

Kenilworth School District No. 38

Kenilworth, Illinois

Annual Financial Report

For the Year Ended June 30, 2016



KENILWORTH SCHOOL DISTRICT NO. 38

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Year ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Kenilworth School District No. 38
Kenilworth, IL

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Kenilworth School District No. 38, Kenilworth, Illinois, (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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position — modified cash basis of accounting of the governmental activities, each major fund, and the aggregate remaining fund information of the Kenilworth School District No. 38, as of June 30, 2016, and the respective changes in financial position—modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kenilworth School District No. 38's financial statements. The other information as described in the Table of Contents is presented for the purposes of additional analysis and is not a required part of the financial statements of Kenilworth School District No. 38. We have applied certain limited procedures to the other 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2016, on our consideration of Kenilworth School District No. 38'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 Kenilworth School District No. 38's internal control over financial reporting and compliance.

George Roach & Associates, P.C.

George Roach & Associates
October 10, 2016



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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Education
Kenilworth School District No. 38
Kenilworth, IL

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Kenilworth School District No. 38, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Kenilworth School District No. 38's financial statements, and have issued our report thereon dated October 10, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kenilworth School District No. 38's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kenilworth School District No. 38's internal control. Accordingly, we do not express an opinion on the effectiveness of Kenilworth School District No. 38's internal control.

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

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

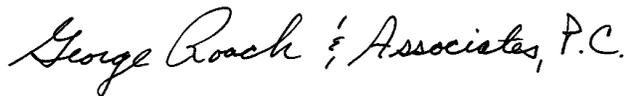
deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kenilworth School District No. 38's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



George Roach & Associates
October 10, 2016

OTHER INFORMATION
MANAGEMENT DISCUSSION
AND ANALYSIS - UNAUDITED

KENILWORTH SCHOOL DISTRICT NO. 38

Management's Discussion and Analysis

Year Ended June 30, 2016

This section of the Kenilworth School District No 38's (the District) annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year that ended June 30, 2016. The intent of the Management's Discussion and Analysis (MD&A) is to look at Kenilworth School District No. 38's financial performance as a whole. Readers should also review the District's financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at June 30, 2016 by \$21,239,118 (net position). Of this amount, \$11,147,946 (unrestricted net position) may be used to meet the District's ongoing operation financial obligations.
- The District's total net position increased by \$2,217,431.
- At June 30, 2016, the District's governmental funds reported combined ending fund balances of \$17,852,172, an increase of \$2,059,485 from the prior year.
- At June 30, 2016, the fund balance for the General Fund was \$11,147,945.
- The District's total fixed assets increased by \$17,598 during the year ended June 30, 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of three components:

- Government-wide financial statements
- Fund financial statements, and
- Notes to the financial statements

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

Government-wide financial statements

The government-wide financial statements report information about the District as a whole using accounting methods (modified cash basis) similar to those used in private-sector companies. The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The District's net position increased by \$2,217,431 in fiscal year 2016.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial

KENILWORTH SCHOOL DISTRICT NO. 38

Management's Discussion and Analysis

Year Ended June 30, 2016

statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a school district's near-term financing requirements.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Operations & Maintenance, Debt Service, Transportation, Municipal Retirement and Tort Funds, all of which are considered major funds.

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

An activity fund (fiduciary fund) is maintained by the District and financial information on that fund is included on page 70 of the audit report.

Notes to the financial statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain other information concerning the District's progress in funding its obligation to provide pension benefits to its non-certificated employees.

KENILWORTH SCHOOL DISTRICT NO. 38

Management's Discussion and Analysis

Year Ended June 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A condensed statement of net position and statement of activities is presented below:

Kenilworth School District No. 38 Net Position

	Governmental Activities	
	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Assets		
Current and Other Assets	\$ 18,655,887	\$ 15,808,564
Fixed Assets	11,051,914	11,569,000
Total Assets	<u>\$ 29,707,801</u>	<u>\$ 27,377,564</u>
Liabilities		
Payroll Liabilities	\$ 807,992	\$ 14,186
Due to Student Activities	1,691	1,691
Long-Term Debt		
Current Portion	690,000	675,000
Non-current Portion	6,975,000	7,665,000
Total Liabilities	<u>8,474,683</u>	<u>8,355,877</u>
Net Position:		
Net Investment in Capital Assets	3,386,914	4,174,000
Restricted	6,704,258	5,266,996
Unrestricted	11,147,946	9,580,691
Total Net Position	<u>\$ 21,239,118</u>	<u>\$ 19,021,687</u>

At June 30, 2016, the District is able to report positive balances in all three categories of net position. The District's net position increased by \$2,217,431 in comparison with the prior year.

An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$11,147,946) may be used to meet the District's ongoing operating obligations.

KENILWORTH SCHOOL DISTRICT NO. 38

Management's Discussion and Analysis

Year Ended June 30, 2016

Key elements of the changes to net position by governmental activities are as follows:

Kenilworth School District No. 38 Changes in Net Position

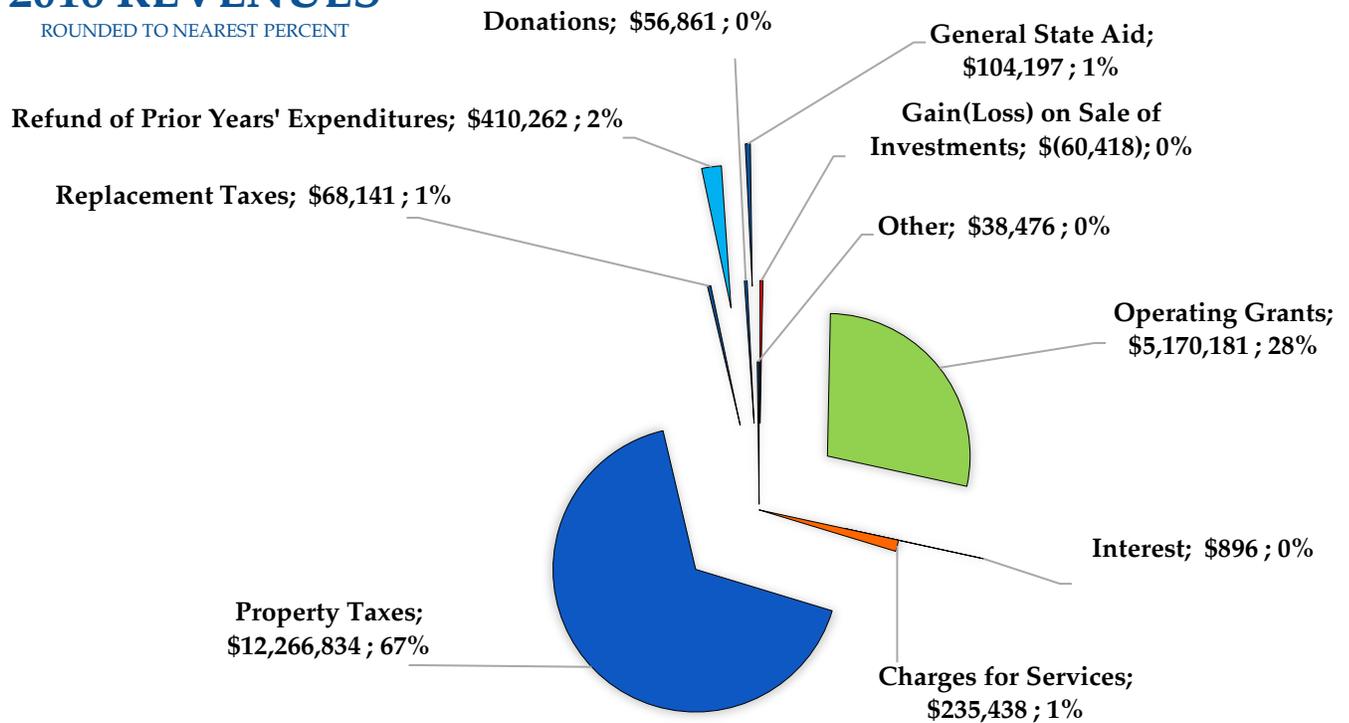
	Governmental Activities	
	June 30, 2016	June 30, 2015
Revenues		
Program Revenues		
Charges for Services	\$ 235,438	\$ 446,612
Operating Grants	5,170,181	2,572,672
General Revenues		
Property Taxes	12,266,834	11,884,187
Replacement Taxes	68,141	74,022
Interest	896	92,370
General State Aid	104,197	102,191
Donations	56,861	194,150
Refund of Prior Years' Expenditures	410,262	-
Gain(loss) on sale of investments	(60,418)	-
Other	38,476	205,177
Total Revenues	<u>18,290,868</u>	<u>15,571,381</u>
Expenses		
Instruction	11,244,184	8,820,070
Support Services	3,794,794	4,154,801
Payments to Other Governmental Units	178,818	216,465
Interest	320,957	346,809
Depreciation - Unallocated	534,684	539,848
Total Expenses	<u>16,073,437</u>	<u>14,077,993</u>
Increase (Decrease) in Net Position	2,217,431	1,493,388
Net Position - Beginning of Year	<u>19,021,687</u>	<u>17,528,299</u>
Net Position - End of Year	<u>\$ 21,239,118</u>	<u>\$ 19,021,687</u>

KENILWORTH SCHOOL DISTRICT NO. 38

Management's Discussion and Analysis
 Year Ended June 30, 2016

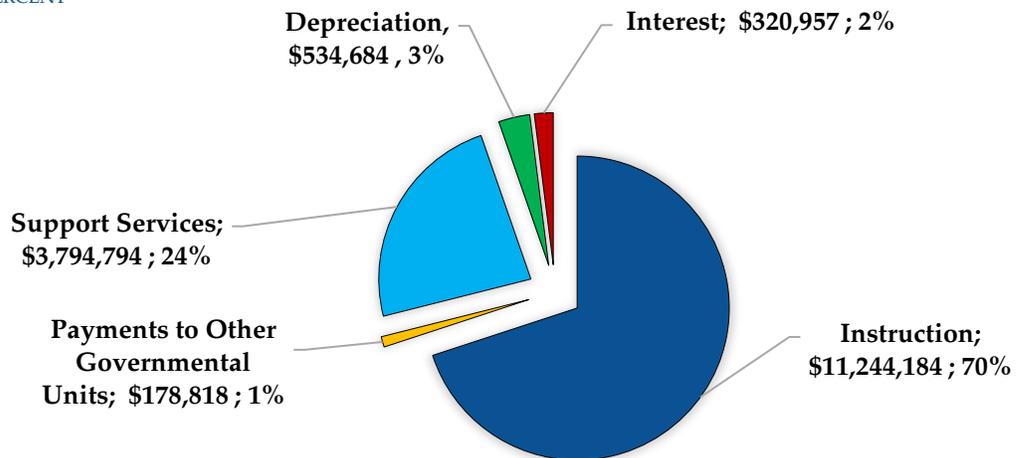
2016 REVENUES

ROUNDED TO NEAREST PERCENT



2016 EXPENSES

ROUNDED TO NEAREST PERCENT



KENILWORTH SCHOOL DISTRICT NO. 38

Management's Discussion and Analysis

Year Ended June 30, 2016

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the Statement of Assets, Liabilities and Fund Balances) reported a combined fund balance of \$17,852,172, which is an increase from last year's total of \$15,792,687.

The Educational Account revenues were \$622,299 more than expenditures. The Educational Account ended the year with a fund balance of \$8,148,399.

The Working Cash Account has no expenditures. The Working Cash Account revenues were \$0 and ended the year with a balance of \$2,999,546.

