

**Naperville Community Unit
School District No. 203**

Naperville, Illinois

Annual Financial Report

Year Ended June 30, 2018

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

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Independent Auditor's Report

Board of Education
Naperville Community Unit School District No. 203
Naperville, Illinois

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Naperville Community Unit School District No. 203 (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Naperville Community Unit School District No. 203 as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*, during the year ended June 30, 2018. Statement No. 75 expands disclosures related to post-employment benefits other than pensions and requires the District to report the net other post-employment benefit liability in the statement of net position. The adoption of this statement had no effect on any of the District's fund balances but reduced the District's governmental activities net position by \$176,964,462 as of July 1, 2017 as disclosed in note 11. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

We have also audited, in accordance with auditing standards generally accepted in the United States of America, the District's basic financial statements for the year ended June 30, 2017, which are not presented with the accompanying financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The schedules of revenues, expenditures and changes in fund balances - budget and actual, related to the 2017 financial statements are presented for purposes of additional analysis and are not a required part of the basic

financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2017 schedules of revenues, expenditures and changes in fund balances - budget and actual are fairly stated in material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2018, on our consideration of Naperville Community Unit School District No. 203's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Handwritten signature of Klein Hall CPAs in cursive script.

Klein Hall CPAs
Aurora, Illinois
December 17, 2018

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Management's Discussion and Analysis
For The Year Ended June 30, 2018

The discussion and analysis of Naperville Community Unit School District No. 203's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2018. The management of the District encourages readers to consider the information presented herein in conjunction with the basic financial statements to enhance their understanding of the District's financial performance. All amounts, unless otherwise indicated, are expressed in millions of dollars. Certain comparative information between the current year and the prior is required to be presented in the Management's Discussion and Analysis (the "MD&A").

Financial Highlights

- In total, net position decreased by \$286.4 This is due to the implementation of GASB #75 and a restatement of capital assets due to a historical appraisal.
- General revenues accounted for \$252.2 in revenue or 74.8% of all revenues. Program specific revenues in the form of charges for services and fees and grants accounts for \$85.0 or 25.2% of total revenues of \$337.2.
- The District had \$329.2 in expenses related to government activities. However, only \$85.0 of these expenses were offset by program specific charges and grants.

Overview of the Financial Statements

This MD&A is 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 basic financial statements.

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

Government-wide financial statements

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

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

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

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

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Management's Discussion and Analysis
For The Year Ended June 30, 2018

services (regular education, special education and other), supporting services, operation and maintenance of facilities and transportation services.

Fund financial statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, reader may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and charges in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Operations and Maintenance Fund, Transportation Fund, Debt Service Fund, Municipal Retirement/Social Security Fund, and Fire Prevention and Life Safety Fund, all of which are considered to be major funds.

The District adopts an annual budget for each of the funds listed above. A budgetary comparison schedule has been provided for each fund to demonstrate compliance with this budget. The District amended its budget in the current year, and the amended budget is used for budgetary comparisons.

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

Notes to basic 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 required supplementary information concerning the District's participation in the IMRF and TRS pension funds and other postemployment benefits obligation.

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203Management's Discussion and Analysis
For The Year Ended June 30, 2018**District-Wide Financial Analysis**

The District's combined net position was lower on June 30, 2018, due to the implementation of GASB #75 and a restatement of capital assets due to a historical appraisal.

Table 1				
Condensed Statements of Net Position				
(in millions of dollars)				
	2018		2017	
Assets				
Current and other assets	\$	334.3	\$	327.8
Capital Assets		125.0		237.3
Total Assets		459.3		565.1
Deferred Outflows				
Deferred outflows related to pensions and OPEB		14.9		14.5
Liabilities				
Current liabilities		29.2		25.6
Long-term debt outstanding		251.3		104.8
Total Liabilities		280.5		130.4
Deferred Inflows				
Property taxes levied for subsequent year		117.1		114.2
Deferred inflows related to pensions and OPEB		35.9		7.9
Total Deferred Inflows		153.0		122.1
Net Position				
Net investment in capital assets		104.7		205.2
Restricted		31.6		30.6
Unrestricted		(95.6)		91.3
Total Net Position	\$	40.7	\$	327.1

Revenues in the governmental activities of the District of \$337.2 exceeded expenses by \$8.0. This was attributable primarily to salary and benefit expenditures being lower than expected.

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

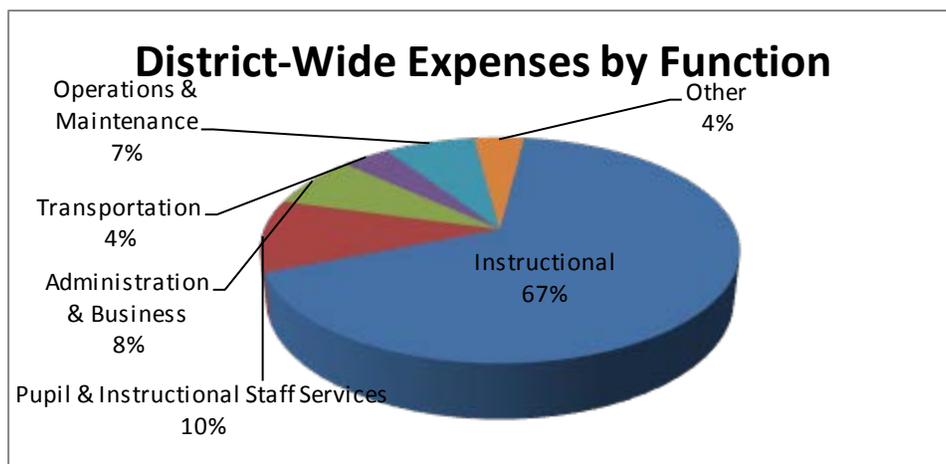
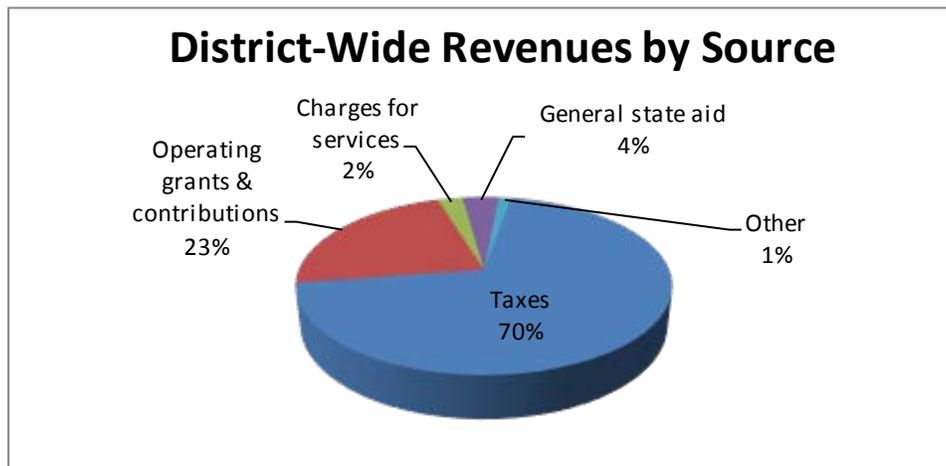
Management's Discussion and Analysis
For The Year Ended June 30, 2018

Table 2		
Changes in Net Position		
(in millions of dollars)		
	2018	2017
Revenues		
<i>Program Revenues</i>		
Charges for services	\$ 8.6	\$ 8.5
Operating grants & contributions	76.4	68.6
Capital grants & Contributions	-	-
<i>General revenues:</i>		
Taxes	235.4	239.4
Evidence based funding/former general state aid	12.6	7.7
Other	4.2	2.7
Total revenues	337.2	326.9
Expenses		
Instruction	220.6	206.7
Pupil & instructional staff services	34.0	32.6
Administration & Business	24.6	24.8
Transportation	12.8	13.5
Operations & maintenance	23.9	21.2
Other	13.3	18.8
Total expenses	329.2	317.6
Increase (decrease) in net position	8.0	9.3
Net position - beginning of year	327.1	317.8
Restatement	(294.4)	-
Net position - end of year	\$ 40.7	\$ 327.1

Property taxes accounted for the largest portion of the District's revenues, contributing 69.1%. The remainder of revenues came from state, federal grants and other sources. The total cost of all the District's programs was \$329.2, mainly related to instructing and caring for the students and student transportation, which accounts for 81.2% of the expenditures.

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Management's Discussion and Analysis
For The Year Ended June 30, 2018



Financial Analysis of the District's Funds

The financial performance of the District's funds as a whole is reflected in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. Total revenue in the governmental funds was \$339.8 compared to \$324.0 in the prior year, an increase of \$15.8 or 4.9%. There was an increase in total expenditures compared to the prior year of \$24.9 or 7.9%, mainly due to an increase in educational staffing and modernization of our facilities.

Consistent revenues due to property tax collections, controlled salary increases through labor contracts, and stable student enrollment has resulted in the District's Governmental Funds balance increasing from \$185.2 to \$187.5 due to revenue outpacing expenditures consistent with budget, which has resulted in a favorable financial position for the District.

The District Operating Funds (excluding Debt Service) budgeted for a \$2.5 decrease in fund balance, realizing an actual increase of \$2.7.

The fund balance in the General Fund increased by \$0.7 to \$157.1. Of the total fund balance, \$1.2 is nonspendable prepaid items, \$12.0 is committed for health insurance claims, and \$1.8 is restricted for tort immunity. The District continues to enhance the curriculum and provide additional support to bolster student growth. A few highlights include the implementation of Next Generation Science Standards for grades 6-12, increased technology put in the hands of our students through the Digital Learning Initiative (DLI), and implemented standards based grading and reporting for grades K-5.

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Management's Discussion and Analysis
For The Year Ended June 30, 2018

The fund balance in the Operations and Maintenance Fund increased by \$1.3 to \$16.3. The fund balance is restricted for operating and maintenance costs. The District strives to maintain safe and efficient facilities to support student learning. By committing to a proactive approach to our Operations and Maintenance, the District mitigates the risk of unexpected and costly repairs, while extending the useful life of our facilities. In the past fiscal year, efforts were put forth to create front entrance security enhancements and begin the modernization of school learning commons. Preventative maintenance efforts were made in areas of hard surface paving, roofing improvements, and mechanical system upgrades, as well as other minor efforts typical for buildings of their kind.

The Transportation Fund experienced a decrease in fund balance, all of which is restricted for transportation purposes.

The Municipal Retirement/Social Security Fund experienced an increase in fund balance, all of which is restricted for employee retirement purposes.

