</u>
Net Position of Governmental Activities		\$ <u>22,468,818</u>

See Accompanying Notes to Financial Statements.

NIPPERSINK SCHOOL DISTRICT NO. 2  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015

	General	Operations and			IMRF/Social Security	Debt Service	Capital Projects	Total
		Maintenance	Transportation					
<b>Revenues</b>								
Property Taxes	\$ 9,824,146	\$ 1,679,480	\$ 548,218	\$ 9,964	\$ ---	\$ 1,001	\$ 12,062,809	
Replacement Taxes	89,154	---	---	36,415	---	---	125,569	
Interest	16,987	3,180	4,881	2,442	1	3,398	30,889	
Other Local Sources	420,237	14,112	---	---	---	33,830	468,179	
State Aid	4,562,028	---	309,300	---	---	---	4,871,328	
Federal Aid	473,434	---	---	---	---	---	473,434	
<b>Total Revenues</b>	<b>\$ 15,385,986</b>	<b>\$ 1,696,772</b>	<b>\$ 862,399</b>	<b>\$ 48,821</b>	<b>\$ ---</b>	<b>\$ 38,229</b>	<b>\$ 18,032,208</b>	
<b>Expenditures</b>								
<b>Current</b>								
Instruction	\$ 6,600,361	\$ ---	\$ ---	\$ 83,908	\$ ---	\$ ---	\$ 6,684,269	
Regular Programs	1,149,144	---	---	63,296	---	---	1,212,440	
Special Programs	305,137	---	---	3,226	---	---	308,363	
Other Instructional Programs	3,509,644	---	---	---	---	---	3,509,644	
State Retirement Contributions								
Support Services								
Pupils	603,725	---	---	35,986	---	---	639,711	
Instructional Staff	551,169	---	---	13,728	---	---	564,897	
General Administration	760,659	---	---	13,306	---	---	773,965	
School Administration	704,678	---	---	36,332	---	---	741,010	
Business	407,055	---	---	69,260	---	---	476,315	
Central	785,516	---	---	29,341	---	---	814,857	
Transportation	---	---	603,375	---	---	---	603,375	
Operations and Maintenance	---	1,422,973	---	---	---	---	1,422,973	
Facilities Acquisition and Construction	---	---	---	---	---	3,430	3,430	
Other	---	---	---	---	---	74,563	74,563	
Payments To Other Governments	257,301	---	---	---	---	---	257,301	
Debt Service	---	---	---	---	87,629	---	87,629	
Principal	---	---	---	---	28,480	---	28,480	
Interest and Other	---	---	---	---	---	---	---	
<b>Total Expenditures</b>	<b>\$ 15,634,389</b>	<b>\$ 1,422,973</b>	<b>\$ 603,375</b>	<b>\$ 348,383</b>	<b>\$ 116,109</b>	<b>\$ 77,993</b>	<b>\$ 18,203,222</b>	

See Accompanying Notes to Financial Statements.

NIPPERSINK SCHOOL DISTRICT NO. 2  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015  
 (Continued)

		Operations and	IMRF/Social Security	Transportation	Debt Service	Capital Projects	Total
	General	Maintenance					
Excess or (Deficiency) of Revenues Over Expenditures	\$ (248,403)	\$ 273,799	\$ (299,562)	\$ 259,024	\$ (116,108)	\$ (39,764)	\$ (171,014)
<b>Other Financing Sources (Uses)</b>							
Proceeds of Capital Lease Transfers to Other Funds	\$ 416,935	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 416,935
Total Other Financing Sources (Uses)	\$ (28,006)	\$ (28,480)	\$ ---	\$ ---	\$ 56,486	\$ ---	\$ ---
	\$ 388,929	\$ (28,480)	\$ ---	\$ ---	\$ 56,486	\$ ---	\$ 416,935
Net Change in Fund Balances	\$ 140,526	\$ 245,319	\$ (299,562)	\$ 259,024	\$ (59,622)	\$ (39,764)	\$ 245,921
Fund Balances - July 1, 2014	5,314,037	1,941,113	246,454	1,574,711	5,521	2,760,774	11,842,610
Fund Balances - June 30, 2015	5,454,563	2,186,432	(53,108)	1,833,735	(54,101)	2,721,010	12,088,531

See Accompanying Notes to Financial Statements.

NIPPERSINK SCHOOL DISTRICT NO. 2

FUND FINANCIAL STATEMENTS

RECONCILIATION OF THE GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

Net Change in Fund Balances - Total Governmental Funds \$ 245,921

Amounts reported for governmental activities in the statement of activities  
are different because:

Capital outlays are reported in governmental funds as expenditures. However,  
in the Statement of Activities, the cost of those assets is allocated over their  
estimated useful lives as depreciation expense. This is the amount by which  
capital outlay exceeds depreciation in the current period.

Depreciation Expense	\$ (516,187)	
Capital Outlays	<u>837,820</u>	321,633

Repayment of bonds, debt certificates, and capital lease principal is an expenditure  
in the governmental funds, but the repayment reduces long-term liabilities in the  
Statement of Net Position. 87,540

Pension and OPEB expense on the District's Pension and OPEB liability is not  
charged to expense on the Fund Financial Statements. 114,492

Proceeds of capital lease is reported as an other financing source in the Fund  
Financial Statements and as a liability on the Statement of Net Position. (416,935)

Change in Net Position of Governmental Activities \$ 352,651

See Accompanying Notes to Financial Statements.



NIPPERSINK SCHOOL DISTRICT NO. 2  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015

	<u>Student Activity Fund</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ <u>129,098</u>
<b>Liabilities</b>	
Due to Student Groups	\$ 116,075
Flex Benefit Account	<u>13,023</u>
Total Liabilities	\$ <u>129,098</u>

See Accompanying Notes to Financial Statements.

NIPPERSINK SCHOOL DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Nippersink School District No. 2 (District) conform to generally accepted accounting principles as applicable to local educational agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

A. Reporting Entity

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The definition of a component unit is a legally separate organization for which the District is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. The District also may be financially accountable if an organization is fiscally dependent on the District regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government or (3) a jointly appointed board. There are no component units, as defined by GASB, which are included in the District's reporting entity. Even though there are local government agencies within the geographic area served by the District, these agencies have been excluded from the report because they are legally separate and the District is not financially accountable for them.

Also, the District is not included as a component unit in any other governmental reporting entity, as defined by GASB pronouncements.

B. Basis of Presentation

District-wide Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. The effect of interfund activity has been removed from these statements. The governmental activities column reports activities that are normally supported by taxes and intergovernmental revenues.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

Fund Financial Statements

The accounts of the District in the governmental fund financial statements are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures. Fund accounting segregates funds according to their intended purpose, and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Separate financial statements are provided for all governmental funds and fiduciary funds even though the fiduciary funds are excluded from the district-wide financial statements.

C. Measurement Focus and Basis of Accounting

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental funds are used to account for the District's general government activities. Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they are both "measurable and available." "Measurable" means that the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Also, in accordance with GASB No. 24, on-behalf payments (payments made by a third party for the benefit of the district, such as payments made by the state to the Teachers' Retirement System) have been recognized in the financial statements.

Property taxes, replacement taxes, certain state and federal aid, and interest on investments are susceptible to accrual. Other receipts become measurable and available when cash is received by the District and are recognized as revenue at that time.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and accordingly, when such funds are received they are recorded as deferred revenues until earned.

Governmental funds include the following major funds:

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 General Fund consists of the following:

Educational Fund - This account is used for most of the instructional and administrative aspects of the District's operations. The revenue consists primarily of state government aid and local property taxes.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting (continued)

**Working Cash Fund** - This fund accounts for financial resources held by the District to be used as temporary interfund loans for working capital requirements to the General Fund and the Special Revenue Fund's Transportation Fund. Money loaned by the Working Cash Fund to other funds must be repaid. As allowed by the School Code of Illinois, this fund may be permanently abolished and become a part of the Educational Fund within the General Fund or it may be partially abated to the General Fund, Special Revenue Funds and Debt Service Funds.

**Tort Immunity Fund** - This fund accounts for the District's insurance and risk management activities. Revenue is derived primarily from property taxes.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than those accounted for in the Debt Service Fund, Capital Projects Funds, or Fiduciary Funds) that are legally restricted to expenditures for specified purposes.

Each of the District's Special Revenue Funds has been established as a separate fund in accordance with the fund structure required by the State of Illinois for local educational agencies. These funds account for local property taxes restricted to specific purposes. A brief description of the District's Special Revenue Funds follows:

**Operations and Maintenance Fund** - This account is used for expenditures made for repair and maintenance of District property. Revenue consists primarily of local property taxes and rental income.

**Transportation Fund** - This fund accounts for all revenue and expenditures made for student transportation. Revenue is derived primarily from local property taxes and state reimbursement grants.

**IMRF/Social Security Fund** - This fund accounts for the District's portion of pension contributions to the Illinois Municipal Retirement Fund, payments to Medicare for certified employees, and payments to the Social Security System for non-certified employees. Revenue to finance the contributions is derived primarily from local property taxes and personal property replacement taxes.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. A brief description of the District's Debt Service Fund is as follows:

**Bond and Interest Fund** - This fund accounts for the periodic principal and interest payments on the bond issues and capital lease obligations of the District. The primary revenue source is local property taxes levied specifically for debt service.

Capital Projects Fund

**Site and Construction Fund** - For financial resources to be used for the acquisition or construction of major capital facilities. Subdivider's land cash ordinance payments are accounted for in this fund.

**Fire Prevention and Safety Fund** - For this fund, the use of the revenue is restricted to approved Life Safety projects.