The Operations & Maintenance Fund revenues were \$1,236,294 more than expenditures. The Operations & Maintenance Fund ended the year with a fund balance of \$4,569,697.

The Debt Services Fund revenues were \$45,632 more than expenditures and ended the year with a balance of \$1,001,400.

The Transportation Fund revenues were \$35,688 less than expenditures and ended the year with a balance of \$154,677.

The Illinois Municipal Retirement Fund revenues were \$91,481 more than expenditures and ended the year with a balance of \$426,768.

The Tort Fund revenues were \$99,467 more than expenditures and ended the year with a balance of \$551,685.

General Fund Highlights

The General Fund revenues were \$622,299 more than expenditures and ended the year with a balance of \$11,147,945.

Fund Budgetary Highlights

Expenditures in all accounts/funds were under the budgeted amounts except in the Educational account, where the District does not budget for the state on-behalf revenues or expenditures and the Transportation Fund.

CAPITAL ASSETS

As of June 30, 2016, the District had \$11,051,914, net of accumulated depreciation, invested in capital assets, including land, land improvements, buildings and equipment. (See table below.) A new inventory of capital assets was completed in 2005 to verify all values. This was done following the flood of 2002 and the restoration of the facility and replacement of damaged equipment, supplies, and

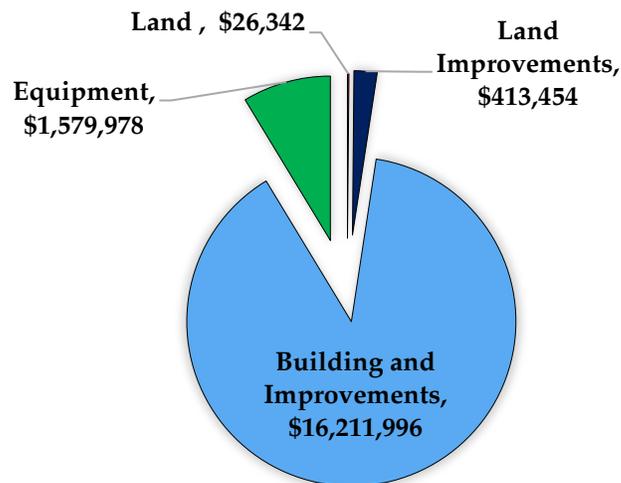
KENILWORTH SCHOOL DISTRICT NO. 38

Management's Discussion and Analysis
Year Ended June 30, 2016

materials. The inventory was updated at the end of the 2015 Fiscal Year. More detailed information about capital assets is presented in Note 4 to the financial statements.

	<u>Balance</u> <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2016</u>
Fixed Assets				
Land	\$ 26,342	\$ -	\$ -	\$ 26,342
Land Improvements	413,454	-	-	413,454
Building and Improvements	16,211,996	-	-	16,211,996
Equipment	<u>1,544,782</u>	<u>17,598</u>	<u>-</u>	<u>1,562,380</u>
Total Fixed Assets	18,196,574	17,598	-	18,214,172
Less: Accumulated				
Depreciation	<u>6,627,574</u>	<u>534,684</u>	<u>-</u>	<u>7,162,258</u>
Fixed Assets (Net)	<u>\$ 11,569,000</u>	<u>\$ (517,086)</u>	<u>-</u>	<u>\$ 11,051,914</u>

CAPITAL ASSETS AT JUNE 30, 2016



DEBT

At year-end, the District had \$7,665,000 in bonds and notes outstanding at year-end. The District's general obligation bond rating by Standard & Poor's was AAA in October 2011, the month preceding the last bond issue. More detailed information about the District's long-term debt is presented in Note 5 to the financial statements and the Schedule of Bonded Debt Maturities.

KENILWORTH SCHOOL DISTRICT NO. 38

Management's Discussion and Analysis
Year Ended June 30, 2016

Kenilworth School District No. 38 Assessed Valuations, Extended Tax Rates, Percentage Allocations and Extensions by Fund

Tax Levy Year	2015	2014
Assessed Valuation		
Cook County	\$ 296,917,403	\$ 306,757,334

Tax Rates and Percentage Allocations by Fund

Funds	Rate	Percentage	Rate	Percentage
Educational	3.1885	76.06	3.0336	75.89
Tort Immunity	0.0588	1.39	0.0562	1.40
Operations and Maintenance	0.5109	12.18	0.4884	12.22
Bond and Interest	0.3514	8.38	0.3442	8.61
Transportation	0.0092	0.22	0.0040	0.10
Municipal Retirement	0.0743	1.77	0.0710	1.78
Totals	4.1931	100.00	3.9974	100.00

Property Tax Extensions

Funds	2015	2014
Educational	\$ 9,467,211	\$ 9,305,790
Tort Immunity	174,587	172,398
Operations and Maintenance	1,516,951	1,498,203
Bond and Interest	1,043,622	1,055,866
Transportation	27,316	12,270
Municipal Retirement	220,609	217,798
Totals	\$ 12,450,296	\$ 12,262,325

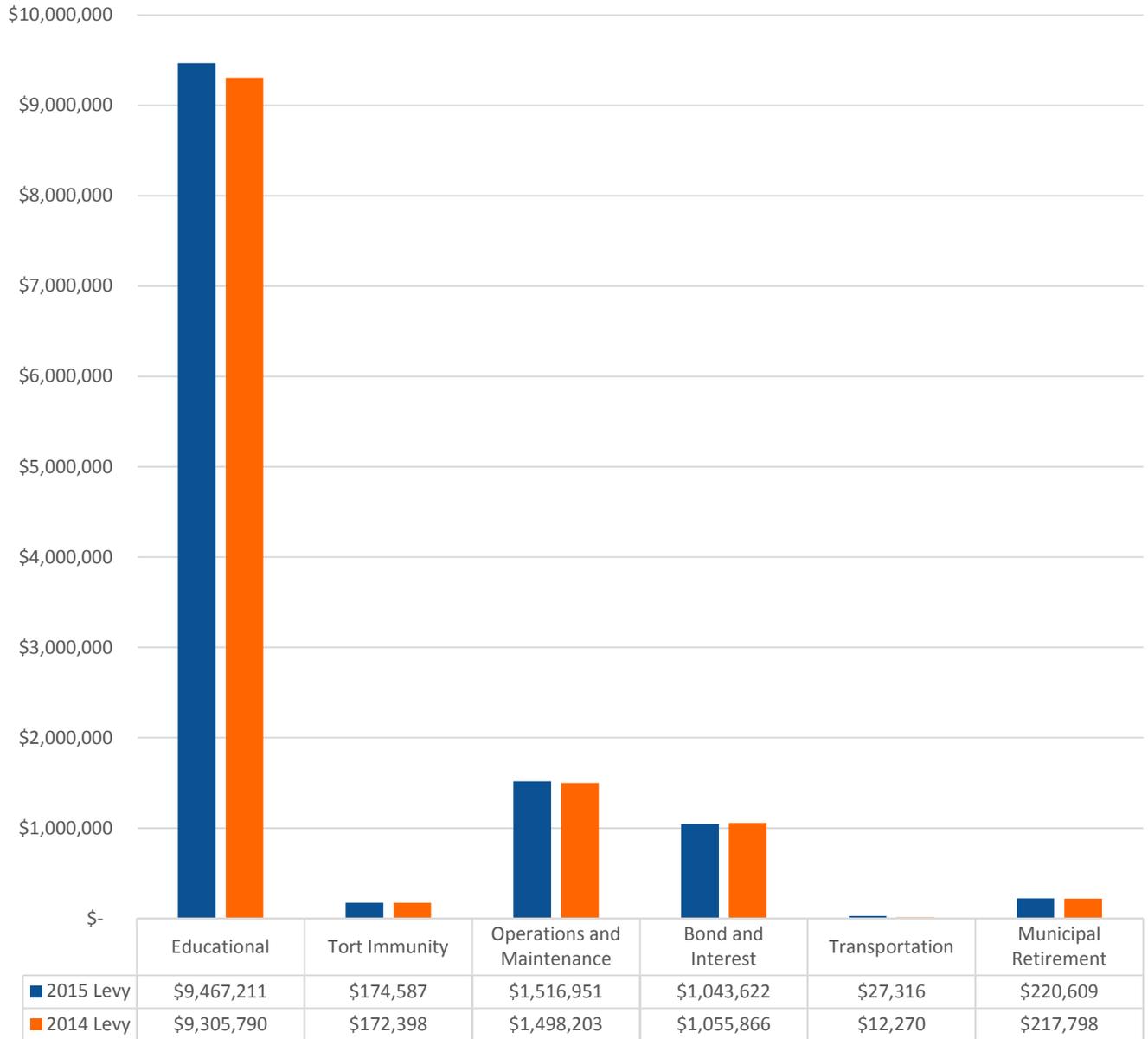
Currently, management is not aware of any other significant changes in conditions that could have a significant effect on the financial position or results of activities of the District in the near future. However, management continues to monitor items that may impact future receipts, especially noting a potential decline in state funds as well as losses due to the tax cap.

KENILWORTH SCHOOL DISTRICT NO. 38

Management's Discussion and Analysis

Year Ended June 30, 2016

Property Tax Extensions



Requests for Information

This financial report is designed to provide to 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 at The Joseph Sears School District office.

BASIC FINANCIAL STATEMENTS

KENILWORTH SCHOOL DISTRICT NO. 38

Statement of Net Position - Modified Cash Basis

June 30, 2016

	Governmental Activities
Assets	
Cash and investments, at cost	\$ 18,644,657
Other current assets	11,198
Capital assets not being depreciated	26,342
Capital assets being depreciated, net	11,025,572
Total Assets	\$ 29,707,769
Liabilities	
Current Liabilities:	
Accrued payroll & liabilities	\$ 801,992
Due to student activities	1,691
Current portion of long term debt	690,000
Total Current Liabilities	1,493,683
Non-Current liabilities:	
Long term debt	6,975,000
Total Non-Current Liabilities	6,975,000
Total Liabilities	8,468,683
Net Position	
Net investment in capital assets	3,386,914
Restricted for:	
Operations and maintenance	4,569,697
Transportation	154,677
Municipal retirement	426,768
Debt service	1,001,400
Tort	551,685
Unrestricted	11,147,945
Total Net Position	\$ 21,239,086

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

KENILWORTH SCHOOL DISTRICT NO. 38

Statement of Activities - Modified Cash Basis

Year ended June 30, 2016

Functions/Programs	Expenditures Disbursed	Program Revenues Received		Net (Expense) Revenue and Change in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities:					
Instruction	\$ 11,244,184	\$ 156,677	\$ 5,170,181	\$ -	\$ (5,917,326)
Support services	3,794,826	78,761	-	-	(3,716,065)
Payments to other governmental units	178,818	-	-	-	(178,818)
Depreciation - unallocated	534,684	-	-	-	(534,684)
Debt service - interest and fees	320,957	-	-	-	(320,957)
Total Governmental Activities	\$ 16,073,469	\$ 235,438	\$ 5,170,181	\$ -	(10,667,850)
General Revenues Received:					
					12,266,834
					68,141
					104,197
					56,861
					410,262
					(60,418)
					896
					38,476
					12,885,249
					2,217,399
					19,021,687
					\$ 21,239,086