General Fund Budgetary Highlights

General Fund: The largest revenue source in the General Fund is property taxes at 65.6% of all revenue from that fund. Property tax revenue in the 2018 fiscal year was flat compared to the prior fiscal year. State revenue sources represent 27.3% of all revenue in the General Fund, which increased by \$12.4. Federal revenue sources represent 2.4% of all revenues, which decreased by \$0.2. Total expenditures of \$273 in General Fund increased by 6.1% over the prior year. Actual revenues recognized were greater than budgeted by \$14.7 (5.4%). Actual expenditures were \$13.1 (5.1%) greater than the budget. The fund balance at year end was \$157.1, and increase of \$0.7 (0.4%).

Total expenditures of \$273.0 in the General Fund increased by 6.1% over the prior year.

Actual revenues recognized were greater than budgeted by \$14.7 (5.4% of budget), due to stronger than planned earnings on investments.

Actual expenditures were \$13.1 greater than budget (5.0%). The largest negative variance was in instructional services where expenditures were \$13.4 below budget.

The fund balance at year end was \$157.1, an increase of \$0.7 or 0.4% over the prior year.

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Management's Discussion and Analysis

For The Year Ended June 30, 2018

Capital Assets and Debt Administration*Capital Assets*

By the end of 2018, the District had compiled a total investment of \$279.8 (\$125.0 net of accumulated depreciation) in a broad range of capital assets including buildings, land and equipment. Total depreciation expense for the year was \$7.5. More detailed information about capital assets can be found in Note 4 of the basic financial statements.

	<u>2018</u>	<u>2017</u>
Land	\$ 12.8	\$ 12.8
Buildings	100.9	94.7
Land Improvements	2.4	2.5
Machinery and equipment	8.9	9.8
Total	<u>\$ 125.0</u>	<u>\$ 119.8</u>

Long-term Debt

The District retired \$11.6 in general obligation bonds in 2018. Capital Leases, Net Pension Liabilities, Net OPEB Obligations, and Compensated Absences decreased by \$18.9. At the end of fiscal year 2018, the District had a debt margin of \$639.9. More detailed information on long-term debt can be found in Note 5 of the basic financial statements.

	<u>2018</u>	<u>2017</u>
General Obligation Bonds	\$ 18.0	\$ 29.6
Capital leases and other	3.6	3.8
Pension and OPEB	229.7	248.4
Total	<u>\$ 251.3</u>	<u>\$ 281.8</u>

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Management's Discussion and Analysis
For The Year Ended June 30, 2018

Factors Bearing on the District's Future

At this time these financial statements were prepared and audited, the District was aware of the following circumstances that will significantly affect financial operations in the future:

The District has four labor contracts in place:

Certified Teaching Staff (NUEA) are contracted through 2019; the contract has a salary schedule that includes a base increase of 67% of CPI-U with a floor of 1.4% and a ceiling of 2.5% (years 1 and 2), base increase of 67% of CPI-U with a floor of 0.0% and a ceiling of 2.5% (year 3).

Maintenance and Custodial Staff (NUMA) are contracted through 2022; the contract has a salary schedule that includes 3% on the base and 100% of CPI-U increase in stipends (year 1), base increase of 100% of CPI-U with a floor of 1.5% and a ceiling of 2.4% and 1% increase in stipends (years 2-4)

Education Support Staff (NESPA) are contracted through 2021; all current employees will receive a base increase of 95% of CPI-U (year 2), base increase of 95% of CPI-U with a floor of 1.5% and a ceiling of 2.4% (year 3).

Transportation Staff (NTA) are contracted through 2021; the contract has a salary schedule that includes a base increase of 2.75% (year 1), base increase of 100% of CPI-U with no floor and a ceiling of 2.5% (years 2-4)

The District has a current balance in the self-insurance fund of \$12.0. The established reserve percentage is 30% of plan costs and the \$12.0 balance is approximately 34%. The District is continuing its efforts in implementing health and well-being initiatives focused on ensuring all employees know their benefits, understand their health, and improve their health.

Requests for Information

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

Naperville Community Unit School District No. 203
203 West Hillside Road
Naperville, Illinois 60540

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Statement of Net Position

June 30, 2018

	Governmental Activities
Assets	
Cash and investments	\$ 224,487,630
Receivables	
Property taxes	105,033,045
State and federal aid receivable	3,020,369
Other receivables	577,190
Prepaid items	1,151,189
Capital assets	
Land	12,787,618
Other capital assets, net of depreciation	112,211,484
Total assets	<u>459,268,525</u>
Deferred Outflows	
Deferred outflows related to pensions and other postemployment benefits	<u>14,954,604</u>
Liabilities	
Accounts payable	12,210,925
Accrued salaries	16,460,216
Unearned revenue	575,309
Noncurrent liabilities:	
Due within one year	4,712,259
Due in more than one year	246,558,732
Total liabilities	<u>280,517,441</u>
Deferred Inflows	
Property taxes levied for subsequent year	117,127,726
Deferred inflows related to pensions and other postemployment benefits	35,896,546
Total deferred inflows	<u>153,024,272</u>
Net Position	
Net investment in capital assets	104,694,253
Restricted for	
Tort immunity	1,771,837
Facility maintenance	16,330,411
Student transportation	8,144,766
Employee retirement	3,666,123
Debt service	1,693,118
Unrestricted	(95,619,092)
Total net position	<u>\$ 40,681,416</u>

See accompanying notes to basic financial statements

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Statement of Activities

Year Ended June 30, 2018

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Total Governmental Activities
Governmental Activities					
Instructional services					
Regular programs	\$ 105,836,085	\$ 4,805,257	\$ 2,611,604	\$ -	\$ (98,419,224)
Special programs	27,652,965	-	4,570,086	-	(23,082,879)
Other programs	27,000,481	-	986,883	-	(26,013,598)
State retirement contributions	60,110,142	-	60,110,142	-	-
Support services					
Pupils	20,241,273	-	-	-	(20,241,273)
Instructional staff	13,804,225	-	282,143	-	(13,522,082)
General administration	5,150,565	-	-	-	(5,150,565)
School administration	13,078,078	-	-	-	(13,078,078)
Business	6,334,889	3,138,493	1,125,317	-	(2,071,079)
Operation and maintenance of facilities	23,935,128	405,706	-	-	(23,529,422)
Transportation	12,790,311	234,833	6,375,922	-	(6,179,556)
Central	9,039,483	-	-	-	(9,039,483)
Other	1,172,295	-	-	-	(1,172,295)
Community service	922,555	-	-	-	(922,555)
Non-programmed charges	733,471	-	-	-	(733,471)
Interest on long-term liabilities	1,416,457	-	327,354	-	(1,089,103)
Total governmental activities	\$ 329,218,403	\$ 8,584,289	\$ 76,389,451	\$ -	(244,244,663)
General revenues					
Property taxes levied for					
General purposes					187,819,328
Operation & maintenance					31,123,122
Transportation					6,598,009
Retirement					7,656,551
Personal property replacement taxes					2,214,286
Federal and state aid not restricted to specific purposes					12,628,162
Earnings on investments					2,805,867
Miscellaneous					1,418,324
Total general revenues					<u>252,263,649</u>
Change in net position					<u>8,018,986</u>
Net position - beginning, as originally stated					327,148,554
Prior period adjustment					<u>(294,486,124)</u>
Net position - beginning, as restated					<u>32,662,430</u>
Net position - ending					<u><u>\$ 40,681,416</u></u>

See accompanying notes to basic financial statements

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203Balance Sheet
Governmental Funds
June 30, 2018

	General	Operations and Maintenance	Transportation
ASSETS			
Assets			
Cash and investments	\$ 188,774,049	\$ 21,637,239	\$ 7,838,717
Receivables			
Property taxes	84,341,255	14,203,046	3,062,849
State and federal aid	1,701,350	-	1,319,019
Other receivables	565,174	11,324	692
Prepaid items	547,417	-	-
TOTAL ASSETS	<u>\$ 275,929,245</u>	<u>\$ 35,851,609</u>	<u>\$ 12,221,277</u>
LIABILITIES DEFERRED INFLOWS AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 8,086,500	\$ 3,655,598	\$ 468,827
Accrued salaries and related expenditures	15,759,943	24,546	191,625
Unearned revenue	575,309	-	-
Total Liabilities	<u>24,421,752</u>	<u>3,680,144</u>	<u>660,452</u>
Deferred inflows			
Property taxes levied for subsequent year	94,050,436	15,841,054	3,416,059
Unavailable revenue	365,487	-	-
Total Deferred inflows	<u>94,415,923</u>	<u>15,841,054</u>	<u>3,416,059</u>
Fund Balances			
Nonspendable			
Prepaid items	547,417	-	-
Restricted			
Tort immunity	1,771,837	-	-
Facility maintenance	-	16,330,411	-
Student transportation	-	-	8,144,766
Employee retirement	-	-	-
Debt service	-	-	-
Committed			
Employee health plan	12,002,073	-	-
Unassigned	142,770,243	-	-
Total Fund Balances	<u>157,091,570</u>	<u>16,330,411</u>	<u>8,144,766</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 275,929,245</u>	<u>\$ 35,851,609</u>	<u>\$ 12,221,277</u>

See accompanying notes to basic financial statements

Municipal Retirement/ Social Security	Debt Service	Total Governmental Funds
\$ 4,544,507	\$ 1,693,118	\$ 224,487,630
3,425,895	-	105,033,045
-	-	3,020,369
-	-	577,190
-	603,772	1,151,189
<u>\$ 7,970,402</u>	<u>\$ 2,296,890</u>	<u>\$ 334,269,423</u>
\$ -	\$ -	\$ 12,210,925
484,102	-	16,460,216
-	-	575,309
<u>484,102</u>	<u>-</u>	<u>29,246,450</u>
3,820,177	-	117,127,726
-	-	365,487
<u>3,820,177</u>	<u>-</u>	<u>117,493,213</u>
-	603,772	1,151,189
-	-	1,771,837
-	-	16,330,411
-	-	8,144,766
3,666,123	-	3,666,123
-	1,693,118	1,693,118
-	-	12,002,073
-	-	142,770,243
<u>3,666,123</u>	<u>2,296,890</u>	<u>187,529,760</u>
<u>\$ 7,970,402</u>	<u>\$ 2,296,890</u>	<u>\$ 334,269,423</u>

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2018

Total fund balances - governmental funds \$ 187,529,760

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. The cost of the assets is \$279,815,397 and the accumulated depreciation is \$154,816,295. 124,999,102

Some of the School District's governmental revenues will be collected after fiscal year-end but are not available soon enough to pay for the current period's expenditures and are therefore not accrued in the governmental funds 365,487

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds and capital leases	(20,304,849)
Compensated absences	(1,274,291)
Net pension liabilities	(30,492,161)
Net other postemployment benefits liabilities	(199,199,690)

Deferred inflows and outflows of resources related to pensions and other postemployment benefits are not reported in governmental funds