Fiduciary Fund Types (Trust and Agency Funds) - Fiduciary Funds (Trust and Agency Funds) are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting (continued)

**Agency Funds** - The Agency Funds includes Student Activity Funds, Convenience Accounts and Other Agency Funds. These funds are custodial in nature and do not involve the measurement of the results of operations. Although the Board of Education has the ultimate responsibility for Activity Funds, they are not local education agency funds. Student Activity Funds account for assets held by the District which are owned, operated and managed generally by the student body, under the guidance and direction of adults or a staff member, for educational, recreational or cultural purposes. Convenience Accounts account for assets that are normally maintained by a local education agency as a convenience for its faculty, staff, etc.

When restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Budgets and Budgetary Accounting

The District follows procedures mandated by Illinois State law and District Board policy to establish the budgetary data reflected in its financial statements. 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 disbursed may not legally exceed the budgeted amounts. The budget lapses at the end of each fiscal year.

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

1. Prior to July 1, the Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing on that date. The operating budget includes proposed expenditures disbursed and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to 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 not legally spend more than budgeted expenditures by fund. However, it 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.

The budget for 2014-15 was adopted on September 30, 2014, and was not amended.

E. Assets, Liabilities and Net Position or Equity

Investments

Investments are stated at cost which approximates fair value. Gains or losses are recognized when the investments either mature or are sold. Except for the Student Activity Funds and the Imprest Account, Nippersink maintains common bank accounts benefiting all of its funds. Accordingly, investments affecting all funds are made from the common accounts.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Net Position or Equity (continued)

Investments (continued)

Generally accepted accounting principles and the concept that each fund is a separate entity require the allocation of interest earnings on investments to the fund owning the investment. Because of the common bank accounts, the District has not attempted to identify the fund owning the investment; however, it does allocate all interest earnings to participating funds on a pro-rata basis. A historical moving average of beginning monthly fund balances is used as the basis for allocating the interest.

Occasionally a fund participating in the common cash accounts will experience a cash deficit. When this occurs, another fund which has a positive cash balance necessarily covers the shortage. This deficit coverage constitutes an interfund loan between the funds involved. If this situation occurs at the end of any monthly accounting period, it is the Administration's policy to request approval of the Board of Education for the unplanned loan before or in connection with the approval of the issuance of checks to vendors.

Inventories

It is the District's policy to charge all purchases of items for resale or supplies to expenditures when purchased. No inventory accounts are maintained to reflect the values of resale or supply items on hand.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." These amounts are eliminated in the governmental activities column in the statement of net assets.

Property Tax Revenues

The District's property tax is levied each year on all taxable real property located in the District on or before the last Tuesday in December. The 2013 levy was passed by the Board on December 17, 2013. The 2014 levy was passed by the Board on December 16, 2014. Property taxes attach as an enforceable lien on property as of January 1 and are payable in two installments early in March and early in September of the following year. The District receives significant distributions of tax receipts on each due date and for about ninety days thereafter.

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

Purpose	Limit	Actual	
		2014 Levy	2012 Levy
Educational	3.500	3.236773	3.0684
Tort Immunity	As Needed	.062214	.0581
Special Education	.4000	.062214	.0581
Operations and Maintenance	.5500	.550000	.5500
Transportation	As Needed	.176552	.1795
Fire Prevention/Safety	.1000	.000337	.0003
Working Cash	.0500	.008408	.0326
Municipal Retirement	As Needed	.058851	.0016
Social Security	As Needed	<u>.058851</u>	<u>.0016</u>
Totals		<u>4.124200</u>	<u>3.9502</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Net Position or Equity (continued)

Property Tax Revenues (continued)

In addition to the tax rate limitations shown above, the District is subject to "Tax Cap" limitations affecting the five collar counties surrounding Cook County, Illinois. Under the "Tax Cap" the total of the District's tax levies not including bond levies may not increase by more than the lesser of 5% of the prior year total or the prior year percentage of increase in the Consumer Price Index. However, levies may increase beyond these limitations to the extent that any increase in assessed valuation is represented by annexations or new building.

A summary of the past two years assessed valuations, extensions and collections follows:

Tax Year	2014		2013	
Assessed Valuation	\$ 297,364,105		\$ 306,350,373	
	<u>Extensions</u>	<u>Collections</u>	<u>Extensions</u>	<u>Collections</u>
<b>Purpose</b>				
Educational	\$ 9,625,001	\$ 4,872,904	\$ 9,400,003	\$ 9,389,510
Tort Immunity	185,002	93,662	178,002	177,430
Special Education	185,002	93,662	178,002	177,430
Operations and Maintenance	1,635,503	828,015	1,684,927	1,679,464
Transportation	525,002	265,799	550,000	548,213
Fire Prevention/Safety	1,002	508	1,002	1,001
Working Cash	25,002	12,657	100,002	99,674
Municipal Retirement	175,002	88,600	5,003	4,982
Social Security	<u>175,002</u>	<u>88,600</u>	<u>5,003</u>	<u>4,982</u>
Totals	\$ <u>12,531,518</u>	\$ <u>6,344,407</u>	\$ <u>12,101,944</u>	\$ <u>12,082,686</u>
Percentage of Extensions Collected	50.63%		99.84%	

Personal Property Replacement Taxes

Personal property replacement taxes are first allocated to funds where taxes were automatically abated by the county clerk and to the Municipal Retirement/Social Security Fund, with the balance allocated to the remaining funds at the discretion of the District.

Prepaid Items

Certain payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both district-wide and fund financial statements. For the year ended June 30, 2015, there are no prepaid items.

Capital Assets

Capital assets, which include land, land improvements, building, building improvements, vehicles, machinery, equipment, and construction in progress are reported in the district-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$500 and an estimated useful life of five years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Net Position or Equity (continued)

Capital Assets (continued)

Depreciation of capital assets is provided using the straight-line method over the following estimated useful lives as established by the Illinois State Board of Education. The District chose to use the same useful lives as the State Board of Education.

<u>Assets</u>	<u>Years</u>
Buildings	50
Improvements	20
Equipment	10
Vehicles	5

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the balance sheets and statements 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 so 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 so will not be recognized as an inflow of resource until that time.

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. The fund financial statements do not include long-term debt as liabilities.

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.

Government-Wide Fund Net Position

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

- Invested in capital assets, net of related debt -- consist 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 -- consist of net positions that are 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 -- all other net positions are reported in this category.

Governmental Fund Balances

Governmental fund balances are divided between non-spendable and spendable.

Non-spendable 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.



NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Net Position or Equity (continued)

Governmental Fund Balances (continued)

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 constraints of the Board of Education. Committed amounts cannot be used for any other purpose unless the Board of Education removes those constraints by taking the same type of action (e.g., legislation, resolution, ordinance). 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.

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 non-spendable, 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 service 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.

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

Eliminations and Reclassifications

In the process of aggregating data for the district-wide financial statements, some amounts reported as interfund activity and balances may have been eliminated or reclassified.

NOTE 2 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The District is allowed to invest in securities as authorized by Chapter 30, Sections 235/1 through 235/7; and Chapter 105 of the *Illinois Compiled Statutes*.

Deposits

At June 30, 2015, the carrying amount of the District's deposits was \$9,841,305 and the bank balance was \$10,031,301.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 2 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

A. Deposits and Investments (continued)

Deposits (continued)

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Checking Accounts		
Imprest Fund	\$ 3,000	\$ 4,564
Deposited With Local Banks	26,406	26,406
Deposited with Illinois School District Liquid Asset Fund	9,592,650	9,869,879
Student Activity, PTO, and Flex Accounts	<u>129,098</u>	<u>130,452</u>
	\$ <u>9,751,154</u>	\$ <u>10,031,301</u>

Each of the checking accounts is fully insured under U. S. Government insurance programs. The District's depository has pledged collateral held in the District's name consisting of U. S. Government securities to secure the local bank accounts.

Investments

The District is allowed to invest in securities as authorized by the *School Code of Illinois*, Chapter 85, Sections 902 and 906; and Chapter 122, Section 8-7.

The District's total investments at June 30, 2015, amounted to \$10,255,693. This amount consisted of investments through the Illinois School District Liquid Asset Fund (ISDLAF) in certificates of deposit of \$10,255,693 issued by 42 different financial institutions. Typically, the certificates of deposit are from \$100,000 to \$250,000 each and thus are covered by FDIC insurance.

The following table summarizes the District's cash position:

Deposits	\$ 9,751,154
Investments	<u>10,255,693</u>
Total Cash	\$ <u>20,006,847</u>

The cash position is comprised of the following:

Governmental Activities	\$ 19,877,749
Fiduciary Activities	<u>129,098</u>
	\$ <u>20,006,847</u>

Interest Rate Risk - The District does not have a formal investment policy that 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 to specific types of investment instruments.

