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NIPPERSINK SCHOOL DISTRICT NO. 2  
McHENRY COUNTY, ILLINOIS  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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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, 2016, 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, 2016, 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 Note 14 of the notes to the financial statements, in 2016 the District adopted new accounting guidance: GASB Statement No. 72, *Fair Value Measurement and Application*. 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 5-11 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 69-72 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, 2016 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, 2016

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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, 2016, 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, 2016.

**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, 2016

**REQUIRED SUPPLEMENTAL INFORMATION**



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

JUNE 30, 2016

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, 2016. 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 12.

**Financial Highlights**

- The District's net position increased \$598,499 for the year.
- Nippersink reduced its long-term debt and contracts payable by \$113,387.
- The District's fund balances (as shown on the fund financial statements) were increased by \$458,324.
- The District added \$851,596 in capital assets.

**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 12 and 13 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 14-18 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 19 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 20-44 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 \$598,499 larger at June 30, 2016 than the year before, increasing by 2.7% to \$23.1 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, 2016 and 2015

	Amount (In Millions)	
	2016	2015
Assets		
Current and Other Assets	\$ 26.4	\$ 26.3
Capital Assets (Net)	<u>11.9</u>	<u>11.5</u>
Total Assets	\$ <u>38.3</u>	\$ <u>37.8</u>
Deferred Outflows		
Pensions	\$ <u>.4</u>	\$ <u>.4</u>
Total Assets and Deferred Outflows	\$ <u>38.9</u>	\$ <u>38.2</u>
Liabilities		
Pension and OPEB	\$ 1.4	\$ .9
Long-term Debt Outstanding	.3	.4
Other Liabilities	<u>1.4</u>	<u>1.7</u>
Total Liabilities	\$ <u>3.1</u>	\$ <u>3.0</u>
Deferred Inflows of Resources		
Pensions	\$ .2	\$ .2
Unavailable Revenue - Property Taxes	<u>12.5</u>	<u>12.5</u>
Total Deferred Inflows of Resources	\$ <u>12.7</u>	\$ <u>12.7</u>
Net Position		
Invested in Capital Assets, Net of Related Debt	\$ 11.6	\$ 11.1
Restricted	6.4	6.8
Unassigned	<u>5.1</u>	<u>4.6</u>
Total Net Position	\$ <u>23.1</u>	\$ <u>22.5</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 retired \$113,387 in debt.
- The District added \$851,596 in new capital assets.
- Depreciation expense of \$559,080 was charged against income.

Changes in Net Position - The District's total revenues for the fiscal year ended June 30, 2016 were \$18.6 million. The total cost of all programs and services were \$18.0 million. Revenues exceeded expenses, increasing net position by \$.6 million. Operating and capital grants and charges for governmental activities totaled \$5.3 million. The following table presents a summary of changes in net position for the fiscal year ended June 30, 2016 and 2015:

Table 2  
Changes in Net Position  
For the Fiscal Years Ended  
June 30, 2016 and 2015

	Governmental Activities (In Millions)	
	2016	2015
<b>Revenue</b>		
Program Revenues		
Charges for Services	\$ .4	\$ .5
Operating Grants and Contributions	4.9	4.7
General Revenue		
Taxes and Interest	12.7	12.2
Federal and State Aid - Formula Grants	.6	.6
Total Revenue (In Millions)	\$ <u>18.6</u>	\$ <u>18.0</u>
<b>Expenses</b>		
Instruction	\$ 11.6	\$ 11.4
Pupil and Instructional Services	1.2	1.2
Administration and Business	2.0	2.0
Central	.7	.8
Operations and Maintenance	1.7	1.4
Transportation	.6	.6
Other and Payments to Other Districts and Governments	.2	.2
Interest and Fees	.0	.0
Total Expenses (In Millions)	\$ <u>18.0</u>	\$ <u>17.6</u>
Change in Net Position	\$ .6	\$ .4
Net Position - July 1	22.5	23.0
Prior Period Adjustment - Note 12	<u>.0</u>	<u>(.9)</u>
Net Position - June 30	\$ <u>23.1</u>	\$ <u>22.5</u>

**Summary and Highlights**

- Total revenues increased \$.6 million while total expense increased \$.4 million as compared to the previous year.
- Net position increased \$.6 million as compared to a \$.4 million increase last year.
- Prior period adjustment for pensions reduced net position by \$.9 million for June 30, 2015.

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, operations and maintenance, 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.

	2016		2015	
	Total Cost	Net Cost	Total Cost	Net Cost
Instruction	11.6	7.1	11.4	7.1
Pupil and Instructional Services	1.2	.9	1.2	1.0
Administration and Business	2.0	1.7	2.0	1.7
Maintenance and Operations	1.7	1.7	1.4	1.3
Transportation	.6	.4	.6	.3
All Other	<u>.9</u>	<u>.9</u>	<u>1.0</u>	<u>1.0</u>
Total Cost (In Millions)	<u>18.0</u>	<u>12.7</u>	<u>17.6</u>	<u>12.4</u>

**Summary and Highlights**

- The cost of all governmental activities for the year was \$18.0 million.
- \$.4 million of the cost was paid for by user fees for the District's programs.
- Federal and state subsidies to specific programs totaled \$4.8 million which includes \$3.6 million in state on-behalf payments paid directly to TRS.
- Most of the costs (\$12.5 million) however, were paid by the District's taxpayers.
- Replacement taxes, investment earnings, and federal and state aid-formula grants totaled \$.8 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 16 and 17 of this report. Total revenues were \$18.6, which is \$.6 million more than the amount posted last year. Total expenditures were \$18.1 million compared to \$18.2 million a year ago, decreasing by \$.1 million, or .6%. Current year revenues exceeded expenditures by \$.5 million. The excess of revenues over expenditures of \$.5 million brought the total fund balance for all funds combined to \$12.5 million at year-end.

Educational Fund (Pages 59-62) - Property taxes produced \$9.6 million in revenue for the Educational Fund during fiscal 2016, or 62.0% of all of the fund's revenue. State sources accounted for 30.4% of revenue at \$4.7 million, including \$3.6 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 \$.7 million, or 4.5% of total revenue. Thus, property taxes and other local revenues combined accounted for \$10.3 million, or more than 66.5% of Educational Fund revenues.

Total Educational Fund expenditures were \$14.8 million, which is \$.7 million less than the amount posted last year. Of the \$14.8 million, \$11.1 million, or 75.4%, was used for direct instruction and teachers' pensions; \$3.4 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 \$15.5 million and expenditures and transfers of \$14.9 million, the Educational Fund posted an excess of expenditures over revenues of \$.6 million. The fund balance increased for the year to \$4.9 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 \$1,632,653 out of total fund revenues of \$1,636,933, or 99.7% of total fund revenue. Other local revenue sources account for \$4,280, or .3%. The total revenue of \$1,636,933 is \$59,839 less than the amount that was posted last year.

Total expenditures of \$2,044,987 were \$622,014 more than prior year expenditures of \$1,422,973. Revenues exceeded expenditures and transfers (\$641,840) by \$233,786, increasing the fund balance to \$2,420,218.

Transportation Fund (Page 54) - Revenues for transportation exceeded expenditures by \$106,287. Local sources accounted for \$528,876, or 74.1% of total revenue while state sources accounted for \$184,911, or 25.9%.

Total expenditures of \$607,500 for 2016 is \$4,125 more than the 2015 total.

The net result for the year is that the fund balance was increased by \$106,287 to \$1,940,022 at the end of 2016.

IMRF/Social Security Fund (Page 55) - IMRF/Social Security Fund revenues for 2016 were \$386,966 compared to \$48,821 in 2015. Expenditures of \$405,086 were \$56,703 more than the 2015 cost of \$348,383. The fund spent \$18,120 more than it received, decreasing its fund balance to a deficit of \$71,228 at June 30, 2016.

Working Cash Fund (Page 63) - The Working Cash Fund revenues totaled \$27,876. There were no expenditures so its fund balance increased \$27,876 to \$970,742.

Tort Immunity Fund (Page 64) - Revenues totaled \$188,750, consisting mainly of property taxes. Total expenditures were \$141,739. At year-end, the fund balance was \$251,521.

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 2016, the District's Bond and Interest Fund had revenues of \$1 and there were \$116,454 in expenditures. The fund received transfers totaling \$115,547. The net result for the year is the fund balance decreased to a deficit of \$55,007.

Site and Construction Fund (Page 67) - Revenues of \$100,597 were comprised of investment earnings of \$8,735 and contributions and donations of \$91,862. Revenues were \$64,263 more than the previous year's total of \$36,334.

There were no expenditures from the fund but it had transfers to other funds of \$640,000. Thus, the fund decreased its fund balance by \$539,403 to \$2,029,960.

Fire Prevention and Safety Fund (Page 68) - The account had revenues of \$1,292 in income and had no expenditures but did have transfers to other funds of \$34,000, resulting in a fund balance decrease to \$118,939.

General Fund Budgetary Highlights (Page 49-52) - The District budgeted general fund expenditures to total \$11.7 million. Net results of operations were expected to result in a general fund increase after transfers in fund balance of \$.2 million. Actual results for the year produced a fund balance increase of \$.7 million.

Total actual revenues of \$15.7 million were \$4.5 million more than the total budgeted revenues of \$11.9 million due mainly to no amounts of revenue being budgeted for on-behalf revenue of \$3.6 million. Total expenditures for the General Fund of \$14.9 million were \$3.2 million higher than budgeted expenditures mainly due to not budgeting for on-behalf payments of \$3.6 million.