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

KENILWORTH SCHOOL DISTRICT NO. 38

Governmental Funds

Statement of Assets, Liabilities, and Fund Balances - Modified Cash Basis

June 30, 2016

	General Fund	Operations and Maintenance Fund	Transportation Fund	Municipal Retirement Fund	Debt Service Fund	Tort Fund	Total
Assets							
Cash and cash equivalents	\$ 11,921,153	\$ 4,569,762	\$ 154,677	\$ 445,980	\$ 1,001,400	\$ 551,685	\$ 18,644,657
Due from employees	11,263	(65)	-	-	-	-	11,198
Total Assets	\$ 11,932,416	\$ 4,569,697	\$ 154,677	\$ 445,980	\$ 1,001,400	\$ 551,685	\$ 18,655,855
Liabilities							
Accrued payroll & liabilities	\$ 782,780	-	-	\$ 19,212	-	-	\$ 801,992
Due to student activities	1,691	-	-	-	-	-	1,691
Total Liabilities	784,471	-	-	19,212	-	-	803,683
Fund Balance							
Nonspendable	-	-	-	-	-	-	-
Restricted							
Operations and Maintenance Fund	-	4,569,697	-	-	-	-	4,569,697
Transportation Fund	-	-	154,677	-	-	-	154,677
Municipal Retirement Fund	-	-	-	426,768	-	-	426,768
Debt Service Fund	-	-	-	-	1,001,400	-	1,001,400
Tort Fund	-	-	-	-	-	551,685	551,685
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	11,147,945	-	-	-	-	-	11,147,945
Total Fund Balance	11,147,945	4,569,697	154,677	426,768	1,001,400	551,685	17,852,172
Total Liabilities and Fund Balance	\$ 11,932,416	\$ 4,569,697	\$ 154,677	\$ 445,980	\$ 1,001,400	\$ 551,685	\$ 18,655,855

KENILWORTH SCHOOL DISTRICT NO. 38

Statement of Revenues Received, Expenditures Disbursed and Changes in Fund Balances - Modified Cash Basis

Year ended June 30, 2016

	General Fund	Operations and Maintenance Fund	Transportation Fund	Municipal Retirement Fund	Debt Service Fund	Tort Fund	Total
Revenues Received							
Property taxes	\$ 9,319,028	\$ 1,496,655	\$ 19,832	\$ 217,620	\$ 1,041,460	\$ 172,239	\$ 12,266,834
Replacement taxes	-	-	-	68,141	-	-	68,141
Tuition	156,677	-	-	-	-	-	156,677
Interest income	-	643	24	43	129	57	896
Food service	39,055	-	-	-	-	-	39,055
Pupil activities	36,436	-	-	-	-	-	36,436
Donations	56,861	-	-	-	-	-	56,861
Rentals	-	3,270	-	-	-	-	3,270
Refund of prior years' expenditures	40,693	369,569	-	-	-	-	410,262
Gain/loss on investments	(60,418)	-	-	-	-	-	(60,418)
Other	38,315	161	-	-	-	-	38,476
State sources	5,137,510	-	-	-	-	-	5,137,510
Federal sources	136,868	-	-	-	-	-	136,868
Total Revenues Received	14,901,025	1,870,298	19,856	285,804	1,041,589	172,296	18,290,868
Expenditures Disbursed							
Instruction	11,114,265	-	-	129,920	-	-	11,244,185
Support services	2,968,045	634,004	55,544	64,403	-	72,829	3,794,825
Payments to other governmental units	178,818	-	-	-	-	-	178,818
Capital outlay	17,598	-	-	-	-	-	17,598
Debt service-- interest and other	-	-	-	-	320,957	-	320,957
Debt service - principal	-	-	-	-	675,000	-	675,000
Total Expenditures Disbursed	14,278,726	634,004	55,544	194,323	995,957	72,829	16,231,383
Net Change in Fund Balances	622,299	1,236,294	(35,688)	91,481	45,632	99,467	2,059,485
Fund Balances, beginning of year	10,525,646	3,333,403	190,365	335,287	955,768	452,218	15,792,687
Fund Balances, ending of year	\$ 11,147,945	\$ 4,569,697	\$ 154,677	\$ 426,768	\$ 1,001,400	\$ 551,685	\$ 17,852,172

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

KENILWORTH SCHOOL DISTRICT NO. 38

*Reconciliations of the Governmental Funds to the
Statement of Net Position and the Statement of Activities
Year ended June 30, 2016*

Reconciliation of the Governmental Fund Balance to the Statement of Net Position

Total Fund Balances --Total Governmental Funds	\$ 17,852,172
---	---------------

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

Amount net of depreciation	11,051,914
----------------------------	------------

Long term debt is not recorded in the fund statement but is included as a liability in the Statement of Net Position

(7,665,000)

Total Net Position of Governmental Activities	<u><u>\$ 21,239,086</u></u>
--	-----------------------------

Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance to Governmental Statement of Activities and Changes in Net Position

Excess (Deficiency) of Revenue Over Expenditures Governmental Funds	\$ 2,059,485
--	--------------

Governmental funds report capital outlays as expenditures; however for the Statement of Activities the amounts are capitalized and depreciated over their useful life.
(amount shown is net of depreciation)

(517,086)

Governmental funds report the payment of debt and leases as an expenditure; however the Statement of Activities records the payment as a reduction in the debt liability.

<u>675,000</u>

Changes in Net Position Governmental Funds	<u><u>\$ 2,217,399</u></u>
---	----------------------------

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

KENILWORTH SCHOOL DISTRICT NO. 38

Statement of Assets and Liabilities Arising from Cash Transactions - Agency Funds

June 30, 2016

	Agency Funds
Assets	
Cash and investments, at cost	\$ 125,371
Due from district	1,691
Total Assets	\$ 127,062
Liabilities	
Due to student activities	\$ 127,062
Total Liabilities	\$ 127,062

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

NOTES TO THE BASIC
FINANCIAL STATEMENTS

KENILWORTH SCHOOL DISTRICT NO. 38

Notes to Financial Statements

Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's accounting policies conform to the cash basis of accounting as defined by the Illinois State Board of Education, *Illinois Program Accounting Manual*. A summary of the significant accounting policies, consistently applied in the preparation of the accompanying financial statements are as follows:

REPORTING ENTITY

Accounting principles generally accepted in the United States of America require that the financial statements of the reporting entity include: (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided by the governmental accounting standards have been considered and there are no agencies or entities which should be presented with the District.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds).

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and Statement of Activities display information about the District as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. There are no business-type activities within the District.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses not allocated to functions are reported separately. Interest on general long-term debt is considered such an indirect expense. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and standard revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

KENILWORTH SCHOOL DISTRICT NO. 38

Notes to Financial Statements

Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. The District maintains individual funds required by the Illinois State Board of Education (ISBE). Funds are organized into three major categories: governmental, proprietary, and fiduciary. In turn, each category is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

GOVERNMENTAL FUND TYPES

Governmental fund types are used to account for the District's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets and the servicing of general long-term debt. Governmental fund types include the following:

General Fund – The General Fund consists of the legally mandated Educational Account and Working Cash Account, and is the primary operating fund of the District and is always classified as a major fund. It is used to account for the revenues received and expenditures disbursed which are used in providing education in the District. It is used to account for all financial resources except those required to be accounted for in other funds.

Special Revenue Funds – The Special Revenue Funds, which include the Operations and Maintenance Fund, Transportation Fund, Tort Fund and the Municipal Retirement Fund, are used to account for revenue received from specific sources (other than those accounted for in the Debt Service and Capital Projects Funds) that are legally restricted to expenditures disbursed for specified purposes.

Debt Service Fund – The Debt Services Fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. Since there are no legal requirements on bond indentures which mandate that a separate fund be established for each bond issue, the District maintains one Debt Service Fund for all bond issues.

Capital Projects Funds – The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities. The Fire Prevention and Safety Fund accounts for financial resources to be used for life safety projects.

KENILWORTH SCHOOL DISTRICT NO. 38

Notes to Financial Statements

Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FIDUCIARY FUND TYPES (NOT INCLUDED IN GOVERNMENT-WIDE STATEMENTS)

Agency Funds – The Agency Funds (Student Activity Funds) account for assets held by the District in trustee capacity or as an agent for student organizations. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations.

MAJOR AND NONMAJOR FUNDS

An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- Total assets, liabilities, revenues received, or expenditures disbursed of that individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, revenues received, or expenditures disbursed of the individual governmental or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

The District has classified all funds as major:

Major:

Educational Account See above for description.

Working Cash Account See above for description.

Operations and

Maintenance Fund A Special Revenue Fund to account for the repair and maintenance of District property.

Transportation Fund A Special Revenue Fund to account for activity relating to student transportation to and from school.

Municipal Retirement

Fund A Special Revenue Fund to account for the District's portion of pension contributions to the Illinois Municipal Retirement Fund for non-certified employees.

Debt Service Fund A Debt Service Fund to accumulate resources for, and payment of, general long-term debt, principal, interest, and related costs.

Tort Fund A Special Revenue Fund to account for activity relating to District tort immunity.

KENILWORTH SCHOOL DISTRICT NO. 38

Notes to Financial Statements
Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted assets from net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

MEASUREMENT FOCUS

The basic financial statements focus on the measurement of spending or "financial flow" and the determination of changes in financial position rather than upon net income determination. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues received and other financing sources) and decreases (expenditures disbursed and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues received and expenditures disbursed are recognized in the accounts and how they are reported in the basic financial statements. The District maintains its accounting records for all funds on the modified cash basis of accounting under guidelines prescribed by the Illinois State Board of Education. Accordingly, revenues are recognized and recorded in the accounts when cash is received. In the same manner expenditures are recognized and recorded upon the disbursement of cash. Assets of a fund are only recorded when a right to receive cash exists which arises from a previous cash transaction. Liabilities of a fund, similarly, result from previous cash transactions. Cash basis financial statements omit recognition of receivables and payables and other accrued and deferred items that do not arise from previous cash transactions.

CASH AND CASH EQUIVALENTS

Cash equivalents of the District, which are highly liquid certificate of deposits (CD's) and reported by the District at cost. Gains or losses on the sale of CD's are recognized upon realization. The District has adopted a formal written investment and cash management policy. The institutions in which cash and cash equivalents are made must be approved by the Board of Education.

KENILWORTH SCHOOL DISTRICT NO. 38

Notes to Financial Statements
Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District maintains a cash and cash equivalents pool that is available for use by all funds. In addition, cash equivalents may be separately held by some of the District's funds. Cash on hand and cash at fiscal agents has been excluded from the amounts shown.

EQUITY CLASSIFICATIONS/FUND BALANCE REPORTING

Equity is classified in government-wide statements as net position and displayed in three components as follows:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets less any unspent debt proceeds.

Restricted net position – Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

Unrestricted net position – Consists of all other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

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

Fund balances are to be classified into five major classifications; Nonspendable, Restricted, Committed, Assigned, and Unassigned.

Nonspendable – the nonspendable fund balance classification 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. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example inventories and prepaid amounts. Due to the cash basis used by the District there is nothing to report for this classification.

Restricted – the restricted fund balance classification refers to amounts that are subject to outside restrictions, not controlled by the District. Items such as restrictions imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Special Revenue Funds are by definition restricted for those specified purposes. The District has several revenue sources received within different funds that also fall into these categories –

- *Special Education* – cash receipts and the related cash disbursements of this restricted tax levy are accounted for in the Educational Account. Expenditures disbursed exceeded revenue received for this purpose, resulting in no restricted fund balance.

