

Northern Suburban Special Education District

Annual Financial Report
June 30, 2016

Contents

Independent Auditor's Report	1 - 2
Required Supplementary Information	
Management's Discussion and Analysis (MD&A)	3 – 12
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet – Governmental Fund	15
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund	17
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	18
Statement of Fiduciary Assets and Liabilities – Agency Funds	19
Notes to Basic Financial Statements	20 – 42
Required Supplementary Information	
Schedule of Employer Contributions – Illinois Municipal Retirement Fund	43
Schedule of Changes in Net Pension Liability and Related Ratios – Illinois Municipal Retirement Fund	44
Schedule of Employer's Proportionate Share of the Net Pension Liability - Teachers' Retirement System of the State of Illinois	45
Schedule of Employer Contributions – Teachers' Retirement System of the State of Illinois	45
Schedule of Funding Progress – Postemployment Health Care Plan	46
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund – Budgetary Basis	47 – 51
Note to Required Supplementary Information	52
Supplementary Information	
Combining Schedule of Revenue and Expenditures – By Individual Programs	53 – 54
Statement of Changes in Fiduciary Assets and Liabilities – Agency Funds	55

Independent Auditor's Report

To the Leadership Council
Northern Suburban Special Education District
Highland Park, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Northern Suburban Special Education District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Northern Suburban Special Education District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the District retroactively adopted the modified accrual basis of accounting for the fund financial statements and the accrual basis of accounting for the government-wide financial statements during the fiscal year ended June 30, 2016. This resulted in a restatement of opening July 1, 2015, fund balance and net position. 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 required supplementary information, such as management's discussion and analysis, schedules of net pension liabilities, employer contributions, funding progress, and budgetary comparison information and related note on pages 3-12 and 43-52, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, such as the combining schedule of revenues and expenditures, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

RSM US LLP

Chicago, Illinois
March 7, 2017

Required Supplementary Information

**Management's Discussion
and Analysis (MD&A)**

Northern Suburban Special Education District

Management's Discussion and Analysis

This management's discussion and analysis of Northern Suburban Special Education District (the District) financial performance provides an overall review of the District's financial activities for the year ended June 30, 2016. The management of the District encourages readers to consider the information presented herein in conjunction with the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

- The assets and deferred outflows exceeded its liabilities and deferred inflows at the close of the fiscal year by \$20.9 million (net position). Of this amount, \$6.3 million may be used to meet the District's ongoing operations.
- In total, net position decreased by \$2.3 million. During the fiscal year, the District retroactively adopted the modified accrual basis of accounting for the fund financial statements and the accrual basis of accounting for the government-wide financial statements during the fiscal year ended June 30, 2016. This resulted in a restatement of opening July 1, 2015 fund balance and net position. See Note 12 for more information.
- Charges for services were \$31.6 million or 60 percent of total revenue. Operating grants and contributions were \$21.0 million or 40 percent of total revenue.
- The expenditures of the District's Governmental Activities were \$54.9 million.

Overview of the Financial Statements

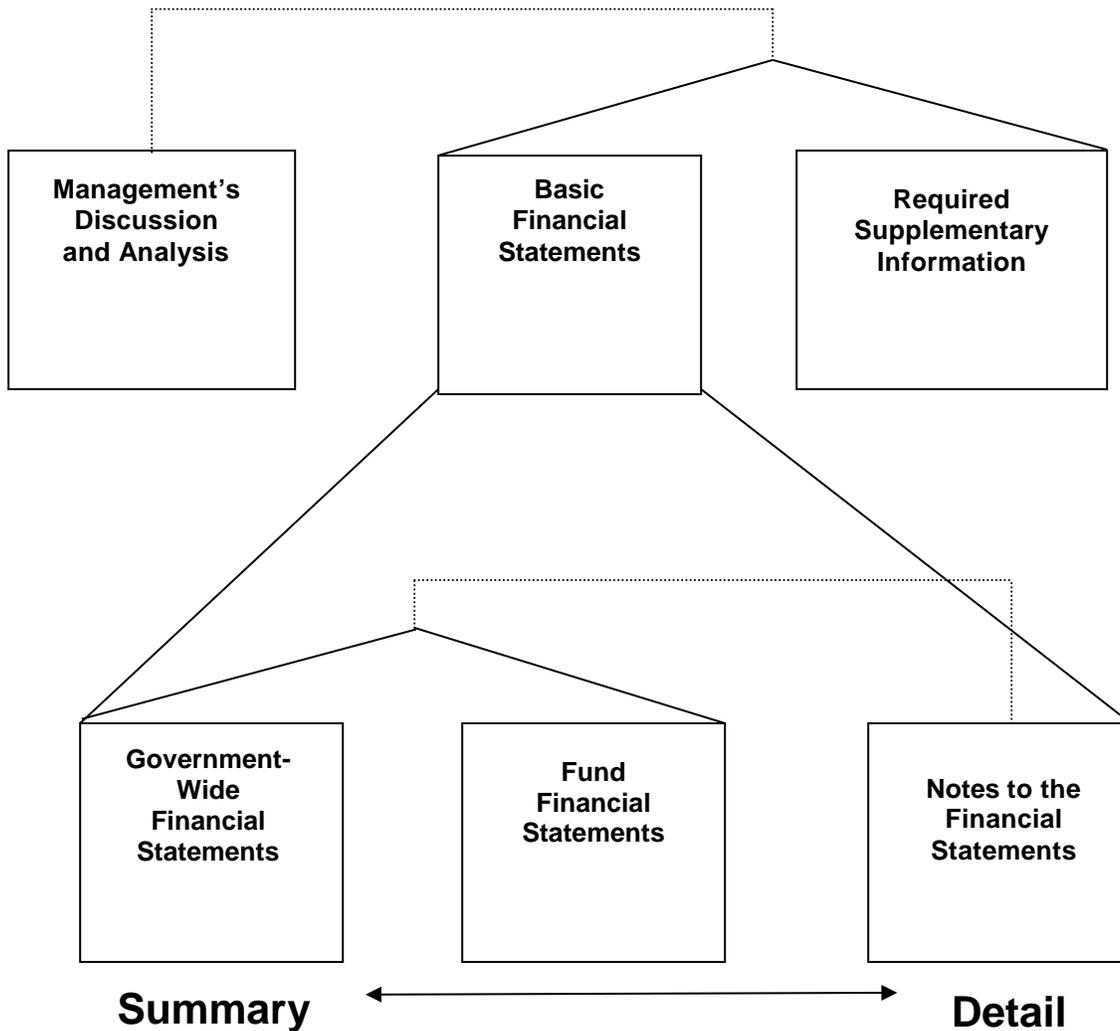
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the government-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1
Organization of Northern Suburban Special Education District's Annual Financial Report



This report also contains other supplemental information in addition to the basic financial statements.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds).	The activities of the District that are not proprietary or fiduciary, such as the General Fund	Instances in which the District administers resources on behalf of someone else, such as student activities monies.
Required financial statements	<ul style="list-style-type: none"> • Statements of net position. • Statement of activities. 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balance. 	<ul style="list-style-type: none"> • Statement of fiduciary assets and liabilities • Statement of changes in fiduciary assets and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.

Northern Suburban Special Education District

Management's Discussion and Analysis

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's *net position* and how they have changed. Net position, the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources is one way to measure the District's financial health or *position*. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

In the government-wide financial statements, the District's activities are all categorized as *Governmental activities*. All of the District's basic services are included here. Charges for services and operating grants and contributions finance these activities.

Fund Financial Statements

The District's fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

The District has two categories of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- *Fiduciary funds*: The District is the trustee, or *fiduciary*, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

Northern Suburban Special Education District

Management's Discussion and Analysis

Financial Analysis of the District as a Whole

Net position. The District's *combined* net position was \$20.9 as of June 30, 2016. As noted in Note 12 of the financial statements, the District retroactively adopted the modified accrual basis of accounting for the fund financial statements and the accrual basis of accounting for the government-wide financial statements during the fiscal year ended June 30, 2016. This resulted in a restatement of opening July 1, 2015 fund balance and net position. (See Figure A-3).

**Figure A-3
Condensed Statement of Net Position (in millions of dollars)**

	Governmental Activities
Assets	
Current assets	\$ 14.1
Noncurrent assets	14.6
Total assets	<u>28.7</u>
Deferred outflows of resources	<u>3.8</u>
Total assets and deferred outflows of resources	<u><u>\$ 32.5</u></u>
Liabilities	
Current liabilities	\$ 3.8
Long-term liabilities	7.6
Total liabilities	<u>11.4</u>
Deferred inflows of resources	<u>0.2</u>
Net Position	
Net investment in capital assets	14.6
Unrestricted	6.3
Total net position	<u>20.9</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 32.5</u></u>

The District's financial position is the product of many factors. The largest factor can be attributed to the District recording the Illinois Municipal Retirement Fund pension related components, the Teachers' Retirement System pension related components, and the other post employment benefit obligations in the governmental activities.

Changes in net position. The District's total revenues were \$52.6 million (See Figure A-4.) Charges for services accounted for most of the District's revenue, contributing about 60 cents of every dollar raised. (See Figure A-5.) The remaining 40 cents came from operating grants and contributions.