Concentration of Credit Risk - The District places no limit on the amount the District may invest in any one investment instrument. All the District's deposits and investments are covered by FDIC Insurance or collateral consisting of U.S. Government securities or U.S. Government insurance programs.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the District for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 791,988	\$ ---	\$ ---	\$ 791,988
Construction in Progress	212,967	6,273	212,967	6,273
Total Capital Assets Not Being Depreciated	<u>\$ 1,004,955</u>	<u>\$ 6,273</u>	<u>\$ 212,967</u>	<u>\$ 798,261</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings	\$ 12,979,998	\$ ---	\$ ---	\$ 12,979,998
Improvements Other Than Buildings	550,027	471,727	---	1,021,754
Equipment	3,525,142	572,787	---	4,097,929
Food Service Equipment	37,050	---	---	37,050
Total Capital Assets Being Depreciated	<u>\$ 17,092,217</u>	<u>\$ 1,044,514</u>	<u>\$ ---</u>	<u>\$ 18,136,731</u>
<b>Less: Accumulated Depreciation For:</b>				
Buildings	\$ 4,127,364	\$ 259,600	\$ ---	\$ 4,386,964
Improvements Other Than Buildings	160,901	51,088	---	211,989
Equipment	2,537,390	204,896	---	2,742,286
Food Service Equipment	30,745	603	---	31,348
Total Accumulated Depreciation	<u>\$ 6,856,400</u>	<u>\$ 516,187</u>	<u>\$ ---</u>	<u>\$ 7,372,587</u>
Net Capital Assets Being Depreciated	<u>\$ 10,235,817</u>	<u>\$ 528,327</u>	<u>\$ ---</u>	<u>\$ 10,764,144</u>
Net Governmental Activities Capital Assets	<u>\$ 11,240,772</u>	<u>\$ 534,600</u>	<u>\$ 212,967</u>	<u>\$ 11,562,405</u>

Depreciation expense was charged to the functions of the District as follows:

Regular Programs	\$ 144,532
Business	5,162
Operations and Maintenance	<u>366,493</u>
	<u>\$ 516,187</u>

NOTE 4 - CHANGES IN GENERAL LONG-TERM DEBT

A summary of changes in long-term debt shows:

Type of Debt	Balance July 1, 2014	Additions	Payments	Balance June 30, 2015
<b>Debt Certificates:</b>				
2002 Land Purchase	\$ <u>85,000</u>	\$ <u>---</u>	\$ <u>25,000</u>	\$ <u>60,000</u>

On January 1, 2002, Nippersink issued \$720,000 in debt certificates. These debt certificates were split into two parts. One part totaling \$345,000 was designated for the purchase of land and is being retired over 15 years in annual installments ranging between \$15,000 and \$30,000 on December 1 of each year.

The other part, totaling \$375,000, was to be used for roof repairs and was being retired over 10 years in annual installments ranging from \$30,000 to \$45,000 on December 1 of each year. This part of the debt has been retired.

Interest is payable semi-annually on June 1 and December 1 at rates which range from 2% to 4.80%, depending on maturities.

Payments on these debt certificates are made from the Operations and Maintenance Fund.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 4 - CHANGES IN GENERAL LONG-TERM DEBT (continued)

The annual debt service to retire the outstanding debt certificates is:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 30,000	\$ 2,160	\$ 32,160
2017	<u>30,000</u>	<u>720</u>	<u>30,720</u>
	\$ <u>60,000</u>	\$ <u>2,880</u>	\$ <u>62,280</u>

Capital Leases

The District entered into a capital lease on August 27, 2014 for copier equipment for \$416,935. The annual payments to retire the lease are:

<u>Year Ending June 30</u>	
2016	\$ 83,387
2017	83,387
2018	83,387
2019	83,387
2020	<u>20,847</u>
	\$ <u>354,395</u>

NOTE 5 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of a public entity risk pool, Collective Liability Insurance Cooperative (CLIC). CLIC provides worker's compensation, casualty, property, and liability protection to member school districts.

CLIC was formed to provide casualty, property, and liability protections and to administer some or all insurance coverages and protection other than health, life, and accident coverages procured by the member districts. It is intended, by the creation of CLIC, to allow a member district to equalize annual fluctuations in insurance costs by establishing a program whereby reserves may be created and temporary deficits of individual districts covered and to ultimately equalize the risks and stabilize the costs of providing casualty, property, and liability protections. If, during any fiscal year, the funds on hand in the account of CLIC are not sufficient to pay expenses of administration, the Board of Directors shall require supplementary payment from all members. Such payment shall be made in the same proportion as prior payments during that year to CLIC. To date, the Board of Directors has never required a supplementary payment.

Complete financial statements for CLIC can be obtained from its administrator, 1202 Crabtree Lane, Deerfield, IL 60015.

NOTE 6 - RETIREMENT FUND COMMITMENTS

A. Teachers' Retirement System of the State of Illinois

➤ General Information About the Pension Plan

1. Plan Description

Nippersink 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://trs.illinois.gov/pubs/cafr>; by writing to TRS at 2815 West Washington Street, P.O. Box 19253, Springfield, IL 62794; or by calling (888) 877-0890, option 2.

2. Benefits Provided

TRS provides retirement, disability, and death benefits. Tier I members have TRS or reciprocal system service prior to January 1, 2011. Tier I members qualify for retirement benefits at age 62 with 5 years of service, at age 60 with 10 years, or age 55 with 20 years. The benefit is determined by the average of the 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 10 years of service, or a discounted annuity can be paid at age 62 with 10 years of service. Creditable earnings for retirement purposes are capped and the final average salary is based on the highest consecutive 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.

3. 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 the fiscal year 2045.

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2015 was 9.4% of creditable earnings. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the employer.

NOTE 6 - RETIREMENT FUND COMMITMENTS (continued)

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

➤ General Information About the Pension Plan (continued)

3. Contributions (continued)

- On-Behalf Contributions to TRS - The State of Illinois makes employer pension contributions on behalf of the District. For the year ended June 30, 2015, 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 \$3,438,651 in pension contributions from the State of Illinois.
- 2.2 Formula Contributions - Employers contribute .58% of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ending June 30, 2015 were \$40,369, and are deferred because they were paid after the June 30, 2014 measurement date.
- Federal and Trust Fund Contributions - When TRS members are paid from federal and special trust funds administered by the District, there is a statutory requirement for the District to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that has been in effect since the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the state contribution rate to TRS. Public Act 98-0674 now requires the two rates to be the same.

For the year ended June 30, 2015, the District pension contribution was 33.00% of salaries paid from federal and special trust funds. For the year ended June 30, 2015, no salaries were paid from federal and special trust funds that required District contributions. These contributions are deferred because they were paid after the June 30, 2014 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 Early Retirement Option (ERO). The payments vary depending on the member's age and salary. The maximum employer ERO contribution under the current program is 146.5% and applies when the member is age 55 at retirement. For the year ended June 30, 2015, the District paid nothing to TRS for employer ERO contributions.

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, 2015, the District paid nothing to TRS for employer contributions due on salary increases in excess of 6% and nothing 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, 2015, 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 were as follows:

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 6 - RETIREMENT FUND COMMITMENTS (continued)

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

➤ Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

State's Proportionate Share of the Net Pension Liability	\$ 42,710,532
District's Proportionate Share of the Net Pension Liability	<u>684,892</u>
 Total Net Pension Liability	 \$ <u>43,395,424</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 and rolled forward to June 30, 2014. 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, 2014, relative to the projected contributions of all participating TRS employers and the State during that period. At June 30, 2014, the District's proportion was .0011253880%.

The net pension liability as of the beginning of this first measurement period under GASB Statement No. 68 was measured as of June 30, 2013, and the total pension liability was based on the June 30, 2013 actuarial valuation without any roll-up. The District's proportion of the net pension liability as of June 30, 2013 was based on the District's share of contributions to TRS for the measurement year ended June 30, 2013, relative to the projected contributions of all participating TRS employers and the State during that period. At June 30, 2013, the District's proportion was .0014655102%.

For the year ended June 30, 2015, the District recognized pension expense of \$3,438,651 and revenue of \$3,438,651 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Outflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 362	\$ ---	\$ 362
Net Difference Between Projected and Actual Earnings on Pension Investments	---	(34,421)	(34,421)
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	---	(171,469)	(171,469)
Employer Contributions Subsequent to the Measurement Date	<u>64,237</u>	<u>---</u>	<u>64,237</u>
	\$ <u>64,599</u>	\$ <u>(205,890)</u>	\$ <u>(141,291)</u>

\$64,237 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 6 - RETIREMENT FUND COMMITMENTS (continued)

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

➤ Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

<u>Year Ending June 30</u>	
2016	\$ 50,136
2017	50,136
2018	50,136
2019	50,136
2020	<u>4,984</u>
	\$ <u>205,528</u>

1. Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	5.75% average including inflation
Investment Rate of Return	7.5%, net of pension plan investment expenses, including inflation

Mortality rates were based on the RP-2000 White Collar Table with projections using scale AA that vary by member group.

For GASB disclosure purposes, the actuarial assumptions for the years ended June 30, 2014 and 2013 were assumed to be the same. However, for funding purposes, the actuarial valuations for those two years were different. The actuarial assumptions used in the June 30, 2014 valuation were based on updates to economic assumptions adopted in 2014 which lowered the investment return assumption from 8.0% to 7.5%. The salary increase and inflation assumptions were also lowered. The actuarial assumptions used in the June 30, 2013 valuation were based on the 2012 actuarial experience analysis and first adopted in the June 30, 2012 valuation. The investment return assumption was lowered from 8.5% to 8.0% and the salary increase and inflation assumptions were also lowered. Mortality assumptions were adjusted to anticipate continued improvement in mortality.

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)

NOTE 6 - RETIREMENT FUND COMMITMENTS (continued)

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

➤ Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

1. Actuarial Assumptions (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large Cap	18.0%	8.23%
Global Equity Excluding U.S.	18.0%	8.58%
Aggregate Bonds	16.0%	2.27%
U.S. TIPS	2.0%	3.52%
NCREIF	11.0%	5.81%
Opportunistic Real Estate	4.0%	9.79%
ARS	8.0%	3.27%
Risk Parity	8.0%	5.57%
Diversified Inflation Strategy	1.0%	3.96%
Private Equity	<u>14.0%</u>	13.03%
Total	<u>100.0%</u>	

2. Discount Rate

The discount rate used to measure the total pension liability was 7.5%. 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 was projected to be available to make all projected future benefit payments of current active and inactive members and all benefit recipients. Tier I's liability is partially-funded by Tier II members, as the Tier II member contribution is higher than the cost of Tier II benefits. Due to this subsidy, contributions from future members in excess of the service cost are also included in the determination of the discount rate. Therefore, 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.