## Capital Asset and Debt Administration

**Capital Assets** - At June 30, 2016, Nippersink's net capital assets totaled \$11,854,921 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 \$851,596 in additions to its capital assets. The following schedule presents capital asset balances net of depreciation at June 30, 2016:

Land	\$ 791,988
Buildings	8,333,434
Improvements Other Than Buildings	1,395,156
Equipment	1,329,244
Food Service Equipment	<u>5,099</u>
Totals	\$ <u>11,854,921</u>

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

Debt Certificates	\$ 30,000
Capital Lease Payable	<u>271,008</u>
	\$ <u>301,008</u>

### **Summary and Highlights**

- Property taxes continue to be the District's largest single source of revenues at \$12.5 million with locally generated fees, charges and interest earnings generating \$.6 million. State and federal aid provided \$5.4 million in revenue which included \$3.6 million in State on-behalf payments. Thus, a little over 73% of revenue comes from local sources.
- The District added \$851,596 in capital assets.
- The District retired \$113,387 in debt.

### **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, 2016

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 19,938,787
Receivables	
Property Taxes	6,149,380
Claims and Grants	218,174
Interest	15,867
Other	109,774
Capital Assets, Net of Accumulated Depreciation	
Land and Construction in Progress	791,988
Land Improvements	1,395,156
Buildings	8,333,434
Equipment	<u>1,334,343</u>
Total Assets	\$ <u>38,286,903</u>
 <b>Deferred Outflows of Resources</b>	
Deferred Pension Expense	\$ 419,008
Deferred Employer Pension Contributions	<u>150,710</u>
Total Deferred Outflows of Resources	\$ <u>569,718</u>
 Total Assets and Deferred Outflow of Resources	 \$ <u>38,856,621</u>
 <b>Liabilities</b>	
Accounts Payable	\$ 284,143
Accrued Expenses	1,144,639
Non-current Liabilities	
Due Within One Year	113,387
Due in More Than One Year	187,621
Net Pension Liabilities and OPEB	<u>1,412,281</u>
Total Liabilities	\$ <u>3,142,071</u>
 <b>Deferred Inflows of Revenues</b>	
Deferred Pension Revenue	\$ 190,888
Unavailable Revenue - Property Taxes	<u>12,456,345</u>
Total Deferred Inflows of Revenues	\$ <u>12,647,233</u>
 <b>Net Position</b>	
Invested in Capital Assets, Net of Related Debt	\$ 11,553,913
Restricted For:	
Transportation	1,924,716
Operations and Maintenance	2,367,644
Capital Projects	2,148,899
Unrestricted	<u>5,072,145</u>
 Total Net Position	 \$ <u>23,067,317</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, 2016

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
Instruction					
Regular Programs	\$ 6,571,829	\$ 89,912	\$ 18,930	\$ ---	\$ (6,462,987)
Special Education Programs	1,264,630	---	767,765	---	(496,865)
Interscholastic Programs	189,426	36,271	---	---	(153,155)
State Retirement Contributions	3,622,041	---	3,622,041	---	---
Support Services					
Pupils	693,692	---	205,191	---	(488,501)
Instructional Staff	459,123	---	---	---	(459,123)
General Administration	688,312	---	---	---	(688,312)
School Administration	748,071	---	---	---	(748,071)
Business	516,343	286,517	---	---	(229,826)
Central	651,050	---	---	---	(651,050)
Facilities Acquisition and Construction	879	---	---	91,862	90,983
Operations and Maintenance	1,689,908	417	---	---	(1,689,491)
Transportation	607,500	---	184,911	---	(422,589)
Other	3,517	---	---	---	(3,517)
Payments to Other Districts and Governmental Units	257,764	---	---	---	(257,764)
Interest and Fees	<u>3,067</u>	---	---	---	<u>(3,067)</u>
Total Governmental Activities	\$ <u>17,967,152</u>	\$ <u>413,117</u>	\$ <u>4,798,838</u>	\$ <u>91,862</u>	\$ <u>(12,663,335)</u>
<b>General Revenues</b>					
Taxes					
Real Estate Taxes, Levied for General Purposes					\$ 12,509,700
Personal Property Replacement Taxes					115,601
State and Federal Aid - Formula Grants					584,895
Investment Earnings					<u>51,638</u>
					\$ <u>13,261,834</u>
Change in Net Position					\$ 598,499
Net Position - July 1, 2015					<u>22,468,818</u>
Net Position - June 30, 2016					\$ <u>23,067,317</u>

See Accompanying Notes to Financial Statements.

NIPPERSINK SCHOOL DISTRICT NO. 2  
 FUND FINANCIAL STATEMENTS  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 JUNE 30, 2016

	<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	\$ 12,119,046	\$ 3,395,343	\$ 2,155,676	\$ 120,646	\$ ---	\$ 2,148,076	\$ 19,938,787
Receivables							
Property Taxes	4,916,939	802,561	257,628	171,750	---	502	6,149,380
Due From Other Governments	171,852	---	46,322	---	---	---	218,174
Interest	8,893	1,387	2,250	2,003	---	1,334	15,867
Other	109,774	---	---	---	---	---	109,774
Due From Other Funds	16,474	56,113	---	---	---	---	72,587
<b>Total Assets</b>	<u>\$ 17,342,978</u>	<u>\$ 4,255,404</u>	<u>\$ 2,461,876</u>	<u>\$ 294,399</u>	<u>\$ ---</u>	<u>\$ 2,149,912</u>	<u>\$ 26,504,569</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts Payable	\$ 108,421	\$ 175,578	\$ ---	\$ 144	\$ ---	\$ ---	\$ 284,143
Accrued Salaries and Benefits	1,110,720	33,919	---	---	---	---	1,144,639
Due To Other Funds	---	---	---	17,580	55,007	---	72,587
<b>Total Liabilities</b>	<u>\$ 1,219,141</u>	<u>\$ 209,497</u>	<u>\$ ---</u>	<u>\$ 17,724</u>	<u>\$ 55,007</u>	<u>\$ ---</u>	<u>\$ 1,501,369</u>
<b>Deferred Inflows of Resources</b>							
Unavailable Revenue - Property Taxes	\$ 9,959,886	\$ 1,625,689	\$ 521,854	\$ 347,903	\$ ---	\$ 1,013	\$ 12,456,345
<b>Fund Balances</b>							
<b>Fund Balance</b>							
Restricted							
For Operations and Maintenance	\$ ---	\$ 2,367,644	\$ ---	\$ ---	\$ ---	\$ ---	\$ 2,367,644
For Transportation	---	---	1,924,716	---	---	---	1,924,716
For IMRF/Social Security	---	---	---	(82,503)	---	---	(82,503)
Assigned							
For Operations and Maintenance	---	52,574	---	---	---	---	52,574
For IMRF/Social Security	---	---	---	11,275	---	---	11,275
For Transportation	---	---	15,306	---	---	---	11,275
For Capital Projects	---	---	---	---	---	2,148,899	2,148,899
Undesignated	6,163,951	---	---	---	(55,007)	---	6,108,944
<b>Total Fund Balances</b>	<u>\$ 6,163,951</u>	<u>\$ 2,420,218</u>	<u>\$ 1,940,022</u>	<u>\$ (71,228)</u>	<u>\$ (55,007)</u>	<u>\$ 2,148,899</u>	<u>\$ 12,546,855</u>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<u>\$ 17,342,978</u>	<u>\$ 4,255,404</u>	<u>\$ 2,461,876</u>	<u>\$ 294,399</u>	<u>\$ ---</u>	<u>\$ 2,149,912</u>	<u>\$ 26,504,569</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, 2016

Total Fund Balances - Governmental Funds \$ 12,546,855

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	\$ 19,786,588	
Depreciation Expense to Date	<u>(7,931,667)</u>	11,854,921

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, 2016 are:

Debt Certificates Payable and Capital Leases	(301,008)
--	-----------

Deferred Outflows/Inflows and Pension and OPEB liabilities are not included in the Fund Financial Statements.

(1,033,451)

Net Position of Governmental Activities \$ 23,067,317

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, 2016

	Operations and				IMRF/Social Security	Debt Service	Capital Projects	Total
	General	Maintenance	Transportation					
<b>Revenues</b>								
Property Taxes	\$ 10,002,556	\$ 1,632,653	\$ 524,094	\$ 349,396	\$ ---	\$ 1,001	\$ 12,509,700	
Replacement Taxes	82,077	---	---	33,524	---	---	115,601	
Interest	29,920	3,863	4,782	4,046	1	9,026	51,638	
Other Local Sources	412,700	417	---	---	---	91,862	504,979	
State Aid	4,709,646	---	184,911	---	---	---	4,894,557	
Federal Aid	489,176	---	---	---	---	---	489,176	
<b>Total Revenues</b>	<b>\$ 15,726,075</b>	<b>\$ 1,636,933</b>	<b>\$ 713,787</b>	<b>\$ 386,966</b>	<b>\$ ---</b>	<b>\$ 101,889</b>	<b>\$ 18,565,651</b>	
<b>Expenditures</b>								
<b>Current</b>								
Instruction								
Regular Programs	\$ 6,173,177	---	---	\$ 87,731	\$ ---	---	\$ 6,260,908	
Special Programs	1,171,578	---	---	65,933	---	---	1,237,511	
Other Instructional Programs	181,315	---	---	3,825	---	---	185,140	
State Retirement Contributions	3,622,041	---	---	---	---	---	3,622,041	
Support Services								
Pupils	634,469	---	---	44,222	---	---	678,691	
Instructional Staff	438,810	---	---	13,884	---	---	452,694	
General Administration	671,895	---	---	12,131	---	---	684,026	
School Administration	724,391	---	---	36,759	---	---	761,150	
Business	399,295	---	---	105,028	---	---	504,323	
Central	655,048	---	---	35,573	---	---	690,621	
Transportation	---	---	607,500	---	---	---	607,500	
Operations and Maintenance	---	2,044,108	---	---	---	---	2,044,108	
Facilities Acquisition and Construction	---	879	---	---	---	---	879	
Other	3,517	---	---	---	---	---	3,517	
Payments To Other Governments	257,764	---	---	---	---	---	257,764	
Debt Service								
Principal	---	---	---	---	114,294	---	114,294	
Interest and Other	---	---	---	---	2,160	---	2,160	
<b>Total Expenditures</b>	<b>\$ 14,933,300</b>	<b>\$ 2,044,987</b>	<b>\$ 607,500</b>	<b>\$ 405,086</b>	<b>\$ 116,454</b>	<b>\$ ---</b>	<b>\$ 18,107,327</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, 2016