Deferred outflows	14,954,604
Deferred inflows	<u>(35,896,546)</u>

Net position of governmental activities \$ 40,681,416

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018

	General	Operations and Maintenance	Transportation
REVENUES			
Local sources			
Property taxes	\$ 187,819,328	\$ 31,123,122	\$ 6,598,009
Corporate replacement tax	1,975,686	-	-
Charges for services	7,305,229	66,040	234,833
Earnings on investments	2,292,981	323,426	75,494
Other local revenues	1,865,862	530,649	-
State sources	77,965,268	-	6,375,922
Federal sources	6,867,899	-	-
Total revenues	286,092,253	32,043,237	13,284,258
EXPENDITURES			
Current operating:			
Instruction	204,012,242	-	-
Supporting services	66,712,386	20,250,601	11,617,207
Community services	833,182	-	-
Non-programmed charges	733,471	-	-
Capital outlay	675,479	10,535,500	1,045,726
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total expenditures	272,966,760	30,786,101	12,662,933
Excess (deficiency) of revenues over expenditures	13,125,493	1,257,136	621,325
OTHER FINANCING SOURCES (USES)			
Capital lease proceeds	1,113,476	-	-
Sale of fixed assets	-	24,065	-
Transfers in	-	9,500,000	-
Transfers out	(13,563,052)	(9,500,000)	-
Total other financing sources (uses)	(12,449,576)	24,065	-
Net change in fund balances	675,917	1,281,201	621,325
Fund balances at beginning of year	156,415,653	15,049,210	7,523,441
FUND BALANCES AT END OF YEAR	\$ 157,091,570	\$ 16,330,411	\$ 8,144,766

See accompanying notes to basic financial statements

Municipal Retirement/ Social Security	Debt Service	Total Governmental Funds
\$ 7,656,551	\$ -	\$ 233,197,010
238,600	-	2,214,286
-	-	7,606,102
80,364	33,602	2,805,867
-	-	2,396,511
-	-	84,341,190
-	327,354	7,195,253
<u>7,975,515</u>	<u>360,956</u>	<u>339,756,219</u>
2,984,069	-	206,996,311
4,780,489	-	103,360,683
84,874	-	918,056
-	-	733,471
-	-	12,256,705
-	12,879,633	12,879,633
-	1,416,457	1,416,457
<u>7,849,432</u>	<u>14,296,090</u>	<u>338,561,316</u>
126,083	(13,935,134)	1,194,903
-	-	1,113,476
-	-	24,065
-	13,563,052	23,063,052
-	-	(23,063,052)
<u>-</u>	<u>13,563,052</u>	<u>1,137,541</u>
126,083	(372,082)	2,332,444
<u>3,540,040</u>	<u>2,668,972</u>	<u>185,197,316</u>
<u>\$ 3,666,123</u>	<u>\$ 2,296,890</u>	<u>\$ 187,529,760</u>

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances of Governmental Funds to the Statement of Activities
 Year Ended June 30, 2018

Net change in fund balances - total governmental funds **\$ 2,332,444**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$1,000 are capitalized and the cost is allocated over their estimated lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 12,749,200	
Depreciation expense	<u>(7,546,008)</u>	5,203,192

Because some of the governmental revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are not accrued in the governmental funds. (2,518,830)

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

Change in compensated absences	57,584	
Change in net pension liability	14,277,818	
Change in deferred inflows/outflows related to pensions	(14,155,723)	
Change in other postemployment benefits liabilities	4,382,433	
Change in deferred inflows/outflows related to other postemployment benefits	<u>(13,326,089)</u>	(8,763,977)

The governmental funds record bond and loan proceeds as other financing sources, while repayment of bond and loan principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of bonds and loans and related items is as follows:

Capital lease proceeds	(1,113,476)	
Repayment of bond and loan principal	<u>12,879,633</u>	11,766,157

Change in net position of governmental activities **\$ 8,018,986**

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Statement of Fiduciary Assets and Liabilities

Agency Fund - Activity Fund

Year Ended June 30, 2018

Assets

Cash \$ 3,686,120

Liabilities

Due to organizations \$ 3,686,120

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Financial Statements

June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Naperville Community Unit School District No. 203 (the District) is a public school system governed by a seven-member elected board. The District is organized under the School Code of the State of Illinois, as amended. The accounting policies of the District conform to the accounting principles generally accepted in the United States of America, as applicable to local governmental units of this type. The following is a summary of the more significant accounting policies of the District.

a. The Reporting Entity

Accounting principles generally accepted in the United States of America require that the financial reporting entity include (1) the primary government, (2) organizations for which the primary district 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 governmental accounting standards have been considered and there are no agencies or entities which should be presented with the District.

b. Fund Accounting

The accounts of the District are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The following summarizes the fund types used by the District:

General Fund - The General Fund, which consists of the legally mandated Educational Account, Tort Immunity Account and Working Cash Account is used to account for the revenues and expenditures, which are used in providing education in the District. It is used to account for all financial resources except those accounted for in other funds. This Fund is used for most of the instructional and administrative aspects of the District's operations, as well as providing school lunch services to students. The revenue consists primarily of local property taxes, state government aid and student registration fees and lunch receipts from the District food service program.

Educational Account – These accounts are used for most of the instructional and administrative aspects of the District's operations, as well as providing school lunch services to students. The revenue consists primarily of local property taxes, state government aid and student registration fees and lunch receipts from the District food service program.

Tort Immunity Account – This fund accounts for revenues and expenditures related to tort immunity. Revenue is primarily derived from local property taxes.

Working Cash Account – This fund accounts for financial resources held by the District to be used as loans for working capital requirements to any other fund for which taxes are levied. The Working Cash Account was established and has been used to respond to fluctuations in cash flow resulting from unpredictable property tax collections. The earnings of the fund are allowed to be transferred to another fund under the Illinois Compiled Statutes. The principal of the fund, accumulated from bond issues, can be used as a source from which the District borrows money to support temporary deficiencies in other funds, or may be partially or fully transferred to the General Fund and the Special Revenue Funds Operation and Maintenance and Transportation Funds, upon Board approval.

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Financial Statements (Continued)

June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Revenue Funds - Special Revenue Funds account for the proceeds of specific revenue sources (other than Debt Service and Capital Projects Funds) that are legally restricted to expenditures for specified purposes. The District's Special Revenue Funds are described as follows:

Operations and Maintenance Fund – These accounts are used for expenditures made for operation, repair and maintenance of District property. Revenue consists primarily of local property taxes.

Transportation Fund – This fund, elected by the District to be reported as major, accounts for the revenue and expenditures relating to student transportation, both to and from school. Revenue is derived primarily from local property taxes and state reimbursement grants.

Municipal Retirement/Social Security Fund – This fund, elected by the District to be reported as major, accounts for the District's portion of the pension contributions to the Illinois Municipal Retirement Fund for noncertified employees and social security contributions for applicable certified and noncertified employees. Revenue to finance the contributions is derived primarily from local property taxes.

Debt Service Funds - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.

Debt Service Fund - The Debt Service Fund, elected by the District to be reported as major, 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 - Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Fire Prevention and Safety Fund – The Fire Prevention and Safety Fund accounts for financial resources to be used for acquisitions and construction projects, which qualify as Fire Prevention and Safety expenditures.

The District considers all governmental fund to be major.

Fiduciary Fund Type

Agency Funds - The Agency Funds (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. In accordance with GASB 34, fiduciary funds are not included in the government-wide financial statements..

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Financial Statements (Continued)

June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

c. Basis of Presentation

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. All of the District's operating activities are considered "governmental activities", that is, activities that are normally supported by taxes and intergovernmental revenues. The District has no operating activities that would be considered "business activities".

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

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

Fiduciary fund reporting focuses on net position and changes in net position. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities in the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as a revenue of the current period. All other revenue items are considered to be measurable and available only when the District receives the cash.

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Financial Statements (Continued)

June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Revenues – Exchange and nonexchange transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements that specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes, interest, grants, entitlements and student fees.

d. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position/balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position/balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

e. Expenses / Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of costs, such as depreciation and amortization are not recognized in governmental funds.

f. Deposits and Investments

Under Illinois law, the District is restricted to investing funds in specific types of investment instruments. 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.

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Financial Statements (Continued)

June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Short-term obligations (less than 180 days) of U.S. corporations with assets over \$500,000,000 rated in the three 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.
- Illinois Funds. (A state sponsored investment pool.)
- Repurchase agreements which meet instrument transactions requirements of Illinois law.

g. Capital Assets

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 for furniture, equipment, buildings and improvements and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings, improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings	40-50 years
Building improvements	20 years
Furniture and Equipment	5-20 years
Vehicles	8 years

h. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

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

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Financial Statements (Continued)

June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Net Position

Government-Wide Statements

Net position is classified and displayed in three components:

1. 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 improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. Restricted. Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by external groups, such as creditors, grantors, contributors, or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.
3. Unrestricted. Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

It is the District's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

j. Fund Balance Reporting

According to Government Accounting Standards, fund balances are to be classified into five major classifications: Nonspendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance.

A. Nonspendable Fund Balance

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.

B. Restricted Fund Balance

The restricted fund balance classification refers to amounts that are subject to outside restrictions, not controlled by the entity. Things such as restrictions imposed by creditors, grantors, contributors, or laws and 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 –

1. Special Education

Revenues and the related expenditures of this restricted tax levy are accounted for in the Educational Account. Expenditures exceeded revenue for this purpose, resulting in no restricted fund balance.

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Financial Statements (Continued)

June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Tort Immunity

Expenditures and the related revenues are accounted for in the Tort Immunity Account. Revenues exceeded expenditures for this purpose, resulting in a restricted fund balance of \$1,771,837.

3. State and Federal Grants

Proceeds from state and federal grants and the related expenditures have been included in the General Fund and various Special Revenue Funds. At June 30, 2018, expenditures exceeded revenue from state and federal grants, resulting in no restricted balances.

4. Social Security

Expenditures and the related revenues of this restricted tax levy are accounted for in the Municipal Retirement/Social Security Fund. Revenues received exceeded expenditures for this purpose, resulting in a restricted fund balance of \$857,490. The remaining balance is restricted for Municipal Retirement purposes.

5. Capital Projects Funds

Expenditures and the related revenues are accounted for in the Fire Prevention and Safety Fund. All equity within this fund is restricted for the associated capital expenditures within these funds.

C. Committed Fund Balance

The committed fund balance classification refers to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority (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.

The District's self-insured health insurance fund represents funds that have been segregated by the District for the purpose of funding these related insurance costs. As of June 30, 2018, \$12,022,073 was committed for this purpose.

D. Assigned Fund Balance

The assigned fund balance classification refers to the amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Financial Statements (Continued)

June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Unassigned Fund Balance

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.