3. 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 7.5%, 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 (6.5%) or 1-percentage-point higher (8.5%) than the current rate.

	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
Employer's Proportionate Share of the Net Pension Liability	\$ 845,808	\$ 684,892	\$ 551,635

4. TRS Fiduciary Net Position

Detailed information about the TRS's fiduciary net position as of June 30, 2014 is available in the separately issued TRS *Comprehensive Annual Financial Report*.

NOTE 6 - RETIREMENT FUND COMMITMENTS (continued)

B. Illinois Municipal Retirement Fund

➤ Plan Description

Nippersink'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. 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. That report may be obtained online at [www.imrf.org](http://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 10 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 10 years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with 10 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% 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 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of:

- 3% of the original pension amount, or
- ½ 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. At December 31, 2014, the measurement date, the District's membership consisted of:

Retirees and Beneficiaries	33
Inactive, Non-Retired Members	82
Active Members	<u>58</u>
Total	<u>173</u>

NOTE 6 - RETIREMENT FUND COMMITMENTS (continued)

B. Illinois Municipal Retirement Fund (continued)

➤ 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 2014 was 11.00%. For the fiscal year ended June 30, 2015, the District contributed \$140,570 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, 2014, calculated in accordance with GASB Statement No. 68, were as follows:

Total Pension Liability	\$ 3,792,348
IMRF Fiduciary Net Pension	<u>3,603,343</u>
District's Net Pension Liability	\$ <u>189,005</u>
IMRF Fiduciary Net Pension as a Percentage of the Total Pension Liability	95.02%

See the Schedule of Changes in Employer's Net Pension Liability and Related Ratios in the Supplemental Financial 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, 2014 using the following actuarial methods and assumptions:

Assumptions	
Inflation	3.50%
Price Inflation	2.75%
Salary Increases	3.75% - 14.50% 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 2014 valuation according to an experience study from years 2011 to 2013.

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

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 6 - RETIREMENT FUND COMMITMENTS (continued)

B. Illinois Municipal Retirement Fund (continued)

➤ 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 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Projected Return</u>
Equities	63.2%	7.60%
International Equities	2.6%	7.80%
Fixed Income	23.5%	3.00%
Real Estate	4.3%	6.15%
Alternatives	4.5%	
Private Equity		8.50%
Hedge Funds		5.25%
Commodities		2.75%
Cash	<u>1.9%</u>	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 3.56%; and resulting single discount rate is 7.5%.

➤ Discount Rate Sensitivity

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the District calculated using the discount rate of 7.50% as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	6.50%	7.50%	8.50%
Net Pension Liability	\$ 721,339	\$ 189,005	\$ (242,847)

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 6 - RETIREMENT FUND COMMITMENTS (continued)

B. Illinois Municipal Retirement Fund (continued)

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

For the year ended June 30, 2015, the District recognized pension expense of \$133,075. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>	<u>Net Outflows of Resources</u>
Differences Between Expected and Actual Experience	\$ ---	\$ 43,087	\$ (43,087)
Assumption Changes	118,698	---	118,698
Net Difference Between Projected and Actual Earnings on Pension Investments	<u>37,977</u>	<u>---</u>	<u>37,977</u>
	\$ 156,675	\$ 43,087	\$ 113,588
Pension Contributions Made Subsequent to the Measurement Date	<u>69,640</u>	<u>---</u>	<u>69,640</u>
Total Deferred Amounts Related to Pensions	\$ <u>87,035</u>	\$ <u>43,087</u>	\$ <u>43,948</u>

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

<u>Year Ending December 31</u>	<u>Net Deferred Outflows of Resources</u>
2015	\$ 41,235
2016	41,235
2017	21,623
Thereafter	<u>9,495</u>
	\$ <u>113,588</u>

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

D. Social Security

Employees not qualifying for coverage under the Illinois Teachers' Retirement System 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 \$88,507 the total required contribution for the current fiscal year.

NOTE 7 - ACTIVITY FUNDS RESTRICTION

Cash and investments of the Student Activity Funds belong to individual organizations which are entities legally separate from the Board of Education. The school district holds the cash and investment balances in a custodial capacity only. Consequently, the assets of the Student Activity Fund are not available for expenditure by the school district.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 8 - OVEREXPENDITURES OF BUDGET

The Educational Fund overexpended its budget mainly because it did not budget for on-behalf payments. The IMRF Fund slightly overexpended its budget.

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
Educational Fund	\$ 11,225,100	\$ 15,634,389	\$ 4,409,289
IMRF Fund	336,375	348,383	12,008

NOTE 9 - DEFICIT FUND BALANCES

The Debt Service Fund had a deficit fund balance as of June 30, 2015 as transfers for lease payments had not yet been made to the Fund. The IMRF Fund also had a deficit fund balance due to the timing of receipt of property taxes.

NOTE 10 - POST-EMPLOYMENT BENEFIT COMMITMENTS

A. Retiree Paid Insurance

Plan Overview - 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 medical, dental and vision benefits to retirees and their covered eligible dependents. All active employees who retire directly from the District and meet the eligibility criteria may participate, but at their own cost.

The District is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees, whether the premiums are paid by the District or the retiree. Consequently, participating retirees are considered to receive a benefit known as an "implicit rate subsidy." This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be available if purchasing insurance on his/her own, due to being included in the same pool with the District's younger and statistically healthier active employees.

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements.

C. Annual OPEB Cost and Net OPEB Obligation

The District retained Timothy W. Sharpe, Attorney to perform a valuation of its post-retirement welfare benefit plans for the purpose of determining its annual cost in accordance with GASB Statement No. 45.

The District's annual OPEB cost (expense) is calculated based on annual required contribution (ARC) of the District, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement No. 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period of 30 years. The following shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the most recent information available, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation to the plan:

Annual Required Contribution	\$ 40,107
Interest on Net OPEB Obligation	(113)
Adjustments to Annual Required Contribution	<u>94</u>
Annual OPEB Cost (Expense)	\$ 40,088
Estimated Contributions Made	<u>(44,668)</u>
Increase (Decrease) in Net OPEB Obligation	\$ (4,580)
Net OPEB Obligation - Beginning of Year	<u>(2,814)</u>
Net OPEB Obligation - End of Year	\$ <u>(7,394)</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 10 - POST-EMPLOYMENT BENEFIT COMMITMENTS (continued)

C. Annual OPEB Cost and Net OPEB Obligation (continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/14	\$ 40,088	\$ 44,668	111.4%	\$ (7,394)
06/30/10	41,854	44,668	106.7%	(2,814)

D. Funding Status and Funding Program

This schedule of funding progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability Unit Credit (B)</u>	<u>Unfunded Actuarial Accrued Liability (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
06/30/14	\$ ---	\$ 625,862	\$ 625,862	.00%	N/A	N/A
06/30/13	---	514,615	514,615	.00%	N/A	N/A

E. Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The following are the funding policies and actuarial assumptions used:

Actuarial Valuation Date	06/30/2014
Actuarial Cost Method	Entry age
Amortization Period	Level percentage of pay, open
Remaining Amortization Period	30 years
Asset Valuation Method	Market
Actuarial Assumptions	
Investment Rate of Return*	5.00%
Projected Salary Increases	5.00%
Healthcare Inflation Rate	8.00% initial
Mortality, Turnover, Disability, Retirement Ages	6.00% ultimate
Percentage of Active Employees	Employees eligible for explicit benefit: 100%
Assumed to Elect Benefit	All others: 20%

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 10 - POST-EMPLOYMENT BENEFIT COMMITMENTS (continued)

E. Actuarial Assumptions and Methods (continued)

Employer Provided Benefit	Explicit (eligible admin only): \$2,000-\$4,000/yr to age 65 Implicit: 40% of premium to age 65 (50% of \$482/mo + 50% of \$1,225/mo)	
*Included Inflation At		3.00%
Division		All
Service Cost		\$ 21,043
Active Liability		\$ 221,590
Retired Liability		<u>293,025</u>
Total Liability		\$ <u>514,615</u>
Annual Required Contribution		\$ 40,107
Expected Payments		\$ 44,668
Actives		185
Retirees		<u>7</u>
Total		192

Discount Rate: 5.0%  
 Medical Inflation Rate: 8.0% initial, 6.0% ultimate  
 Future Payroll Increases: 5.0%

F. THIS Fund

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

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

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

➤ On-Behalf Contributions to THIS Fund - The State of Illinois makes employer retiree health insurance contributions on behalf of the District. State contributions are intended to match contributions to THIS Fund from active members which were 1.02% of pay during the year ended June 30, 2015. State of Illinois contributions were \$70,993 and the District recognized revenue and expenditures of this amount during the year.



NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 10 - POST-EMPLOYMENT BENEFIT COMMITMENTS (continued)

F. THIS Fund (continued)

- Employer Contributions to THIS Fund - The District also makes contributions to the THIS Fund. The District THIS Fund contribution was .76% during the year ended June 30, 2015. For the year ended June 30, 2015, the District paid \$52,897 to the THIS Fund, which was 100% of the required contribution.

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

NOTE 11 - LEGAL DEBT MARGIN INFORMATION

Legal debt margin calculation for fiscal year ended June 30, 2015:

Assessed Valuation of Taxable Properties for the Tax Year 2014	\$ 297,364,105
Rate	<u>6.9%</u>
Bonded Debt Limit	\$ 20,518,123
Net Debt Outstanding Subject to Limitation	<u>414,394</u>
Legal Bonded Debt Margin at June 30, 2015	\$ <u>20,103,729</u>

NOTE 12 - NET POSITION ADJUSTMENT

For June 30, 2015, the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* required a restatement for deferred employer contributions to pension and net pension liability/asset that were expensed in the period incurred under prior standards but are recorded when the obligation is incurred under the new standards. As a result, the deferred employer contributions to pension and net pension liability/asset have been recorded which resulted in a decrease in the beginning net position of \$882,215.