		Operations and	IMRF/Social Security	Debt Service	Capital Projects	Total	
	General	Maintenance	Transportation	Security	Debt Service	Capital Projects	
Excess or (Deficiency) of Revenues Over Expenditures	\$ 792,775	\$ (408,054)	\$ 106,287	\$ (18,120)	\$ (116,453)	\$ 101,889	\$ 458,324
<b>Other Financing Sources (Uses)</b> Transfers to Other Funds	<u>(83,387)</u>	<u>641,840</u>	<u>---</u>	<u>---</u>	<u>115,547</u>	<u>(674,000)</u>	<u>---</u>
Net Change in Fund Balances	\$ 709,388	\$ 233,786	\$ 106,287	\$ (18,120)	\$ (906)	\$ (572,111)	\$ 458,324
Fund Balances - July 1, 2015	<u>5,454,563</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>
Fund Balances - June 30, 2016	<u>\$ 6,163,951</u>	<u>\$ 2,420,218</u>	<u>\$ 1,940,022</u>	<u>\$ (71,228)</u>	<u>\$ (55,007)</u>	<u>\$ 2,148,899</u>	<u>\$ 12,546,855</u>

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, 2016

Net Change in Fund Balances - Total Governmental Funds \$ 458,324

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	\$ (559,080)	
Capital Outlays	<u>851,596</u>	292,516

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. 113,387

Pension and OPEB expense on the District's Pension and OPEB liability is not  
charged to expense on the Fund Financial Statements. (265,728)

Change in Net Position of Governmental Activities \$ 598,499

See Accompanying Notes to Financial Statements.

NIPPERSINK SCHOOL DISTRICT NO. 2  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2016

	<u>Student Activity Fund</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ <u>131,275</u>
<b>Liabilities</b>	
Due to Student Groups	\$ 111,872
Flex Benefit Account	<u>19,403</u>
Total Liabilities	\$ <u>131,275</u>

See Accompanying Notes to Financial Statements.



NIPPERSINK SCHOOL DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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.

NOTES TO FINANCIAL STATEMENTS (continued)

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.

NOTES TO FINANCIAL STATEMENTS (continued)

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 2015-16 was adopted on September 30, 2015, 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 2014 levy was passed by the Board on December 16, 2014. The 2015 levy was passed by the Board on December 15, 2015. 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	
		2015 Levy	2014 Levy
Educational	3.500	3.154165	3.236773
Tort Immunity	As Needed	.060626	.062214
Special Education	.4000	.060626	.062214
Operations and Maintenance	.5500	.535963	.550000
Transportation	As Needed	.172046	.176552
Fire Prevention/Safety	.1000	.000334	.000337
Working Cash	.0500	.008193	.008408
Municipal Retirement	As Needed	.057349	.058851
Social Security	As Needed	<u>.057349</u>	<u>.058851</u>
Totals		<u>4.106651</u>	<u>4.124200</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	2015		2014	
<b>Assessed Valuation</b>	\$ 305,152,114		\$ 297,364,105	
	<u>Extensions</u>	<u>Collections</u>	<u>Extensions</u>	<u>Collections</u>
<b>Purpose</b>				
Educational	\$ 9,625,001	\$ 4,844,146	\$ 9,625,001	\$ 9,608,328
Tort Immunity	185,002	93,110	185,002	184,681
Special Education	185,002	93,110	185,002	184,681
Operations and Maintenance	1,635,502	823,128	1,635,503	1,632,643
Transportation	525,002	264,224	525,002	524,094
Fire Prevention/Safety	1,019	511	1,002	1,001
Working Cash	25,001	12,582	25,002	24,957
Municipal Retirement	175,002	88,077	175,002	174,698
Social Security	<u>175,002</u>	<u>88,077</u>	<u>175,002</u>	<u>174,698</u>
Totals	\$ <u>12,531,533</u>	\$ <u>6,306,965</u>	\$ <u>12,531,518</u>	\$ <u>12,509,781</u>
<b>Percentage of Extensions Collected</b>	50.33%		99.83%	

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, 2016, 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.

NOTES TO FINANCIAL STATEMENTS (continued)

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, 2016, the carrying amount of the District's deposits was \$10,880,341 and the bank balance was \$11,057,156.



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	\$ 1,929
Deposited With Local Banks	251,655	251,665
Deposited with Illinois School District Liquid Asset Fund	10,494,411	10,671,321
Student Activity, PTO, and Flex Accounts	<u>131,275</u>	<u>132,241</u>
	<u>\$ 10,880,341</u>	<u>\$ 11,057,156</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, 2016, amounted to \$9,189,721. This amount consisted of investments through the Illinois School District Liquid Asset Fund (ISDLAF) in certificates of deposit of \$9,189,721 issued by 37 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	\$ 10,880,341
Investments	<u>9,189,721</u>
Total Cash	<u>\$ 20,070,062</u>

The cash position is comprised of the following:

Governmental Activities	\$ 19,938,787
Fiduciary Activities	<u>131,275</u>
	<u>\$ 20,070,062</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.

Fair Value Measurement - The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District's investments were all Level 1 inputs as of June 30, 2016.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the District for the year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 791,988	\$ ---	\$ ---	\$ 791,988
Construction in Progress	6,273	---	6,273	---
Total Capital Assets Not Being Depreciated	<u>\$ 798,261</u>	<u>\$ ---</u>	<u>\$ 6,273</u>	<u>\$ 791,988</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings	\$ 12,979,998	\$ ---	\$ ---	\$ 12,979,998
Improvements Other Than Buildings	1,021,754	669,978	---	1,691,732
Equipment	4,097,929	187,891	---	4,285,820
Food Service Equipment	37,050	---	---	37,050
Total Capital Assets Being Depreciated	<u>\$ 18,136,731</u>	<u>\$ 857,869</u>	<u>\$ ---</u>	<u>\$ 18,994,600</u>
<b>Less: Accumulated Depreciation For:</b>				
Buildings	\$ 4,386,964	\$ 259,600	\$ ---	\$ 4,646,564
Improvements Other Than Buildings	211,989	84,587	---	296,576
Equipment	2,742,286	214,290	---	2,956,576
Food Service Equipment	31,348	603	---	31,951
Total Accumulated Depreciation	<u>\$ 7,372,587</u>	<u>\$ 559,080</u>	<u>\$ ---</u>	<u>\$ 7,931,667</u>
Net Capital Assets Being Depreciated	<u>\$ 10,764,144</u>	<u>\$ 298,789</u>	<u>\$ ---</u>	<u>\$ 11,062,933</u>
Net Governmental Activities Capital Assets	<u>\$ 11,562,405</u>	<u>\$ 298,789</u>	<u>\$ 6,273</u>	<u>\$ 11,854,921</u>

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

Regular Programs	\$ 156,542
Business	5,591
Operations and Maintenance	<u>396,947</u>
	<u>\$ 559,080</u>

NOTE 4 - CHANGES IN GENERAL LONG-TERM DEBT

A summary of changes in long-term debt shows:

Type of Debt	Balance July 1, 2015	Additions	Payments	Balance June 30, 2016
<b>Debt Certificates:</b>				
2002 Land Purchase	\$ <u>60,000</u>	\$ <u>---</u>	\$ <u>30,000</u>	\$ <u>30,000</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>
2017	\$ <u>30,000</u>	\$ <u>720</u>	\$ <u>30,720</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>	
2017	\$ 83,387
2018	83,387
2019	83,387
2020	<u>20,847</u>
	\$ <u>271,008</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.

NOTE 6 - RETIREMENT FUND COMMITMENTS (continued)

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

➤ General Information About the Pension Plan (continued)

1. Plan Description (continued)

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, 2016 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.

- On-Behalf Contributions to TRS - The State of Illinois makes employer pension contributions on behalf of the District. For the year ended June 30, 2016, 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 \$3,544,605 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, 2016 were \$41,974, and are deferred because they were paid after the June 30, 2015 measurement date.

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)

- 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, 2016, the District pension contribution was 36.06% of salaries paid from federal and special trust funds. For the year ended June 30, 2016, \$74,716 in salaries were paid from federal and special trust funds that required \$26,943 in District contributions. These contributions are deferred because they were paid after the June 30, 2015 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, 2016, 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, 2016, 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, 2016, 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:

State's Proportionate Share of the Net Pension Liability	\$ 43,264,650
District's Proportionate Share of the Net Pension Liability	<u>724,542</u>
Total Net Pension Liability	\$ <u>43,989,192</u>

The net pension liability was measured as of June 30, 2015, 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, 2015. 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, 2015, relative to the projected contributions of all participating TRS employers and the State during that period. At June 30, 2015, the District's proportion was .0011060007%, which is a decrease of .0000193873% from its portion measured as of June 30, 2014.