KENILWORTH SCHOOL DISTRICT NO. 38

Notes to Financial Statements

Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *State Grants* – proceeds from state grants and the related expenditures have been included in the Educational Account and Transportation Fund. At June 30, 2016, expenditures disbursed exceeded revenue received from state grants, resulting in no restricted balance.
- *Federal Grants* – proceeds from federal grants and the related expenditures have been included in the Educational Account. At June 30, 2016, expenditures disbursed exceeded revenue received from federal grants, resulting in no restricted balance.
- *Social Security* – expenditures disbursed and the related cash receipts of this restricted tax levy are accounted for in the Municipal Retirement Fund. Expenditures disbursed exceeded revenue received, resulting in no restricted balance.
- *Tort Immunity Tax Levy* - expenditures disbursed and the related cash receipts of this restricted tax levy are accounted for in the Tort Fund. Disbursements made from this fund included: \$537 for unemployment insurance, \$43,216 for liability insurance and \$29,076 for workers' compensation in the year ended June 30, 2016, resulting in a restricted fund balance of \$551,685.

Committed – the committed fund balance refers to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the school board. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of formal action it employed to previously commit those amounts.

Assigned – The assigned fund balance classification refers to amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – the unassigned fund balance classification is the residual classification for amounts in the General Fund for amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund.

Expenditures of fund balances – unless specifically identified, expenditures disbursed act to reduce restricted balances first, then to committed balances, next assigned balances, and finally act to reduce unassigned balances. Expenditures for a specifically identified purpose will act to reduce the specific classification of fund balance that is identified.

CAPITAL ASSETS

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Prior to July 1, 2003,

KENILWORTH SCHOOL DISTRICT NO. 38

Notes to Financial Statements
Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

fixed assets were not capitalized. Such assets have been valued at estimated historical cost. The capitalization threshold is \$2,000. Depreciation of all exhaustible fixed assets is recorded as an allocation in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows: buildings and improvements 20 – 40 years, land improvements 15 – 20, transportation equipment 5 – 10 years, equipment 5 – 20 years.

In the fund financial statements, fixed assets are accounted for as capital outlay expenditures upon acquisition. No depreciation is recorded in the fund financial statements.

LONG-TERM DEBT

The accounting treatment of long-term debt depends on whether they are reported in the governmentwide or fund financial statements. All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures.

PROGRAM REVENUES

Amounts reported as program revenues include 1) Tuition and fees and 2) Grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. All taxes, including those dedicated for specific purposes, are reported as general revenues rather than as program revenues.

NOTE 2 - CASH AND INVESTMENTS

At June 30, 2016, the carrying amount of the District's deposits, (including cash on hand of \$900) totaled \$18,644,657 and the bank balances totaled \$19,083,282, (including cash and cash equivalents in external pools).

Type	Total Cost	Less Than One Year	One to Five Years	Over Five Years
Municipal Bonds	\$ 1,447,735	\$ 205,120	\$ 517,393	\$ 725,222
IDSLAF	<u>2,500,000</u>	<u>2,500,000</u>	<u> </u>	<u> </u>
Total	<u>\$ 3,947,735</u>	<u>\$ 2,705,120</u>	<u>\$ 517,393</u>	<u>\$ 725,222</u>

KENILWORTH SCHOOL DISTRICT NO. 38

Notes to Financial Statements
Year Ended June 30, 2016

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Credit Risk. Under Illinois law, the District is restricted to investing funds in specific types of investments. The following generally represents the types of instruments allowable by state law.

- Securities issued or guaranteed by the United States.
- Interest-bearing accounts of financial institutions insured by the Federal Deposit Insurance Corporation.
- Short-term obligations (less than 180 days) of U.S. corporations with assets over \$500,000,000 rated in the highest classifications by at least two rating agencies.
- Insured accounts of an Illinois credit union chartered under United States or Illinois law.
- Money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreements to repurchase these same types of obligations.
- The Illinois Funds Money Market Fund.
- The Illinois School District Liquid Asset Fund.
- Repurchase agreements, which meet instrument transactions, requirements of Illinois law.

Interest Rate Risk. The District's investment policy seeks to ensure preservation of capital in the District's overall portfolio. Return on investment is of secondary importance to safety of principal and liquidity. The policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the policy requires the District investment portfolio to be sufficiently liquid to enable the District to meet all operating requirements as they come due. The weighted average of the portfolio maturity was 157.82 days and the weighted portfolio yield was 2.436%.

Credit Risk. State law limits investments in commercial paper, corporate bonds and mutual funds to the top two ratings issued by nationally recognized rating organization (NRSRO's). The District has no investment policy that would further limit its investment choices. As of June 30, 2016, all the District's other investments had either "AAA" or "A-1 +" ratings by Standard & Poor's.

The Illinois School District Liquid Asset Fund Plus (ISDLAF+) and the Illinois Institutional Investors Fund (IIIT) are a not-for-profit investment trust formed pursuant to the Illinois Municipal Code and managed by a Board of Trustees elected from participating members. Neither is registered with the SEC as an investment company. Investments are each rated AAAM and are valued at share price, which is the price for which the investment could be sold.

Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a-7 of the

KENILWORTH SCHOOL DISTRICT NO. 38

Notes to Financial Statements

Year Ended June 30, 2016

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investment Company Act of 1940. Investments in Illinois Funds are valued at Illinois Funds' share price, which is the price for which the investment could be sold.

Concentration of Credit Risk. The District's policy states investments shall be diversified to avoid incurring unreasonable risks regarding specific security types and/or individual financial institutions. The District shall diversify its investments to the best of its ability based upon the type of funds invested, available institutions to invest in, and the cash flow needs of those funds. Diversification can be by type of investment, number of institutions invested in, and length of maturity.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the bank or the counterparty, the District will not be able to recover the value of its deposits, investments or collateral securities that are in possession of an outside party. Of the District's deposits, \$5,994,703 is covered by depository insurance, or collateral held by the District's agents, and \$13,088,579 is uninsured.

Custodial Credit Risk – Investments. With respect to investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy limits the exposure to investment custodial credit risk by requiring all investments to be secured by private insurance or collateral. Investments held in liquid asset funds as indicated above are not collateralized or insured.

Separate cash and investment accounts are not maintained for all District funds; instead, the individual funds maintain their invested and un-invested balances in the common checking and investment

NOTE 3 – PROPERTY TAXES

Property taxes are levied each year on all taxable real property located in the District on or before the last Tuesday in December of the subsequent year. The adoption date for the 2015 tax levy was November 16, 2015. Taxes attach as an enforceable lien on property on January 1 and are payable in two installments (June 1 and September 1) subsequent to the year of levy. The District receives significant distributions of tax receipts approximately one month after these due dates.

KENILWORTH SCHOOL DISTRICT NO. 38

Notes to Financial Statements

Year Ended June 30, 2016

NOTE 3 – PROPERTY TAXES (CONTINUED)

	Maximum 2015 Levy	Actual 2015 Levy	Actual 2014 Levy
Educational	3.5000	3.1885	3.0336
Operations & Maintenance	0.5500	0.5109	0.4884
Debt Service	0.0000	0.3514	0.3442
Transportation	0.0000	0.0092	0.0040
Municipal Retirement	0.0000	0.0743	0.0710
Social Security	0.0000	None	None
Liability Insurance	0.0000	0.0588	0.0562
Working Cash	0.0500	None	None
Special Education	0.4000	None	None
Total		<u>4.1931</u>	<u>3.9974</u>

NOTE 4 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Governmental Activities:				
Not being depreciated:				
Land	\$ 26,342	\$ -	\$ -	\$ 26,342
Depreciable Capital Assets:				
Land Improvements	413,454	-	-	413,454
Building and Improvements	16,211,996	-	-	16,211,996
Equipment	1,544,782	17,598	-	1,562,380
Total	<u>18,196,574</u>	<u>17,598</u>	<u>-</u>	<u>18,214,172</u>
Accumulated Depreciation:				
Land Improvements	199,627	14,404	-	214,031
Building and Improvements	5,506,229	384,628	-	5,890,857
Equipment	921,718	135,652	-	1,057,370
Total	<u>6,627,574</u>	<u>534,684</u>	<u>-</u>	<u>7,162,258</u>
Net Capital Assets	<u>\$ 11,569,000</u>	<u>\$ (517,086)</u>	<u>\$ -</u>	<u>\$ 11,051,914</u>

Depreciation was not charged to any specific function.

KENILWORTH SCHOOL DISTRICT NO. 38

Notes to Financial Statements
Year Ended June 30, 2016

NOTE 5 - LONG-TERM OBLIGATIONS

Changes in long-term obligations are as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
2011 Refunding Bonds	\$ 945,000	\$ -	\$185,000	\$ 760,000	\$185,000
2007 Refunding Bonds	<u>7,395,000</u>	<u>-</u>	<u>490,000</u>	<u>6,905,000</u>	<u>505,000</u>
Total	<u>\$8,340,000</u>	<u>\$ -</u>	<u>\$675,000</u>	<u>\$ 7,665,000</u>	<u>\$690,000</u>

GENERAL OBLIGATION BONDS PAYABLE

\$10,000,000, December 4, 2007 General Obligation School Building Bonds due semi-annually, annual payments varying from \$674,054 to \$800,214 beginning in 2008 and continuing through 2026, interest rates varying from 3.900% to 4.875%.

\$1,515,000, November 15, 2011 General Obligation Refunding Limited Bonds, refunding \$1,460,000 of 2001 Limited Bonds, due semi-annually, annual payments varying from \$12,213 to \$203,526 beginning in 2013 and continuing through 2020, interest rates varying from 1.0% to 2.5%.

The Illinois School Code limits the amount of indebtedness to 6.9% of \$296,917,403, the most recent assessed valuation of the District. The District's remaining debt margin at June 30, 2016, is \$12,822,301.

KENILWORTH SCHOOL DISTRICT NO. 38

Notes to Financial Statements

Year Ended June 30, 2016

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

At June 30, 2016, the annual cash flow requirements of all long-term debt to retirement were as follows:

Fiscal Year Ending June 30,	Bonds	
	Principal	Interest
2017	\$ 690,000	\$ 389,767
2018	720,000	261,214
2019	750,000	233,560
2020	765,000	206,569
2021	600,000	180,838
2022	625,000	156,337
2023	650,000	130,838
2024	675,000	104,000
2025	700,000	75,813
2026	730,000	46,406
2027	760,000	15,675
Total	<u>\$ 7,665,000</u>	<u>\$ 1,801,017</u>

NOTE 6 - OPERATING LEASE OBLIGATIONS

During the fiscal year ended June 30, 2016, the District entered into an operating lease for copiers with a 36 month term and \$2,132 per month payment. The minimum future payments are as follows:

Fiscal Year	Minimum Annual Payment
2017	\$ 25,584
2018	<u>2,132</u>
Total	<u>\$ 27,716</u>

KENILWORTH SCHOOL DISTRICT NO. 38

Notes to Financial Statements
Year Ended June 30, 2016

NOTE 7 - RETIREMENT SYSTEMS

TEACHER'S RETIREMENT SYSTEM

GENERAL INFORMATION ABOUT THE PENSION PLAN

The 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 non-annuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The TRS Board of Trustees is responsible for the system's administration.

TRS issues a publicly available financial report that can be obtained at <http://trs.illinois.gov/pubs/cafr>; by writing to TRS at 2815 West Washington Street, P. O. Box 19253, Springfield, IL 62794; or by calling (888) 877-0890, option 2.

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.

KENILWORTH SCHOOL DISTRICT NO. 38

Notes to Financial Statements
Year Ended June 30, 2016

NOTE 7 - RETIREMENT SYSTEMS (CONTINUED)

CONTRIBUTIONS

The State of Illinois maintains the primary responsibility for funding TRS. The Illinois Pension Code, as amended by Public Act 88-0593 and subsequent acts, provides that for years 2010 through 2045, the minimum contribution to the System for each fiscal year shall be an amount determined to be sufficient to bring the total assets of the system up to 90 percent of the total actuarial liabilities of the system 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 employer, and the employer recognized revenue and expenditures of \$4,848,208 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 \$34,332, and are deferred because they were paid after the June 30, 2015 measurement date.