F. Expenditures of Fund Balance

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

k. Property Taxes

The District must file its tax levy ordinance by the last Tuesday in December of each year. The District's property tax is levied each year on all taxable real property located in the District. The owner of real property on January 1 (the lien date) in any year is liable for taxes of that year.

The DuPage/Will County Assessor is responsible for the assessment of all taxable real property within DuPage/Will County except for certain railroad property that is assessed directly by the State.

Property taxes are collected by the DuPage and Will County Treasurers who remit to the units their respective shares of the collections. Taxes levied in one year become due and payable in two installments on June 1 and September 1 during the following year. Substantial collections are received by the District in June and September. For governmental funds, property tax revenue is recognized to the extent of taxes due and collected within the current year or expected to be collected within 60 days of year end to be used to pay liabilities of the current period.

The 2017 property tax levy is recognized as a receivable in fiscal year 2018. The District considers that the first installment of the 2017 levy is to be used to finance operations in fiscal 2018. This District has determined that the second installment of the 2017 levy is to be used to finance operations in fiscal year 2019 and has deferred the corresponding receivable.

l. Personal Property Replacement Taxes

Personal property replacement tax revenues are first allocated to the extent required by Illinois law in the Municipal Retirement/Social Security Fund with the balance allocated to funds at the discretion of the District.

m. Other receivables

The District records receivables for items such as special education costs, rent and other amounts due from individuals as other receivables.

n. Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Financial Statements (Continued)

June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All vested vacation and sick leave pay is accrued when incurred in the government-wide fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, or are payable with expendable available resources.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at June 30, 2018 are determined on the basis of current salary rates and include salary related payments.

Employees are entitled to be compensated for vacation time. Vacations are usually taken within the fiscal year. Accrued but unpaid vacation leave at June 30, 2018, was \$1,274,291, which is reported as a long-term liability in the statement of net position. In prior years, the accrued vacation liability was due within one year as all employees had until the end of August of the following year to use vacation time or it was lost. Beginning July 1, 2010 the District implemented a new policy that accrues vacation time on a monthly basis and allows employees to carry over a maximum of 1.5 times their allotment of days (Administrators, NESBA, & Non Union) or 26/12 times their allotment of days (NUMA & NTA) in their vacation time bank. As such, the liability is not considered to be due within one year as of June 30, 2018.

All certified employees receive a specified number of sick days per year. Unused sick leave days accumulate to a maximum of 240 days. Upon retirement, a certified employee may apply up to 170 days of unused sick leave toward service credit for TRS.

Education support personnel receive fifteen sick days per year, which accumulate to a maximum of 260 days. The District does not reimburse employees for unused sick days remaining upon retirement of employment.

Due to the nature of the policies on sick leave no liability is provided in the financial statements for accumulated unpaid sick leave.

o. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the Teachers' Retirement System of the State of Illinois (TRS) and the Illinois Municipal Retirement Fund (IMRF), together "the Plans," and additions to/deductions from the Plans' fiduciary net positions have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

p. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Financial Statements (Continued)

June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q. Comparative Data

The financial statements include summarized prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2017, from which such summarized information was derived.

2. CASH AND INVESTMENTS

a. Deposits and Custodial Credit Risk

Investments held by the District which are short-term highly liquid investments having a remaining maturity of one year or less at the time of purchase are reported by the District at amortized cost.

All other investments are reported at fair value. Gains or losses on the sale of investments are recognized upon realization. The District has adopted a formal written investment and cash management policy. The institutions in which investments are made must be approved by the Board of Education.

At June 30, 2018, the carrying amount of the District's deposits totaled \$174,816,606 and the bank balances totaled \$174,830,456. Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires pledging of collateral for all deposits in excess of FDIC limits to be held by a third party custodian in the District's name.

b. Investments

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

The Illinois School District Liquid Asset Fund Plus (ISDLAF+) is an investment pool created and regulated by the Illinois General Assembly. The fair value of the District's investment in ISDLAF+ has been determined using the net asset value (NAV) per share (or its equivalent) of the investments. The NAV of the Liquid Class and MAX Class are determined as of the close of business on each Illinois banking day. The Multi-Class Series invests in high-quality short-term debt instruments (money market instruments), and shares may be redeemed on any Illinois banking day. The Term Series invest in high-quality debt instruments, which are generally money market instruments but may include instruments with a maturity over one year, and shares may be redeemed with seven days' advance notice.

U.S. Agency Securities, Municipal Bonds, and Negotiable CDs are valued by a pricing service based on recent market transactions (Level 2 inputs).

The following table represents the investments and maturities of the District as of June 30, 2018:

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Financial Statements (Continued)

June 30, 2018

2. CASH AND INVESTMENTS (Continued)

Investment Type	Fair Value	Maturities (in years)			Greater than 10	% of Portfolio	Agency Rating
		Less than 1	1 to 5	6 to 10			
U.S. Agency Securities	\$ 30,182,004	\$ 5,219,876	\$ 17,524,503	\$ 7,437,625	\$ -	56.6%	AAA
Municipal Bonds	17,898,297	397,796	9,825,121	7,675,380	-	33.5%	A- to AAA
Negotiable CDs	5,271,813	5,271,813	-	-	-	9.9%	N/A
ISDLAF+ Liquid	3,646	3,646	-	-	-	0.0%	AAAm
ISDLAF+ MAX	1,384	1,384	-	-	-	0.0%	AAAm
	<u>\$ 53,357,144</u>	<u>\$ 10,894,515</u>	<u>\$ 27,349,624</u>	<u>\$ 15,113,005</u>	<u>\$ -</u>	<u>100.0%</u>	

At year end, the District's cash and investments was comprised of the following:

	Government-wide	Fiduciary	Total
Cash & Investments	\$ 224,487,630	\$ 3,686,120	\$ 228,173,750
	Cash and Investments		
Deposits with financial institutions	\$ 174,816,606		
Other investments	53,357,144		
Total	<u>\$ 228,173,750</u>		

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment. 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 District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the policy requires the District investment portfolio to sufficiently liquid to enable the District to meet all operating requirements as they come due.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes authorize the District to invest in direct obligations of, or obligations guaranteed by, the United States Treasury or agencies of the United States, and short-term obligations of corporations organized in the United States with assets exceeding \$500,000,000. State Statutes limit the investments in commercial paper and corporate bonds to the top four ratings of two nationally recognized statistical rating organization (NRSRO's). The District is also authorized to invest in the ISDLAF and the Illinois Funds. The District restricted its investments to only investments described above.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's investment policy does not address concentration of credit risk but requires the Chief Investment Officer to use the judgment and care, under circumstances prevailing, "that persons of prudence, discretion and intelligence exercise is the management of their own affairs, not for speculation, but for investment, considering the safety of capital as well as probably income."

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Financial Statements (Continued)

June 30, 2018

2. CASH AND INVESTMENTS (Continued)

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 government 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 be held by a third party custodian.

Separate cash and investment accounts are not maintained for all District funds; instead, the individual funds maintain their invested and uninvested balances in the common checking and investment accounts, with accounting records being maintained to show the portion of the common account balance attributable to each participating fund. Occasionally certain funds participating in the common bank accounts will incur overdrafts (deficits) in the account. The overdrafts result from expenditures that have been approved by the Board of Education.

3. DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units is comprised of the following as of June 30, 2018:

	State Aid	Federal Aid	Total
Educational Fund	\$ 980,471	\$ 720,879	\$ 1,701,350
Transportation Fund	1,319,019	-	1,319,019
Total	\$ 2,299,490	\$ 720,879	\$ 3,020,369

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Financial Statements (Continued)

June 30, 2018

4. CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance July 01, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets, not being depreciated				
Land	\$ 12,787,618	\$ -	\$ -	\$ 12,787,618
Total capital assets not being depreciated	<u>12,787,618</u>	<u>-</u>	<u>-</u>	<u>12,787,618</u>
Capital assets, being depreciated				
Buildings	219,777,800	10,285,748	-	230,063,548
Improvements other than buildings	7,441,597	-	-	7,441,597
Equipment	27,251,182	2,463,452	(192,000)	29,522,634
Total capital assets being depreciated	<u>254,470,579</u>	<u>12,749,200</u>	<u>(192,000)</u>	<u>267,027,779</u>
Accumulated depreciation for:				
Buildings	125,136,202	4,011,159	-	129,147,361
Improvements other than buildings	4,935,361	87,325	-	5,022,686
Equipment	17,390,724	3,447,524	(192,000)	20,646,248
Total accumulated depreciation	<u>147,462,287</u>	<u>7,546,008</u>	<u>(192,000)</u>	<u>154,816,295</u>
Total capital assets being depreciated, net	<u>107,008,292</u>	<u>5,203,192</u>	<u>-</u>	<u>112,211,484</u>
Total capital assets, net	<u>\$ 119,795,910</u>	<u>\$ 5,203,192</u>	<u>\$ -</u>	<u>\$ 124,999,102</u>

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

<i>Instructional Services</i>	
Regular programs	\$ 5,346,433
Special programs	225,843
<i>Supporting Services</i>	
Pupils	165,647
Instructional Staff	209,425
General Administration	139,372
School administration	582
Business	181,313
Operations and maintenance of facilities	363,363
Transportation	615,986
Central	298,044
	<u><u>\$ 7,546,008</u></u>

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Financial Statements (Continued)

June 30, 2018

5. LONG-TERM DEBT

The following is a summary of the components of long-term debt and related transactions of the District for the year ended June 30, 2018:

Long-Term Debt at June 30, 2018 is comprised of the following:

	Balance			Balance	Amount Due
	June 30, 2017	Additions	Reductions	June 30, 2018	in one year
General Obligation Bonds	\$ 29,560,000	\$ -	\$ 11,570,000	\$ 17,990,000	\$ 2,130,000
Capital Leases	2,511,006	1,113,476	1,309,633	2,314,849	1,307,968
Compensated Absences	1,331,875	1,274,291	1,331,875	1,274,291	1,274,291
Net Pension Liability	44,769,979	-	14,277,818	30,492,161	-
Net OPEB Liability	203,582,123	-	4,382,433	199,199,690	-
Total Long-Term Debt	\$281,754,983	\$ 2,387,767	\$ 32,871,759	\$251,270,991	\$ 4,712,259

General Obligation Bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Original Indebtedness	Carrying Amount
Series 2009 Build America Bonds dated August 26, 2009, are due in annual installments through February 1, 2029	1.50% - 5.00%	\$ 33,000,000	\$ 17,990,000
Total		\$ 33,000,000	\$ 17,990,000

Annual debt service requirements to maturity for general obligation bonds are as follows for governmental type activities:

	Principal	Interest	Total
2019	\$ 2,130,000	\$ 899,500	\$ 3,029,500
2020	2,200,000	793,000	2,993,000
2021	2,270,000	683,000	2,953,000
2022	2,350,000	569,500	2,919,500
2023	2,430,000	452,000	2,882,000
2024	2,510,000	330,500	2,840,500
2025	1,080,000	205,000	1,285,000
2026	-	151,000	151,000
2027	-	151,000	151,000
2028	-	151,000	151,000
2029	3,020,000	151,000	3,171,000
Total	\$ 17,990,000	\$ 4,536,500	\$ 22,526,500

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Financial Statements (Continued)

June 30, 2018

The District entered into a technology lease during fiscal year 2018. The lease calls for annual payments plus interest at 2.21% payable from the Debt Service Fund through transfers from the Educational Account of the General Fund. The lease currently extends into fiscal year 2021. Total assets received under the lease amount to \$1,113,476.