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)

For the year ended June 30, 2016, the District recognized pension expense of \$3,544,605 and revenue of \$3,544,605 for support provided by the State. At June 30, 2016, 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	\$ 269	\$ (794)	\$ (525)
Net Difference Between Projected and Actual Earnings on Pension Investments	14,349	(25,371)	(11,022)
Changes in Assumptions	10,020	---	10,020
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	---	(139,724)	(139,724)
Employer Contributions Subsequent to the Measurement Date	<u>68,917</u>	<u>---</u>	<u>68,917</u>
	<u>\$ 93,555</u>	<u>\$ (165,889)</u>	<u>\$ (72,334)</u>

\$68,917 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, 2017. Other 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 June 30</u>	
2017	\$ (46,567)
2018	(46,567)
2019	(46,567)
2020	(1,550)
2021	<u>---</u>
	<u>\$ (141,251)</u>

1. Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	varies by amount of service credit
Investment Rate of Return	7.5%, net of pension plan investment expenses, including inflation

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

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)

The actuarial assumptions for the years ended June 30, 2015 and 2014 were different. The actuarial assumptions used in the June 30, 2015 valuation were based on the 2015 actuarial experience analysis. The investment return assumption remained at 7.5%, salary increase assumptions were lowered, retirement rates were increased, mortality updates were made, and other assumptions were revised. 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 assumptions from 8.0% to 7.5%. The salary increase and inflation assumptions were also lowered from their 2013 levels.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large Cap	18.0%	7.53%
Global Equity Excluding U.S.	18.0%	7.88%
Aggregate Bonds	16.0%	1.57%
U.S. TIPS	2.0%	2.82%
NCREIF	11.0%	5.11%
Opportunistic Real Estate	4.0%	9.09%
ARS	8.0%	2.57%
Risk Parity	8.0%	4.87%
Diversified Inflation Strategy	1.0%	3.26%
Private Equity	<u>14.0%</u>	12.33%
Total	<u>100.0%</u>	

2. Discount Rate

At June 30, 2015, the discount rate used to measure the total pension liability was a blended rate of 7.47%, which was a change from the June 30, 2014 rate of 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and State contributions will be made at the current statutorily-required rates.

Based on those assumptions, TRS's fiduciary net position at June 30, 2015 was not projected to be available to make all projected future benefit payments of current active and inactive members and all benefit recipients. Tier I's liability is partially-funded by Tier II members, as the Tier II member contribution is higher than the cost of Tier II benefits. Due to this subsidy, contributions from future members in excess of the service cost are also included in the determination of the discount rate. Despite the subsidy, all projected future payments were not covered so a slightly lower long-term expected rate of return on TRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

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)

2. Discount Rate (continued)

At June 30, 2014, the discount rate used to measure the total pension liability was 7.50%. The discount rate was the same as the actuarially-assumed rate of return on investments that year because TRS's fiduciary net position and the subsidy provided by Tier II were sufficient to cover all projected benefit payments.

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 7.47%, 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 (6.47%) or 1-percentage-point higher (8.47%) than the current rate:

	1% Decrease <u>6.47%</u>	Current Discount Rate <u>7.47%</u>	1% Increase <u>8.47%</u>
Employer's Proportionate Share of the Net Pension Liability	\$ 895,356	\$ 724,542	\$ 584,470

4. TRS Fiduciary Net Position

Detailed information about the TRS's fiduciary net position as of June 30, 2015 is available in the separately issued TRS *Comprehensive Annual Financial Report*.

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).



NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 6 - RETIREMENT FUND COMMITMENTS (continued)

B. Illinois Municipal Retirement Fund (continued)

➤ Benefits Provided (continued)

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, 2015, the measurement date, the District's membership consisted of:

Retirees and Beneficiaries	34
Inactive, Non-Retired Members	95
Active Members	<u>68</u>
Total	<u>197</u>

➤ Contributions

As set by statute, the District's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The District's annual contribution rate for calendar year 2015 was 8.72%. For the fiscal year ended June 30, 2016, the District contributed \$161,970 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, 2015, calculated in accordance with GASB Statement No. 68, were as follows:

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 6 - RETIREMENT FUND COMMITMENTS (continued)

B. Illinois Municipal Retirement Fund (continued)

➤ Net Pension Liability (continued)

Total Pension Liability	\$ 4,265,665
IMRF Fiduciary Net Pension	<u>3,629,377</u>
District's Net Pension Liability	\$ <u>636,288</u>
IMRF Fiduciary Net Pension as a Percentage of the Total Pension Liability	85.08%

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, 2015 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	7.48%

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.

➤ 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:

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 6 - RETIREMENT FUND COMMITMENTS (continued)

B. Illinois Municipal Retirement Fund (continued)

➤ Long-Term Expected Rate of Return (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Projected Return</u>
Equities	38.0%	7.39%
International Equities	17.0%	7.59%
Fixed Income	27.0%	3.00%
Real Estate	8.0%	6.00%
Alternatives	9.0%	
Private Equity		8.15%
Hedge Funds		5.25%
Commodities		2.75%
Cash	<u>1.0%</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 3.57%; and resulting single discount rate is 7.49%.

➤ 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 7.49% 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 (6.49%) or 1-percentage-point higher (8.49%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	6.49%	7.49%	8.49%
Net Pension Liability	\$ 1,217,358	\$ 636,288	\$ 162,250

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

For the year ended June 30, 2016, the District recognized pension expense of \$341,310. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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 (continued)

	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>	<u>Net Outflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 91,472	\$ 24,999	\$ 66,473
Assumption Changes	72,624	---	72,624
Net Difference Between Projected and Actual Earnings on Pension Investments	<u>230,282</u>	<u>---</u>	<u>230,282</u>
	\$ 394,378	\$ 24,999	\$ 369,379
Pension Contributions Made Subsequent to the Measurement Date	<u>81,793</u>	<u>---</u>	<u>81,793</u>
Total Deferred Amounts Related to Pensions	\$ <u>312,585</u>	\$ <u>24,999</u>	\$ <u>287,586</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>
2016	\$ 131,233
2017	111,621
2018	76,076
2019	50,449
2020	---
Thereafter	<u>---</u>
	\$ <u>369,379</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 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 Operations and Maintenance Fund budgeted transfers of \$640,520 to cover the excess.

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
Educational Fund	\$ 11,519,750	\$ 14,791,561	\$ 3,271,811
Operations and Maintenance Fund	1,662,500	2,044,987	382,487

NOTE 9 - DEFICIT FUND BALANCES

The Debt Service Fund had a deficit fund balance as of June 30, 2016 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, 2016, 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:

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 10 - POST-EMPLOYMENT BENEFIT COMMITMENTS (continued)

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Annual Required Contribution	\$ 72,895	\$ 40,107
Interest on Net OPEB Obligation	(296)	(113)
Adjustments to Annual Required Contribution	<u>246</u>	<u>94</u>
Annual OPEB Cost (Expense)	\$ 72,845	\$ 40,088
Contributions Made	<u>14,000</u>	<u>(44,668)</u>
Increase (Decrease) in Net OPEB Obligation	\$ 58,845	\$ (4,580)
Net OPEB Obligation - Beginning of Year	<u>(7,394)</u>	<u>(2,814)</u>
Net OPEB Obligation - End of Year	\$ <u>51,451</u>	\$ <u>(7,394)</u>

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>
06/30/16	\$ 72,845	\$ 14,000	19.22%	\$ 51,451
06/30/14	40,088	44,668	111.4%	(7,394)

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>
06/30/16	\$ ---	\$ 625,862	\$ 625,862	.00%	N/A	N/A
06/30/14	---	625,862	625,862	.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:

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 10 - POST-EMPLOYMENT BENEFIT COMMITMENTS (continued)

E. Actuarial Assumptions and Methods (continued)

Actuarial Valuation Date	06/30/2015
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*	4.00%
Projected Salary Increases	4.00%
Healthcare Inflation Rate	7.50% initial, 5.50% ultimate
Mortality, Turnover, Disability, Retirement Ages	Similar rates utilized for IMRF
Percentage of Active Employees	Employees eligible for explicit benefit: 100%
Assumed to Elect Benefit	All others: 20%
*Included Inflation At	3.00%
Division	All

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Service Cost	\$ 49,229	\$ 21,043
Active Liability	\$ 598,426	\$ 221,590
Retired Liability	<u>27,436</u>	<u>293,025</u>
Total Liability	\$ <u>625,862</u>	\$ <u>514,615</u>
Annual Required Contribution	\$ 72,895	\$ 40,107
Expected Payments	\$ 14,000	\$ 44,668
Actives	189	185
Retirees	<u>7</u>	<u>7</u>
Total	196	192

The Employer's Explicit Rate Subsidy for eligible Administration members is 100% of the premium to age 65, based on the Employer's current group rates, and adjusted for inflation. Previously, it was \$2,000-\$4,000 per year, adjusted for inflation.