FEDERAL AND SPECIAL TRUST FUND CONTRIBUTIONS

When TRS members are paid from federal and special trust funds administered by the employer, there is a statutory requirement for the employer to pay an employer pension contribution from those funds. Under 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 33.06 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2016, salaries totaling \$14,495 were paid from federal and special trust funds that required employer contributions of \$5,227. These contributions are deferred because they were paid after the June 30, 2015 measurement date.

KENILWORTH SCHOOL DISTRICT NO. 38

Notes to Financial Statements
Year Ended June 30, 2016

NOTE 7 - RETIREMENT SYSTEMS (CONTINUED)

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 onetime 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 onetime 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 \$100 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	\$ 1,622,022
State's proportionate share of the net pension liability associated with the employer	<u>59,176,132</u>
Total	<u>\$ 60,798,154</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 0.0024759891 percent, which was an increase of .0013134736 from its proportion measured as of June 30, 2014.

KENILWORTH SCHOOL DISTRICT NO. 38

Notes to Financial Statements
Year Ended June 30, 2016

NOTE 7 - RETIREMENT SYSTEMS (CONTINUED)

For the year ended June 30, 2016, the employer recognized pension expense, on a cash basis, of \$4,848,280 and revenue of \$4,848,280 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 603	\$ 1,778
Net difference between projected and actual earnings on pension plan investments	32,123	56,798
Changes in assumptions	22,431	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,327,572
Employer contributions subsequent to the measurement date	<u>39,559</u>	<u>-</u>
Total	<u>\$ 94,716</u>	<u>\$ 1,386,148</u>

\$39,559 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2017. Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2017	(261,073)
2018	(261,073)
2019	(261,073)
2020	120,133

KENILWORTH SCHOOL DISTRICT NO. 38

Notes to Financial Statements

Year Ended June 30, 2016

NOTE 7 - RETIREMENT SYSTEMS (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, including inflation

Mortality rates were based on the RP-2000 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:

KENILWORTH SCHOOL DISTRICT NO. 38

Notes to Financial Statements

Year Ended June 30, 2016

NOTE 7 - RETIREMENT SYSTEMS (CONTINUED)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. large cap	18%	7.53%
Global equity excluding U.S.	18%	7.88%
Aggregate bonds	16%	1.57%
U.S., TIPS	2%	2.82%
NCREIF	11%	5.11%
Opportunistic real estate	4%	9.09%
ARS	8%	2.57%
Risk parity	8%	4.87%
Diversified inflation strategy	1%	3.26%
Private Equity	14%	12.33%
Total	<u>100%</u>	

DISCOUNT RATE

At June 30, 2015, the discount rate used to measure the total pension liability was a blended rate of 7.47 percent, which was a change from the June 30, 2014 rate of 7.50 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.

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

At June 30, 2014, the discount rate used to measure the total pension liability was 7.5 percent. The discount rate was the same as the actuarially-assumed rate of return on investments that year because TRS's fiduciary net pension 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 1percentage-point higher (8.47 percent) than the current rate.

KENILWORTH SCHOOL DISTRICT NO. 38

Notes to Financial Statements
Year Ended June 30, 2016

NOTE 7 - RETIREMENT SYSTEMS (CONTINUED)

	1% Decrease (6.47%)	Current Discount Rate (7.47%)	1% Increase (8.47%)
Employer's proportionate share of the net pension liability	\$2,004,422	\$ 1,622,022	\$1,308,444

ILLINOIS MUNICIPAL RETIREMENT FUND (IMRF)

IMRF PLAN DESCRIPTION

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

BENEFITS PROVIDED

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

All three IMRF benefit plans have two tiers. Employees hired *before* January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired *on or after* January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits)

KENILWORTH SCHOOL DISTRICT NO. 38

Notes to Financial Statements
Year Ended June 30, 2016

NOTE 7 - RETIREMENT SYSTEMS (CONTINUED)

or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of:

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

EMPLOYEES COVERED BY BENEFIT TERMS

As of December 31, 2016, the following employees were covered by the benefit terms:

Retirees and Beneficiaries currently receiving benefits	19
Inactive Plan Members entitled to but not yet receiving benefits	97
Active Plan Members	19
Total	<u>135</u>

CONTRIBUTIONS

As set by statute, the employer's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer's annual contribution rate for calendar year 2015 was 7.54%. For the fiscal year ended June 30, 2016, the employer contributed \$58,469 to the plan.

The employer 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.

KENILWORTH SCHOOL DISTRICT NO. 38

Notes to Financial Statements

Year Ended June 30, 2016

NOTE 7 - RETIREMENT SYSTEMS (CONTINUED)

NET PENSION LIABILITY

The employer'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%.
- Salary Increases were expected to be 3.75% to 14.50%, including inflation.
- The Investment Rate of Return was assumed to be 7.50%.
- 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.
- The IMRF-specific rates for Mortality (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For Disabled Retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For Active Members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- 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:

KENILWORTH SCHOOL DISTRICT NO. 38

Notes to Financial Statements

Year Ended June 30, 2016

NOTE 7 - RETIREMENT SYSTEMS (CONTINUED)

<u>Asset Class</u>	<u>Portfolio Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38%	7.39%
International Equity	17%	7.59%
Fixed Income	27%	3.00%
Real Estate	8%	6.00%
Alternative Investments	9%	2.75-8.15%
Cash Equivalents	1%	2.25%
Total	<u>100%</u>	

SINGLE DISCOUNT RATE

A Single Discount Rate of 7.50% 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:

- 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
- 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%, the municipal bond rate is 3.56%, and the resulting single discount rate is 7.50%.

KENILWORTH SCHOOL DISTRICT NO. 38

Notes to Financial Statements

Year Ended June 30, 2016

NOTE 7 - RETIREMENT SYSTEMS (CONTINUED)

CHANGES IN THE NET PENSION LIABILITY

	Total Pension Liability (A)	Plan Fiduciary Net Pension (B)	Net Pension Liability (A)-(B)
Balances at December 31, 2014	\$ 2,845,541	\$ 2,927,607	\$ (82,066)
Changes for the year:			
Service Cost	100,510	-	100,510
Interest on the Total Pension Liability	209,919	-	209,919
Changes of Benefit Terms	-	-	-
Differences Between expected and Actual Experience of the Total Pension Liability	-	-	-
Changes of Assumptions	(71,947)	-	(71,947)
Contributions-Employer	-	61,872	(61,872)
Contributions- Employees	-	36,926	(36,926)
Net Investment Income	-	14,401	(14,401)
Benefit Payments, Including Refunds of Employee Contributions	(193,758)	(193,758)	-
Other (Net Transfer)	-	22,420	(22,420)
Net Changes	44,724	(58,139)	102,863
Balance at December 31, 2015	\$ 2,890,265	\$ 2,869,468	\$ 20,797

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

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

	1% Lower (6.5%)	Current Discount (7.5%)	1% Higher (8.5%)
Net pension liability/(asset)	\$ 312,373	\$ 20,797	\$ (224,775)

KENILWORTH SCHOOL DISTRICT NO. 38

Notes to Financial Statements
Year Ended June 30, 2016

NOTE 7 - RETIREMENT SYSTEMS (CONTINUED)

PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended June 30, 2016, the employer recognized pension expense of \$58,469. At June 30, 2016, the employer reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Amounts Related to Pensions</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Deferred Outflows of Resources</u>
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>			
Differences between expected and actual experience	\$ -	\$ 23,803	\$ (23,803)
Changes of assumptions	-	-	-
Net difference between projected and actual earnings on pension plan investments	<u>185,652</u>	<u>-</u>	<u>185,652</u>
Total deferred amounts to be recognized in pension expense in future periods	<u>185,652</u>	<u>23,803</u>	<u>161,849</u>
Pension contributions made subsequent to the measurement date	<u>33,609</u>	<u>-</u>	<u>33,609</u>
Total deferred amounts related to pensions	<u>\$ 219,261</u>	<u>23,803</u>	<u>\$ 195,458</u>

PENSION CONTRIBUTIONS MADE SUBSEQUENT TO THE MEASUREMENT DATE

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:

<u>Year Ending December 31,</u>	<u>Net Deferred Outflows of Resources</u>	<u>Net Deferred Inflows of Resources</u>
2016	\$ 58,194	\$ -
2017	48,388	-
2018	48,387	-
2019	40,489	-
2020	-	-
Thereafter	<u>-</u>	<u>-</u>
Total	<u>\$ 195,458</u>	<u>\$ -</u>

KENILWORTH SCHOOL DISTRICT NO. 38

Notes to Financial Statements
Year Ended June 30, 2016

NOTE 7 - RETIREMENT SYSTEMS (CONCLUDED)

AGGREGATE PENSION AMOUNTS

For the Year Ended June 30, 2016, aggregate pension amounts are as follows:

	<u>TRS</u>	<u>IMRF</u>	<u>Total</u>
Deferred Outflows of Resources	\$ 94,716	\$ 219,261	\$ 313,977
Net Pension Liability	1,622,022	20,797	1,642,819
Deferred Inflows of Resources	1,386,148	23,803	1,409,951
Pension Expense, Net of State Support	(112,698)	106,540	(6,158)

THIS FUND CONTRIBUTIONS

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

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. Effective July 1, 2012, in accordance with Executive Order 12-01, the plan is administered by the Illinois Department of Central Management Services (CMS) with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to 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.

- 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 1.02 percent of pay during the year ended June 30, 2015. State of Illinois contributions were \$61,854, and the employer recognized revenue and expenditures of this amount during the year.

KENILWORTH SCHOOL DISTRICT NO. 38

Notes to Financial Statements
Year Ended June 30, 2016

NOTE 7 - RETIREMENT SYSTEMS (CONTINUED)

- Employer Contributions to the THIS Fund

The employer also makes contributions to the THIS Fund. The employer THIS Fund contribution was 0.76 percent during the year ended June 30, 2015. For the year ended June 30, 2015, the employer paid \$46,087 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".

NOTE 8 - COMMON BANK ACCOUNT

Separate bank accounts are not maintained for all District funds; instead, certain funds 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 fund. Occasionally certain of the funds participating in the common bank account could incur overdrafts (deficits) in the account. The overdrafts result from expenses paid that have been approved by the School Board.

NOTE 9 - RISK MANAGEMENT

The District has purchased insurance from risk pools and private insurance companies. Risks covered include general liability, workers compensation, medical and other. Premiums have been displayed as expenses paid in appropriate funds.

NOTE 10 - JOINT AGREEMENTS

The District is a member of North Suburban Special Education District (NSSD), an organization to provide special education programs and services to the students enrolled. Financial statements are obtained by the District from each of these entities and are available generally after November 1st following each fiscal year. Each member district has a financial responsibility to make annual contributions based the joint agreement.

The District is a member of Collective Liability Insurance Cooperative (CLIC), which has been formed to provide casualty, property and liability protection and to administer some, or all insurance coverage and protection other than health, life and accident coverage procured by the member districts. It is intended, by the creation of CLIC, to allow a member district to equalize annual fluctuations in insurance costs by

KENILWORTH SCHOOL DISTRICT NO. 38

Notes to Financial Statements
Year Ended June 30, 2016

NOTE 10 - JOINT AGREEMENTS (CONCLUDED)

establishing a program whereby reserves may be created and temporary deficits of individual districts covered, thereby equalizing the risks and stabilizing the costs of providing casualty, property and liability protection.