5. LONG-TERM DEBT (Continued)

Remaining principal and interest requirements for all capital leases are as follows:

	Amount
2019	\$ 1,348,377
2020	744,605
2021	288,085
Total minimum lease payments	2,381,067
Less: amount representing interest	(66,218)
	\$ 2,314,849

The District is subject to the Illinois Compiled Statutes which limits the amount of bond indebtedness, including the installment contracts, to 13.8% of the most recent available equalized assessed valuation of the District. As of June 30, 2018, the statutory debt limit for the District was \$657,878,655 providing a debt margin of \$639,870,695 after taking into account amounts available in the Debt Service Fund.

The payments to retire the compensated absences and other post-employment benefits will be provided by future tax levies within the General Fund and Operations and Maintenance Fund. Payments to retire bonds payable will be made from debt service levies in future periods. There is \$2,296,890 of fund equity available in the Debt Service Fund to service outstanding bonds payable.

6. EMPLOYEE RETIREMENT SYSTEMS

The retirement plans of the District include the Teachers' Retirement System of the State of Illinois (TRS) and the Illinois Municipal Retirement Fund (IMRF). Most funding for TRS is provided through payroll withholdings of certified employees and contributions made by the State of Illinois on-behalf of the District. IMRF is funded through property taxes and a perpetual lien of the District's corporate personal property replacement tax. Each retirement system is discussed below.

a. Teachers' Retirement System of the State of Illinois (TRS)

Plan Description

The District participates in the 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 <https://www.trsil.org/financial/cafrs/fy2017>; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling (888) 678-3675, option 2.

6. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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.

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

Contributions

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

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

On-behalf contributions to TRS. The State of Illinois makes employer pension contributions on-behalf of the District. For the year ended June 30, 2018, State of Illinois contributions recognized by the District were based on the State's proportionate share of the collective net pension liability associated with the District, and the District recognized revenue and expenditures of \$58,550,759 in pension contributions from the State of Illinois.

2.2 formula contributions. The District contributes 0.58% of total creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ended June 30, 2018 were \$766,476, and are deferred because they were paid after the June 30, 2017 measurement date.

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Financial Statements (Continued)

June 30, 2018

6. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Federal and special trust fund contributions. When TRS members are paid from federal and special trust funds administered by the District, there is a statutory requirement for the District to pay an employer pension contribution from those funds. Under Public Act 100-0340, the federal and special trust fund contribution rate is the total employer normal cost beginning with the year ended June 30, 2018.

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

For the year ended June 30, 2018, the employer pension contribution was 10.10% of salaries paid from federal and special trust funds. For the year ended June 30, 2018, salaries totaling \$900,765 were paid from the federal and special trust funds that required employer contributions of \$90,977. These contributions are deferred because they were paid after the June 30, 2017 measurement date.

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

The employer is also required to make a one-time contribution to TRS for members granted salary increases over 6% if those salaries are used to calculate a retiree's final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2018, the District paid \$9,960 to TRS for employer contributions due on salary increases in excess of 6% and \$0 for sick leave days granted in excess of the normal annual allotment.

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

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

District's proportionate share of the net pension liability	\$ 19,701,890
State's proportionate share of the net pension liability associated with the District	961,288,070
Total	<u>\$ 980,989,960</u>

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Financial Statements (Continued)

June 30, 2018

6. EMPLOYEE RETIREMENT SYSTEMS (Continued)

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 and rolled forward to June 30, 2017. The 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, 2017, relative to the projected contributions of all participating TRS employers and the state during that period. At June 30, 2017, the employer's proportion was 0.02579%, which was an increase of 0.00005% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$58,550,759 and revenue of \$58,550,759 for support provided by the state. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 213,984	\$ 9,094
Changes in assumptions	1,314,960	566,141
Net difference between projected and actual earnings on pension plan investments	13,516	-
Changes in proportion and differences between District contributions and proportionate share of contributions	679,243	4,186,001
Total deferred amounts to be recognized in pension expense in future periods	<u>2,221,703</u>	<u>4,761,236</u>
District contributions subsequent to the measurement date	<u>867,413</u>	<u>-</u>
Total	<u>\$ 3,089,116</u>	<u>\$ 4,761,236</u>

\$867,413 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Net Deferred Outflows (Inflows) of Resources
2018	\$ (2,670,713)
2019	208,978
2020	129,366
2021	(192,300)
2022	(14,864)
Total	<u>\$ (2,539,533)</u>

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Financial Statements (Continued)

June 30, 2018

6. EMPLOYEE RETIREMENT SYSTEMS (Continued)*Actuarial Assumptions*

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

Inflation	2.50%
Salary increases	varies by amount of service credit
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. large cap	14.4%	6.94%
Global equity excluding U.S.	3.6%	8.09%
Aggregate bonds	14.4%	7.46%
U.S. TIPS	3.6%	10.15%
NCREIF	10.7%	2.44%
Opportunistic real estate	5.3%	1.70%
ARS	15.0%	5.44%
Risk parity	11.0%	4.28%
Diversified inflation strategy	8.0%	4.16%
Private equity	14.0%	10.63%
	100%	

Discount Rate

At June 30, 2017, the discount rate used to measure the total pension liability was 7.0%, which was a change from the June 30, 2016 rate of 6.83%. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and State contributions will be made at the current statutorily-required rates.

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Financial Statements (Continued)

June 30, 2018

6. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 24,206,346	\$ 19,701,890	\$ 16,012,366

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

b. Illinois Municipal Retirement Fund (IMRF)

Plan Description and Benefits

The District's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The District's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. 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 financial report that includes financial statements and required supplementary information. That report may be obtained online at www.imrf.org.

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Financial Statements (Continued)

June 30, 2018

6. EMPLOYEE RETIREMENT SYSTEMS (Continued)

All employees (other than those covered by TRS) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter. Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after 10 years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

Plan Membership

As of June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	936
Inactive employees entitled to but not yet receiving benefits	1,352
Active employees	1,026
Total	<u>3,314</u>

Contributions

As set by statute, Regular plan members are required to contribute 4.50% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The District's actual contribution rate for calendar year 2017 was 11.56% of covered payroll. The District 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 the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The District's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Financial Statements (Continued)

June 30, 2018

6. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value of Assets
Amortization method	Level Percent of Payroll
Price inflation	2.50%
Salary increases	3.39% to 14.25%, including inflation
Investment rate of return	7.50%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2014-2016.
Mortality	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
Other information:	
Notes	There were no benefit changes during the year.

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 are summarized in the following table:

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Financial Statements (Continued)

June 30, 2018

6. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equities	37.0%	6.85%
International equities	18.0%	6.75%
Fixed income	28.0%	3.00%
Real estate	9.0%	5.75%
Alternative investments	7.0%	2.65-7.35%
Cash	1.0%	2.25%
	<u>100.0%</u>	

Discount Rate

The single discount rate used to measure the total pension liability for IMRF was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The single discount rate reflects:

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

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.31%, and the resulting single discount rate is 7.50%.

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Financial Statements (Continued)

June 30, 2018

6. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Changes in Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2016	\$ 153,631,735	\$ 129,180,937	\$ 24,450,798
Changes for the year:			
Service Cost	3,550,601	-	3,550,601
Interest on the Total Pension Liability	11,369,709	-	11,369,709
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	1,853,547	-	1,853,547
Changes of Assumptions	(4,688,328)	-	(4,688,328)
Contributions - Employer	-	3,720,926	(3,720,926)
Contributions - Employees	-	1,474,862	(1,474,862)
Net Investment Income	-	22,677,817	(22,677,817)
Benefit Payments, including Refunds of Employee Contributions	(7,621,836)	(7,621,836)	-
Other (Net Transfer)	-	(2,127,549)	2,127,549
Net Changes	4,463,693	18,124,220	(13,660,527)
Balances at December 31, 2017	\$ 158,095,428	\$ 147,305,157	\$ 10,790,271

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

The following presents the net pension liabilities of the District, calculated using the discount rate, as well as what the District's net pension liabilities would be if they were calculated using discount rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability (asset)	\$ 28,775,494	\$ 10,790,271	\$ (4,238,866)

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

For the year ended June 30, 2018, the District recognized pension expense of \$5,558,348. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Financial Statements (Continued)

June 30, 2018

6. EMPLOYEE RETIREMENT SYSTEMS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,553,646	\$ -
Changes in assumptions	-	3,152,124
Net difference between projected and actual earnings on pension plan investments	<u>4,202,900</u>	<u>10,528,006</u>
Total deferred amounts to be recognized in pension expense in future periods	<u>5,756,546</u>	<u>13,680,130</u>
Contributions subsequent to the measurement date	<u>1,979,851</u>	<u>-</u>
Total	<u>\$ 7,736,397</u>	<u>\$ 13,680,130</u>

\$1,979,851 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Net Deferred Inflows of Resources
2018	\$ (1,307,375)
2019	(1,506,583)
2020	(2,477,623)
2021	(2,632,003)
2022	<u>-</u>
Total	<u>\$ (7,923,584)</u>

7. RISK MANAGEMENT

The District is exposed to various risks of loss related to employee health benefits; workers' compensation claims; theft of, damage to, and destruction of assets; and natural disasters. The District has purchases insurance from private insurance companies and a risk pool for general liability, workers' compensation and other coverages not included below. Premiums have been recorded as expenditures in the appropriate funds.

The District is self-insured for medical and workers' compensation coverage that is provided to District personnel. A third party administrator administers claims for a monthly fee per participant. Expenditures are recorded as incurred in the form of direct contributions from the District to the third party administrator for payment of employee health claims and administration fees. The District's liability will not exceed \$235,000 per employee for medical and \$450,000 per employee for workers' compensation, as provided by stop-loss provisions incorporated in the plan.