The total cost of all programs and services was \$54.9 million. The District's expenses are predominantly related to instructing and caring for (pupil and instructional services), or 48 percent and 18 percent, respectively. (See Figure A-6.) The District's administrative and business activities accounted for 17 percent of total costs. TRS on-behalf contributions accounted for 16 percent of total costs.

Total expenses surpassed revenues, decreasing net position by \$2.3 million over last year.

Northern Suburban Special Education District

Management's Discussion and Analysis

Figure A-4

Changes in Net Position from Operating Results (in millions of dollars)

	Governmental Activities
Revenues	
Program revenues	
Charges for services	\$ 31.6
Operating grants and contributions	21.0
General revenues	-
	<hr/>
Total revenues	52.6
	<hr/>
Expenses	
Summer School	0.7
ECP - I Program	3.0
Related Services	3.5
Educational & Life Skills - Program (ELS) - N	12.1
North Shore Academy	8.8
District Services	0.5
Grant Flow Through	7.5
LEA Contractual - DORS	2.6
Arbor Academy	1.8
TRS on-behalf contributions	8.8
Indirect costs	5.6
	<hr/>
Total expenses	54.9
	<hr/>
Change in net position	(2.3)
	<hr/>
Net Position	
Beginning, as restated	23.2
	<hr/>
Ending	\$ 20.9
	<hr/> <hr/>

Figure A-5 - Government-Wide Revenues by Source

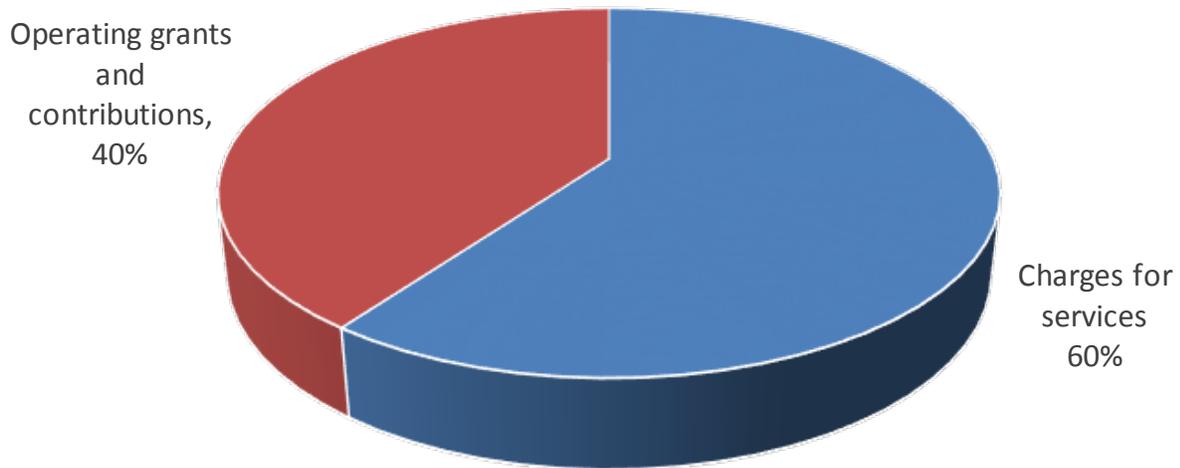
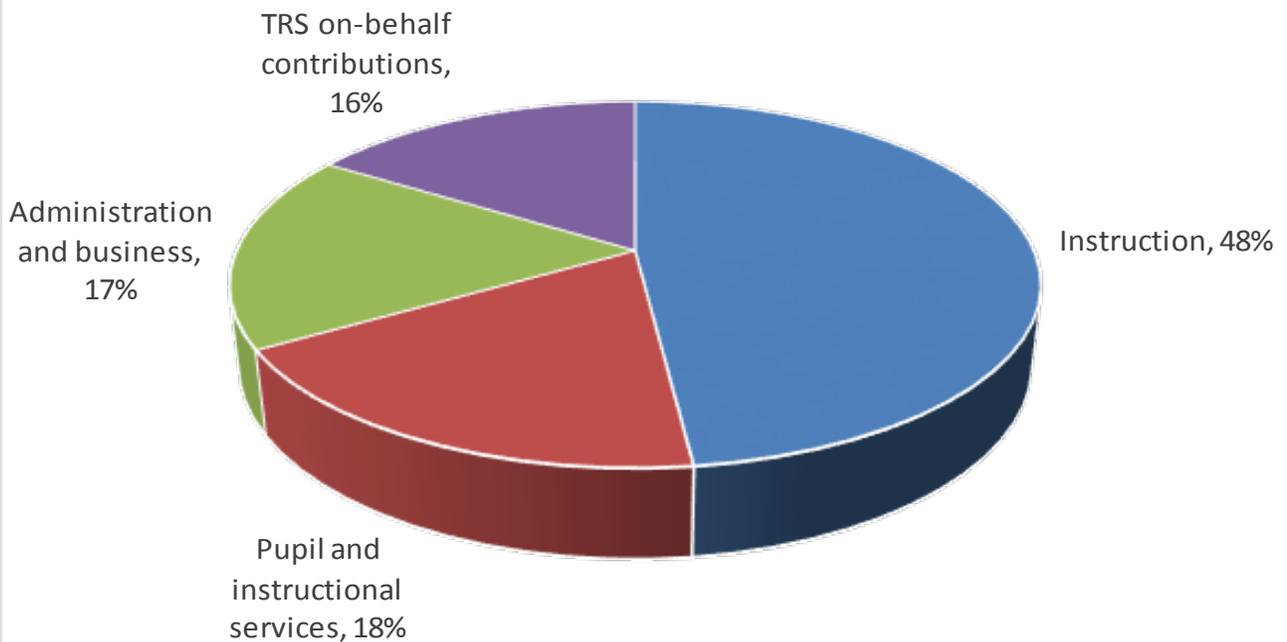


Figure A-6 - Government-Wide Expenses



Northern Suburban Special Education District

Management's Discussion and Analysis

Governmental Activities

Revenues for the District's governmental activities were \$52.6 million in 2016. Total expenses were \$54.9 million. Net position decreased \$2.3 million to an ending net position of \$20.9 million.

The good health of the District's finances can be credited to budgetary controls put in place by the Board of Education. In addition, operating grants and contributions for governmental activities continue to remain consistent with no new significant funding initiatives realized in 2016.

Figure A-7 presents the cost of the District's activities: instruction, pupil and instructional services, administration and business, payments to other governments, TRS on-behalf payments, and other. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Figure A-7
Net Cost of Governmental Activities (in millions of dollars)

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Summer School	\$ 0.7	\$ -
ECP - I Program	3.0	-
Related Services	3.5	0.1
Educational & Life Skills - Program (ELS) - N	12.1	(0.2)
North Shore Academy	8.8	(0.3)
District Services	0.5	(0.3)
Grant Flow Through	7.5	0.1
LEA Contractual - DORS	2.6	0.1
Arbor Academy	1.8	(0.3)
TRS on-behalf contributions	8.8	-
Indirect costs	5.6	(1.5)
Total expenses	<u>\$ 54.9</u>	<u>\$ (2.3)</u>

- The cost of services for all *governmental* activities this year was \$54.9 million.
- Most of the cost was financed by the users of the District's programs (\$31.6 million).
- The federal and state governments subsidized certain programs with grants and contributions of \$21.0 million.

Financial Analysis of the District's General Fund

The financial performance of the District as a whole is reflected in its governmental funds, or General Fund, as well. As the District completed the year, its general fund reported a decrease in fund balance of \$0.9 million. This decrease resulted in a year-end fund balance of \$9.6 million.

General Fund Budgetary Highlights

Over the course of the year, the District did not revise the annual operating budget, which is prepared on the modified accrual basis of accounting.

While the District's budget for the General Fund anticipated that revenues and expenditures would equal, the actual result for the year was a \$0.9 million deficit. The deficit can mainly be attributed to various revenue sources coming in lower than expected such as the ELS-N and North Shore Academy revenue sources. The other factor is various expenditures being higher than expected, such as payment to local agencies and capital outlay for Arbor Academy.

Northern Suburban Special Education District

Management's Discussion and Analysis

Capital Assets

By the end of 2016, the District had invested \$14.6 million (after accumulated depreciation of \$5.5 million) in a broad range of capital assets, including land improvements, buildings (both school and administration facilities) furniture and equipment (computer, audio-visual, and other), and land. (See Figure A-8) (More detailed information about capital assets can be found in Note 3 to the financial statements.)

Depreciation expense for the year was \$0.7 million, additions to land, building and improvements, and furniture and equipment amounted to \$0.4 million.

Figure A-8
Capital assets, net of depreciation (in millions of dollars)

	2016	2015	Total Percentage Change
Land	\$ 0.3	\$ 0.3	-
Land improvements	0.3	0.3	-
Building and improvements	13.2	13.5	-2.2%
Furniture and equipment	0.8	0.9	-11.1%
Total expenses	\$ 14.6	\$ 15.0	-13.3%

Long-Term Obligations

At year-end, the District had \$7.6 million in other long-term obligations outstanding – as shown in Figure A-9. (The District's long-term liabilities is presented in Note 4 to the financial statements.)