The District is also a member, along with other area school districts, of the School Employees Loss Fund (SELF). The District obtains workers compensation insurance, and claims and loss administration services through SELF. The District is financially responsible for annual premiums based on types and levels of coverage. SELF is separately audited and its financial information is not included in these financial statements. Financial information may be obtained by contacting the District.

NOTE 11 - CONTINGENCIES

The District participates in federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2016 have not yet been conducted. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS

PLAN DESCRIPTION

The District provides a post-employment single-employer defined benefit healthcare plan other than pensions ("OPEB") to employees who meet certain criteria. The plan provides benefits for the teacher retiree's "Teachers' Retirement Insurance Program"(TRIP), retired administrators and support staff life insurance, health insurance and dental insurance until the retirees reach the age of 65. The classification of the retiree depends on the year of retirement and the position formerly held in the District. As of June 30, 2014, no current employees are fully eligible to retire and receive benefits and 2 retirees are currently receiving benefits.

FUNDING POLICY

The District contributes to the plan on a pay-as-you-go cash basis. With this type of policy, the District funds no more than the current year cost of the post-employment benefits for the retirees.

ANNUAL OPEB COST AND NET OPEB OBLIGATION

The District's annual other post-employment 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 45. The ARC represents a level of funding that, if paid on an

KENILWORTH SCHOOL DISTRICT NO. 38

Notes to Financial Statements

Year Ended June 30, 2016

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan.

Annual Required Contribution (ARC)	\$ 5,261
Interest on net OPEB obligation	(832)
Adjustment to annual required contribution	<u>1,056</u>
Annual OPEB cost	5,485
Contributions made	<u>(4,138)</u>
Change in net OPEB obligation	1,347
Net OPEB (Asset) - beginning of the year	<u>(16,634)</u>
Net OPEB (Asset) - end of the year	<u><u>\$(15,287)</u></u>

FUNDING STATUS AND FUNDING PROGRESS

As of July 1, 2013, the latest valuation date, the actuarial accrued liability for benefits was \$29,118, all of which is unfunded. The covered payroll (annual payroll of active employees covered by the plan) and the ratio of the unfunded actuarial accrued liability to the covered payroll is not available from the actuarial valuation report.

The projection of future benefit payments, for an ongoing plan, involved estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare trend. Amounts determined regarding 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. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to

KENILWORTH SCHOOL DISTRICT NO. 38

Notes to Financial Statements
Year Ended June 30, 2016

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Contribution Rates:

District	NA
Plan members	0.00%
Actuarial valuation date/measurement date	July 1, 2013
Actuarial cost method	Projected Unit Credit
Amortization period	30 years
Asset valuation method	NA

Actuarial assumptions:

Investment rate of return	5.00%
Projected salary increases	NA
Mortality	RP-2000 Combined Healthy Table
Withdrawal rates	Table T-3 Pension Actuary's Handbook
Retirement rates	Varies by age age 55 - 5% to age 65 - 100%
Healthcare rates	7.0% initial 5.0% ultimate

The District offers early retirement/post-employment benefit programs in addition to the TRS ERI retirement plan, as described in the following pages. Each benefit program is different, and classification of the retiree depends on the year of retirement and the position formerly held in the District. Pursuant to GASB Statement No. 45, these financial statements include recognition of costs and obligations attributable to these postretirement benefits.

KENILWORTH SCHOOL DISTRICT NO. 38

Notes to Financial Statements

Year Ended June 30, 2016

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (CONCLUDED)

<u>Fiscal Year End Date</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB (Asset)</u>
6/30/2013	\$ 17,266	69.9%	\$ (24,698)
6/30/2014	4,693	24.3%	(20,813)
6/30/2015	4,967	26.6%	(16,634)
6/30/2016	5,485	75%	(15,287)

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued or available to be issued. There are two types of subsequent events: recognized subsequent events, (events or transactions that relate to conditions present at the balance sheet date) and non-recognized subsequent events, (events or transactions that relate to conditions that did not exist at the balance sheet date but arose after that date).

There have been no recognized or non-recognized subsequent events that have occurred between June 30, 2016, and the report release date requiring disclosure in the financial statements.

OTHER INFORMATION

KENILWORTH SCHOOL DISTRICT NO. 38

OTHER INFORMATION

Schedule of the Employer's Proportionate Share of the Net Pension Liability

Teachers' Retirement System of the State of Illinois

June 30, 2016

Employer's proportion of the net pension liability	<u>FY 2015</u> 0.002476%
Employer's proportionate share of the net pension liability	\$ 1,622,022
State proportionate share of the net pension liability associated with the employer	<u>59,176,132</u>
Total	<u>\$ 60,798,154</u>
Employer's covered-employee payroll	\$ 6,064,076
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	26.75%
Plan fiduciary net position as a percentage of the total pension liability	43.00%

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

This schedule is presented to illustrate the requirements 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.

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

KENILWORTH SCHOOL DISTRICT NO. 38

OTHER INFORMATION

Schedule of the Employer Contributions

Teachers' Retirement System of the State of Illinois

June 30, 2016

	FY 2016
Contractually required contribution	\$ 817,363
Contributions in relation to the contractually required contribution	<u>731,388</u>
Contribution deficiency (excess)	<u>\$ 85,975</u>
Employer's covered-employee payroll	\$ 5,919,357
Contributions as a percentage of covered-employee payroll	12.355869%

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.

KENILWORTH SCHOOL DISTRICT NO. 38

OTHER INFORMATION

Schedule of Changes in Net Pension Liability and Related Ratios

Illinois Municipal Retirement Fund

June 30, 2016

Calendar year ended December 31,	2015
Total pension liability	
Service cost	\$ 100,510
Interest on the total pension liability	209,919
Changes in benefit terms	-
Difference between expected and actual experience of the total pension liability	(71,947)
Changes of assumption	-
Benefit payments, including refunds of employee contributions	(193,758)
Net change in total pension liability	44,724
Total pension liability - beginning	2,845,541
Total pension liability - ending (A)	<u>\$ 2,890,265</u>
Plan fiduciary net position	
Contributions - employer	\$ 61,872
Contributions - employees	36,926
Net investment income	14,401
Benefit payments, including refunds of employee contributions	(193,758)
Other (net transfer)	22,420
Net change in plan fiduciary net position	(58,139)
Plan fiduciary net position - beginning	2,927,607
Plan fiduciary net position - ending (B)	<u>\$ 2,869,468</u>
Net pension liability/(asset) - ending (A) - (B)	<u>\$ 20,797</u>
Plan fiduciary net position as a percentage of total pension liability	99.28%
Covered valuation payroll	820,571
Net pension liability as a percentage of covered valuation payroll	2.53%

This schedule is presented to illustrate the requirements 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.

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

KENILWORTH SCHOOL DISTRICT NO. 38

OTHER INFORMATION

Schedule of the Employer Contributions

Illinois Municipal Retirement Fund

June 30, 2016

<u>Calendar year Ending December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Valuation Payroll</u>	<u>Actual Contribution as a % fo Covered Valuation Payroll</u>
2014	\$ 69,339	\$ 64,856	\$ 4,483	\$ 887,821	7.31%
2015	61,871 *	61,872	(1)	820,571	7.54%

* Estimated based on a contribution rate of 7.54% and covered payroll valuation of \$820,571.

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.

KENILWORTH SCHOOL DISTRICT NO. 38

OTHER INFORMATION

Schedule of the Employer Contributions

Illinois Municipal Retirement Fund

June 30, 2016

Methods and Assumptions Used to Determine 2015 Contribution Rates:

<i>Actuarial Cost Method:</i>	Aggregate entry age = normal
<i>Amortization Method:</i>	Level percentage of payroll, closed
<i>Remaining Amortization Period:</i>	28-year closed period
<i>Asset Valuation Method:</i>	5-year smoothed market; 20% corridor
<i>Wage Growth:</i>	4%
<i>Price Inflation:</i>	3%. Approximate; No explicit price inflation assumption is used in this valuation.
<i>Salary Increases:</i>	4.40% to 16%, including inflation
<i>Investment Rate of Return:</i>	7.50%
<i>Retirement Age:</i>	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.
<i>Mortality:</i>	RP-200 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.
<i>Other Information:</i>	
<i>Notes -</i>	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 requirements 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.

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

KENILWORTH SCHOOL DISTRICT NO. 38

OTHER INFORMATION

Schedule of the Funding Progress and Contributions

Other Post-Employment Benefits (OPEB)

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 Percentage of Covered Payroll [(b-a)/c]
7/1/2013	\$ -	\$ 29,118	\$ 29,118	0.0%	N/A	N/A
7/1/2010	-	259,514	259,514	0.0%	N/A	N/A

Contributions

Actuarial Valuation Date	Annual Required Contribution (ARC)	Contributions as a % of ARC
7/1/2015	\$ 5,261	78.7%
7/1/2014	4,967	21.5%
7/1/2013	4,693	24.3%

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

KENILWORTH SCHOOL DISTRICT NO. 38

General Fund

Statement of Assets, Liabilities, and Fund Balances - Modified Cash Basis

June 30, 2016

	2016		
	<u>Educational Account</u>	<u>Working Cash Account</u>	<u>Total General Fund</u>
Assets			
Cash and cash equivalents	\$ 8,921,607	\$ 2,999,546	\$ 11,921,153
Due from other governmental units	-	-	-
Due from employees	11,263	-	11,263
Total Assets	<u>\$ 8,932,870</u>	<u>\$ 2,999,546</u>	<u>\$ 11,932,416</u>
Liabilities			
Accrued payroll Liabilities	\$ 782,780	\$ -	\$ 782,780
Due to student activities	1,691	-	1,691
Total Liabilities	<u>784,471</u>	<u>-</u>	<u>784,471</u>
Fund Balance			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	8,148,399	2,999,546	11,147,945
Total Fund Balance	<u>8,148,399</u>	<u>2,999,546</u>	<u>11,147,945</u>
Total Liabilities and Fund Balance	<u>\$ 8,932,870</u>	<u>\$ 2,999,546</u>	<u>\$ 11,932,416</u>

KENILWORTH SCHOOL DISTRICT NO. 38

General Fund - Combining Schedule of Revenues Received, Expenditures Disbursed
and Changes in Fund Balance - Modified Cash Basis

Year ended June 30, 2016

	Educational Account	Working Cash Account	Total General Fund
Revenues Received			
Property taxes	\$ 9,319,028	\$ -	\$ 9,319,028
Tuition	156,677	-	156,677
Food service	39,055	-	39,055
Pupil activities	36,436	-	36,436
Donations	56,861	-	56,861
Refund of prior years' expenditures	40,693	-	40,693
Gain/loss on investments	(60,418)	-	(60,418)
Other	38,315	-	38,315
State sources	5,137,510	-	5,137,510
Federal sources	136,868	-	136,868
Total Revenues Received	14,901,025	-	14,901,025
Expenditures Disbursed			
Instruction	11,114,265	-	11,114,265
Support services	2,968,045	-	2,968,045
Payments to other governmental units	178,818	-	178,818
Capital outlay	17,598	-	17,598
Total Expenditures Disbursed	14,278,726	-	14,278,726
Net Change in Fund Balances	622,299	-	622,299
Fund Balances, beginning of year	7,526,100	2,999,546	10,525,646
Fund Balances, ending of year	<u>\$ 8,148,399</u>	<u>\$ 2,999,546</u>	<u>\$ 11,147,945</u>