The Employer's Explicit Rate Subsidy for eligible retired members is \$2,000 per year to age 65, no adjustment for inflation.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 10 - POST-EMPLOYMENT BENEFIT COMMITMENTS (continued)

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 1.07% of pay during the year ended June 30, 2016. State of Illinois contributions were \$77,436 and the District recognized revenue and expenditures of this amount during the year.
- Employer Contributions to THIS Fund - The District also makes contributions to the THIS Fund. The District THIS Fund contribution was .80% during the year ended June 30, 2016. For the year ended June 30, 2016, the District paid \$57,896 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, 2016:

Assessed Valuation of Taxable Properties for the Tax Year 2015	\$ 305,152,114
Rate	<u>6.9%</u>
Bonded Debt Limit	\$ 21,055,496
Net Debt Outstanding Subject to Limitation	<u>301,008</u>
Legal Bonded Debt Margin at June 30, 2016	\$ <u>20,754,488</u>



NOTES TO FINANCIAL STATEMENTS (continued)

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

After year-end, the District was informed by the State that a portion of its fiscal year 2016 special education expenses needed to be paid from the general state aid funding in order to ensure that the State properly demonstrated maintenance of fiscal effort for IDEA Part B Flow Through. For the year ended June 30, 2016, \$2,103 of the District's special education expenses (in State expense line item 1200) was paid with general state aid.

The District has evaluated subsequent events through September 30, 2016, 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, 2016, the District has implemented GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement further clarifies how the fair value is determined for assets and liabilities. The Statement also required additional disclosures about the fair value measurement of the investments held by the District (See Note 2).

**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, 2016

Calendar Year Ended December 31,	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>		
Service Cost	\$ 162,043	\$ 167,365
Interest	286,382	255,512
Difference Between Expected and Actual Experience	129,460	(61,175)
Assumption Changes	5,315	168,527
Benefit Payments and Refunds	<u>(109,883)</u>	<u>(122,041)</u>
Net Change in Total Pension Liability	\$ 473,317	\$ 408,188
 Total Pension Liability - Beginning	 <u>3,792,348</u>	 <u>3,384,160</u>
Total Pension Liability - Ending	\$ <u>4,265,665</u>	\$ <u>3,792,348</u>
 <b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 149,818	\$ 140,998
Contributions - Member	70,081	61,126
Net Investment Income	18,292	203,793
Benefit Payments, Including Refunds of Member Contributions	(109,883)	(122,041)
Other (Net Transfer)	<u>(102,274)</u>	<u>18,647</u>
Net Change in Plan Fiduciary Net Position	\$ 26,034	\$ 302,523
 Plan Fiduciary Net Position - Beginning	 <u>3,603,343</u>	 <u>3,300,820</u>
Plan Fiduciary Net Position - Ending	\$ <u>3,629,377</u>	\$ <u>3,603,343</u>
 District's Net Pension Liability	 \$ <u>636,288</u>	 \$ <u>189,005</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 85.08%	 95.02%
Covered-Employee Payroll	\$ 1,557,349	\$ 1,358,365
Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	40.86%	13.91%

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, 2016

<u>Calendar Year Ending December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Valuation Payroll</u>	<u>Actual Contribution as a % of Covered Valuation Payroll</u>
2014	\$ 148,410	\$ 140,998	\$ 7,412	\$ 1,429,764	9.86%
2015	149,817	149,818	(1)	1,557,349	9.62%

**Notes to Schedule:**

***Actuarial Method and Assumptions Used on the Calculation of the 2015 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:** 28-year closed period until remaining period reaches 15 years (then 15-year rolling 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, 2013 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, 2016

	<u>2015*</u>	<u>2014*</u>
Employer's Proportion of the Net Pension Liability	.0011060007%	.0011253880%
Employer's Proportionate Share of the Net Pension Liability	\$ 724,542	\$ 684,892
State's Proportionate Share of the Net Pension Liability Associated With the Employer	<u>43,264,650</u>	<u>42,710,532</u>
Total	\$ <u>43,989,192</u>	\$ <u>43,395,424</u>
Employer's Covered-Employee Payroll	\$ 6,960,107	\$ 6,747,521
Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	10.04%	10.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.45%	51.78%

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

Changes of Assumptions: Amounts reported in 2015 reflect an investment rate of return of 7.50%, an inflation rate of 3.00% and real return of 4.50%, and a salary increase that vary by service credit. In 2014, assumptions used were an investment rate of return of 7.50%, an inflation rate of 3.00% and a real return of 4.50%, and salary increases of 5.75%.

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, 2016

	<u>2015*</u>	<u>2014*</u>
Contractually-Required Contribution	\$ 68,917	\$ 64,237
Contributions in Relation to the Contractually-Required Contribution	<u>38,754</u>	<u>40,425</u>
Contribution Deficiency/(Excess)	\$ <u>30,163</u>	\$ <u>23,812</u>
Employer's Covered-Employee Payroll	\$ 6,960,107	\$ 6,887,782
Contributions as a Percentage of Covered-Employee Payroll	.56%	.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, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>
<b>Revenues</b>		
<b>Local Sources</b>		
Property Taxes		
General Levies	\$ 9,975,000	\$ 9,817,875
Special Education Levies	189,500	184,681
Corporate Personal Property Replacement Taxes	80,000	82,077
Earnings on Investments	5,600	29,920
Food Services	185,750	199,765
Pupil Activities	29,500	36,271
Textbooks	80,000	89,912
Other	<u>42,500</u>	<u>86,752</u>
	<u>\$ 10,587,850</u>	<u>\$ 10,527,253</u>
<b>State Sources</b>		
General State Aid	\$ 585,000	\$ 584,895
Special Education - Private Facility Tuition	15,000	54,916
Special Education - Extraordinary	100,000	154,284
Special Education - Personnel	195,000	289,901
Special Education - Summer School	---	2,238
State Library Grant	---	750
State Free Lunch	<u>1,000</u>	<u>621</u>
	<u>\$ 896,000</u>	<u>\$ 1,087,605</u>
<b>Federal Sources</b>		
National School Lunch	\$ 110,000	\$ 88,733
Title I - Low Income	75,000	92,042
IDEA Flow-Through	234,500	266,426
Title II - Teacher Quality	22,500	23,795
Medicaid Matching	<u>20,000</u>	<u>18,180</u>
	<u>\$ 462,000</u>	<u>\$ 489,176</u>
<b>Total Direct Revenues</b>	<u>\$ 11,945,850</u>	<u>\$ 12,104,034</u>
Revenue For On-Behalf Payments	<u>---</u>	<u>3,622,041</u>
<b>Total Revenues</b>	<u>\$ 11,945,850</u>	<u>\$ 15,726,075</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, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>
<b>Expenditures</b>		
<b>Instruction</b>		
Regular Programs		
Salaries	\$ 4,960,000	\$ 4,893,099
Employee Benefits	975,000	1,071,680
Purchased Services	40,000	25,483
Supplies and Materials	160,000	162,780
Capital Outlay	15,000	20,135
Other Objects	<u>7,500</u>	<u>---</u>
	<u>\$ 6,157,500</u>	<u>\$ 6,173,177</u>
Special Education Programs		
Salaries	\$ 1,100,000	\$ 1,139,773
Employee Benefits	27,500	25,362
Purchased Services	8,500	1,742
Supplies and Materials	7,500	3,962
Capital Outlay	<u>5,000</u>	<u>739</u>
	<u>\$ 1,148,500</u>	<u>\$ 1,171,578</u>
Interscholastic		
Salaries	\$ 59,500	\$ 59,387
Employee Benefits	2,500	694
Purchased Services	8,000	5,883
Supplies and Materials	5,000	1,925
Capital Outlay	2,000	8,245
Other Objects	<u>1,000</u>	<u>1,148</u>
	<u>\$ 78,000</u>	<u>\$ 77,282</u>
Summer School		
Salaries	\$ 42,500	\$ 46,879
Employee Benefits	<u>1,500</u>	<u>532</u>
	<u>\$ 44,000</u>	<u>\$ 47,411</u>
Gifted		
Salaries	\$ 55,000	\$ 52,776
Employee Benefits	1,500	721
Supplies and Materials	1,500	2,150
Other Objects	<u>2,000</u>	<u>975</u>
	<u>\$ 60,000</u>	<u>\$ 56,622</u>
Total Instruction	<u>\$ 7,488,000</u>	<u>\$ 7,526,070</u>
<b>Support Services</b>		
Pupils		
Salaries	\$ 595,525	\$ 612,051
Employee Benefits	15,500	15,946
Supplies and Materials	3,500	6,472
Other Objects	<u>100</u>	<u>---</u>
	<u>\$ 614,625</u>	<u>\$ 634,469</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, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>
<b>Expenditures (continued)</b>		
<b>Support Services (continued)</b>		
<b>Instructional Staff</b>		
Salaries	\$ 267,500	\$ 266,991
Employee Benefits	23,250	16,238
Purchased Services	157,500	83,475
Supplies and Materials	<u>107,500</u>	<u>72,106</u>
	\$ <u>555,750</u>	\$ <u>438,810</u>
<b>General Administration</b>		
Salaries	\$ 167,000	\$ 158,625
Employee Benefits	18,500	17,379
Purchased Services	590,000	481,660
Supplies and Materials	3,000	2,885
Other Objects	<u>8,500</u>	<u>11,346</u>
	\$ <u>787,000</u>	\$ <u>671,895</u>
<b>School Administration</b>		
Salaries	\$ 592,000	\$ 589,039
Employee Benefits	65,775	59,562
Purchased Services	3,500	1,882
Supplies and Materials	50,000	41,405
Capital Outlay	20,000	23,914
Other Objects	<u>7,500</u>	<u>8,589</u>
	\$ <u>738,775</u>	\$ <u>724,391</u>
<b>Business</b>		
Salaries	\$ 205,500	\$ 198,461
Employee Benefits	35,000	31,903
Purchased Services	16,500	15,341
Supplies and Materials	180,000	152,355
Other Objects	<u>10,000</u>	<u>1,235</u>
	\$ <u>447,000</u>	\$ <u>399,295</u>
<b>Central</b>		
Salaries	\$ 190,000	\$ 193,435
Employee Benefits	25,000	9,406
Purchased Services	185,100	172,982
Supplies and Materials	138,500	235,367
Capital Outlay	<u>215,000</u>	<u>43,858</u>
	\$ <u>753,600</u>	\$ <u>655,048</u>
<b>Other</b>		
Purchased Services	\$ ---	\$ 3,517
<b>Total Support Services</b>	\$ <u>3,896,750</u>	\$ <u>3,527,425</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, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>
<b>Expenditures (continued)</b>		
Payments to Other Governments		
Payments For Programs		
Purchased Services	\$ 50,000	\$ 84,224
Other Objects	<u>250,000</u>	<u>173,540</u>
	\$ <u>300,000</u>	\$ <u>257,764</u>
Total Direct Expenditures	\$ 11,684,750	\$ 11,311,259
Expenditures For On-Behalf Payments	<u>---</u>	<u>3,622,041</u>
Total Expenditures	\$ <u>11,684,750</u>	\$ <u>14,933,300</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ 261,100	\$ 792,775
<b>Other Financing Sources (Uses)</b>		
Transfer To/From Other Fund	<u>(90,000)</u>	<u>(83,387)</u>
Net Change in Fund Balance	\$ <u>171,100</u>	\$ 709,388
Fund Balances - July 1, 2015		<u>5,454,563</u>
Fund Balances - June 30, 2016		\$ <u>6,163,951</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, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>
<b>Revenues</b>		
Local Sources		
Property Taxes	\$ 1,725,000	\$ 1,632,653
Earnings on Investments	4,000	3,863
Other	500	417
Total Revenues	\$ <u>1,729,500</u>	\$ <u>1,636,933</u>
 <b>Expenditures</b>		
Support Services		
Facilities Acquisition		
Other Objects	\$ ---	\$ 879
Operation and Maintenance of Plant		
Salaries	422,500	348,943
Employee Benefits	115,000	81,629
Purchased Services	550,000	368,703
Supplies and Materials	525,000	619,269
Capital Outlay	50,000	625,564
Total Expenditures	\$ <u>1,662,500</u>	\$ <u>2,044,987</u>
 Excess or (Deficiency) of Revenues Over Expenditures	 \$ 67,000	 \$ (408,054)
 <b>Other Financing Sources (Uses)</b>		
Transfer To Other Funds	<u>640,520</u>	<u>641,840</u>
 Net Change in Fund Balance	 \$ <u><u>707,520</u></u>	 \$ 233,786
 Fund Balance - July 1, 2015		 <u>2,186,432</u>
 Fund Balance - June 30, 2016		 \$ <u><u>2,420,218</u></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, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>
<b>Revenues</b>		
<b>Local Sources</b>		
Property Taxes	\$ 525,000	\$ 524,094
Earnings on Investments	4,500	4,782
Other Local Fees	<u>500</u>	<u>---</u>
	\$ <u>530,000</u>	\$ <u>528,876</u>
<b>State Sources</b>		
Regular	\$ 125,000	\$ 106,554
Special Education	<u>100,000</u>	<u>78,357</u>
	\$ <u>225,000</u>	\$ <u>184,911</u>
<b>Total Revenues</b>	\$ <u>755,000</u>	\$ <u>713,787</u>
<b>Expenditures</b>		
Support Services		
Pupil Transportation		
Purchased Services	\$ <u>800,000</u>	\$ <u>607,500</u>
Net Change in Fund Balance	\$ <u>(45,000)</u>	\$ 106,287
Fund Balance - July 1, 2015		<u>1,833,735</u>
Fund Balance - June 30, 2016		\$ <u>1,940,022</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, 2016