Figure A-9
Outstanding Long-Term Obligations (in millions of dollars)

	2016	2015	Total Percentage Change
Other long-term obligations			
Compensated absences	\$ 0.1	\$ 0.1	0.0%
Net pension liability - IMRF	4.4	1.3	238.5%
Net pension liability -TRS	1.5	1.3	15.4%
OPEB obligation	1.6	1.5	6.7%
Total expenses	\$ 7.6	\$ 4.2	260.5%

- The District had no outstanding bonds as of June 30, 2016.
- The District had outstanding pension liabilities of \$5.9 million and other postemployment benefit (OPEB) obligation of \$1.6 million.
- Compensated absences remained consistent with the previous year.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could affect its financial health in the future:

- This District's enrollment has remained consistent within an acceptable range over the last several years.
- The current facilities adequately accommodate the District's enrollment.
- The current economy, at both the federal and state level, may continue to affect the District's funding levels and timing of receipts.
- The District's certified and teacher assistant staff are under contract through the 2017 fiscal year.

Northern Suburban Special Education District

Management's Discussion and Analysis

Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Business Office, Northern Suburban Special Education District, 760 Red Oak Lane, Highland Park, Illinois 60035.

Basic Financial Statements

Northern Suburban Special Education District

Statement of Net Position
June 30, 2016

	Governmental Activities
Assets	
Current Assets	
Cash	\$ 11,316,860
Receivables, net	
Grants	1,678,744
Tuition	1,086,840
Total current assets	14,082,444
Noncurrent Assets	
Capital assets not being depreciated	264,126
Capital assets being depreciated, net	14,377,384
Total noncurrent assets	14,641,510
Total assets	28,723,954
Deferred Outflows of Resources	
Pension related amounts - Illinois Municipal Retirement Fund	3,603,644
Pension related amounts - Teachers' Retirement System	235,964
Total deferred outflows of resources	3,839,608
Total assets and deferred outflows of resources	\$ 32,563,562
Liabilities	
Current liabilities	
Accounts payable	\$ 611,543
Accrued salaries and benefits	3,172,352
Other liabilities	4,115
Compensated absences	32,579
Total current liabilities	3,820,589
Noncurrent liabilities	
Net pension liability - Illinois Municipal Retirement Fund	4,389,736
Net pension liability - Teachers' Retirement System	1,467,685
Other post employment benefit obligation	1,594,283
Compensated absences	130,318
Total noncurrent liabilities	7,582,022
Total liabilities	11,402,611
Deferred Inflows of Resources	
Pension related amounts - Illinois Municipal Retirement Fund	34,917
Pension related amounts - Teachers' Retirement System	218,802
Total deferred inflows of resources	253,719
Net Position	
Net investment in capital assets	14,641,510
Unrestricted	6,265,722
Total net position	20,907,232
Total liabilities, deferred inflows of resources and net position	\$ 32,563,562

See notes to basic financial statements.

Northern Suburban Special Education District

**Statement of Activities
Year Ended June 30, 2016**

Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Summer School	\$ 730,408	\$ 627,499	\$ 74,638	\$ (28,271)
ECP - I Program	3,000,146	2,693,076	336,622	29,552
Related Services	3,508,224	3,344,149	271,921	107,846
Educational & Life Skills - Program (ELS) - N	12,094,942	10,888,415	1,001,627	(204,900)
North Shore Academy	8,826,986	8,381,508	190,192	(255,286)
District Services	467,785	106,323	52,314	(309,148)
Grant Flow Through	7,461,098	-	7,572,629	111,531
LEA Contractual - DORS	2,583,509	2,465,096	193,685	75,272
Arbor Academy	1,836,006	1,371,661	133,768	(330,577)
TRS on-behalf contributions	8,741,584	-	8,741,584	-
Indirect costs	5,638,351	1,688,818	2,472,384	(1,477,149)
Total governmental activities	\$ 54,889,039	\$ 31,566,545	\$ 21,041,364	(2,281,130)
General revenues				-
Change in net position				(2,281,130)
Net position				
July 1, 2015, as restated				23,188,362
June 30, 2016				<u>\$ 20,907,232</u>

See notes to basic financial statements.

Northern Suburban Special Education District

Balance Sheet
Governmental Fund
June 30, 2016

	General Fund
<hr/>	
Assets	
Cash	\$ 11,316,860
Receivables, net:	
Grants	1,678,744
Tuition	1,086,840
Total assets	<u><u>\$ 14,082,444</u></u>
 Liabilities	
Accounts payable	\$ 611,543
Accrued salaries and benefits	3,172,352
Other liabilities	4,115
Total liabilities	<u><u>3,788,010</u></u>
 Deferred Inflows of Resources	
Deferred intergovernmental revenues	<u>693,935</u>
 Fund Balance	
Unassigned	<u>9,600,499</u>
 Total liabilities, deferred inflows of resources and fund balance	<u><u>\$ 14,082,444</u></u>

See notes to basic financial statements.

Northern Suburban Special Education District

**Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
June 30, 2016**

Total fund balance - governmental fund	\$ 9,600,499
----------------------------------------	--------------

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

Capital assets used in governmental activities do not require the expenditure of financial resources and, therefore, are not reported in governmental funds:

Cost of capital assets	\$ 20,134,220	
Accumulated depreciation	(5,492,710)	14,641,510

Certain revenues that are reported as deferred inflows of resources in the fund financial statements because they are not available are recognized as revenue in the government-wide financial statements.	693,935
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------

Certain pension-related items are reported as deferred outflows of resources in the government-wide financial statements but not in the fund financial statements.	
Illinois Municipal Retirement Fund (IMRF)	3,603,644
Teachers' Retirement System (TRS)	235,964

Certain pension-related items are reported as deferred inflows of resources in the government-wide financial statements but not in the fund financial statements.	
Illinois Municipal Retirement Fund	(34,917)
Teachers' Retirement System	(218,802)

Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds:	
Compensated absences	(162,897)
Net pension liability - IMRF	(4,389,736)
Net pension liability - TRS	(1,467,685)
Net other post employment benefit obligation	(1,594,283)

Net position of governmental activities	\$ 20,907,232
-----------------------------------------	---------------

See notes to basic financial statements.

Northern Suburban Special Education District

**Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
Year Ended June 30, 2016**

	General Fund
<hr/>	
Revenues:	
Local	\$ 31,241,796
State	2,104,710
State on-behalf retirement contributions	8,741,584
Federal	9,987,979
Total revenues	<u>52,076,069</u>
Expenditures:	
Summer School	711,716
ECP - I Program	2,910,546
Related Services	3,449,410
Educational & Life Skills Program (ELS) - N	11,750,161
North Shore Academy	8,566,447
Direct Services	454,717
Grant Flow Through	7,461,098
LEA Contractual - DORS	2,525,274
Employee benefits, state on-behalf retirement contributions	8,741,584
Arbor Academy	1,791,912
Indirect costs	4,618,060
Total expenditures	<u>52,980,925</u>
Net change in fund balance	(904,856)
Fund balance - beginning of year, as restated	<u>10,505,355</u>
Fund balance - end of year	<u>\$ 9,600,499</u>

See notes to basic financial statements.

Northern Suburban Special Education District

**Reconciliation of the Governmental Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
to the Statement of Activities
Year Ended June 30, 2016**

Net change in fund balance—governmental fund	\$	(904,856)
----------------------------------------------	----	-----------

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

Governmental funds report capital outlays as expenditures paid while governmental activities report depreciation expense to allocate those expenditures over the lives of the assets. This is the amount by which depreciation and loss on disposal exceeded capital outlays in the current period:

Capital outlays	\$ 372,618	
Depreciation expense	(650,273)	
Loss on disposal	(74,386)	(352,041)

State grant revenues that are reported as deferred inflows of resources in the fund financial statements because they are not available are recognized as revenue in the government-wide financial statements.

Prior year deferred balance	(162,095)	
Current year deferred balance	693,935	531,840

Items related to pension expense and revenue are reported as deferred inflows and deferred outflows on the government-wide financial statements, but not on the fund financial statements

Deferred outflows of resources - IMRF		1,667,579
Deferred outflows of resources - TRS		11,290
Deferred inflows of resources - IMRF		106,162
Deferred inflows of resources - TRS		68,664

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of changes in:

Compensated absences		(17,643)
Net pension liability - IMRF		(3,081,481)
Net pension liability - TRS		(219,881)
OPEB obligation		(90,763)

Change in net position	\$	(2,281,130)
-------------------------------	-----------	--------------------

See notes to basic financial statements.

Northern Suburban Special Education District

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2016

	Student Activity Funds
<hr/>	
Assets	
Cash	<u>\$ 34,194</u>
Liabilities	
Due to NSSSED student groups	<u>\$ 34,194</u>

See notes to basic financial statements.

Northern Suburban Special Education District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies

Nature of Activities

The Northern Suburban Special Education District is a joint agreement district authorized under Section 10-22.31 of the School Code of Illinois. The District is governed by provisions of the School Code of Illinois (School Code) and the Articles of Agreement of Northern Suburban Special Education District as revised June 25, 1980, and further revised April 14, 2004. Under these Agreements, 18 local education districts are members of Northern Suburban Special Education District.

The District is under the direction of a governing board (the Governing Board) composed of a school board member from each of the member districts and is operated by a leadership council (Leadership Council), advisory committee (Advisory Committee) and superintendent. The seven-member Advisory Committee is elected by the Governing Board and consists of Governing Board members and Superintendents of member districts.