NOTE 13 - SUBSEQUENT EVENTS

The District has evaluated subsequent events through September 30, 2015, the date on which the financial statements were available to be issued.

NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLE

Effective in the year ended June 30, 2015, the District has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

**SUPPLEMENTAL FINANCIAL 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, 2015

<b>Total Pension Liability</b>	\$ 167,365
Service Cost	255,512
Interest	(61,175)
Difference Between Expected and Actual Experience	168,527
Changes in Assumptions	(122,041)
Benefit Payments, Including Refunds of Member Contributions	\$ 408,188
Net Change in Total Pension Liability	
Total Pension Liability - Beginning	<u>3,384,160</u>
Total Pension Liability - Ending	\$ <u>3,792,348</u>
<b>Plan Fiduciary Net Position</b>	\$ 140,998
Contributions - Employer	61,126
Contributions - Member	203,793
Net Investment Income	(122,041)
Benefit Payments, Including Refunds of Member Contributions	18,647
Other (Net Transfer)	\$ 302,523
Net Change in Plan Fiduciary Net Position	
Plan Fiduciary Net Position - Beginning	<u>3,300,820</u>
Plan Fiduciary Net Position - Ending	\$ <u>3,603,343</u>
District's Net Pension Liability	\$ <u>189,005</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	95.02%
Covered-Employee Payroll	\$ 1,358,365
Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	13.91%

\*The 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 10 years. However, until a full 10-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, 2015

Actuarial Determined Contribution	\$ 140,999
Contributions in Relation to Actuarial Determined Contribution	<u>140,998</u>
Contribution Deficiency/(Excess)	\$ <u>1</u>
Covered-Employee Payroll	\$ 1,358,365
Contributions as a Percentage of Covered-Employee Payroll	10.38%

**Notes to Schedule:**

***Actuarial Method and Assumptions Used on the Calculation of the 2014 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:** 29-year closed period

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

**Wage Growth:** 4%

**Price Inflation:** 3%, approximate; no explicit price inflation assumption is used in this valuation.

**Salary Increases:** 4.40% to 16%, 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 2011 valuation pursuant to an experience study of the period 2008 to 2010.

**Mortality:** RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

\*Based on Valuation Assumptions used in the December 31, 2012 actuarial valuation; note two-year lag between valuation and rate setting.

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

NIPPERSINK SCHOOL DISTRICT NO. 2

TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

SCHEDULE OF EMPLOYER'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY

JUNE 30, 2015

Employer's Proportion of the Net Pension Liability	.0011253880%
Employer's Proportionate Share of the Net Pension Liability	\$ 684,892
State's Proportionate Share of the Net Pension Liability Associated With the Employer	<u>42,710,532</u>
Total	\$ <u>43,395,424</u>
Employer's Covered-Employee Payroll	\$ 6,747,521
Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	10.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	51.78%

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

Changes of Assumptions: Amounts reported in 2014 reflect an investment rate of return of 7.5%, an inflation rate of 3.0% and real return of 4.5%, and a salary increase assumption of 5.75%. In 2013, assumptions used were an investment rate of return of 8.0%, an inflation rate of 3.25% and a real return of 4.75%, and salary increases of 6.00%. However, the total pension liability at the beginning and end of the year was calculated using the same assumptions, so the difference due to actuarial assumptions was not calculated or allocated.

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

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

JUNE 30, 2015

Contractually-Required Contribution	\$ 64,237
Contributions in Relation to the Contractually-Required Contribution	<u>40,425</u>
Contribution Deficiency/(Excess)	\$ <u>23,812</u>
Employer's Covered-Employee Payroll	\$ 6,887,782
Contributions as a Percentage of Covered-Employee Payroll	.59%

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

**REQUIRED SUPPLEMENTARY INFORMATION -  
INDIVIDUAL FUND SCHEDULES**

NIPPERSINK SCHOOL DISTRICT NO. 2

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>
<b>Revenues</b>		
<b>Local Sources</b>		
Property Taxes		
General Levies	\$ 10,018,275	\$ 9,646,714
Special Education Levies	189,500	177,432
Corporate Personal Property Replacement Taxes	80,000	89,154
Earnings on Investments	7,500	16,987
Food Services	217,000	193,071
Pupil Activities	36,500	31,666
Textbooks	85,000	86,631
Other	<u>2,500</u>	<u>108,869</u>
	<u>\$ 10,636,275</u>	<u>\$ 10,350,524</u>
<b>State Sources</b>		
General State Aid	\$ 585,000	\$ 570,707
Special Education - Private Facility Tuition	25,000	36,930
Special Education - Extraordinary	175,000	155,264
Special Education - Personnel	315,000	254,776
Special Education - Orphanage	2,500	---
Special Education - Summer School	2,000	---
School Safety and Education Grant	---	33,025
State Library Grant	---	938
State Free Lunch	<u>1,500</u>	<u>744</u>
	<u>\$ 1,106,000</u>	<u>\$ 1,052,384</u>
<b>Federal Sources</b>		
National School Lunch	\$ 110,000	\$ 109,352
Title I - Low Income	68,500	87,615
IDEA Flow-Through	250,000	227,985
Title II - Teacher Quality	24,000	24,037
Medicaid Matching	<u>25,000</u>	<u>24,445</u>
	<u>\$ 477,500</u>	<u>\$ 473,434</u>
<b>Total Direct Revenues</b>	\$ 12,219,775	\$ 11,966,493
<b>Revenue For On-Behalf Payments</b>	<u>---</u>	<u>3,509,644</u>
<b>Total Revenues</b>	<u>\$ 12,219,775</u>	<u>\$ 15,385,986</u>



NIPPERSINK SCHOOL DISTRICT NO. 2

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>
<b>Expenditures</b>		
<b>Instruction</b>		
Regular Programs		
Salaries	\$ 4,850,000	\$ 4,925,731
Employee Benefits	870,750	1,052,134
Purchased Services	45,000	50,157
Supplies and Materials	160,000	138,918
Capital Outlay	15,000	433,421
Other Objects	<u>6,000</u>	<u>---</u>
	\$ <u>5,946,750</u>	\$ <u>6,600,361</u>
Special Education Programs		
Salaries	\$ 1,045,000	\$ 1,106,927
Employee Benefits	23,200	23,724
Purchased Services	8,500	4,352
Supplies and Materials	12,500	2,041
Capital Outlay	<u>10,000</u>	<u>12,100</u>
	\$ <u>1,099,200</u>	\$ <u>1,149,144</u>
Interscholastic		
Salaries	\$ 57,500	\$ 56,760
Employee Benefits	5,000	710
Purchased Services	10,000	6,768
Supplies and Materials	3,500	850
Capital Outlay	1,000	1,712
Other Objects	<u>1,000</u>	<u>1,328</u>
	\$ <u>78,000</u>	\$ <u>68,128</u>
Summer School		
Salaries	\$ 35,000	\$ 173,378
Employee Benefits	<u>2,000</u>	<u>492</u>
	\$ <u>37,000</u>	\$ <u>173,870</u>
Gifted		
Salaries	\$ 60,000	\$ 59,163
Employee Benefits	1,000	685
Supplies and Materials	200	1,446
Other Objects	<u>2,100</u>	<u>1,845</u>
	\$ <u>63,300</u>	\$ <u>63,139</u>
<b>Total Instruction</b>	<b>\$ <u>7,224,250</u></b>	<b>\$ <u>8,054,642</u></b>
<b>Support Services</b>		
Pupils		
Salaries	\$ 589,750	\$ 586,320
Employee Benefits	17,000	12,947
Purchased Services	---	200
Supplies and Materials	7,000	4,258
Other Objects	<u>100</u>	<u>---</u>
	\$ <u>613,850</u>	\$ <u>603,725</u>

NIPPERSINK SCHOOL DISTRICT NO. 2

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>
<b>Expenditures (continued)</b>		
<b>Support Services (continued)</b>		
<b>Instructional Staff</b>		
Salaries	\$ 230,000	\$ 267,104
Employee Benefits	21,000	18,531
Purchased Services	105,000	148,467
Supplies and Materials	25,000	115,768
Other Objects	---	1,299
	<u>\$ 381,000</u>	<u>\$ 551,169</u>
<b>General Administration</b>		
Salaries	\$ 160,000	\$ 163,748
Employee Benefits	18,500	17,048
Purchased Services	540,000	569,444
Supplies and Materials	1,500	2,253
Other Objects	11,000	8,166
	<u>\$ 731,000</u>	<u>\$ 760,659</u>
<b>School Administration</b>		
Salaries	\$ 580,250	\$ 582,058
Employee Benefits	62,750	59,709
Purchased Services	7,000	1,851
Supplies and Materials	75,000	54,692
Capital Outlay	37,500	---
Other Objects	7,500	6,368
	<u>\$ 770,000</u>	<u>\$ 704,678</u>
<b>Business</b>		
Salaries	\$ 185,000	\$ 207,396
Employee Benefits	30,000	31,917
Purchased Services	18,500	15,539
Supplies and Materials	215,000	151,106
Other Objects	5,000	1,097
	<u>\$ 453,500</u>	<u>\$ 407,055</u>
<b>Central</b>		
Salaries	\$ 136,500	\$ 139,581
Employee Benefits	15,000	7,393
Purchased Services	350,000	210,655
Supplies and Materials	100,000	398,096
Capital Outlay	100,000	29,791
	<u>\$ 701,500</u>	<u>\$ 785,516</u>
<b>Total Support Services</b>	<u>\$ 3,650,850</u>	<u>\$ 3,812,802</u>