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Financial Statements (Continued)

June 30, 2018

7. RISK MANAGEMENT (Continued)

At June 30, 2017, total unpaid claims, including an estimate of claims that have been incurred but not reported to the administrative agent, totaled \$5,337,060. The estimates are developed based on reports prepared by the administrative agent. The District does not allocate overhead costs or other non-incremental costs to the claims liability. For the two years ended June 30, 2017 and June 30, 2018, changes in the total liability for unpaid medical claims are summarized as follows:

	Claims Payable Beginning of Year	Current Year Claims and Changes in Estimates	Claims Payments	Claims Payable End of Year
Fiscal Year 2018	\$ 5,177,838	\$ 35,739,626	\$ 35,580,404	\$ 5,337,060
Fiscal Year 2017	4,922,438	34,774,321	34,518,921	5,177,838

8. COLLECTIVE LIABILITY INSURANCE COOPERATIVE (CLIC)

The District is a member of CLIC, which has been formed to provide casualty, workman's compensation, property and liability protections and to administer some or all insurance coverages and protection other than health, life and accident coverages procured by the member districts. It is intended, by the creation of CLIC to allow a member District to equalize annual fluctuations in insurance costs by establishing a program whereby reserves may be created and temporary deficits of individual Districts covered and to ultimately equalize the risks and stabilize the costs of providing casualty, property and liability protections. If, during any fiscal year, the funds on hand in the account of CLIC are not sufficient to pay expenses of administration, the Board of Directors shall require supplementary payment from all members. Such payment shall be made in the same proportion as prior payments during that year to CLIC. Complete financial statements for CLIC can be obtained from its administrator, 555 North Main Street, Wauconda, Illinois 60084.

9. JOINT AGREEMENTS

The District is a member of DuPage Area Occupational Education System (DAOES), a joint agreement that provides certain special education services to residents of many school districts. The District believes that because it does not control the selection of the governing authority, and because of the control over employment of management personnel, operations, scope of public service, and special financing relationships exercised by the joint agreement governing board, this is not included as a component unit of the District. Financial statements for the DAOES may be obtained by writing to 301 S. Swift Road, Addison, IL 60101 or online at <http://www.tcdupage.org/Page/702>.

10. OTHER POST-EMPLOYMENT BENEFITS**a. Teacher Health Insurance Security (THIS)***Plan Description*

The District participates in the THIS. The THIS is a cost-sharing, multiple-employer defined benefit post-employment healthcare plan (OPEB) that was established by the Illinois legislature for the benefit of Illinois public school teachers employed outside the City of Chicago. The THIS members are retirees of public schools who were certified educators or administrators. Eligibility is currently limited to former full-time employees, and others who were not full-time employees that meet certain requirements, and their dependents. The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.5) (SEGIA) establishes the eligibility and benefit provisions of the plan.

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Financial Statements (Continued)

June 30, 2018

10. OTHER POST-EMPLOYMENT BENEFITS (Continued)

The THIS issues a publicly available financial report that can be obtained at the website of the Illinois Auditor General: <https://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".

Benefits Provided

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 were enrolled in Medicare Parts A and B may be eligible to enroll in Medicare Advantage Plans.

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.

Contributions

The SEGIA requires that all active contributors to the TRS, who are not employees of a department, make contributions to the plan at a rate of 1.18% of salary and for every employer of a teacher to contribute an amount equal to 0.88% of each teacher's salary. Additionally, the SEGIA requires the State to match the employees' contribution on-behalf of the employer. The Department determines, by rule, the percentage required, which each year shall not exceed 105% of the percentage of salary actually required to be paid in the previous fiscal year. In addition, under the State Pension Funds Continuing Appropriations Act (40 ILCS 15/1.3), there is appropriated, on a continuing annual basis, from the General Revenue Fund, an account of the General Fund, to the State Comptroller for deposit in the THIS, an amount equal to the amount certified by the Board of Trustees of TRS as the estimated total amount of contributions to be paid under 5 ILCS 376/6.6(a) in that fiscal year.

The SEGIA requires that the Department's Director determine the rates and premiums of annuitants and dependent beneficiaries and establish the cost-sharing parameters, as well as funding. Member premiums are set by this statute, which provides for a subsidy of either 50% or 75%, depending upon member benefit choices. Dependents are eligible for coverage, at a rate of 100% of the cost of coverage.

On-behalf contributions to THIS. The state of Illinois makes employer retiree health insurance contributions on behalf of the District. State contributions are intended to match contributions to THIS Fund from active members which were 1.18% of pay during the year ended June 30, 2018. State of Illinois contributions were \$1,559,383, and the district recognized revenue and expenditures of this amount during the year.

Employer contributions to THIS Fund. The District also makes contributions to THIS Fund. The District THIS Fund contribution was 0.88% during the year ended June 30, 2018. For the year ended June 30, 2018, the District paid \$1,162,929 to the THIS Fund, which was 100 percent of the required contribution. These contributions are deferred because they were paid after the June 30, 2017 measurement date.

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Financial Statements (Continued)

June 30, 2018

10. OTHER POST-EMPLOYMENT BENEFITS (Continued)*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

At June 30, 2018, the District reported a liability for its proportionate share of the net OPEB liability. The State's support and total are for disclosure purposes only. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$ 145,896,779
State's proportionate share of the net OPEB liability associated with the District	191,598,724
Total	<u>\$ 337,495,503</u>

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016 and rolled forward to June 30, 2017. The District's proportion of the net OPEB liability was based on the District's share of contributions to TRS for the measurement year ended June 30, 2017, relative to the projected contributions of all participating TRS employers and the state during that period. At June 30, 2017, the District's proportion was 0.562232%, which was an increase of 0.012872% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$11,300,265.

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 82,637
Changes in assumptions	-	17,370,937
Net difference between projected and actual earnings on OPEB plan investments	-	1,606
Changes in proportion and differences between District contributions and proportionate share of contributions	2,966,162	-
Total deferred amounts to be recognized in OPEB expense in future periods	2,966,162	17,455,180
District contributions subsequent to the measurement date	1,162,929	-
Total	<u>\$ 4,129,091</u>	<u>\$ 17,455,180</u>

\$1,162,929 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Financial Statements (Continued)

June 30, 2018

10. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Year Ending June 30	Net Deferred Inflows of Resources
2018	\$ (2,225,810)
2019	(2,225,810)
2020	(2,225,810)
2021	(2,225,810)
2022	(2,225,409)
Thereafter	<u>(3,360,369)</u>
Total	<u>\$ (14,489,018)</u>

Actuarial Valuation Method

The actuarial valuation was based on the Entry Age Normal cost method. Under this method, the normal cost and actuarial accrued liability are directly proportional to the employee's salary. The normal cost rate equals the present value of future benefits at entry age divided by the present value of future salary at entry age. The normal cost at the member's attained age equals the normal cost rate at entry age multiplied by the salary at attained age. The actuarial accrued liability equals the present value of benefits at attained age less present value of future salaries at attained age multiplied by normal cost rate at entry age.

Actuarial Assumptions

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

Inflation	2.75%
Salary increases	Depends on service and ranges from 9.25% at 1 year of service to 3.25% at 20 or more years of service. Salary increase includes a 3.25% wage inflation assumption,
Investment rate of return	0.00%, net of OPEB plan investment expense, including inflation.
Healthcare cost trend rates	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.00% and 9.00% for non-Medicare costs and post-Medicare costs, respectively, and gradually decreases to an ultimate trend of 4.50%. Additional trend rate of 0.59% is added to non-Medicare costs on and after 2020 to account for Excise Tax.

Mortality rates for retirement and beneficiary annuitants were based on the RP-2014 White Collar Annuitant Mortality Table, adjusted for TRS experience. For disabled annuitants mortality rates were based on the RP-Disabled Annuitant table. Mortality rates for pre-retirement were based on the RP-2014 White Collar Table. All tables reflect future mortality improvements using Projection Scale MP-2014.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2014.

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Financial Statements (Continued)

June 30, 2018

10. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Discount Rate

Projected benefit payments were discounted to their actuarial present value using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bond with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met). Since the THIS is financed on a pay-as-you-go basis, a discount rate consistent with the 20-year general obligation bond index has been selected. The discount rates are 2.85% as of June 30, 2016, and 3.56% as of June 30, 2017. The increase in the single discount rate from 2.85% to 3.56% caused the total OPEB liability to decrease by approximately \$3.564 billion from 2016 to 2017.

Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rate

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

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
District's proportionate share of the net OPEB liability	\$ 175,075,369	\$ 145,896,779	\$ 122,549,282

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

	1% Decrease (a)	Healthcare Cost Trend Rate Assumptions	1% Increase (b)
District's proportionate share of the net OPEB liability	\$ 117,753,644	\$ 145,896,779	\$ 186,291,489

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

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Financial Statements (Continued)

June 30, 2018

10. OTHER POST-EMPLOYMENT BENEFITS (Continued)

b. Defined Post-employment Benefit Plan

The District administers a single-employer defined benefit healthcare plan (the "Defined Post-employment Benefit Plan"). The plan provides medical and prescription drug and dental benefits for eligible retirees and their spouses through the District's self-insured insurance plan or TRS (TRIP), which covers both active and retired members. Benefit provisions are established through collective bargaining agreements and state that eligible retirees and their spouses receive healthcare insurance for a limited period of (5 years for IMRF and 10 years or \$48,000, whichever comes first, for TRS) at established contribution rates. The Defined Post-employment Benefit Plan does not issue a publicly available financial report.

Contribution requirements are established through collective bargaining agreements and may be amended only through negotiations between the board and the union. The District pays 100% of the premiums (medical and dental) for individuals eligible for health benefits from the Teacher's Retirement System (TRS). For individuals retiring under IMRF, the District pays 90% of the medical premium for exempt retirees and 85% for non-exempt retirees. Dental premiums are paid 100% by the retiree. The District makes the same monthly health insurance contribution on behalf of the retiree as it makes on behalf of all other active employees during the year. Administrative costs of the Defined Post-employment Benefit Plan are financed through investment earnings.

Funding Policy

All plan funding is done on a pay-as-you go basis. Eligibility – Teachers hired prior to January 1, 2011 are eligible at the earliest of: 1. Age 55 with 20 years of service; 2. Age 60 with 10 years of service; or 3. Age 62 with 5 years of service. Teachers hired after January 1, 2011 are eligible at the earliest of: 1. Age 57 with 20 years of service; or 2. Age 62 with 10 years of service. Non-Teachers (Certified and Support Staff) are eligible at age 55 with 10 years of service. Surviving spouses of support staff are eligible to remain on the District's plan until age 65. Retired teachers are eligible for the Teachers' Retirement Insurance Program (TRIP) with the State of Illinois. Retirees are responsible for the portion of premium rates not covered by the District's health plan and are responsible for the full premium rate. For retired teachers, the District contributes the full premium to TRIP for the first two years after retirement. After two years, the teachers are responsible for the premium rates.

For fiscal year June 30, 2018, the District contributed \$5,040,984 to the Plan, total retiree contributions were not determined.