Other districts may be admitted to membership upon the approval of and under conditions specified by a majority of the Leadership Council. The purpose of the District is to oversee the special education programs described and mandated in Article 14 of the School Code. If additional mandatory categories are added to Article 14, the Governing Board shall determine whether they shall be included in the program it operates. Each member district may employ, at its own expense, such school psychologists, school social workers and itinerant teachers as it deems necessary.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the more significant accounting policies:

Financial Reporting Entity

As defined by generally accepted accounting principles established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

- (1) Appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- (2) Fiscal dependency on the primary government and the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Financial benefit or financial burden is created if any one of the following relationships exist:

- (1) The primary government is legally entitled to or has access to the component unit's resources.
- (2) The primary government is legally required or has assumed the obligation to finance the deficits of, or provide support to, the component unit.
- (3) The primary government is obligated in some manner for the other component unit's debt.

Based upon the application criteria, no component units have been included within the reporting entity.

Northern Suburban Special Education District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation

Government-Wide Financial Statements (GWFS): The government-wide statement of net position and statement of activities report the overall financial activity of the District. Eliminations have been made to minimize the double counting of internal activities of the District. The financial activities of the District consist of governmental activities, which are primarily supported by charges for services provided and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given program (i.e., Summer school, ECP-I Program, etc.) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs (including fines and fees), and (b) grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fiduciary funds are excluded from the government-wide financial statements.

Fund Financial Statements (FFS): Separate financial statements are provided for governmental funds. The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The District has one governmental fund, which is the General Fund, and this fund is reported as a major governmental fund.

The General Fund accounts for all financial resources of the District. The fund is primarily used for the instructional and administrative aspects of the District's operations. Revenues consist largely of state and federal government aid and tuition payments from member districts.

Additionally, the District administers an agency fund that is used to account for assets held by the District in an agency capacity. These funds are held on behalf of the students of the District.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus while the fiduciary fund statements do not have a measurement focus. The government-wide financial statements and the fiduciary statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include state-shared revenues and various state, federal and local grants. Grants, entitlements, state-shared revenues and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Northern Suburban Special Education District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

Significant revenue sources which are susceptible to accrual include tuition, grants and interest. All other revenue sources are considered to be measurable and available only when cash is received.

Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, in the governmental fund financial statements, compensated absences are recorded only when payment is due (upon employee retirement or termination). General capital asset acquisitions are reported as expenditures in governmental funds.

Cash

For purpose of reporting cash, all highly liquid investments with original maturities of three months or less when purchased are considered to be cash. The District only maintains cash as of June 30, 2016.

Capital Assets

Capital assets, which include land, buildings, transportation equipment and other equipment, are reported in the statement of net position. Capital assets are defined as assets with an initial individual cost of more than \$1,000, and an estimated useful life of greater than one year. Additions or improvements that significantly extend the useful life of an asset or that significantly increase the capacity of an asset are capitalized in government-wide financial statements. Expenditures for asset acquisitions and improvements are stated as capital outlay expenditures in the governmental funds.

These assets have been valued at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at their estimated fair market 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 the assets' lives are not capitalized.

Depreciation of capital assets is provided using the straight-line basis method over the following estimated useful lives:

Land improvements	5 - 50 Years
Building and improvements	20 - 40 Years
Furniture and equipment	5 - 20 Years

Northern Suburban Special Education District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Compensated Absences

The District's policy allows employees to earn varying amounts of vacation pay each year depending on the total number of years employed and the employee's position. Vacation pay is granted on July 1 of the ensuing year. Unused vacation days may be carried into the next year as long as the total accumulated days of vacation for any one year does not exceed 20 days. Any vacation days exceeding 20 days will be converted to sick days after the sixth month of the year in which they are compiled. At termination, any unused vacation days up to a maximum of 20 days will be paid to the employee.

The District's sick leave policy allows employees to earn and accumulate various amounts of sick leave depending on the total number of years employed and the employees' position. Upon satisfactory termination of employment, all accumulated sick pay is forfeited. Upon retirement, up to 240 accumulated sick days may be added as service credit to the IMRF retirement plan and 340 accumulated sick days may be added as service credit to the TRS retirement plan. The service credit is at no cost to the District; it is only reported to the IMRF and TRS as an increase in the employee's length of service. Accordingly, employee sick pay is recorded when paid.

Deferred Inflows or Deferred Outflows of Resources and Unearned Revenue

Deferred inflows of resources are the acquisition of net position or fund balance that is applicable to future reporting periods. Potential grant revenue is recorded as deferred inflows of resources on the fund financial statements when it has not yet met both the "measurable" and "available" criteria for recognition in the current period.

Deferred outflows of resources are the consumption of net position that is applicable to future reporting periods. The net difference between projected and actual earnings on pension plan investments, changes in proportion and differences between employer contributions and proportionate share of contributions, as well as pension payments made subsequent to the pension liability measurement date are reported as deferred outflows or inflows of resources on the government-wide financial statements. See Note 6 for pension-related disclosures.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations, including compensated absences, post-employment benefits and pension benefits, are reported as liabilities in the statement of net position.

In the fund financial statements, a liability for compensated absences is reported only if they have matured, for example, as a result of employee resignations and retirements, or are payable with expendable available resources.

Net Position

The District's government-wide statement of net position is reported in three categories:

Net investment in capital assets - consists of capital assets, net of accumulated depreciation. This balance would be shown net of related debt that is attributable to the acquisition, construction, or improvement of those assets if the District had any such outstanding debt.

Restricted - result when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Northern Suburban Special Education District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Unrestricted - consists of net position that does not meet the criteria of the two preceding categories.

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

Fund Balances

Within the governmental fund types, the District's fund balances are reported in one of the following classifications:

Nonspendable – includes amounts that cannot be spent because they are either: a) not in spendable form, or b) legally or contractually required to be maintained intact. At June 30, 2016, the District has no nonspendable fund balance amounts.

Restricted – includes amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or b) imposed by law through constitutional provisions or enabling legislation. At June 30, 2016, the District has no restricted fund balance.

Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The District's highest level of decision-making authority rests with the District's board of education (the Board of Education). The District passes formal resolutions to commit their fund balances. As of June 30, 2016, the District has no committed fund balance.

Assigned – includes amounts that are constrained by the District's *intent* to be used for specific purposes, but that are neither restricted nor committed. Intent is expressed by: a) the District's Board of Education itself, or b) a body or official to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes. The District's Board of Education has not authorized any other body or official to assign amounts for a specific purpose within the General Fund. At June 30, 2016, the District has no assigned fund balances.

Unassigned – includes the residual fund balance that has not been restricted, committed, or assigned.

It is the District's policy to consider restricted resources to have been spent first when an expenditure is incurred for which both restricted and unrestricted (i.e. committed, assigned or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amounts are used only after the other resources have been used.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Northern Suburban Special Education District

Notes to Basic Financial Statements

Note 2. Cash

State statutes authorize the District to make deposits in interest-bearing depository accounts in federally insured and/or state chartered banks, savings and loan associations, and credit unions. The deposits and petty cash at year-end were comprised of the following:

	Carrying Value	Bank Balance	Associated Risks
Demand deposits	\$ 11,348,954	\$ 12,308,576	Custodial Credit Risk
Petty cash	2,100	2,100	None
	<u>\$ 11,351,054</u>	<u>\$ 12,310,676</u>	

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts), \$250,000 for interest-bearing demand deposit accounts, and unlimited amounts for non-interest-bearing transaction accounts.

Separate bank accounts are not maintained for all District programs; instead, certain programs maintain their uninvested cash balances in a common checking account, with accounting records being maintained to show the portion of the common bank account balance attributable to each participating program. Occasionally, certain programs participating in the common account will incur overdrafts (deficits) in the account. The overdrafts result from expenditures which have been approved by the Leadership Council.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2016, all of the District's bank balances were insured or collateralized with securities held by the pledging financial institution's trust department or agent. District policy requires collateral for all deposit amounts in excess of Federal Deposit Insurance Corporation coverage. The collateral must also be on the District approved list of investments.

The above deposits are presented in the basic financial statements as follows:

Statement of Net Position (GWFS)	\$ 11,316,860
Statement of Fiduciary Assets and Liabilities	34,194
	<u>\$ 11,351,054</u>

Northern Suburban Special Education District

Notes to Basic Financial Statements

Note 3. Capital Assets

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

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016
Capital Assets Not Being Depreciated:				
Land	\$ 242,571	\$ -	\$ -	\$ 242,571
Construction in process	-	21,555	-	21,555
Total capital assets not being depreciated	242,571	21,555	-	264,126
Capital Assets Being Depreciated:				
Land improvements	584,051	3,284	81,323	506,012
Building and improvements	17,298,494	58,390	-	17,356,884
Furniture and equipment	2,933,411	289,389	1,215,602	2,007,198
Total capital assets being depreciated	20,815,956	351,063	1,296,925	19,870,094
Total capital assets	21,058,527	372,618	1,296,925	20,134,220
Less - Accumulated Depreciation for:				
Land improvements	(256,980)	(29,690)	(68,914)	(217,756)
Building and improvements	(3,764,585)	(409,128)	(63,628)	(4,110,085)
Furniture and equipment	(2,043,411)	(211,455)	(1,089,997)	(1,164,869)
Total accumulated depreciation	(6,064,976)	(650,273)	(1,222,539)	(5,492,710)
Capital Assets Being Depreciated: Net of depreciation	14,750,980	(299,210)	74,386	14,377,384
Total Capital Assets Net of depreciation	\$ 14,993,551	\$ (277,655)	\$ 74,386	\$ 14,641,510

Depreciation expense of \$650,273 was charged to the District's indirect cost function.