KENILWORTH SCHOOL DISTRICT NO. 38

*Educational Account - Revenues Received, Expenditures Disbursed and
Changes in Fund Balance - Budget and Actual - Modified Cash Basis
Year ended June 30, 2016*

	Original Budget	Final Budget	Modified Cash Basis Actual
Revenues Received			
Local Sources:			
Property taxes	\$ 9,335,790	\$ 9,335,790	\$ 9,319,028
Tuition	271,000	271,000	156,677
Interest income	2,300	2,300	-
Food service	49,000	49,000	39,055
Pupil activities	48,000	48,000	36,436
Donations	58,500	58,500	56,861
Refund of prior years' expenditures	-	-	40,693
Gain/loss on investments	-	-	(60,418)
Other	82,000	82,000	38,315
Total Local Sources	9,846,590	9,846,590	9,626,647
State Sources:			
General state aid	155,000	155,000	104,197
Special Education	83,000	83,000	184,355
On behalf payments to TRS	1,500,000	1,500,000	4,848,208
Other	1,500	1,500	750
Total State Sources	1,739,500	1,739,500	5,137,510
Federal sources:			
Title I - low income	43,000	43,000	39,816
Title II - teacher quality	7,000	7,000	5,740
I.D.E.A. flow thru	55,000	55,000	91,312
Total Federal Sources	105,000	105,000	136,868
Total Revenues Received	11,691,090	11,691,090	14,901,025
Expenditures Disbursed			
Instruction:			
Regular Programs:			
Salaries	4,520,479	4,520,479	4,346,139
Employee benefits	683,456	683,456	910,083
Employee benefits - on behalf	1,500,000	1,500,000	4,848,208
Purchased services	36,325	36,325	15,109
Supplies and materials	164,166	164,166	182,406
Capital outlay	21,820	21,820	11,400
Total	6,926,246	6,926,246	10,313,345

KENILWORTH SCHOOL DISTRICT NO. 38

*Educational Account - Revenues Received, Expenditures Disbursed and
Changes in Fund Balance - Budget and Actual - Modified Cash Basis
Year ended June 30, 2016*

	Original Budget	Final Budget	Modified Cash Basis Actual
Instruction: (continued)			
Pre-K Programs:			
Salaries	\$ 70,000	\$ 70,000	\$ 12,171
Employee benefits	15,000	15,000	3,400
Supplies and materials	650	650	1,901
Total	<u>85,650</u>	<u>85,650</u>	<u>17,472</u>
Special Programs:			
Salaries	678,464	678,464	610,617
Employee benefits	108,199	108,199	58,354
Purchased services	5,844	5,844	42,111
Supplies and materials	2,050	2,050	5,068
Total	<u>794,557</u>	<u>794,557</u>	<u>716,150</u>
Interscholastic Programs:			
Salaries	24,886	24,886	38,467
Employee benefits	340	340	367
Purchased services	29,365	29,365	19,643
Supplies and materials	9,119	9,119	4,472
Total	<u>63,710</u>	<u>63,710</u>	<u>62,949</u>
Summer School:			
Salaries	34,353	34,353	15,555
Employee benefits	25	25	194
Total	<u>34,378</u>	<u>34,378</u>	<u>15,749</u>
Total Instruction	<u>7,904,541</u>	<u>7,904,541</u>	<u>11,125,665</u>
Support Services:			
Attendance and Social Work Services:			
Salaries	169,643	169,643	204,470
Employee benefits	25,617	25,617	34,449
Purchased services	-	-	488
Total	<u>195,260</u>	<u>195,260</u>	<u>239,407</u>

KENILWORTH SCHOOL DISTRICT NO. 38

*Educational Account - Revenues Received, Expenditures Disbursed and
Changes in Fund Balance - Budget and Actual - Modified Cash Basis
Year ended June 30, 2016*

	Original Budget	Final Budget	Modified Cash Basis Actual
Support Services: (continued)			
Health:			
Salaries	\$ 88,853	\$ 88,853	\$ 89,758
Employee benefits	15,744	15,744	15,651
Supplies and materials	1,439	1,439	2,000
Total	<u>106,036</u>	<u>106,036</u>	<u>107,409</u>
Psychological:			
Salaries	69,913	69,913	66,235
Employee benefits	21,009	21,009	9,623
Supplies and materials	50,267	50,267	52,823
Total	<u>141,189</u>	<u>141,189</u>	<u>128,681</u>
Speech Pathology and Audiology:			
Salaries	67,714	67,714	70,608
Employee benefits	18,360	18,360	18,202
Supplies and materials	300	300	-
Total	<u>86,374</u>	<u>86,374</u>	<u>88,810</u>
Instructional Staff:			
Improvement of Instructional Staff:			
Salaries	168,802	168,802	133,076
Employee benefits	2,072	2,072	1,836
Purchased services	36,491	36,491	52,859
Supplies and materials	8,394	8,394	3,928
Total	<u>215,759</u>	<u>215,759</u>	<u>191,699</u>
Education Media:			
Salaries	408,661	408,661	363,638
Employee benefits	76,203	76,203	69,416
Purchased services	290,533	290,533	213,675
Supplies and materials	126,700	126,700	82,078
Capital outlay	30,931	30,931	6,198
Total	<u>933,028</u>	<u>933,028</u>	<u>735,005</u>

KENILWORTH SCHOOL DISTRICT NO. 38

*Educational Account - Revenues Received, Expenditures Disbursed and
Changes in Fund Balance - Budget and Actual - Modified Cash Basis
Year ended June 30, 2016*

	Original Budget	Final Budget	Modified Cash Basis Actual
Support Services: (continued)			
Assessment and Testing:			
Supplies and materials	\$ 13,801	\$ 13,801	\$ 6,179
Total	13,801	13,801	6,179
General Administration:			
Board of Education:			
Salaries	50,375	50,375	-
Employee benefits	15,650	15,650	-
Purchased services	222,064	222,064	93,057
Supplies and materials	8,784	8,784	16,301
Other	7,500	7,500	6,987
Total	304,373	304,373	116,345
Executive Administration:			
Salaries	97,125	97,125	143,799
Employee benefits	31,718	31,718	30,704
Purchased services	1,700	1,700	667
Supplies and materials	300	300	7,791
Other	5,000	5,000	7,838
Total	135,843	135,843	190,799
Special Service Area:			
Salaries	117,311	117,311	117,063
Employee benefits	23,172	23,172	15,682
Purchased services	42,112	42,112	58,626
Supplies and materials	174	174	26
Other	2,599	2,599	3,209
Total	185,368	185,368	194,606
School Administration:			
Office of the Principal:			
Salaries	309,326	309,326	350,952
Employee benefits	84,785	84,785	86,552
Purchased services	53,340	53,340	31,918
Supplies and materials	36,211	36,211	21,431
Other	6,505	6,505	4,340
Total	490,167	490,167	495,193

KENILWORTH SCHOOL DISTRICT NO. 38

*Educational Account - Revenues Received, Expenditures Disbursed and
Changes in Fund Balance - Budget and Actual - Modified Cash Basis
Year ended June 30, 2016*

	Original Budget	Final Budget	Modified Cash Basis Actual
Support Services: (continued)			
Business:			
Direction of Business Support Services:			
Salaries	\$ 97,125	\$ 97,125	\$ 101,766
Employee benefits	31,119	31,119	24,950
Total	<u>128,244</u>	<u>128,244</u>	<u>126,716</u>
Fiscal:			
Salaries	108,333	108,333	147,785
Employee benefits	29,467	29,467	33,158
Purchased services	24,396	24,396	4,610
Supplies and materials	721	721	3,497
Capital outlay	8,347	8,347	-
Total	<u>171,264</u>	<u>171,264</u>	<u>189,050</u>
Operations and Maintenance of Plant Services:			
Purchased services	2,479	2,479	80
Total	<u>2,479</u>	<u>2,479</u>	<u>80</u>
Food Services:			
Supplies and materials	45,649	45,649	50,189
Total	<u>45,649</u>	<u>45,649</u>	<u>50,189</u>
Internal Services:			
Purchased services	116,600	116,600	107,416
Total	<u>116,600</u>	<u>116,600</u>	<u>107,416</u>
Planning, Research, Development and Evaluation Services:			
Purchased services	11,661	11,661	6,659
Supplies and materials	242	242	-
Total	<u>11,903</u>	<u>11,903</u>	<u>6,659</u>
Staff Services:			
Purchased services	13,150	13,150	-
Total	<u>13,150</u>	<u>13,150</u>	<u>-</u>
Total Support Services	<u>3,296,487</u>	<u>3,296,487</u>	<u>2,974,243</u>

KENILWORTH SCHOOL DISTRICT NO. 38

*Educational Account - Revenues Received, Expenditures Disbursed and
Changes in Fund Balance - Budget and Actual - Modified Cash Basis
Year ended June 30, 2016*

	Original Budget	Final Budget	Modified Cash Basis Actual
Payments to Other Governmental Units:			
Payments for Regular Programs:			
Tuition	\$ 13,500	\$ 13,500	\$ 6,121
Payments for Special Education Programs:			
Purchased services	214,023	214,023	-
Other	-	-	172,697
Total Payments to Other Governmental Units	<u>227,523</u>	<u>227,523</u>	<u>178,818</u>
Total Expenditures Disbursed	<u>11,428,551</u>	<u>11,428,551</u>	<u>14,278,726</u>
Net Change in Fund Balances	<u>\$ 262,539</u>	<u>\$ 262,539</u>	<u>622,299</u>
Fund Balance, beginning of year			<u>7,526,100</u>
Fund Balance, end of year			<u>\$ 8,148,399</u>

KENILWORTH SCHOOL DISTRICT NO. 38

Working Cash Account - Revenues Received, Expenditures Disbursed and Changes in Fund Balance
Budget and Actual - Modified Cash Basis

Year ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Modified Cash Basis Actual</u>
Revenues Received			
Local Sources:			
Interest income	\$ 85,000	\$ 85,000	\$ -
Total Local Sources	<u>85,000</u>	<u>85,000</u>	<u>-</u>
Total Revenues Received	<u>85,000</u>	<u>85,000</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 85,000</u>	<u>\$ 85,000</u>	<u>-</u>
Fund Balance, beginning of year			<u>2,999,546</u>
Fund Balance, end of year			<u>\$ 2,999,546</u>

KENILWORTH SCHOOL DISTRICT NO. 38

*Operations and Maintenance Fund - Revenues Received, Expenditures Disbursed and
Changes in Fund Balance - Budget and Actual - Modified Cash Basis
Year ended June 30, 2016*

	Original Budget	Final Budget	Modified Cash Basis Actual
Revenues Received			
Local Sources:			
Property taxes	\$ 1,498,202	\$ 1,498,202	\$ 1,496,655
Interest income	750	750	643
Rentals	980	980	3,270
Donations	125,000	125,000	-
Refund of prior years' expenditures	-	-	369,569
Other	-	-	161
Total Local Sources	1,624,932	1,624,932	1,870,298
Total Revenues Received	1,624,932	1,624,932	1,870,298
Expenditures Disbursed			
Supporting Services:			
Facilities Acquisition and Construction Services:			
Purchased services	326,230	326,230	48,318
Capital outlay	3,007,022	3,007,022	-
Total	3,333,252	3,333,252	48,318
Operations and Maintenance of Plant Services:			
Salaries	90,845	90,845	127,639
Employee benefits	26,881	26,881	18,288
Purchased services	367,172	367,172	260,378
Supplies and materials	187,568	187,568	179,381
Capital outlay	366,424	366,424	-
Total	1,038,890	1,038,890	585,686
Total Supporting Services	4,372,142	4,372,142	634,004
Total Expenditures Disbursed	4,372,142	4,372,142	634,004
Net Change in Fund Balances	\$ (2,747,210)	\$ (2,747,210)	1,236,294
Fund Balance, beginning of year			3,333,403
Fund Balance, end of year			\$ 4,569,697