	Original and Final Budget	<u>Actual</u>
<b>Revenues</b>		
Local Sources		
Property Taxes	\$ 175,000	\$ 174,698
Social Security/Medicare Taxes	175,000	174,698
Corporate Personal Property Replacement Taxes	35,000	33,524
Earnings on Investments	<u>2,500</u>	<u>4,046</u>
Total Revenues	\$ <u>387,500</u>	\$ <u>386,966</u>
<b>Expenditures</b>		
Instruction		
Regular Programs	\$ 86,500	\$ 87,731
Special Education	64,500	65,933
Interscholastic	1,700	1,945
Summer School	1,050	1,123
Gifted	675	757
Support Services		
Pupils	37,300	44,222
Instructional Staff	13,875	13,884
General Administration	13,775	12,131
School Administration	36,750	36,759
Business	125,800	105,028
Central	<u>30,000</u>	<u>35,573</u>
Total Expenditures	\$ <u>411,925</u>	\$ <u>405,086</u>
Net Change in Fund Balance	\$ <u>(24,425)</u>	\$ (18,120)
Fund Balance - July 1, 2015		<u>(53,108)</u>
Fund Balance - June 30, 2016		\$ <u>(71,228)</u>

NIPPERSINK SCHOOL DISTRICT NO. 2

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2016

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, 2015. 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, 2016, 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	\$ 11,684,750	\$ 14,933,300	\$ 3,248,550
Operations and Maintenance	1,662,500	2,044,987	382,487

The excess of expenditures over budget in the General Fund resulted from the failure to include the on-behalf payments (3,622,041) in the budget. The Operations and Maintenance Fund budgeted transfers of \$640,520 to cover the excess.

**SUPPLEMENTARY FINANCIAL INFORMATION**



NIPPERSINK SCHOOL DISTRICT NO. 2

GENERAL FUND

COMBINING BALANCE SHEET

JUNE 30, 2016

	<u>Educational</u>	<u>Working Cash</u>	<u>Tort Immunity</u>	<u>Total</u>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 10,793,584	\$ 983,113	\$ 342,349	\$ 12,119,046
Receivables				
Property Taxes	4,813,888	12,269	90,782	4,916,939
Due From Other Governments	171,852	---	---	171,852
Interest	6,400	211	2,282	8,893
Other Receivables	109,774	---	---	109,774
Due From Other Fund	<u>16,474</u>	<u>---</u>	<u>---</u>	<u>16,474</u>
Total Assets	\$ <u>15,911,972</u>	\$ <u>995,593</u>	\$ <u>435,413</u>	\$ <u>17,342,978</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 108,421	\$ ---	\$ ---	\$ 108,421
Accrued Salaries and Benefits	<u>1,110,720</u>	<u>---</u>	<u>---</u>	<u>1,110,720</u>
Total Liabilities	\$ <u>1,219,141</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>1,219,141</u>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue - Property Taxes	\$ <u>9,751,143</u>	\$ <u>24,851</u>	\$ <u>183,892</u>	\$ <u>9,959,886</u>
<b>Fund Balances</b>				
Undesignated	\$ <u>4,941,688</u>	\$ <u>970,742</u>	\$ <u>251,521</u>	\$ <u>6,163,951</u>
Total Liabilities, Deferred Inflows, and Fund Balances	\$ <u>15,911,972</u>	\$ <u>995,593</u>	\$ <u>435,413</u>	\$ <u>17,342,978</u>

NIPPERSINK SCHOOL DISTRICT NO. 2

GENERAL FUND

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

JUNE 30, 2016

	<u>Educational</u>	<u>Working Cash</u>	<u>Tort Immunity</u>	<u>Total</u>
<b>Revenues</b>				
Property Taxes	\$ 9,792,918	\$ 24,957	\$ 184,681	\$ 10,002,556
Replacement Taxes	82,077	---	---	82,077
Interest	22,932	2,919	4,069	29,920
Other Local Sources	412,700	---	---	412,700
State Aid	4,709,646	---	---	4,709,646
Federal Aid	489,176	---	---	489,176
Total Revenues	<u>\$ 15,509,449</u>	<u>\$ 27,876</u>	<u>\$ 188,750</u>	<u>\$ 15,726,075</u>
<b>Expenditures</b>				
<b>Current</b>				
<b>Instruction</b>				
Regular Programs	\$ 6,173,177	\$ ---	\$ ---	\$ 6,173,177
Special Programs	1,171,578	---	---	1,171,578
Other Instructional Programs	181,315	---	---	181,315
State Retirement Contributions	3,622,041	---	---	3,622,041
<b>Support Services</b>				
Pupils	634,469	---	---	634,469
Instructional Staff	438,810	---	---	438,810
General Administration	530,156	---	141,739	671,895
School Administration	724,391	---	---	724,391
Business	399,295	---	---	399,295
Central	655,048	---	---	655,048
Other	3,517	---	---	3,517
Payments to Other Governments	257,764	---	---	257,764
Total Expenditures	<u>\$ 14,791,561</u>	<u>\$ ---</u>	<u>\$ 141,739</u>	<u>\$ 14,933,300</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ 717,888	\$ 27,876	\$ 47,011	\$ 792,775
<b>Other Financing Sources (Uses)</b>				
Transfer to Other Funds	<u>(83,387)</u>	<u>---</u>	<u>---</u>	<u>(83,387)</u>
Net Change in Fund Balances	\$ 634,501	\$ 27,876	\$ 47,011	\$ 709,388
Fund Balances - July 1, 2015	<u>4,307,187</u>	<u>942,866</u>	<u>204,510</u>	<u>5,454,563</u>
Fund Balances - June 30, 2016	<u>\$ 4,941,688</u>	<u>\$ 970,742</u>	<u>\$ 251,521</u>	<u>\$ 6,163,951</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, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>
<b>Revenues</b>		
<b>Local Sources</b>		
Property Taxes		
General Levies	\$ 9,765,000	\$ 9,608,237
Special Education Levies	189,500	184,681
Corporate Personal Property Replacement Taxes	80,000	82,077
Earnings on Investments	4,000	22,932
Food Services	185,750	199,765
District/School Activity	29,500	36,271
Textbooks	80,000	89,912
Other	<u>42,500</u>	<u>86,752</u>
	<b>\$ 10,376,250</b>	<b>\$ 10,310,627</b>
<b>State Sources</b>		
General State Aid	\$ 585,000	\$ 584,895
Special Education - Private Facility Tuition	15,000	54,916
Special Education - Extraordinary	100,000	154,284
Special Education - Personnel	195,000	289,901
Special Education - Summer School	---	2,238
State Library Grant	---	750
State Free Lunch	<u>1,000</u>	<u>621</u>
	<b>\$ 896,000</b>	<b>\$ 1,087,605</b>
<b>Federal Sources</b>		
National School Lunch	\$ 110,000	\$ 88,733
Title I - Low Income	75,000	92,042
IDEA - Flow-Through	234,500	266,426
Title II - Teacher Quality	22,500	23,795
Medicaid Matching	<u>20,000</u>	<u>18,180</u>
	<b>\$ 462,000</b>	<b>\$ 489,176</b>
<b>Total Direct Revenues</b>	<b>\$ 11,734,250</b>	<b>\$ 11,887,408</b>
<b>Revenue For On-Behalf Payments</b>	<u>---</u>	<u>3,622,041</u>
<b>Total Revenues</b>	<b>\$ 11,734,250</b>	<b>\$ 15,509,449</b>