Northern Suburban Special Education District

Notes to Basic Financial Statements

Note 4. Long-Term Obligations

Long-term obligations as of June 30, 2016 and a summary of activity for the year then ended are as follows:

	Outstanding debt as of July 1, 2015	Additions	Retirements	Outstanding debt as of June 30, 2016	Due within one year
Compensated absences	\$ 145,254	\$ 17,643	\$ -	\$ 162,897	\$ 32,579
Net pension liability - IMRF	1,308,255	3,137,616	56,135	4,389,736	-
Net pension liability - TRS	1,247,804	219,881	-	1,467,685	-
OPEB obligation	1,503,520	259,493	168,730	1,594,283	-
Total	\$ 4,204,833	\$ 3,634,633	\$ 224,865	\$ 7,614,601	\$ 32,579

The General Fund is used to liquidate these liabilities.

Note 5. Operating Leases

The District leases building and office facilities under four separate non-cancelable operating leases. Monthly payments under terms of the leases range from \$7,600 to \$15,727, with increases ranging from the Consumer Price Index (CPI) or 3 percent for each year after. The CPI as of June 30, 2016 was 2.2 percent. Lengths of the leases are for five years, respectively, with the District having various renewal options. Total costs under these leases were \$467,130 for the year ended June 30, 2016. The future minimum lease obligations are as follows:

Year Ending June 30	
2017	\$ 563,312
2018	300,855
2019	97,227
2020	97,473
2021	100,156
2022	8,367
Total	\$ 1,167,390

Note 6. Retirement Plan Commitments

Teachers' Retirement System

Plan Description

The District (employer) 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 nonannuitants 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 TRS' administration.

Northern Suburban Special Education District

Notes to Basic Financial Statements

Note 6. Retirement Plan Commitments (Continued)

Teachers' Retirement System (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 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling (888) 877-0890, option 2.

Benefits Provided

TRS provides retirement, disability and death benefits. Tier I members have TRS or reciprocal system service prior to January 1, 2011. Tier I members qualify for retirement benefits at age 62 with five years of service, at age 60 with 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 10 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 percent of final average salary up to a maximum of 75 percent 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 percent 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 three percent of the original benefit or one-half percent 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.

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 TRS for each fiscal year shall be an amount determined to be sufficient to bring the total assets of TRS up to 90 percent of the total actuarial liabilities of TRS by the end of 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 percent 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 employer. For the year ended June 30, 2016, state of Illinois contributions recognized by the employer were based on the state's proportionate share of the collective net pension liability associated with the employers, and the employer recognized revenue and expenditures of \$8,604,281 in pension contributions from the State of Illinois.

2.2 formula contributions. Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2016, were \$74,403 and are deferred because they are paid after the June 30, 2015 measurement date.

Northern Suburban Special Education District

Notes to Basic Financial Statements

Note 6. Retirement Plan Commitments (Continued)

Teachers' Retirement System (continued)

Federal and special trust fund contributions. When TRS members are paid from federal and special trust funds administered by the employer, there is a statutory requirement for the employer to pay an employer pension contribution from those funds. Under 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 employer pension contribution was 36.06 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2016, contributions from federal and special trust funds were \$14,868 and are deferred because they are 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 percent and applies when the member is age 55 at retirement. For the year ended June 30, 2016, the employer paid \$0 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 percent 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 employer paid \$15 to TRS for employer contributions due on salary increases in excess of 6 percent and \$0 for sick leave days granted in excess of the normal annual allotment.

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

At June 30, 2016, the employer 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 employer. The state's support and total are for disclosure purposes only. The amount recognized by the employer 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 employer were as follows:

Employer's proportionate share of the net pension liability	\$ 8,604,281
State's proportionate share of the net pension liability associated with the employer	105,021,911
	<u>\$ 113,626,192</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, 2014, and rolled forward to June 30, 2015. The employer's proportion of the net pension liability was based on the employer'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 employer's proportion was .0022 percent.

Northern Suburban Special Education District

Notes to Basic Financial Statements

Note 6. Retirement Plan Commitments (Continued)

Teachers' Retirement System (continued)

The net pension liability as of the beginning of this first measurement period under GASB Statement No. 68 was measured as of June 30, 2014, and the total pension liability was based on the June 30, 2014, actuarial valuation without any roll-up. The employer's proportion of the net pension liability as of June 30, 2014, was based on the employer's share of contributions to TRS for the measurement year ended June 30, 2014, relative to the projected contributions of all participating TRS employers and the state during that period. At June 30, 2014, the employer's proportion was .0020 percent.

For the year ended June 30, 2016, the employer recognized pension expense of \$8,622,879 and revenue of \$8,604,281 for support provided by the state. At June 30, 2016, the employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 545	\$ 1,609
Changes of assumptions	20,297	-
Net difference between projected and actual earnings on pension plan investments	29,067	51,393
Changes in proportion and differences between employer contributions and proportionate share of contributions	96,784	165,800
Total deferred amounts to be recognized in pension expense in future periods	146,693	218,802
Employer contribution subsequent to the measurement date	89,271	-
	<u>\$ 235,964</u>	<u>\$ 218,802</u>

The District reported \$89,721 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:

Year ending June 30	Net Deferred Inflows of Resources
2017	\$ (24,627)
2018	(24,627)
2019	(22,855)
	<u>\$ (72,109)</u>

Northern Suburban Special Education District

Notes to Basic Financial Statements

Note 6. Retirement Plan Commitments (Continued)

Teachers' Retirement System (continued)

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 percent
- **Salary increases** varies by amount of service credit
- **Investment rate of return** 7.50 percent, net of pension plan investment expense, include inflation

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

The 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 percent, 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 assumption from 8.0 percent to 7.5 percent. 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. large cap	18%	7.53%
Global equity excluding U.S.	18%	8%
Aggregate bonds	16%	2%
U.S. TIPS	2%	3%
NCREIF	11%	5%
Opportunistic real estate	4%	9%
ARS	8%	3%
Risk party	8%	5%
Diversified inflation strategy	1%	3%
Private equity	14%	12%
	<u>100%</u>	

Discount Rate

At June 30, 2015, the discount rate used to measure the total pension liability was 7.47 percent, which was a change from June 30, 2014 rate of 7.40 percent. 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.

Northern Suburban Special Education District

Notes to Basic Financial Statements

Note 6. Retirement Plan Commitments (Continued)

Teachers' Retirement System (continued)

Based on those assumptions, TRS's fiduciary net position 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.

At June 30, 2014, the discount rate used to measure the total pension liability was 7.50 percent. 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.

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

The following presents the employer's proportionate share of the net pension liability calculated using the discount rate of 7.47 percent, as well as what the employer'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 percent) or 1-percentage-point higher (8.47 percent) than the current rate.

	1% Decrease 6.47%	Current Discount Rate 7.47%	1% Increase 8.47%
Employer's proportionate share of the net pension liability (asset)	\$ 1,904,343	\$ 1,467,685	\$ 1,109,614

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

Teachers' Health Insurance Security Fund

The District (employer) participates in the Teachers' Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit post-employment healthcare plan that was established by the Illinois legislature for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants not enrolled 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 the THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. 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 TRS who are not employees of the state to make a contribution to the THIS Fund.

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

Northern Suburban Special Education District

Notes to Basic Financial Statements

Note 6. Retirement Plan Commitments (Continued)

Teachers' Health Insurance Security Fund (Continued)

- **On behalf contributions to the THIS Fund**
The State of Illinois makes employer retiree health insurance contributions on behalf of the employer. State contributions are intended to match contributions to the THIS Fund from active members which were 1.07 percent of pay during the year ended June 30, 2016. State of Illinois contributions were \$137,303, and the employer recognized revenue and expenditures of this amount during the year.
- **Employer contributions to the THIS Fund**
The employer also makes contributions to the THIS Fund. The employer THIS Fund contribution was 0.80 percent during the year ended June 30, 2016. For the year ended June 30, 2016, the employer paid \$102,656 to the THIS Fund, which was 100 percent of the required contribution.

Further information on the THIS Fund

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."

Illinois Municipal Retirement Fund

Plan Description

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

Benefits Provided

The District participates in the Regular Plan (RP). 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 percent of the final rate of earnings for the first 15 years of service credit, plus 2 percent for each year of service credit after 15 years to a maximum of 75 percent 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 percent of the original amount on January 1 every year after retirement.

Employees hired **on or after** January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3 percent of the final rate of earnings for the first 15 years of service credit, plus 2 percent for each year of service credit after 15 years to a maximum of 75 percent 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.