NIPPERSINK SCHOOL DISTRICT NO. 2

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>
<b>Expenditures (continued)</b>		
Non-Programmed Charges		
Payments For Programs		
Purchased Services	\$ 175,000	\$ 36,119
Other Objects	<u>175,000</u>	<u>221,182</u>
	\$ <u>350,000</u>	\$ <u>257,301</u>
Total Direct Expenditures	\$ 11,225,100	\$ 12,124,745
Expenditures For On-Behalf Payments	<u>---</u>	<u>3,509,644</u>
Total Expenditures	\$ <u>11,225,100</u>	\$ <u>15,634,389</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ <u>994,675</u>	\$ <u>(248,403)</u>
<b>Other Financing Sources (Uses)</b>		
Proceeds of Capital Lease	\$ ---	\$ 416,935
Transfer to Other Funds	<u>---</u>	<u>(28,006)</u>
Total Other Financing Sources (Uses)	\$ <u>---</u>	\$ <u>388,929</u>
Net Change in Fund Balance	\$ <u>994,675</u>	\$ 140,526
Fund Balances - July 1, 2014		<u>5,314,037</u>
Fund Balances - June 30, 2015		\$ <u>5,454,563</u>

NIPPERSINK SCHOOL DISTRICT NO. 2  
 OPERATIONS AND MAINTENANCE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>
<b>Revenues</b>		
Local Sources		
Property Taxes	\$ 1,778,500	\$ 1,679,480
Earnings on Investments	4,000	3,180
Other	500	14,112
Total Revenues	<u>\$ 1,783,000</u>	<u>\$ 1,696,772</u>
<b>Expenditures</b>		
Support Services		
Operation and Maintenance of Plant		
Salaries	\$ 197,500	\$ 213,377
Employee Benefits	35,300	40,064
Purchased Services	975,000	347,745
Supplies and Materials	525,000	457,984
Capital Outlay	50,000	363,803
Total Expenditures	<u>\$ 1,782,800</u>	<u>\$ 1,422,973</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ 200	\$ 273,799
<b>Other Financing Sources (Uses)</b>		
Transfer To Other Funds	---	(28,480)
Net Change in Fund Balance	<u>\$ 200</u>	\$ 245,319
Fund Balance - July 1, 2014		<u>1,941,113</u>
Fund Balance - June 30, 2015		<u>\$ 2,186,432</u>

NIPPERSINK SCHOOL DISTRICT NO. 2

TRANSPORTATION FUND

SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>
<b>Revenues</b>		
Local Sources		
Property Taxes	\$ 575,000	\$ 548,218
Earnings on Investments	2,500	4,881
Other Local Fees	500	---
	<u>\$ 578,000</u>	<u>\$ 553,099</u>
State Sources		
Regular	\$ 250,000	\$ 169,252
Special Education	225,000	140,048
	<u>\$ 475,000</u>	<u>\$ 309,300</u>
Total Revenues	<u>\$ 1,053,000</u>	<u>\$ 862,399</u>
<b>Expenditures</b>		
Support Services		
Pupil Transportation		
Purchased Services	\$ 900,000	\$ 603,375
Net Change in Fund Balance	<u>\$ 153,000</u>	\$ 259,024
Fund Balance - July 1, 2014		<u>1,574,711</u>
Fund Balance - June 30, 2015		<u>\$ 1,833,735</u>

NIPPERSINK SCHOOL DISTRICT NO. 2  
 IMRF/SOCIAL SECURITY FUND  
 SCHEDULE OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>
<b>Revenues</b>		
Local Sources		
Property Taxes	\$ 23,750	\$ 4,982
Social Security/Medicare Taxes	23,750	4,982
Corporate Personal Property Replacement Taxes	35,000	36,415
Earnings on Investments	<u>1,500</u>	<u>2,442</u>
Total Revenues	\$ <u>84,000</u>	\$ <u>48,821</u>
<b>Expenditures</b>		
Instruction		
Regular Programs	\$ 83,000	\$ 83,908
Special Education	58,000	63,296
Interscholastic	1,275	1,455
Summer School	1,000	1,137
Gifted	625	634
Support Services		
Pupils	42,525	35,986
Instructional Staff	13,425	13,728
General Administration	13,775	13,306
School Administration	38,000	36,332
Business	58,250	69,260
Central	<u>26,500</u>	<u>29,341</u>
Total Expenditures	\$ <u>336,375</u>	\$ <u>348,383</u>
Net Change in Fund Balance	\$ <u>(252,375)</u>	\$ (299,562)
Fund Balance - July 1, 2014		<u>246,454</u>
Fund Balance - June 30, 2015		\$ <u>(53,108)</u>

NIPPERSINK SCHOOL DISTRICT NO. 2

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2015

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 30, 2014. The modified accrual basis budgeted amounts in this report are the result of full compliance with the following procedures:

For each fund, total 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 adoptions.

NOTE 2 - EXCESS OF EXPENDITURES OVER BUDGET

For the year ended June 30, 2015, the expenditures of the following funds presented as Required Supplementary Information exceeded the budget:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Actual Over Budget</u>
General Fund	\$ 11,225,100	\$ 15,634,389	\$ 4,409,289
IMRF	336,375	348,383	12,008

The excess of expenditures over budget in the General Fund resulted from the failure to include the on-behalf payments (3,509,644) in the budget and higher than expected cost for regular programs.

**SUPPLEMENTARY FINANCIAL INFORMATION**



NIPPERSINK SCHOOL DISTRICT NO. 2

GENERAL FUND

COMBINING BALANCE SHEET

JUNE 30, 2015

	<u>Educational</u>	<u>Working Cash</u>	<u>Tort Immunity</u>	<u>Total</u>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 10,491,445	\$ 955,001	\$ 297,179	\$ 11,743,625
Receivables				
Property Taxes	4,784,578	12,195	90,230	4,887,003
Due From Other Governments	163,501	---	---	163,501
Interest	6,324	522	993	7,839
Other Receivables	54,070	---	---	54,070
Due From Other Fund	<u>16,474</u>	<u>---</u>	<u>---</u>	<u>16,474</u>
Total Assets	\$ <u>15,516,392</u>	\$ <u>967,718</u>	\$ <u>388,402</u>	\$ <u>16,872,512</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 136,454	\$ ---	\$ ---	\$ 136,454
Accrued Salaries and Benefits	<u>1,321,608</u>	<u>---</u>	<u>---</u>	<u>1,321,608</u>
Total Liabilities	\$ <u>1,458,062</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>1,458,062</u>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue - Property Taxes	\$ <u>9,751,143</u>	\$ <u>24,852</u>	\$ <u>183,892</u>	\$ <u>9,959,887</u>
<b>Fund Balances</b>				
Undesignated	\$ <u>4,307,187</u>	\$ <u>942,866</u>	\$ <u>204,510</u>	\$ <u>5,454,563</u>
Total Liabilities, Deferred Inflows, and Fund Balances	\$ <u>15,516,392</u>	\$ <u>967,718</u>	\$ <u>388,402</u>	\$ <u>16,872,512</u>

NIPPERSINK SCHOOL DISTRICT NO. 2

GENERAL FUND

COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

JUNE 30, 2015

	<u>Educational</u>	<u>Working Cash</u>	<u>Tort Immunity</u>	<u>Total</u>
<b>Revenues</b>				
Property Taxes	\$ 9,547,031	\$ 99,675	\$ 177,440	\$ 9,824,146
Replacement Taxes	89,154	---	---	89,154
Interest	14,789	871	1,327	16,987
Other Local Sources	420,237	---	---	420,237
State Aid	4,562,028	---	---	4,562,028
Federal Aid	473,434	---	---	473,434
Total Revenues	<u>\$ 15,106,673</u>	<u>\$ 100,546</u>	<u>\$ 178,767</u>	<u>\$ 15,385,986</u>
<b>Expenditures</b>				
<b>Current</b>				
<b>Instruction</b>				
Regular Programs	\$ 6,600,361	\$ ---	\$ ---	\$ 6,600,361
Special Programs	1,149,144	---	---	1,149,144
Other Instructional Programs	305,137	---	---	305,137
State Retirement Contributions	3,509,644	---	---	3,509,644
<b>Support Services</b>				
Pupils	603,725	---	---	603,725
Instructional Staff	551,169	---	---	551,169
General Administration	642,443	---	118,216	760,659
School Administration	704,678	---	---	704,678
Business	407,055	---	---	407,055
Central	785,516	---	---	785,516
Payments to Other Governments	<u>257,301</u>	<u>---</u>	<u>---</u>	<u>257,301</u>
Total Expenditures	<u>\$ 15,516,173</u>	<u>\$ ---</u>	<u>\$ 118,216</u>	<u>\$ 15,634,389</u>
Excess or (Deficiency) of Revenues Over Expenditures	<u>\$ (409,500)</u>	<u>\$ 100,546</u>	<u>\$ 60,551</u>	<u>\$ (248,403)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds of Capital Lease	\$ 416,935	\$ ---	\$ ---	\$ 416,935
Transfer to Other Funds	<u>(28,006)</u>	<u>---</u>	<u>---</u>	<u>(28,006)</u>
Total Other Financing Sources (Uses)	<u>\$ 388,929</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 388,929</u>
Net Change in Fund Balances	\$ (20,571)	\$ 100,546	\$ 60,551	\$ 140,526
Fund Balances - July 1, 2014	<u>4,327,758</u>	<u>842,320</u>	<u>143,959</u>	<u>5,314,037</u>
Fund Balances - June 30, 2015	<u>\$ 4,307,187</u>	<u>\$ 942,866</u>	<u>\$ 204,510</u>	<u>\$ 5,454,563</u>