Employees Covered by Benefit Terms

As of June 30, 2018, the following employees were covered by the benefit terms:

Active employees fully eligible	305
Active employees not yet eligible	2,015
Retired plan members	497
Total	<u>2,817</u>

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Financial Statements (Continued)

June 30, 2018

10. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions

The following are the methods and assumptions used to determine the total OPEB liability at June 30, 2018:

Actuarial cost method	Entry Age Normal Level % of Salary
Asset valuation method	Market Value
Payroll increases	2.25%
Investment rate of return	N/A
Retirement age	IMRF 2017 for IMRF Employees TRS 2017 for TRS Employees
Mortality	IMRF Mortality follows the Sex Distinct Raw Rates as developed in the RP-2014 study, with Blue Collar Adjustment. These rates are improved generationally using MP-2016 improvement rates. TRS Mortality follows the Sex Distinct Raw Rates as developed in the RP-2014 study, with White Collar Adjustment. These rates are improved generationally using MP-2016 improvement rates. Spouse Mortality follows the Sex Distinct Raw Rates as developed in the RP-2014 study. These rates are improved generationally using MP-2016 improvement rates.
Healthcare cost trend rates	Actual trend used for fiscal year 2018. For fiscal years on and after 2019, trend starts at 6.00%, and gradually decreases to an ultimate trend of 5.00%.

Discount Rate

The District does not have a dedicated Trust to pay the benefits of the Plan. Per GASB 75, this discount rate is a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). The discount rate used is 3.87%, which is the Bond Buyer 20-Bond GO Index as of June 28, 2018.

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Financial Statements (Continued)

June 30, 2018

10. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Changes in Net OPEB Liability

	Total OPEB Liability (A)	Plan Fiduciary Net Position (B)	Net OPEB Liability (A) - (B)
Balances at June 30, 2017	\$ 53,410,092	\$ -	\$ 53,410,092
Changes for the year:			
Service Cost	2,964,375	-	2,964,375
Interest on the Total OPEB Liability	1,969,428	-	1,969,428
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total OPEB Liability	-	-	-
Changes of Assumptions	-	-	-
Contributions - Employer	-	-	-
Contributions - Employees	-	5,040,984	(5,040,984)
Net Investment Income	-	-	-
Benefit Payments, including Refunds of Employee Contributions	(5,040,984)	(5,040,984)	-
Other (Net Transfer)	-	-	-
Net Changes	(107,181)	-	(107,181)
Balances at June 30, 2018	\$ 53,302,911	\$ -	\$ 53,302,911

Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 3.87%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	\$ 57,468,131	\$ 53,302,911	\$ 49,658,781

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

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Financial Statements (Continued)

June 30, 2018

10. OTHER POST-EMPLOYMENT BENEFITS (Continued)

	Healthcare Cost Trend Rate		
	1% Decrease	Assumptions	1% Increase
Total OPEB liability	\$ 50,603,723	\$ 53,302,911	\$ 56,293,626

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$0. At June 30, 2018, the District reported \$0 deferred outflows of resources and \$0 deferred inflows of resources related to OPEB.

11. CHANGE IN ACCOUNTING PRINCIPLE

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*, during the year ended June 30, 2018. Statement No. 75 expands disclosures related to post-employment benefits other than pensions and requires the District to report the net other post-employment benefit liability in the statement of net position. The adoption of this statement had no effect on any of the District's fund balances but reduced the District's governmental activities net position by \$176,964,462 as of July 1, 2017.

12. RESTATEMENT

The District's capital assets were restated to their appraised value. The restatement had no effect on any of the District's fund balances but reduced the District's governmental activities net position by \$117,521,662 as of July 1, 2017.

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Schedule of the District's Proportionate Share of the
Net Pension Liability
Teachers' Retirement System
Last Four Fiscal Years

	<u>2018*</u>	<u>2017*</u>
District's proportion of the net pension liability	0.02579%	0.02574%
District's proportionate share of the net pension liability	\$ 19,701,890	\$ 20,319,181
State's proportionate share of the net pension liability associated with the District	<u>961,288,070</u>	<u>1,008,172,207</u>
Total	<u>\$ 980,989,960</u>	<u>\$ 1,028,491,388</u>
District's covered-employee payroll	\$ 129,379,983	\$ 127,884,574
District's proportionate share of the net pension liability as a percentage of its covered payroll	15.23%	15.89%
Plan fiduciary net position as a percentage of the total pension liability	39.30%	36.40%

*The amounts presented have a measurement date of the previous fiscal year.

The District implemented GASB Statement No. 68 in fiscal year 2015.
Information prior to fiscal year 2015 is not available.

<u>2016*</u>	<u>2015*</u>
0.02756%	0.02495%
\$ 18,053,011	\$ 15,182,313
<u>815,650,689</u>	<u>765,170,680</u>
<u>\$ 833,703,700</u>	<u>\$ 780,352,993</u>
\$ 125,915,919	\$ 124,055,093
14.34%	12.24%
41.50%	43.00%

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Schedule of Employer Contributions

Teachers' Retirement System

Last Four Fiscal Years

Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 965,524	\$ 965,524	\$ -	\$ 125,915,919	0.77%
2016	1,002,314	1,002,314	-	127,884,574	0.78%
2017	1,066,891	1,066,891	-	129,379,983	0.82%
2018	867,413	867,413	-	132,151,066	0.66%

Notes to Schedule

Changes of Assumptions

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

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

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

The District implemented GASB Statement No. 68 in fiscal year 2015. Information prior to fiscal year 2015 is not available.

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203
Schedule of Changes in the Employer's Net Pension Liability
And Related Ratios
Illinois Municipal Retirement Fund
Last Four Calendar Years

	2017	2016
TOTAL PENSION LIABILITY		
Service Cost	\$ 3,550,601	\$ 3,593,425
Interest	11,369,709	10,735,307
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	1,853,547	1,337,192
Changes of Assumptions	(4,688,328)	(688,798)
Benefit Payments, Including Refunds of Member Contributions	(7,621,836)	(6,907,199)
Net Change in Total Pension Liability	4,463,693	8,069,927
Total Pension Liability - Beginning	153,631,735	145,561,808
TOTAL PENSION LIABILITY - ENDING	\$158,095,428	\$153,631,735
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	\$ 3,720,926	\$ 3,760,006
Contributions - Member	1,474,862	1,446,053
Net Investment Income	22,677,817	8,332,891
Benefit Payments, Including Refunds of Member Contributions	(7,621,836)	(6,907,199)
Administrative Expense	(2,127,549)	602,854
Net Change in Plan Fiduciary Net Position	18,124,220	7,234,605
Plan Net Position - Beginning	129,180,937	121,946,332
PLAN NET POSITION - ENDING	\$147,305,157	\$129,180,937
EMPLOYER'S NET PENSION LIABILITY (ASSET)	\$ 10,790,271	\$ 24,450,798
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	93.17%	84.08%
Covered-Employee Payroll	\$ 32,092,728	\$ 31,836,599
Employer's Net Pension Liability as a Percentage of Covered - Employee Payroll	33.62%	76.80%

The District implemented GASB Statement No. 68 in fiscal year 2015.
Information prior to fiscal year 2015 is not available.

<u>2015</u>	<u>2014</u>
\$ 3,491,743	\$ 3,747,419
10,052,411	9,067,363
-	-
2,257,306	642,263
329,642	6,069,719
<u>(6,427,883)</u>	<u>(5,385,288)</u>
9,703,219	14,141,476
<u>135,858,589</u>	<u>121,717,113</u>
<u><u>\$145,561,808</u></u>	<u><u>\$135,858,589</u></u>
\$ 3,533,292	\$ 3,397,889
1,408,064	1,426,742
609,238	7,060,932
(6,427,883)	(5,385,288)
<u>232,845</u>	<u>57,197</u>
(644,444)	6,557,472
<u>122,590,776</u>	<u>116,033,304</u>
<u><u>\$121,946,332</u></u>	<u><u>\$122,590,776</u></u>
<u><u>\$ 23,615,476</u></u>	<u><u>\$ 13,267,813</u></u>
83.78%	90.23%
\$ 31,101,492	\$ 30,486,599
75.93%	43.52%

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Schedule of Employer Contributions

Illinois Municipal Retirement Fund

Last Four Fiscal Years

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 3,365,720	\$ 3,397,889	\$ (32,169)	\$ 30,486,599	11.15%
2016	3,615,502	3,615,502	-	31,422,014	11.51%
2017	3,738,790	3,738,790	-	32,230,863	11.60%
2018	3,740,100	3,740,100	-	31,991,347	11.69%

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Aggregate entry age normal
Amortization method	Level percent of pay, closed
Remaining amortization period	26 years
Asset valuation method	5-year smoothed market; 20% corridor
Wage growth	3.50%
Inflation	2.75%
Salary increases	3.75% to 14.50%, including inflation
Investment rate of return	7.50%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011 - 2013.
Mortality	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 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 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

The District implemented GASB Statement No. 68 in fiscal year 2015. Information prior to fiscal year 2015 is not available.

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203
 Schedule of the District's Proportionate Share of the Net OPEB Liability
 Teachers' Health Insurance Security Fund
 June 30, 2018

	<u>2018*</u>
District's proportion of the net OPEB liability	0.562232%
District's proportionate share of the net OPEB liability	\$ 145,896,779
State's proportionate share of the net OPEB liability associated with the District	<u>191,598,724</u>
	<u>\$ 337,495,503</u>
District's covered-employee payroll	\$ 129,379,983
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	112.77%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%

*The amounts presented have a measurement date of the previous fiscal year.

The District implemented GASB Statement No. 75 in fiscal year 2018.
 Information prior to fiscal year 2018 is not available.

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Schedule of Employer Contributions

Teachers' Health Insurance Security Fund

Year Ended June 30, 2018

Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 1,162,929	\$ 1,162,929	\$ -	\$ 132,151,066	0.88%

The District implemented GASB Statement No. 75 in fiscal year 2018.
Information prior to fiscal year 2018 is not available.

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203
Schedule of Changes in the Employer's Net OPEB Liability
And Related Ratios
Other Post-employment Benefits
Year Ended June 30, 2018

	<u>2018</u>
TOTAL OPEB LIABILITY	
Service Cost	\$ 2,964,375
Interest	1,969,428
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes of Assumptions	-
Benefit Payments, Including Refunds of Member Contributions	<u>(5,040,984)</u>
Net Change in Total OPEB Liability	(107,181)
Total OPEB Liability - Beginning	<u>53,410,092</u>
TOTAL OPEB LIABILITY - ENDING	<u><u>\$ 53,302,911</u></u>
PLAN FIDUCIARY NET POSITION	
Contributions - Employer	\$ 5,040,984
Contributions - Member	-
Net Investment Income	-
Benefit Payments, Including Refunds of Member Contributions	(5,040,984)
Administrative Expense	<u>-</u>
Net Change in Plan Fiduciary Net Position	-
Plan Net Position - Beginning	<u>-</u>
PLAN NET POSITION - ENDING	<u><u>\$ -</u></u>
EMPLOYER'S NET OPEB LIABILITY (ASSET)	<u><u>\$ 53,302,911</u></u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%
Covered-Employee Payroll	\$ 169,984,833
Employer's Net OPEB Liability as a Percentage of Covered - Employee Payroll	31.36%

The District implemented GASB Statement No. 75 in fiscal year 2018.
Information prior to fiscal year 2018 is not available.