Northern Suburban Special Education District

Notes to Basic Financial Statements

Note 6. Retirement Plan Commitments (Continued)

Benefits Provided (Continued)

Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of:

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

Employees Covered by Benefit Terms

As of December 31, 2015, the following employees were covered by the benefit terms:

Retirees and Beneficiaries currently receiving benefits	163
Inactive Plan Members entitled to but not yet receiving benefits	1,034
Active Plan Members	340
Total	<u>1,537</u>

Contributions

As set by statute, the District's Regular Plan Members are required to contribute 4.5 percent 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 the calendar years ended December 31, 2016 and 2015 was 10.95 and 11.69 percent, respectively. For the fiscal year ended June 30, 2016, the District contributed \$1,205,886 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 District's net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2015:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.75 percent.
- **Salary Increases** were expected to be 3.75 percent to 14.50 percent, including inflation.
- The **Investment Rate of Return** was assumed to be 7.50 percent.
- **Projected Retirement Age** was from the 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.
- For **Non-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 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.

Northern Suburban Special Education District

Notes to Basic Financial Statements

Note 6. Retirement Plan Commitments (Continued)

Actuarial Assumptions (Continued)

- 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.
- 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:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	38%	7.40%
International Equity	17%	7.60%
Fixed Income	27%	3.00%
Real Estate	8%	6.00%
Alternative Investments	9%	5.25-8.50%
Cash Equivalents	1%	2.25%
Total	100%	

Single Discount Rate

A Single Discount Rate of 7.50 percent was used to measure the total pension liability. 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 the most recent valuation, the expected rate of return on plan investments is 7.50 percent, the municipal bond rate is 3.57 percent, and the resulting single discount rate is 7.50 percent.

Northern Suburban Special Education District

Notes to Basic Financial Statements

Note 6. Retirement Plan Commitments (Continued)

Changes in the Net Pension Liability

The following table shows the components of the District's annual pension liability and related plan fiduciary net position for the year ended June 30, 2016:

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (Asset) (A)-(B)
Balances at June 30, 2015	\$ 38,272,628	\$ 36,964,373	\$ 1,308,255
Changes for the year:			
Service Cost	1,149,823	-	1,149,823
Interest on the Total Pension Liability	2,859,739	-	2,859,739
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	563,422	-	563,422
Changes of Assumptions	-	-	-
Contributions - Employer	-	1,198,524	(1,198,524)
Contributions - Employees	-	514,993	(514,993)
Net Investment Income	-	185,517	(185,517)
Benefit Payments, including Refunds of Employee Contributions	(1,435,368)	(1,435,368)	-
Other (Net Transfer)	-	(407,531)	407,531
Net Changes	<u>3,137,616</u>	<u>56,135</u>	<u>3,081,481</u>
Balances at June 30, 2016	<u>\$ 41,410,244</u>	<u>\$ 37,020,508</u>	<u>\$ 4,389,736</u>

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

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

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Employer's proportionate share of the net pension liability (asset)	\$ 10,039,758	\$ 4,389,736	\$ (170,947)

Northern Suburban Special Education District

Notes to Basic Financial Statements

Note 6. Retirement Plan Commitments (Continued)

Pension Expense, 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 \$1,312,457. At June 30, 2016, the District reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred amounts to be recognized in pension expense in future periods		
Differences between expected and actual experience	\$ 321,319	\$ 34,917
Changes of assumptions	206,195	-
Net difference between projected and actual earnings on pension plan investments	<u>2,356,877</u>	-
Total deferred amounts to be recognized in pension expense in future periods	2,884,391	34,917
Pension contributions made subsequent to the measurement date	719,253	-
Total deferred amounts related to pensions	<u>\$ 3,603,644</u>	<u>\$ 34,917</u>

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

Year ending December 31	Net Deferred Outflows of Resources
2016	\$ 1,026,877
2017	692,712
2018	613,494
2019	516,391
	<u>\$ 2,849,474</u>

Note 7. Risk Management

The District is exposed to various risks of loss related to workers' compensation claims; theft of, damage to and destruction of assets; and natural disasters. To protect from workers' compensation risks, the District participates in the Collective Liability Insurance Cooperative (CLIC) public entity risk pool. The District pays annual premiums to the pool for insurance coverage. The arrangements with the pool provide that it will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain levels established by the pools. There have been no significant reductions in insurance coverage from coverage in any of the past three fiscal years.

The District carries commercial insurance for all other risks of loss, including employee health benefits, general liability, torts and professional liability insurance. Premiums have been recorded as expenditures in the General Fund. There have been no significant reductions in insurance coverage from coverage in the prior years. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Northern Suburban Special Education District

Notes to Basic Financial Statements

Note 8. Commitments and Contingencies

From time to time, the District becomes party to claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the District's attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial position or results of operations.

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

Note 9. Postemployment Healthcare Plan

Plan Description

The District administers a single-employer defined benefit healthcare plan. The plan provides health insurance contributions for eligible retirees through the District's group health insurance plan, which covers both active and retired members. Under the current agreement, teachers and administrative staff that have been employed at the District for a minimum of 10 years and are 55 or older may voluntarily retire and receive extended health insurance benefits. Benefit provisions are established through collective bargaining agreements and state that eligible retirees and their spouses receive healthcare insurance at established contribution rates for five years. The benefits vary based on the retiree's position. The Retiree Health Plan does not issue a publicly available financial report.

Funding Status, Policy and Contributions

Contribution requirements are established through collective bargaining agreements and may be amended only through negotiations between the board and the union. The District's funding policy is to provide annual contributions on a pay-as-you-go basis. At June 30, 2016, the plan was unfunded. The estimated amount of the unfunded accrued liability has not been determined.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The District's net OPEB obligation at June 30, 2016 is included as a liability on the statement of net position.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan:

Annual required contribution	\$ 325,805
Interest on net OPEB obligation	67,658
Adjustment to annual required contribution	(133,970)
Annual OPEB cost	<u>259,493</u>
Contributions made	<u>168,730</u>
Increase in net OPEB obligation	90,763
Net OPEB obligation beginning of year	<u>1,503,520</u>
Net OPEB obligation end of year	<u><u>\$ 1,594,283</u></u>

Northern Suburban Special Education District

Notes to Basic Financial Statements

Note 9. Postemployment Healthcare Plan (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net OPEB Obligation
June 30, 2016	\$ 259,493	65%	\$ 1,594,283
June 30, 2015	217,926	85%	1,503,520
June 30, 2014	N/A	N/A	N/A

Funded Status and Funding Progress

As of June 30, 2016, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$3,986,802, and the actuarial value of assets was \$0, resulting in an unfunded actuarial liability (UAAL) of \$3,986,802. The covered payroll (annual payroll of active employees covered by the plan) was \$22,055,886 and the ratio of the UAAL to the covered payroll was 18 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality, and the healthcare cost trend. Amounts determined reporting the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

In the June 30, 2016 actuarial valuation (most recent valuation), the actuarial cost method was used. The actuarial assumptions included a 4.5 percent discount rate (includes inflation at 3.0 percent), annual healthcare cost trend rates of 4.0 percent for PPO, 5.0 percent for administrators, and 3.0 percent for certified and anticipated utilization rate of 100 percent. The UAAL is being amortized as a level percentage of projected payroll on a 30-year open basis.

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

Northern Suburban Special Education District

Notes to Basic Financial Statements

Note 10. Functional Expenditures Allocations

As described in Note 1, revenues and expenditures are presented by District program. Expenditures presented by function, as reported to the Illinois State Board of Education, are as follows:

	Actual	Budget
Special education programs	\$ 14,395,393	\$ 14,557,067
Special education programs - pre-kindergarten	1,935,118	1,817,159
Career and technical - vocational services	1,487,285	1,505,178
Summer school programs	783,941	773,051
Pupil support services	9,337,280	9,417,689
Instructional staff support services	1,253,211	1,185,655
General administration	1,209,519	1,266,270
School administration	2,410,483	2,550,334
Business support services	2,810,942	2,678,814
Central support services	979,166	890,572
Other support services	21,100	22,100
Community services	134,805	133,124
Payments to other governments	7,481,098	7,342,339
TRS on-behalf payments	8,741,584	4,588,600
	<u>\$ 52,980,925</u>	<u>\$ 48,727,952</u>

Note 11. Pronouncements Issued But Not Yet Adopted

The following is a description of other GASB authoritative pronouncements, which have been issued but not yet adopted by the District.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (Employer)*, will be effective for the District beginning with its year ending June 30, 2018. This statement requires governments to report a liability on the face of the financial statements for the OPEB they provide and requires governments in all types of OPEB plans to report more extensive note disclosures and required supplementary information about their OPEB liabilities.

GASB Statement No. 77, *Tax Abatement Disclosures*, will be effective for the District beginning with its year ending June 30, 2017. This statement requires state and local governments, for the first time, to disclose information about tax abatement agreements. It requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple Employer Defined Benefit Pension Plans*, will be effective for the District beginning with its year ending June 30, 2017. The objective of this statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

GASB Statement No. 80, *Blending Requirements for Certain Component Units an Amendment of GASB Statement No. 14*, will be effective for the District beginning with its year ending June 30, 2017. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

Northern Suburban Special Education District

Notes to Basic Financial Statements

Note 11. Pronouncements Issued But Not Yet Adopted (Continued)

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, will be effective for the District beginning with its year ending June 30, 2018. The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB Statement No. 82, *Pension Issues – an amendment of GASB No. 67, No. 68, and No. 73*, will be effective for the District beginning with its year ending June 30, 2017 except for the requirement of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of the pension liability is on or after June 15, 2017. This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, will be effective for the District beginning with its year ending June 30, 2019. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations.