NIPPERSINK SCHOOL DISTRICT NO. 2  
GENERAL FUND - EDUCATIONAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>
<b>Revenues</b>		
Local Sources		
Property Taxes		
General Levies	\$ 9,765,000	\$ 9,369,599
Special Education Levies	189,500	177,432
Corporate Personal Property Replacement Taxes	80,000	89,154
Earnings on Investments	4,000	14,789
Food Services	217,000	193,071
District/School Activity	36,500	31,666
Textbooks	85,000	86,631
Other	<u>2,500</u>	<u>108,869</u>
	\$ <u>10,379,500</u>	\$ <u>10,071,211</u>
State Sources		
General State Aid	\$ 585,000	\$ 570,707
Special Education - Private Facility Tuition	25,000	36,930
Special Education - Extraordinary	175,000	155,264
Special Education - Personnel	315,000	254,776
Special Education - Orphanage	2,500	---
Special Education - Summer School	2,000	---
Other Revenue	---	33,025
State Library Grant	---	938
State Free Lunch	<u>1,500</u>	<u>744</u>
	\$ <u>1,106,000</u>	\$ <u>1,052,384</u>
Federal Sources		
National School Lunch	\$ 110,000	\$ 109,352
Title I - Low Income	68,500	87,615
IDEA - Flow-Through	250,000	227,985
Title II - Teacher Quality	24,000	24,037
Medicaid Matching	<u>25,000</u>	<u>24,445</u>
	\$ <u>477,500</u>	\$ <u>473,434</u>
Total Direct Revenues	\$ 11,963,000	\$ 11,597,029
Revenue For On-Behalf Payments	<u>---</u>	<u>3,509,644</u>
Total Revenues	\$ <u>11,963,000</u>	\$ <u>15,106,673</u>

NIPPERSINK SCHOOL DISTRICT NO. 2  
GENERAL FUND - EDUCATIONAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>
<b>Expenditures</b>		
<b>Instruction</b>		
<b>Regular Programs</b>		
Salaries	\$ 4,850,000	\$ 4,925,731
Employee Benefits	870,750	1,052,134
Purchased Services	45,000	50,157
Supplies and Materials	160,000	138,918
Capital Outlay	15,000	433,421
Other Objects	<u>6,000</u>	<u>---</u>
	\$ <u>5,946,750</u>	\$ <u>6,600,361</u>
<b>Special Education Programs</b>		
Salaries	\$ 1,045,000	\$ 1,106,927
Employee Benefits	23,200	23,724
Purchased Services	8,500	4,352
Supplies and Materials	12,500	2,041
Capital Outlay	<u>10,000</u>	<u>12,100</u>
	\$ <u>1,099,200</u>	\$ <u>1,149,144</u>
<b>Interscholastic Programs</b>		
Salaries	\$ 57,500	\$ 56,760
Employee Benefits	5,000	710
Purchased Services	10,000	6,768
Supplies and Materials	3,500	850
Capital Outlay	1,000	1,712
Other Objects	<u>1,000</u>	<u>1,328</u>
	\$ <u>78,000</u>	\$ <u>68,128</u>
<b>Summer School Programs</b>		
Salaries	\$ 35,000	\$ 173,378
Employee Benefits	<u>2,000</u>	<u>492</u>
	\$ <u>37,000</u>	\$ <u>173,870</u>
<b>Gifted Programs</b>		
Salaries	\$ 60,000	\$ 59,163
Employee Benefits	1,000	685
Supplies and Materials	200	1,446
Other Objects	<u>2,100</u>	<u>1,845</u>
	\$ <u>63,300</u>	\$ <u>63,139</u>
<b>Total Instruction</b>	\$ <u>7,224,250</u>	\$ <u>8,054,642</u>
<b>Support Services</b>		
<b>Pupils</b>		
Salaries	\$ 589,750	\$ 586,320
Employee Benefits	17,000	12,947
Purchased Services	---	200
Supplies and Materials	7,000	4,258
Capital Outlay	<u>100</u>	<u>---</u>
	\$ <u>613,850</u>	\$ <u>603,725</u>

NIPPERSINK SCHOOL DISTRICT NO. 2  
GENERAL FUND - EDUCATIONAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>
<b>Expenditures (continued)</b>		
<b>Support Services (continued)</b>		
<b>Instructional Staff</b>		
Salaries	\$ 230,000	\$ 267,104
Employee Benefits	21,000	18,531
Purchased Services	105,000	148,467
Supplies and Materials	25,000	115,768
Non-Capitalized Equipment	---	1,299
	<u>\$ 381,000</u>	<u>\$ 551,169</u>
<b>General Administration</b>		
Salaries	\$ 160,000	\$ 163,748
Employee Benefits	18,500	17,048
Purchased Services	400,000	451,228
Supplies and Materials	1,500	2,253
Other Objects	11,000	8,166
	<u>\$ 591,000</u>	<u>\$ 642,443</u>
<b>School Administration</b>		
Salaries	\$ 580,250	\$ 582,058
Employee Benefits	62,750	59,709
Purchased Services	7,000	1,851
Supplies and Materials	75,000	54,692
Capital Outlay	37,500	---
Other Objects	7,500	6,368
	<u>\$ 770,000</u>	<u>\$ 704,678</u>
<b>Business</b>		
Salaries	\$ 185,000	\$ 207,396
Employee Benefits	30,000	31,917
Purchased Services	18,500	15,539
Supplies and Materials	215,000	151,106
Other Objects	5,000	1,097
	<u>\$ 453,500</u>	<u>\$ 407,055</u>
<b>Central</b>		
Salaries	\$ 136,500	\$ 139,581
Employee Benefits	15,000	7,393
Purchased Services	350,000	210,655
Supplies and Materials	100,000	398,096
Capital Outlay	100,000	29,791
	<u>\$ 701,500</u>	<u>\$ 785,516</u>
<b>Total Support Services</b>	<u>\$ 3,510,850</u>	<u>\$ 3,694,586</u>

NIPPERSINK SCHOOL DISTRICT NO. 2  
GENERAL FUND - EDUCATIONAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>
<b>Expenditures (continued)</b>		
Payments to Other Governments		
Payments for Programs		
Purchased Services	\$ 175,000	\$ 36,119
Other Objects	<u>175,000</u>	<u>221,182</u>
Total Payments to Other Governments	\$ <u>350,000</u>	\$ <u>257,301</u>
Total Direct Expenditures	\$ 11,085,100	\$ 12,006,529
Expenditures for On-Behalf Payments	<u>---</u>	<u>3,509,644</u>
Total Expenditures	\$ <u>11,085,100</u>	\$ <u>15,516,173</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ <u>877,900</u>	\$ <u>(409,500)</u>
<b>Other Financing Sources (Uses)</b>		
Proceeds of Capital Lease	\$ ---	\$ 416,935
Transfer to Other Funds	<u>---</u>	<u>(28,006)</u>
Total Other Financing Sources (Uses)	\$ <u>---</u>	\$ <u>388,929</u>
Net Change in Fund Balance	\$ <u>877,900</u>	\$ (20,571)
Fund Balance - July 1, 2014		<u>4,327,758</u>
Fund Balance - June 30, 2015		\$ <u>4,307,187</u>

NIPPERSINK SCHOOL DISTRICT NO. 2  
 GENERAL FUND - WORKING CASH FUND  
 SCHEDULE OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>
<b>Revenues</b>		
Local Sources		
Property Taxes	\$ 68,275	\$ 99,675
Earnings on Investments	<u>1,000</u>	<u>871</u>
Total Revenues	\$ <u>69,275</u>	\$ <u>100,546</u>
<b>Expenditures</b>	\$ <u>---</u>	\$ <u>---</u>
Net Change in Fund Balance	\$ <u>69,275</u>	\$ 100,546
Fund Balance - July 1, 2014		<u>842,320</u>
Fund Balance - June 30, 2015		\$ <u>942,866</u>

NIPPERSINK SCHOOL DISTRICT NO. 2  
 GENERAL FUND - TORT IMMUNITY FUND  
 SCHEDULE OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>
<b>Revenues</b>		
Local Sources		
Property Taxes	\$ 185,000	\$ 177,440
Earnings on Investments	<u>2,500</u>	<u>1,327</u>
Total Revenues	\$ <u>187,500</u>	\$ <u>178,767</u>
 <b>Expenditures</b>		
Support Services		
Purchased Services	\$ <u>140,000</u>	\$ <u>118,216</u>
 Net Change in Fund Balance	\$ <u>47,500</u>	\$ 60,551
 Fund Balance - July 1, 2014		<u>143,959</u>
 Fund Balance - June 30, 2015		\$ <u>204,510</u>



NIPPERSINK SCHOOL DISTRICT NO. 2  
DEBT SERVICE FUND  
BOND AND INTEREST FUND  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015

	Original and Final Budget	<u>Actual</u>
<b>Revenues</b>	\$ ---	\$ <u>1</u>
<b>Expenditures</b>		
Debt Service		
Interest	\$ 3,480	\$ 28,480
Principal	<u>101,000</u>	<u>87,629</u>
Total Expenditures	\$ <u>104,480</u>	\$ <u>116,109</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ (104,480)	\$ (116,108)
<b>Other Financing Sources (Uses)</b>		
Transfer From Other Funds	---	<u>56,486</u>
Net Change in Fund Balance	\$ <u>(104,480)</u>	\$ (59,622)
Fund Balance - July 1, 2014		<u>5,521</u>
Fund Balance - June 30, 2015		\$ <u><u>(54,101)</u></u>