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, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>
<b>Expenditures</b>		
<b>Instruction</b>		
Regular Programs		
Salaries	\$ 4,960,000	\$ 4,893,099
Employee Benefits	975,000	1,071,680
Purchased Services	40,000	25,483
Supplies and Materials	160,000	162,780
Capital Outlay	15,000	20,135
Other Objects	7,500	---
	<u>\$ 6,157,500</u>	<u>\$ 6,173,177</u>
Special Education Programs		
Salaries	\$ 1,100,000	\$ 1,139,773
Employee Benefits	27,500	25,362
Purchased Services	8,500	1,742
Supplies and Materials	7,500	3,962
Capital Outlay	5,000	739
	<u>\$ 1,148,500</u>	<u>\$ 1,171,578</u>
Interscholastic Programs		
Salaries	\$ 59,500	\$ 59,387
Employee Benefits	2,500	694
Purchased Services	8,000	5,883
Supplies and Materials	5,000	1,925
Capital Outlay	2,000	8,245
Other Objects	1,000	1,148
	<u>\$ 78,000</u>	<u>\$ 77,282</u>
Summer School Programs		
Salaries	\$ 42,500	\$ 46,879
Employee Benefits	1,500	532
	<u>\$ 44,000</u>	<u>\$ 47,411</u>
Gifted Programs		
Salaries	\$ 55,000	\$ 52,776
Employee Benefits	1,500	721
Supplies and Materials	1,500	2,150
Other Objects	2,000	975
	<u>\$ 60,000</u>	<u>\$ 56,622</u>
Total Instruction	<u>\$ 7,488,000</u>	<u>\$ 7,526,070</u>
<b>Support Services</b>		
Pupils		
Salaries	\$ 595,525	\$ 612,051
Employee Benefits	15,500	15,946
Supplies and Materials	3,500	6,472
Capital Outlay	100	---
	<u>\$ 614,625</u>	<u>\$ 634,469</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, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>
<b>Expenditures (continued)</b>		
<b>Support Services (continued)</b>		
<b>Instructional Staff</b>		
Salaries	\$ 267,500	\$ 266,991
Employee Benefits	23,250	16,238
Purchased Services	157,500	83,475
Supplies and Materials	<u>107,500</u>	<u>72,106</u>
	<u>\$ 555,750</u>	<u>\$ 438,810</u>
<b>General Administration</b>		
Salaries	\$ 167,000	\$ 158,625
Employee Benefits	18,500	17,379
Purchased Services	425,000	339,921
Supplies and Materials	3,000	2,885
Other Objects	<u>8,500</u>	<u>11,346</u>
	<u>\$ 622,000</u>	<u>\$ 530,156</u>
<b>School Administration</b>		
Salaries	\$ 592,000	\$ 589,039
Employee Benefits	65,775	59,562
Purchased Services	3,500	1,882
Supplies and Materials	50,000	41,405
Capital Outlay	20,000	23,914
Other Objects	<u>7,500</u>	<u>8,589</u>
	<u>\$ 738,775</u>	<u>\$ 724,391</u>
<b>Business</b>		
Salaries	\$ 205,500	\$ 198,461
Employee Benefits	35,000	31,903
Purchased Services	16,500	15,341
Supplies and Materials	180,000	152,355
Other Objects	<u>10,000</u>	<u>1,235</u>
	<u>\$ 447,000</u>	<u>\$ 399,295</u>
<b>Central</b>		
Salaries	\$ 190,000	\$ 193,435
Employee Benefits	25,000	9,406
Purchased Services	185,100	172,982
Supplies and Materials	138,500	235,367
Capital Outlay	<u>215,000</u>	<u>43,858</u>
	<u>\$ 753,600</u>	<u>\$ 655,048</u>
<b>Other</b>		
Purchased Services	\$ ---	\$ 3,517
<b>Total Support Services</b>	<u>\$ 3,731,750</u>	<u>\$ 3,385,686</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, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>
<b>Expenditures (continued)</b>		
Payments to Other Governments		
Payments for Programs		
Purchased Services	\$ 50,000	\$ 84,224
Other Objects	<u>250,000</u>	<u>173,540</u>
Total Payments to Other Governments	\$ <u>300,000</u>	\$ <u>257,764</u>
Total Direct Expenditures	\$ 11,519,750	\$ 11,169,520
Expenditures for On-Behalf Payments	<u>---</u>	<u>3,622,041</u>
Total Expenditures	\$ <u>11,519,750</u>	\$ <u>14,791,561</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ 214,500	\$ 717,888
<b>Other Financing Sources (Uses)</b>		
Transfer To/From Other Funds	<u>(90,000)</u>	<u>(83,387)</u>
Net Change in Fund Balance	\$ <u>124,500</u>	\$ 634,501
Fund Balance - July 1, 2015		<u>4,307,187</u>
Fund Balance - June 30, 2016		\$ <u>4,941,688</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, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>
<b>Revenues</b>		
Local Sources		
Property Taxes	\$ 25,000	\$ 24,957
Earnings on Investments	<u>750</u>	<u>2,919</u>
Total Revenues	\$ <u>25,750</u>	\$ <u>27,876</u>
<b>Expenditures</b>	\$ <u>---</u>	\$ <u>---</u>
Net Change in Fund Balance	\$ <u>25,750</u>	\$ 27,876
Fund Balance - July 1, 2015		<u>942,866</u>
Fund Balance - June 30, 2016		\$ <u>970,742</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, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>
<b>Revenues</b>		
Local Sources		
Property Taxes	\$ 185,000	\$ 184,681
Earnings on Investments	<u>850</u>	<u>4,069</u>
Total Revenues	\$ <u>185,850</u>	\$ <u>188,750</u>
 <b>Expenditures</b>		
Support Services		
Purchased Services	\$ <u>165,000</u>	\$ <u>141,739</u>
 Net Change in Fund Balance	\$ <u>20,850</u>	\$ 47,011
 Fund Balance - July 1, 2015		<u>204,510</u>
 Fund Balance - June 30, 2016		\$ <u>251,521</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, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>
<b>Revenues</b>	\$ <u>---</u>	\$ <u>1</u>
<b>Expenditures</b>		
Debt Service		
Interest	\$ 93,480	\$ 2,160
Principal	<u>30,000</u>	<u>114,294</u>
Total Expenditures	\$ <u>123,480</u>	\$ <u>116,454</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ (123,480)	\$ (116,453)
<b>Other Financing Sources (Uses)</b>		
Transfer From Other Funds	<u>---</u>	<u>115,547</u>
Net Change in Fund Balance	\$ <u>(123,480)</u>	\$ (906)
Fund Balance - July 1, 2015		<u>(54,101)</u>
Fund Balance - June 30, 2016		\$ <u>(55,007)</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, 2016