GASB Statement No. 84, *Fiduciary Activities*, will be effective for the District beginning with its year ending June 30, 2020. The objective of this statement is to provide guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable; (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

Management has not currently determined what impact, if any, these GASB Statements may have on its financial statements, however, the impact of GASB Statement No. 75 will likely be material to the statements, footnotes, and required supplementary information.

Northern Suburban Special Education District

Notes to Basic Financial Statements

Note 12. Change in Basis of Accounting

For the year ended June 30, 2015, the District prepared its financial statements using the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). For the year ended June 30, 2016, the District retroactively adopted the modified accrual basis of accounting for the fund financial statements and the accrual basis of accounting for the government-wide financial statements and presented its financial statements in accordance with GAAP. The following table reflects the change in the July 1, 2015 fund balances and net position:

	General Fund	Governmental Activities
Fund Balance / Net Position (modified cash basis)	\$ 8,895,699	\$ 23,889,250
Conversion to GAAP	1,609,656	(700,888)
Fund Balance / Net Position (GAAP)	<u>\$ 10,505,355</u>	<u>\$ 23,188,362</u>
Change in Fund Balance / Net Position (modified cash basis)	\$ 892,515	\$ 344,481
Conversion to GAAP	1,609,656	(700,888)
Change in Fund Balance / Net Position (GAAP)	<u>\$ 2,502,171</u>	<u>\$ (356,407)</u>

Required Supplementary Information

Northern Suburban Special Education District

**Schedule of Employer Contributions
Illinois Municipal Retirement Fund**

Calendar Year Ending December 31	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2015	\$ 1,198,525	\$ 1,198,524	\$ 1	\$ 10,935,443	10.96%
2014	1,193,091	1,192,978	113	10,777,697	11.07%

Notes to Schedule:

Summary of actuarial methods and assumptions used in the calculation of the 2015 contribution rate*

Valuation Date:

Notes

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.

Methods and Assumptions Used to Determine 2015 Contribution Rates:

Actuarial Cost Method:	Aggregate entry age = normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	28-year closed period
Asset Valuation Method:	5-year smoothed market; 20% corridor
Wage Growth:	4%
Price Inflation:	3%, approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases:	4.40% to 16%, including inflation
Investment Rate of Return:	7.50%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2011 valuation pursuant to an experience study of the period 2008 to 2010.
Mortality:	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92 percent of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Other Information:

Notes:

There were no benefit changes during the year.

*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.

**Northern Suburban Special Education District
Schedule of Changes in Net Pension Liability and Related Ratios
Illinois Municipal Retirement Fund**

Calendar Year Ended December 31,	2015	2014
A. Total pension liability		
1. Service cost	\$ 1,149,823	\$ 1,243,100
2. Interest on the Total Pension Liability	2,859,739	2,585,877
3. Changes of benefit terms	-	-
4. Difference between expected and actual experience of the Total Pension Liability	563,422	(247,241)
5. Changes of assumptions	-	1,460,035
6. Benefit payments, including refunds of employee contributions	<u>(1,435,368)</u>	<u>(1,251,895)</u>
7. Net change in total pension liability	3,137,616	3,789,876
8. Total pension liability - beginning	<u>38,272,628</u>	<u>34,482,752</u>
9. Total pension liability - ending	<u>41,410,244</u>	<u>38,272,628</u>
B. Plan fiduciary net position		
1. Contributions - employer	1,198,524	1,192,978
2. Contributions - employee	514,993	487,295
3. Net investment income	185,517	2,111,467
4. Benefit payments, including refunds of employee contributions	(1,435,368)	(1,251,895)
5. Other (net transfer)	<u>(407,531)</u>	<u>24,504</u>
6. Net change in plan fiduciary net position	56,135	2,564,349
7. Plan fiduciary net position - beginning	<u>36,964,373</u>	<u>34,400,024</u>
8. Plan fiduciary net position - ending	<u>37,020,508</u>	<u>36,964,373</u>
C. Net pension liability	<u>\$ 4,389,736</u>	<u>\$ 1,308,255</u>
D. Plan fiduciary net position as a percentage of total pension liability	89.40%	96.58%
E. Covered valuation payroll	\$ 10,935,443	\$ 10,777,697
F. Net pension liability as a percentage of covered valuation payroll	40.14%	12.14%

Note to schedule: 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.

Northern Suburban Special Education District

**Schedule of the Employer's Proportionate Share of the Net Pension Liability
Teachers' Retirement System of the State of Illinois**

Fiscal Year	2016*	2015*
Employers proportion of the net pension liability	0.0022%	0.0020%
Employer's proportionate share of the net pension liability	\$ 1,467,685	\$ 1,247,804
State's proportionate share of the net pension liability associated with the employer	105,021,911	196,401,140
Total	\$ 106,489,596	\$ 197,648,944
Employer's covered payroll	\$ 12,711,990	\$ 12,612,977
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	11.5%	9.9%
Plan fiduciary net position as a percentage of the total pension liability	41.5%	43.0%

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

**Schedule of Employer Contributions
Teachers' Retirement System of the State of Illinois**

Fiscal Year	2016	2015
Contractually required contribution	\$ 79,787	\$ 78,504
Contributions in relation to the contractually required contribution	89,271	223,954
Contribution excess	<u>\$ (9,484)</u>	<u>\$ (145,450)</u>
Employer's covered payroll	\$ 12,832,056	\$ 12,711,990
Contributions as a percentage of covered-employee payroll	0.70%	1.76%

Notes to Schedule:

These schedules are 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.

Changes of assumptions:

Amounts reported in 2015 reflect an investment rate of return of 7.5 percent, an inflation rate of 3.0 percent and real return of 4.5 percent, and salary increases that vary by service credit. In 2014, assumptions used were an investment rate of return of 7.5 percent, an inflation rate of 3.0 percent and real return of 4.5 percent, and salary increases of 5.75 percent.

Northern Suburban Special Education District

**Schedule of Funding Progress
Postemployment Health Care Plan
Year Ended June 30, 2016**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2015	\$ -	\$ 3,986,802	\$ 3,986,802	0%	\$ 22,055,886	18%

Note: Information is presented for as many years as available.

Northern Suburban Special Education District

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
General Fund - Budget to Actual
Year Ended June 30, 2016**

	Original and Final Budget	Actual	Variance With Final Budget
Indirect costs:			
Local	\$ 1,682,401	\$ 1,688,818	\$ 6,417
State	238,340	267,811	29,471
Federal	1,861,558	2,117,763	256,205
Total indirect costs	<u>3,782,299</u>	<u>4,074,392</u>	<u>292,093</u>
Summer school:			
Local	583,006	627,499	44,493
State	58,746	55,978	(2,768)
Total summer school	<u>641,752</u>	<u>683,477</u>	<u>41,725</u>
ECP - I Program:			
Local	2,822,309	2,693,076	(129,233)
State	176,736	168,412	(8,324)
Federal	165,092	112,073	(53,019)
Total ECP - I Program	<u>3,164,137</u>	<u>2,973,561</u>	<u>(190,576)</u>
Related services:			
Local	3,385,501	3,344,149	(41,352)
State	214,023	203,940	(10,083)
Total related services	<u>3,599,524</u>	<u>3,548,089</u>	<u>(51,435)</u>
ELS - N:			
Local	10,933,348	10,616,836	(316,512)
State	714,520	662,927	(51,593)
Federal	290,956	170,241	(120,715)
Total ELS - N	<u>11,938,824</u>	<u>11,450,004</u>	<u>(488,820)</u>

See Note to Required Supplementary Information

(continued)

Northern Suburban Special Education District

**Schedule of Revenues, Expenditures, and Changes in Fund Balance (continued) -
Budget and Actual
General Fund - Budget to Actual
Year Ended June 30, 2016**

	Original and Final Budget	Actual	Variance With Final Budget
North Shore Academy:			
Local	\$ 8,444,043	\$ 8,009,428	\$ (434,615)
State	483,773	460,816	(22,957)
Federal	17,228	15,273	(1,955)
Total North Shore Academy	<u>8,945,044</u>	<u>8,485,517</u>	<u>(459,527)</u>
District services:			
Local	407,476	425,233	17,757
State	41,175	39,236	(1,939)
Total district services	<u>448,651</u>	<u>464,469</u>	<u>15,818</u>
Grant Flow Through:			
Federal	<u>7,322,337</u>	<u>7,572,629</u>	<u>250,292</u>
Contractual/DORS:			
Local	2,576,754	2,465,096	(111,658)
State	152,445	145,264	(7,181)
Total contractual/DORS	<u>2,729,199</u>	<u>2,610,360</u>	<u>(118,839)</u>
Arbor Academy:			
Local	1,462,299	1,371,661	(90,638)
State	105,286	100,326	(4,960)
Total Arbor Academy	<u>1,567,585</u>	<u>1,471,987</u>	<u>(95,598)</u>
TRS on-behalf contributions:			
State on-behalf retirement contributions	<u>4,588,600</u>	<u>8,741,584</u>	<u>4,152,984</u>
Total revenues	<u>\$ 48,727,952</u>	<u>\$ 52,076,069</u>	<u>\$ 3,348,117</u>

See Note to Required Supplementary Information

Northern Suburban Special Education District

**Schedule of Revenues, Expenditures, and Changes in Fund Balance (continued) -
Budget and Actual
General Fund - Budget to Actual
Year Ended June 30, 2016**