KENILWORTH SCHOOL DISTRICT NO. 38

Transportation Fund - Revenues Received, Expenditures Disbursed and Changes in Fund Balance

Budget and Actual - Modified Cash Basis

Year ended June 30, 2016

	Original Budget	Final Budget	Modified Cash Basis Actual
Revenues Received			
Local Sources:			
Property taxes	\$ 12,270	\$ 12,270	\$ 19,832
Interest income	45	45	24
Total Local Sources	12,315	12,315	19,856
Total Revenues Received	12,315	12,315	19,856
Expenditures Disbursed			
Supporting Services:			
Pupil Transportation Services:			
Purchased services	24,738	24,738	55,544
Total	24,738	24,738	55,544
Total Supporting Services	24,738	24,738	55,544
Total Expenditures Disbursed	24,738	24,738	55,544
Net Change in Fund Balances	\$ (12,423)	\$ (12,423)	(35,688)
Fund Balance, beginning of year			190,365
Fund Balance, end of year			\$ 154,677

KENILWORTH SCHOOL DISTRICT NO. 38

*Municipal Retirement Fund - Revenues Received, Expenditures Disbursed and Changes in Fund Balance
Budget and Actual - Modified Cash Basis*

Year ended June 30, 2016

	Original Budget	Final Budget	Modified Cash Basis Actual
Revenues Received			
Local Sources:			
Property taxes	\$ 217,797	\$ 217,797	\$ 217,620
Replacement taxes	59,000	59,000	68,141
Interest income	75	75	43
Total Local Sources	276,872	276,872	285,804
Total Revenues Received	276,872	276,872	285,804
Expenditures Disbursed			
Instruction - employee benefits	155,860	155,860	129,920
Supporting services - employee benefits	98,383	98,383	64,403
Total Supporting Services	254,243	254,243	194,323
Total Expenditures Disbursed	254,243	254,243	194,323
Net Change in Fund Balances	\$ 22,629	\$ 22,629	91,481
Fund Balance, beginning of year			335,287
Fund Balance, end of year			\$ 426,768

KENILWORTH SCHOOL DISTRICT NO. 38

Debt Service Fund - Revenues Received, Expenditures Disbursed and Changes in Fund Balance

Budget and Actual - Modified Cash Basis

Year ended June 30, 2016

	Original Budget	Final Budget	Modified Cash Basis Actual
Revenues Received			
Local Sources:			
Property taxes	\$ 1,055,869	\$ 1,055,869	\$ 1,041,460
Interest income	200	200	129
Total Local Sources	<u>1,056,069</u>	<u>1,056,069</u>	<u>1,041,589</u>
Total Revenues Received	<u>1,056,069</u>	<u>1,056,069</u>	<u>1,041,589</u>
Expenditures Disbursed			
Debt Service:			
Principal	668,223	668,223	675,000
Interest	353,339	353,339	317,257
Fiscal agent charges	-	-	3,700
Total Supporting Services	<u>1,021,562</u>	<u>1,021,562</u>	<u>995,957</u>
Total Expenditures Disbursed	<u>1,021,562</u>	<u>1,021,562</u>	<u>995,957</u>
Net Change in Fund Balances	<u>\$ 34,507</u>	<u>\$ 34,507</u>	<u>45,632</u>
Fund Balance, beginning of year			<u>955,768</u>
Fund Balance, end of year			<u>\$ 1,001,400</u>

KENILWORTH SCHOOL DISTRICT NO. 38

Tort Fund - Revenues Received, Expenditures Disbursed and Changes in Fund Balance

Budget and Actual - Modified Cash Basis

Year ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Modified Cash Basis Actual</u>
Revenues Received			
Local Sources:			
Property taxes	\$ 172,397	\$ 172,397	\$ 172,239
Interest income	85	85	57
Total Local Sources	<u>172,482</u>	<u>172,482</u>	<u>172,296</u>
Total Revenues Received	<u>172,482</u>	<u>172,482</u>	<u>172,296</u>
Expenditures Disbursed			
Support Services:			
Workers' compensation insurance	32,199	32,199	29,076
Unemployment insurance payments	8,263	8,263	537
Liability insurance payments	49,166	49,166	43,216
Total Supporting Services	<u>89,628</u>	<u>89,628</u>	<u>72,829</u>
Total Expenditures Disbursed	<u>89,628</u>	<u>89,628</u>	<u>72,829</u>
Net Change in Fund Balances	<u>\$ 82,854</u>	<u>\$ 82,854</u>	<u>99,467</u>
Fund Balance, beginning of year			<u>452,218</u>
Fund Balance, end of year			<u>\$ 551,685</u>

KENILWORTH SCHOOL DISTRICT NO. 38

Activity Funds - Schedule of Revenues Collected and Expenses Paid

Year ended June 30, 2016

	Cash Balance July 1, 2015	Revenues Collected	Expenses Paid	Cash Balance July 1, 2016
Interest	\$ 313	\$ 108	\$ -	\$ 421
Lego	753	-	-	753
Student Council	7,142	2,191	-	9,333
Architecture	914	-	-	914
In and Out	13,795	2,822	3,972	12,645
School Store	479	105	-	584
Yearbook	4,482	14,060	11,273	7,269
Girls on the Run	5,931	6,179	4,830	7,280
Eighth Grade	5,392	16,394	13,660	8,126
Library	11,136	9,931	6,439	14,628
Great Books	39,651	1,756	485	40,922
Drama	4,981	-	-	4,981
French	7,874	200	85	7,989
Art	(637)	-	-	(637)
Environment Club	1,123	-	-	1,123
Latin Club	400	-	-	400
Book Club Discipline and Ethics	248	22	-	270
Sandwiches and Spotlight	-	1,700	-	1,700
Mandarian Club	340	-	-	340
Science Olympiad	6,747	730	1,147	6,330
Total	<u>\$ 111,064</u>	<u>\$ 56,198</u>	<u>\$ 41,891</u>	<u>\$ 125,371</u>

KENILWORTH SCHOOL DISTRICT NO. 38

Schedule of Assessed Valuations, Tax Extensions and Collections

Year ended June 30, 2016

	TAX LEVY YEAR		
	2015	2014	2013
Assessed Valuation	<u>\$ 296,917,403</u>	<u>\$ 306,757,334</u>	<u>\$ 306,784,905</u>
Tax Rate by Levy:			
Educational	3.1885	3.0336	2.9717
Tort Immunity	0.0588	0.0562	0.0550
Operations and Maintenance	0.5109	0.4884	0.4784
Bond and Interest	0.3514	0.3442	0.3425
Transportation	0.0092	0.0040	0.0039
Municipal Retirement	0.0743	0.0710	0.0695
Total	<u>4.1931</u>	<u>3.9974</u>	<u>3.9210</u>
Tax Extensions by Levy:			
Educational	9,467,211	9,305,790	9,115,908
Tort Immunity	174,587	172,398	168,717
Operations and Maintenance	1,516,951	1,498,203	1,467,527
Bond and Interest	1,043,622	1,055,866	1,050,644
Transportation	27,316	12,270	11,964
Municipal Retirement	220,609	217,798	213,196
Total	<u>\$ 12,450,296</u>	<u>\$ 12,262,325</u>	<u>\$ 12,027,956</u>
Tax Collections:	<u>\$ 6,331,335</u>	<u>\$ 12,390,948</u>	<u>\$ 11,628,953</u>
Percent of Total levy Collected to June 30, 2016	<u>50.85%</u>	<u>101.05%</u>	<u>96.68%</u>

KENILWORTH SCHOOL DISTRICT NO. 38

Schedule of Bonded Debt Maturities and Interest

Year ended June 30, 2016

Due Year Ended June 30,	2011 Refunding Bonds		2007 Building Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 185,000	\$ 15,750	\$ 505,000	\$ 274,017	\$ 690,000	\$ 289,767
2018	190,000	11,763	530,000	249,451	720,000	261,214
2019	195,000	7,188	555,000	226,372	750,000	233,560
2020	190,000	2,375	575,000	204,194	765,000	206,569
2021	-	-	600,000	180,838	600,000	180,838
2022	-	-	625,000	156,337	625,000	156,337
2023	-	-	650,000	130,838	650,000	130,838
2024	-	-	675,000	104,000	675,000	104,000
2025	-	-	700,000	75,813	700,000	75,813
2026	-	-	730,000	46,406	730,000	46,406
2027	-	-	760,000	15,675	760,000	15,675
	<u>\$ 760,000</u>	<u>\$ 37,076</u>	<u>\$ 6,905,000</u>	<u>\$ 1,663,941</u>	<u>\$ 7,665,000</u>	<u>\$ 1,701,017</u>

KENILWORTH SCHOOL DISTRICT NO. 38

Schedule of Per Capita Tuition Charge

Year ended June 30, 2016

	<u>2016</u>
Average Daily Attendance (ADA)	<u>471.95</u>
Operating Costs:	
Educational	\$ 9,430,518
Operations and maintenance	634,004
Debt service	995,957
Transportation	55,544
Municipal retirement	194,323
Tort	72,829
Subtotal	<u>11,383,175</u>
Less revenue/expenditures of non-regular programs:	
Tuition	178,818
Pre-K	18,140
Summer school	16,134
Capital outlay	17,598
Debt principal retired	675,000
Subtotal	<u>905,690</u>
Operating Costs	<u>10,477,485</u>
Operating Costs Per Pupil	<u>\$ 22,200</u>
Operating Costs	\$ 10,477,485
Less revenues from specific programs, such as special education or lunch programs	<u>400,734</u>
Net Operating Costs	10,076,751
Depreciation allowance	<u>534,684</u>
Allowable Tuition Costs	<u>10,611,435</u>
Tuition Charge Per Pupil - Based on ADA	<u>\$ 22,484</u>

KENILWORTH SCHOOL DISTRICT NO. 38

Notes to Other Information

Year ended June 30, 2016

NOTE 1 – TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

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 a salary increase 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.

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

The budget for all Governmental Fund types and for the Expendable Trust Fund is prepared on the cash basis of accounting which is the same basis that is used in financial reporting. This allows for comparability between budget and actual amounts. This is an acceptable method in accordance with Chapter 105, paragraph 5/17-1 of the *Illinois Compiled Statutes*. The budget was passed on September 21, 2015.

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

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

1. After July 1, the Superintendent submits to the Board of Education a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures disbursed and the means of financing them.
2. Public hearings are conducted at a public meeting to obtain taxpayer comments.
3. Prior to October 1, the budget is legally adopted through passage of a resolution.
4. The Superintendent is authorized to transfer up to 10% of the total budget between departments within any fund; however, any revisions that alter the total expenditures disbursed of any fund must be approved by the Board of Education after a public hearing.
5. Formal budgetary integration is employed as a management control device during the year.
6. The Board of Education may amend the budget (in other ways) by the same procedures required of its original adoption.

KENILWORTH SCHOOL DISTRICT NO. 38

Notes to Other Information

Year ended June 30, 2016

NOTE 3 – EXCESS OF ACTUAL EXPENDITURES DISBURSED OVER BUDGETED EXPENDITURES

The District over-expended their budgeted expenditures in the Transportation Fund by \$30,806 and the Educational Account by \$2,850,175, due to the On-behalf amount of \$4,848,208 during the fiscal year ended June 30, 2016.