	<u>Site and Construction</u>	<u>Fire Prevention and Safety</u>	<u>Total</u>
<b>Revenues</b>			
Local Sources	\$ <u>100,597</u>	\$ <u>1,292</u>	\$ <u>101,889</u>
<b>Expenditures</b>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ 100,597	\$ 1,292	\$ 101,889
<b>Other Financing Sources (Uses)</b>			
Transfers to Other Funds	<u>(640,000)</u>	<u>(34,000)</u>	<u>(674,000)</u>
Net Change in Fund Balances	\$ (539,403)	\$ (32,708)	\$ (572,111)
Fund Balances - July 1, 2015	<u>2,569,363</u>	<u>151,647</u>	<u>2,721,010</u>
Fund Balances - June 30, 2016	\$ <u>2,029,960</u>	\$ <u>118,939</u>	\$ <u>2,148,899</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, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>
<b>Revenues</b>		
Local Sources		
Earnings on Investments	\$ 2,500	\$ 8,735
Contributions, Donations and Fees	<u>30,000</u>	<u>91,862</u>
Total Revenues	\$ <u>32,500</u>	\$ <u>100,597</u>
<b>Expenditures</b>		
Support Services		
Other Support Services		
Purchased Services	\$ 150,000	\$ ---
Capital Outlay	<u>150,000</u>	<u>---</u>
Total Expenditures	\$ <u>300,000</u>	\$ <u>---</u>
Excess or (Deficiency) of Revenues Over Expenditures	\$ (267,500)	\$ 100,597
<b>Other Financing Sources (Uses)</b>		
Transfer To Other Funds	<u>(640,000)</u>	<u>(640,000)</u>
Net Change in Fund Balance	\$ <u>(907,500)</u>	\$ (539,403)
Fund Balance - July 1, 2015		<u>2,569,363</u>
Fund Balance - June 30, 2016		\$ <u>2,029,960</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, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>
<b>Revenues</b>		
Local Sources		
Property Taxes	\$ 1,000	\$ 1,001
Earnings on Investments	<u>2,000</u>	<u>291</u>
Total Revenues	\$ <u>3,000</u>	\$ <u>1,292</u>
 <b>Expenditures</b>		
Support Services		
Facilities Acquisition and Construction		
Purchased Services	\$ <u>50,000</u>	\$ <u>---</u>
 Excess or (Deficiency) of Revenues Over Expenditures	 \$ (47,000)	 \$ 1,292
 <b>Other Financing Sources (Uses)</b>		
Transfer To Other Funds	<u>(34,000)</u>	<u>(34,000)</u>
 Net Change in Fund Balance	 \$ <u>(81,000)</u>	 \$ (32,708)
 Fund Balance - July 1, 2015		 <u>151,647</u>
 Fund Balance - June 30, 2016		 \$ <u>118,939</u>

**SUPPLEMENTAL INFORMATION**

NIPPERSINK SCHOOL DISTRICT NO. 2

STUDENT ACTIVITY FUNDS

SUMMARY OF RECEIPTS AND DISBURSEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

	Balance <u>July 1, 2015</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance <u>June 30, 2016</u>
<b>Richmond Grade School</b>				
Angel Fund	\$ 132.31	\$ 77.00	\$ 138.42	\$ 70.89
Field Trips	2,284.49	4,956.25	6,076.00	1,164.74
Flowers	-86.98	1,080.00	972.65	20.37
Future Problem Solvers	253.90	.00	.00	253.90
Art Fund	1,125.27	.00	.00	1,125.27
Library	6,729.60	8,124.85	7,742.56	7,111.89
Music	18.22	326.10	296.70	47.62
Pop Fund	705.09	778.47	1,239.62	243.94
Student Activities	1,235.39	5,517.70	5,837.97	915.12
Student Council	32.40	607.50	617.35	22.55
Teacher Pictures	472.12	3,678.21	3,289.70	860.63
Yearbook/Newspaper	1,955.51	654.00	1,000.00	1,609.51
	<u>\$ 14,857.32</u>	<u>\$ 25,800.08</u>	<u>\$ 27,210.97</u>	<u>\$ 13,446.43</u>
<b>Spring Grove School</b>				
Art	\$ -107.10	\$ 440.00	\$ 432.55	\$ -99.65
Band	75.00	.00	.00	75.00
Library	3,280.08	4,674.38	6,033.66	1,920.80
Drama	214.51	.00	.00	214.51
Music	19.40	260.00	253.59	25.81
Quest	17.34	.00	.00	17.34
Field Trips	90.99	7,156.45	7,655.70	-408.26
Future Problem Solvers	997.00	1,992.00	1,990.00	999.00
Recycling	76.35	.00	.00	76.35
Student Pictures	5,210.06	5,388.42	4,899.99	5,698.49
Science	-72.63	.00	.00	-72.63
Vending	376.46	407.30	462.86	320.90
Nippersink Foundation	122.11	.00	.00	122.11
	<u>\$ 10,299.57</u>	<u>\$ 20,318.55</u>	<u>\$ 21,728.35</u>	<u>\$ 8,889.77</u>
<b>Nippersink Middle School</b>				
Athletics	\$ 1,652.74	\$ 4,976.91	\$ 5,709.45	\$ 920.20
Butter Braids	13,186.78	16,895.12	17,995.45	12,086.45
Eco Club	889.90	.00	300.00	589.90
Donations	2,681.39	25.00	2,500.00	206.39
Eighth Grade	13,864.86	44,471.60	44,773.05	13,563.41
Future Problem Solvers	5,144.78	16,697.50	17,676.72	4,165.56
Family and Consumer Science	.00	196.84	131.04	65.80
General	1,032.40	2,232.97	3,130.54	134.83
K-Crew	979.45	3,846.80	3,508.14	1,318.11
Library	2,134.98	5,536.93	5,401.02	2,270.89
Music	10,651.42	9,304.25	10,760.85	9,194.82
Cap and Gown	495.00	.00	.00	495.00
Split	199.00	.00	.00	199.00
PTO	15,099.34	26,861.05	24,204.08	17,756.31
P.E. Uniforms	4,589.35	5,015.00	6,451.35	3,153.00
Seventh Grade	.00	22,718.39	22,559.59	158.80
Sixth Grade	496.33	5,549.40	5,200.09	845.64
Drama	4,285.33	2,337.00	1,771.66	4,850.67
Social	817.43	910.00	1,257.15	470.28

NIPPERSINK SCHOOL DISTRICT NO. 2  
 STUDENT ACTIVITY FUNDS  
 SUMMARY OF RECEIPTS AND DISBURSEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>Nippersink Middle School (continued)</b>				
Stem+C Project	\$ .00	\$ 12,942.00	\$ 9,219.11	\$ 3,722.89
Textbooks	2,234.27	76.00	6.00	2,304.27
Yearbook	<u>1,904.79</u>	<u>6,463.00</u>	<u>4,988.17</u>	<u>3,379.62</u>
	\$ <u>82,339.54</u>	\$ <u>187,055.76</u>	\$ <u>187,543.46</u>	\$ <u>81,851.84</u>
<b>District-Wide Accounts</b>				
Bank Credits	\$ 20.24	\$ .00	\$ .00	\$ 20.24
Bank Interest	7,611.49	260.75	.00	7,872.24
Unallocated	942.09	.00	1,160.94	-218.85
NMS Text Books	1,073.00	76.00	6.00	1,143.00
Bank Charges	<u>-1,068.63</u>	<u>.00</u>	<u>64.20</u>	<u>-1,132.83</u>
	\$ <u>8,578.19</u>	\$ <u>336.75</u>	\$ <u>1,231.14</u>	\$ <u>7,683.80</u>
 District Totals	 \$ <u>116,074.62</u>	 \$ <u>233,511.14</u>	 \$ <u>237,713.92</u>	 \$ <u>111,871.84</u>

NIPPERSINK SCHOOL DISTRICT NO. 2

SCHEDULE OF DEBT CERTIFICATES AND INTEREST PAYABLE

JUNE 30, 2016

**Series 2002 Land**

**Original Amount of Issue** \$ 345,000

**Principal Payment Date**  
 Principal December 1  
 Interest June 1 and December 1

**Interest Rates** 2% to 4.8%

**Type of Issue** Land Acquisition

**Paying Agent** Cole Taylor Bank

<u>Due in Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2017	\$ <u>30,000</u>	\$ <u>720</u>	\$ <u>30,720</u>



NIPPERSINK SCHOOL DISTRICT NO. 2  
 COMPUTATION OF PER CAPITA TUITION CHARGE  
 FOR THE YEAR ENDED JUNE 30, 2016

<b>Total Expenditures</b>			
Educational Fund		\$ 11,169,520	
Operations and Maintenance Fund		2,044,987	
Transportation Fund		607,500	
Municipal Retirement Fund		405,086	
Debt Service Fund		116,454	
Tort Immunity Fund		<u>141,739</u>	\$ 14,485,286
<b>Less: Expenditures Not Applicable To</b>			
<b>Operating Expense of Regular Term</b>			
Summer School Programs		\$ 48,534	
Payments to Other Districts and Governmental Units		257,764	
Capital Outlay (Educational and Maintenance Funds)		722,386	
Payments of Principal on Long-Term Debt		113,387	
Pre-K Programs		<u>25,589</u>	<u>1,167,660</u>
Operating Expense of Regular Program			\$ 13,317,626
Average Daily Attendance	1,072.34		
Net Operating Expense Per Pupil		\$ <u>12,419.22</u>	
<b>Deductions For Computation of Tuition Charges</b>			
<b>(Revenue Offsetting Expense of a Special Activity)</b>			
Food Service		\$ 288,498	
District/School Activity Income		36,271	
Payments From Other Districts		9,530	
Regular Textbooks		89,912	
Special Education		501,339	
State Free Lunch and Breakfast		621	
Transportation		184,911	
Restricted Revenue From State Sources		750	
Title I		92,042	
Title II - Teacher Quality		23,795	
Special Education - IDEA		266,715	
Medicaid Matching Funds - Administrative Outreach		<u>18,180</u>	<u>1,502,564</u>
Net Operating Expenses For Tuition Computation			\$ 11,815,062
Add: Total Depreciation Allowance			<u>559,080</u>
Total Allowance For Tuition Computation			\$ <u>12,374,142</u>
Average Daily Attendance	1,072.34		
Per Capita Tuition Charge		\$ <u>11,539.38</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.