	Original and Final Budget	Actual	Variance With Final Budget
Indirect costs:			
Salaries	\$ 2,286,283	\$ 2,260,579	\$ 25,704
Employee benefits	875,827	861,488	14,339
Purchased services	1,251,270	1,253,734	(2,464)
Supplies and materials	140,643	121,893	18,750
Capital outlay	50,800	49,677	1,123
Payments to other governments	26,000	65,607	(39,607)
Other expenditures	35,100	5,082	30,018
Total indirect costs	4,665,923	4,618,060	47,863
Summer school:			
Salaries	465,283	560,917	(95,634)
Employee benefits	51,750	43,169	8,581
Purchased services	99,360	99,441	(81)
Supplies and materials	6,665	8,189	(1,524)
Total summer school	623,058	711,716	(88,658)
ECP-I Program:			
Salaries	2,060,073	2,099,451	(39,378)
Employee benefits	609,688	612,490	(2,802)
Purchased services	195,080	174,841	20,239
Supplies and materials	52,000	20,206	31,794
Capital outlay	6,940	1,149	5,791
Payments to other governments	8,000	-	8,000
Other expenditures	-	2,409	(2,409)
Total ECP-I Program	2,931,781	2,910,546	21,235

See Note to Required Supplementary Information

(continued)

Northern Suburban Special Education District

**Schedule of Revenues, Expenditures, and Changes in Fund Balance (continued) -
Budget and Actual
General Fund - Budget to Actual
Year Ended June 30, 2016**

	Original and Final Budget	Actual	Variance With Final Budget
Related services:			
Salaries	\$ 2,608,818	\$ 2,560,232	\$ 48,586
Employee benefits	723,048	673,388	49,660
Purchased services	131,056	183,504	(52,448)
Supplies and materials	30,325	16,048	14,277
Capital outlay	14,200	12,090	2,110
Other expenditures	3,300	4,148	(848)
Total related services	3,510,747	3,449,410	61,337
ELS - N:			
Salaries	8,031,315	8,075,095	(43,780)
Employee benefits	2,670,015	2,677,630	(7,615)
Purchased services	623,075	621,738	1,337
Supplies and materials	119,754	132,713	(12,959)
Capital outlay	261,956	154,780	107,176
Payments to local agencies	62,000	63,182	(1,182)
Other expenditures	36,700	25,023	11,677
Total ELS - N	11,804,815	11,750,161	54,654
North Shore Academy:			
Salaries	6,250,561	6,027,335	223,226
Employee benefits	1,612,683	1,552,958	59,725
Purchased services	570,671	576,960	(6,289)
Supplies and materials	229,741	334,367	(104,626)
Capital outlay	11,500	61,081	(49,581)
Payments to local agencies	2,350	2,645	(295)
Other expenditures	7,000	11,101	(4,101)
Total North Shore Academy	8,684,506	8,566,447	118,059
District services:			
Salaries	361,095	380,631	(19,536)
Employee benefits	62,839	67,634	(4,795)
Purchased services	7,149	3,812	3,337
Supplies and materials	4,500	642	3,858
Other expenditures	-	1,998	(1,998)
Total district services	435,583	454,717	(19,134)

See Note to Required Supplementary Information

(continued)

Northern Suburban Special Education District

**Schedule of Revenues, Expenditures, and Changes in Fund Balance (continued) -
Budget and Actual
General Fund - Budget to Actual
Year Ended June 30, 2016**

	Original and Final Budget	Actual	Variance With Final Budget
Grant Flow Through:			
Payments to local agencies	\$ 7,322,339	\$ 7,461,098	\$ (138,759)
Contractual/DORS:			
Salaries	1,905,408	1,797,881	107,527
Employee benefits	646,754	564,947	81,807
Purchased services	118,799	159,326	(40,527)
Payments to local agencies	-	3,120	(3,120)
Total contractual/DORS	<u>2,670,961</u>	<u>2,525,274</u>	<u>145,687</u>
Arbor Academy:			
Salaries	1,000,544	1,013,367	(12,823)
Employee benefits	272,095	301,666	(29,571)
Purchased services	186,600	225,271	(38,671)
Supplies and materials	18,400	46,382	(27,982)
Capital outlay	-	184,214	(184,214)
Payments to local agencies	12,000	12,000	-
Other expenditures	-	9,012	(9,012)
Total Arbor Academy	<u>1,489,639</u>	<u>1,791,912</u>	<u>(302,273)</u>
TRS on-behalf contributions:			
Employee benefits, state on-behalf retirement contributions	<u>4,588,600</u>	<u>8,741,584</u>	<u>(4,152,984)</u>
Total expenditures	<u>48,727,952</u>	<u>52,980,925</u>	<u>(4,252,973)</u>
Change in fund balance	<u>\$ -</u>	<u>(904,856)</u>	<u>\$ (904,856)</u>
Fund balance:			
July 1, 2015, as restated		<u>10,505,355</u>	
June 30, 2016		<u>\$ 9,600,499</u>	

See Note to Required Supplementary Information

Northern Suburban Special Education District

Note to Required Supplementary Information

Note 1. Budgetary Information

Annual budgets are adopted for all governmental fund types. The annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America at the fund level. All budgets lapse at fiscal year-end.

On or before July 1 of each year, the superintendent is to submit for review by the Governing Board a proposed budget for the school year commencing on that date. After reviewing the proposed budget, the Governing Board holds public hearings and a final budget must be prepared and adopted no later than September 30.

The appropriated budget is prepared by fund and by function. The Governing Board may make transfers between functions within a fund not exceeding in the aggregate 10 percent of the total of such fund, and may amend the total budget following the same procedures required to adopt the original budget. The legal level of budgetary control is at the fund level. No supplemental budget was required and there were no transfers between functions during the year.

The General Fund over-expended its budget by \$99,989 for the year ended June 30, 2016, excluding Teachers' Retirement System on-behalf contributions.

Supplementary Information

Northern Suburban Special Education District

Combining Schedule of Revenues and Expenditures
By Individual Programs
Year Ended June 30, 2016

	Indirect Cost	Summer School	ECP - I Program	Related Services	ELS - N	North Shore Academy
Revenues:						
Local	\$ 1,688,818	\$ 627,499	\$ 2,693,076	\$ 3,344,149	\$ 10,616,836	\$ 8,009,428
State	267,811	55,978	168,412	203,940	662,927	460,816
State on-behalf retirement contributions	-	-	-	-	-	-
Federal	2,117,763	-	112,073	-	170,241	15,273
Total revenues	4,074,392	683,477	2,973,561	3,548,089	11,450,004	8,485,517
Expenditures:						
Salaries	2,260,579	560,917	2,099,451	2,560,232	8,075,095	6,027,335
Employee benefits	861,488	43,169	612,490	673,388	2,677,630	1,552,958
Employee benefits, state on-behalf retirement contributions	-	-	-	-	-	-
Purchases services	1,253,734	99,441	174,841	183,504	621,738	576,960
Supplies and materials	121,893	8,189	20,206	16,048	132,713	334,367
Capital outlay	49,677	-	1,149	12,090	154,780	61,081
Payments to local agencies	65,607	-	-	-	63,182	2,645
Other expenditures	5,082	-	2,409	4,148	25,023	11,101
Total expenditures	4,618,060	711,716	2,910,546	3,449,410	11,750,161	8,566,447
Excess (deficiency) of revenues over expenditures	\$ (543,668)	\$ (28,239)	\$ 63,015	\$ 98,679	\$ (300,157)	\$ (80,930)

(continued)

Northern Suburban Special Education District

Combining Schedule of Revenues and Expenditures
By Individual Programs (Continued)
Year Ended June 30, 2016

	District Services	Grant Flow - Through	LEA Contractual/ DORS	Arbor Academy	TRS On-Behalf Payments	Total
Revenues:						
Local	\$ 425,233	\$ -	\$ 2,465,096	\$ 1,371,661	\$ -	\$ 31,241,796
State	39,236	-	145,264	100,326	-	2,104,710
State on-behalf retirement contributions	-	-	-	-	8,741,584	8,741,584
Federal	-	7,572,629	-	-	-	9,987,979
Total revenues	464,469	7,572,629	2,610,360	1,471,987	8,741,584	52,076,069
Expenditures:						
Salaries	380,631	-	1,797,881	1,013,367	-	24,775,488
Employee benefits	67,634	-	564,947	301,666	8,741,584	16,096,954
Purchases services	3,812	-	159,326	225,271	-	3,298,627
Supplies and materials	642	-	-	46,382	-	680,440
Capital outlay	-	-	-	184,214	-	462,991
Payments to local agencies	-	7,461,098	3,120	12,000	-	7,607,652
Other expenditures	1,998	-	-	9,012	-	58,773
Total expenditures	454,717	7,461,098	2,525,274	1,791,912	8,741,584	52,980,925
Excess (deficiency) of revenues over expenditures	\$ 9,752	\$ 111,531	\$ 85,086	\$ (319,925)	\$ -	\$ (904,856)

Northern Suburban Special Education District

Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year Ended June 30, 2016

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016
Agency Funds:				
Assets				
Cash	\$ 38,500	\$ 53,036	\$ 57,342	\$ 34,194
Liabilities				
Due to NSSED student groups	\$ 38,500	\$ 53,036	\$ 57,342	\$ 34,194