NIPPERSINK SCHOOL DISTRICT NO. 2

CAPITAL PROJECTS FUND

COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Site and Construction</u>	<u>Fire Prevention and Safety</u>	<u>Total</u>
<b>Revenues</b>			
Local Sources	\$ <u>36,334</u>	\$ <u>1,895</u>	\$ <u>38,229</u>
<b>Expenditures</b>			
Support Services			
Capital Outlay	\$ 3,430	\$ ---	\$ 3,430
Other Objects	<u>74,563</u>	<u>---</u>	<u>74,563</u>
Total Expenditures	\$ <u>77,993</u>	\$ <u>---</u>	\$ <u>77,993</u>
Net Change in Fund Balances	\$ (41,659)	\$ 1,895	\$ (39,764)
Fund Balances - July 1, 2014	<u>2,611,022</u>	<u>149,752</u>	<u>2,760,774</u>
Fund Balances - June 30, 2015	\$ <u>2,569,363</u>	\$ <u>151,647</u>	\$ <u>2,721,010</u>

NIPPERSINK SCHOOL DISTRICT NO. 2

SITE AND CONSTRUCTION FUND

SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>
<b>Revenues</b>		
Local Sources		
Earnings on Investments	\$ 2,500	\$ 2,504
Contributions, Donations and Fees	<u>25,000</u>	<u>33,830</u>
Total Revenues	\$ <u>27,500</u>	\$ <u>36,334</u>
<b>Expenditures</b>		
Support Services		
Other Support Services		
Purchased Services	\$ 150,000	\$ ---
Capital Outlay	150,000	3,430
Other Objects	<u>---</u>	<u>74,563</u>
Total Expenditures	\$ <u>300,000</u>	\$ <u>77,993</u>
Net Change in Fund Balance	\$ <u>(272,500)</u>	\$ (41,659)
Fund Balance - July 1, 2014		<u>2,611,022</u>
Fund Balance - June 30, 2015		\$ <u>2,569,363</u>

NIPPERSINK SCHOOL DISTRICT NO. 2  
 FIRE PREVENTION AND SAFETY FUND  
 SCHEDULE OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>
<b>Revenues</b>		
Local Sources		
Property Taxes	\$ 1,000	\$ 1,001
Earnings on Investments	<u>1,000</u>	<u>894</u>
Total Revenues	\$ <u>2,000</u>	\$ <u>1,895</u>
 <b>Expenditures</b>		
Support Services		
Facilities Acquisition and Construction		
Purchased Services	\$ <u>50,000</u>	\$ <u>---</u>
 Net Change in Fund Balance	\$ <u>(48,000)</u>	\$ 1,895
 Fund Balance - July 1, 2014		<u>149,752</u>
 Fund Balance - June 30, 2015		\$ <u>151,647</u>

## **SUPPLEMENTAL INFORMATION**

NIPPERSINK SCHOOL DISTRICT NO. 2  
STUDENT ACTIVITY FUNDS  
SUMMARY OF RECEIPTS AND DISBURSEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

	Balance <u>July 1, 2014</u>	Receipts	Disbursements	Balance <u>June 30, 2015</u>
<b>Richmond Grade School</b>				
Angel Fund	\$ 28.84	\$ 726.47	\$ 623.00	\$ 132.31
Field Trips	2,771.47	7,787.94	8,274.92	2,284.49
Flowers	864.16	475.00	1,426.14	-86.98
Future Problem Solvers	288.90	745.00	780.00	253.90
Art Fund	1,125.27	---	---	1,125.27
Library	5,620.91	7,522.12	6,413.43	6,729.60
Music	25.12	459.00	465.90	18.22
Pop Fund	666.46	274.75	236.12	705.09
Student Activities	1,651.76	5,913.00	6,329.37	1,235.39
Student Council	32.01	878.70	878.31	32.40
Teacher Pictures	827.21	1,548.75	1,903.84	472.12
Yearbook/Newspaper	1,597.01	755.00	396.50	1,955.51
	<u>\$ 15,499.12</u>	<u>\$ 27,085.73</u>	<u>\$ 27,727.53</u>	<u>\$ 14,857.32</u>
<b>Spring Grove School</b>				
Art	\$ -57.15	\$ ---	\$ 49.95	\$ -107.10
Band	25.00	50.00	---	75.00
Library	3,039.83	6,319.09	6,078.84	3,280.08
Drama	214.51	---	---	214.51
Music	31.15	285.00	296.75	19.40
Quest	17.34	---	---	17.34
Field Trips	357.48	7,036.01	7,302.50	90.99
Future Problem Solvers	1,031.00	767.00	801.00	997.00
Recycling	76.35	---	---	76.35
Student Pictures	6,026.59	4,896.23	5,712.76	5,210.06
Science	-72.63	---	---	-72.63
Vending	424.85	455.45	503.84	376.46
Nippersink Foundation	122.11	---	---	122.11
	<u>\$ 11,236.43</u>	<u>\$ 19,808.78</u>	<u>\$ 20,745.64</u>	<u>\$ 10,299.57</u>
<b>Nippersink Middle School</b>				
Athletics	\$ 319.74	\$ 1,698.00	\$ 365.00	\$ 1,652.74
Butter Braids	12,719.98	19,630.30	19,163.50	13,186.78
Eco Club	1,139.90	250.00	500.00	889.90
Donations	2,681.39	---	---	2,681.39
Eighth Grade	14,375.76	40,794.40	41,305.30	13,864.86
Future Problem Solvers	-1,790.76	25,773.34	18,837.80	5,144.78
General	283.65	6,689.02	5,940.27	1,032.40
K-Crew	2,717.98	4,253.70	5,992.23	979.45
Library	2,536.92	4,300.25	4,702.19	2,134.98
Music	8,659.76	10,683.30	8,691.64	10,651.42
Cap and Gown	---	495.00	---	495.00
Split	---	199.00	---	199.00
PTO	---	25,647.55	10,548.21	15,099.34
P.E. Uniforms	6,307.14	3,710.00	5,427.79	4,589.35
Seventh Grade	-515.86	20,254.82	19,738.96	---
Sixth Grade	314.18	5,708.00	5,525.85	496.33
Drama	2,528.33	2,322.00	565.00	4,285.33
Social	304.21	2,640.00	2,126.78	817.43
Textbooks	2,234.27	---	---	2,234.27
Yearbook	7,381.48	6,780.43	12,257.12	1,904.79
	<u>\$ 62,198.07</u>	<u>\$ 181,829.11</u>	<u>\$ 161,687.64</u>	<u>\$ 82,339.54</u>
<b>District-Wide Accounts</b>				
Bank Credits	\$ 20.24	\$ ---	\$ ---	\$ 20.24
Bank Interest	7,381.06	230.43	---	7,611.49
Unallocated	65.01	880.08	---	942.09
NMS Text Books	1,073.00	---	---	1,073.00
Bank Charges	-923.63	---	---	-1,068.63
	<u>\$ 7,615.68</u>	<u>\$ 1,110.51</u>	<u>\$ ---</u>	<u>\$ 8,578.19</u>
<b>District Totals</b>	<u>\$ 96,549.30</u>	<u>\$ 229,834.13</u>	<u>\$ 210,308.81</u>	<u>\$ 116,074.62</u>

NIPPERSINK SCHOOL DISTRICT NO. 2

SCHEDULE OF DEBT CERTIFICATES AND INTEREST PAYABLE

JUNE 30, 2015

Series 2002 Land

Original Amount of Issue	\$ 345,000
Principal Payment Date	December 1
Principal	June 1 and
Interest	December 1
Interest Rates	2% to 4.8%
Type of Issue	Land Acquisition
Paying Agent	Cole Taylor Bank

Due in Fiscal Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2016	\$ 30,000	\$ 2,160	\$ 32,160
2017	<u>30,000</u>	<u>720</u>	<u>30,720</u>
Total	\$ <u>60,000</u>	\$ <u>2,880</u>	\$ <u>62,880</u>

NIPPERSINK SCHOOL DISTRICT NO. 2  
 COMPUTATION OF PER CAPITA TUITION CHARGE  
 FOR THE YEAR ENDED JUNE 30, 2015

<b>Total Expenditures</b>			
Educational Fund	\$	12,006,529	
Operations and Maintenance Fund		1,422,973	
Transportation Fund		116,109	
Municipal Retirement Fund		603,375	
Debt Service Fund		348,383	
Tort Immunity Fund		<u>118,216</u>	\$ 14,615,585
<b>Less: Expenditures Not Applicable To Operating Expense of Regular Term</b>			
Summer School Programs	\$	175,007	
Payments to Other Districts and Governmental Units		257,301	
Capital Outlay (Educational and Building Funds)		847,585	
Payments of Principal on Long-Term Debt		87,540	
Pre-K Programs		24,122	
Non-Capitalized Equipment		<u>1,299</u>	<u>1,392,854</u>
Operating Expense of Regular Program			\$ 13,222,731
Average Daily Attendance		1,161.76	
Net Operating Expense Per Pupil	\$	<u>11,381.66</u>	
<b>Deductions For Computation of Tuition Charges (Revenue Offsetting Expense of a Special Activity)</b>			
Food Service	\$	302,423	
District/School Activity Income		31,666	
Regular Textbooks		86,631	
Special Education		667,979	
State Free Lunch and Breakfast		744	
Transportation		309,300	
Restricted Revenue From State Sources		33,963	
Other Local Sources		53,968	
Title I		87,615	
Title II - Teacher Quality		24,037	
Medicaid Matching Funds - Administrative Outreach		<u>24,445</u>	<u>1,622,771</u>
Net Operating Expenses For Tuition Computation			\$ 11,599,960
Add: Total Depreciation Allowance			<u>516,317</u>
Total Allowance For Tuition Computation			\$ <u>12,116,277</u>
Average Daily Attendance		1,161.76	
Per Capita Tuition Charge	\$	<u>10,429.26</u>	

**Note:** The above amounts have been derived from the Annual Financial Report which District No. 2 files with the Illinois State Board of Education. Certain amounts have been reclassified for purposes of the audited financial statements.