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Schedule of Employer Contributions

Other Post-employment Benefits

Year Ended June 30, 2018

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 5,040,984	\$ 5,040,984	\$ -	\$ 169,984,833	2.97%

The District implemented GASB Statement No. 75 in fiscal year 2018.

Information prior to fiscal year 2018 is not available.

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Schedule of Revenues, Expenditures and Changes in Fund

Balances - Budget And Actual - General Fund

and Major Special Revenue Funds

Year Ended June 30, 2018

	General Fund		
	Original and Final Budget	Actual	Variance Over/Under
REVENUES			
Local sources	\$ 201,730,130	\$ 201,259,086	\$ (471,044)
State sources	62,521,300	77,965,268	15,443,968
Federal sources	7,121,900	6,867,899	(254,001)
Total revenues	<u>271,373,330</u>	<u>286,092,253</u>	<u>14,718,923</u>
EXPENDITURES			
Current operating			
Instruction	190,819,407	204,237,515	13,418,108
Support services	67,493,338	67,158,093	(335,245)
Community services	608,165	837,681	229,516
Non-programmed charges	911,400	733,471	(177,929)
Total expenditures	<u>259,832,310</u>	<u>272,966,760</u>	<u>13,134,450</u>
Excess of revenues over expenditures	<u>11,541,020</u>	<u>13,125,493</u>	<u>1,584,473</u>
OTHER FINANCING SOURCES (USES)			
Capital lease proceeds	-	1,113,476	1,113,476
Sale of fixed assets	-	-	-
Transfers in	-	-	-
Transfers out	(13,995,000)	(13,563,052)	431,948
Total other financing sources (uses)	<u>(13,995,000)</u>	<u>(12,449,576)</u>	<u>1,545,424</u>
Net change in fund balances	<u>\$ (2,453,980)</u>	675,917	<u>\$ 3,129,897</u>
Fund balances at beginning of year		<u>156,415,653</u>	
FUND BALANCES AT END OF YEAR		<u>\$ 157,091,570</u>	

Operations and Maintenance Fund			Transportation Fund		
Original and Final Budget	Actual	Variance Over/Under	Original and Final Budget	Actual	Variance Over/Under
\$ 31,962,900	\$ 32,043,237	\$ 80,337	\$ 6,586,000	\$ 6,908,336	\$ 322,336
-	-	-	4,445,000	6,375,922	1,930,922
-	-	-	-	-	-
31,962,900	32,043,237	80,337	11,031,000	13,284,258	2,253,258
-	-	-	-	-	-
32,108,600	30,786,101	(1,322,499)	10,994,000	12,662,933	1,668,933
-	-	-	-	-	-
-	-	-	-	-	-
32,108,600	30,786,101	(1,322,499)	10,994,000	12,662,933	1,668,933
(145,700)	1,257,136	1,402,836	37,000	621,325	584,325
-	-	-	-	-	-
-	24,065	24,065	-	-	-
-	9,500,000	9,500,000	-	-	-
-	(9,500,000)	(9,500,000)	-	-	-
-	24,065	24,065	-	-	-
<u>\$ (145,700)</u>	1,281,201	<u>\$ 1,426,901</u>	<u>\$ 37,000</u>	621,325	<u>\$ 584,325</u>
	<u>15,049,210</u>			<u>7,523,441</u>	
	<u>\$ 16,330,411</u>			<u>\$ 8,144,766</u>	

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Schedule of Revenues, Expenditures and Changes in Fund

Balances - Budget and Actual - General Fund

And Major Special Revenue Funds (Continued)

Year Ended June 30, 2018

	<u>Municipal Retirement/Social Security Fund</u>		
	<u>Original and</u>		
	<u>Final</u>		<u>Variance</u>
	<u>Budget</u>	<u>Actual</u>	<u>Over/Under</u>
REVENUES			
Local sources	\$ 8,053,100	\$ 7,975,515	\$ (77,585)
Total revenues	<u>8,053,100</u>	<u>7,975,515</u>	<u>(77,585)</u>
EXPENDITURES			
Current operating			
Instruction	2,815,100	2,984,069	168,969
Support services	5,131,100	4,780,489	(350,611)
Community services	54,800	84,874	30,074
Total expenditures	<u>8,001,000</u>	<u>7,849,432</u>	<u>(151,568)</u>
Net change in fund balance	<u>\$ 52,100</u>	126,083	<u>\$ (229,153)</u>
Fund balance at beginning of year		<u>3,540,040</u>	
FUND BALANCE AT END OF YEAR		<u>\$ 3,666,123</u>	

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Notes to Required Supplementary Information

June 30, 2018

Budgetary Data

Annual budgets for all Governmental Funds are adopted on the modified accrual basis, consistent with generally accepted accounting principles (GAAP) for local governments.

The Board of Education follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted and the proposed budget is available for inspection to obtain taxpayer comments.
3. Prior to October 1 the budget is legally adopted through passage of a resolution. On or before the last Tuesday in December, a tax levy ordinance is filed with the County Clerk to obtain tax revenues.
4. The Superintendent is authorized to transfer up to 10% of the total budget between departments within any fund without Board of Education approval; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education following the public hearing process mandated by law. The budget, which was not amended, was adopted on June 19, 2017.
5. Formal budgetary integration is employed as a management control device during the year for all Governmental Funds.
6. The District has adopted a legal budget for all its Governmental Funds. The legal level of budgetary control is at the individual fund level, therefore, actual expenditures for the governmental funds may not legally exceed the total budgeted for such funds. However, under the State Budget Act expenditures may exceed the budget if additional resources are available to finance such expenditures.
7. The budget lapses at the end of each fiscal year.

Excess of Expenditures over Budgets in Individual Funds:

Expenditures exceeded the budgeted amount in the following funds:

	Budget	Actual	Excess
General Fund	\$ 259,832,310	\$ 272,966,760	\$ 13,134,450
Transportation Fund	10,994,000	12,662,933	1,668,933

The expenditure variance was sufficiently absorbed by surpluses that existed at the beginning of the fiscal year and were approved by the Board of Education. Under the State Budget Act expenditures may exceed the budget if additional resources are available to finance such expenditures.

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Combining Balance Sheet by Account

General Fund

June 30, 2018

ASSETS	Educational	Working Cash	Tort Immunity	Total General
Cash and investments	\$174,627,009	\$ 12,221,736	\$ 1,925,304	\$188,774,049
Receivables				
Property taxes	83,477,829	405,002	458,424	84,341,255
State and federal aid	1,701,350	-	-	1,701,350
Other receivables	565,174	-	-	565,174
Prepaid items	547,417	-	-	547,417
TOTAL ASSETS	\$260,918,779	\$ 12,626,738	\$ 2,383,728	\$275,929,245
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 7,985,942	\$ -	\$ 100,558	\$ 8,086,500
Accrued salaries and related expenditures	15,759,943	-	-	15,759,943
Unearned revenue	575,309	-	-	575,309
Total liabilities	24,321,194	-	100,558	24,421,752
Deferred inflows				
Property taxes levied for subsequent year	93,088,440	450,663	511,333	94,050,436
Unavailable revenue	365,487	-	-	365,487
Total deferred inflows	93,453,927	450,663	511,333	94,415,923
Fund balances				
Nonspendable				
Prepaid items	547,417	-	-	547,417
Restricted				
Tort immunity	-	-	1,771,837	1,771,837
Committed				
Employee health plan	12,002,073	-	-	12,002,073
Unassigned	130,594,168	12,176,075	-	142,770,243
Total fund balances	143,143,658	12,176,075	1,771,837	157,091,570
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$260,918,779	\$ 12,626,738	\$ 2,383,728	\$275,929,245

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Combining Schedule of Revenues, Expenditures and Changes

In Fund Balances by Account

General Fund

Year Ended June 30, 2018

	Educational	Working Cash	Tort Immunity	Total General
REVENUES				
Local sources	\$198,688,559	\$ 1,450,025	\$ 1,120,502	\$201,259,086
State sources	77,965,268	-	-	77,965,268
Federal sources	6,867,899	-	-	6,867,899
Total revenues	283,521,726	1,450,025	1,120,502	286,092,253
EXPENDITURES				
Current operating				
Instruction	204,237,515	-	-	204,237,515
Support services	65,973,215	-	1,184,878	67,158,093
Community services	837,681	-	-	837,681
Non-programmed charges	733,471	-	-	733,471
Total expenditures	271,781,882	-	1,184,878	272,966,760
Excess of revenues over (under) expenditures	11,739,844	1,450,025	(64,376)	13,125,493
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	1,113,476	-	-	1,113,476
Transfers out	(13,563,052)	-	-	(13,563,052)
Total other financing sources (uses)	(12,449,576)	-	-	(12,449,576)
Net change in fund balances	(709,732)	1,450,025	(64,376)	675,917
Fund balances at beginning of year	143,853,390	10,726,050	1,836,213	156,415,653
FUND BALANCES AT END OF YEAR	\$143,143,658	\$ 12,176,075	\$ 1,771,837	\$157,091,570

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Educational Account
 Year Ended June 30, 2018 with Comparative Actual Totals for 2017

	2018			2017 Actual
	Final Budget	Actual	Variance Over/Under	
REVENUES				
Local sources				
Property taxes	\$ 186,432,900	\$ 185,375,707	\$ (1,057,193)	\$ 184,682,077
Corporate replacement tax	1,893,800	1,975,686	81,886	2,407,694
Tuition	1,131,000	836,563	(294,437)	956,595
Earnings on investments	775,000	2,257,031	1,482,031	1,085,444
Food services	3,013,400	3,138,493	125,093	3,162,033
Pupil activities and textbooks	3,582,730	3,330,173	(252,557)	3,122,393
Services provided other LEA's	350,000	542,529	192,529	392,925
Other	1,560,600	1,232,377	(328,223)	1,402,511
Total local sources	198,739,430	198,688,559	(50,871)	197,211,672
State sources				
Unrestricted				
Evidence based funding formula	5,858,000	12,628,162	6,770,162	6,760,453
Restricted				
Other grants-in-aid	852,000	926,879	74,879	891,604
Special education	7,085,000	3,095,863	(3,989,137)	5,754,187
Summer school	10,000	-	(10,000)	13,081
Bilingual education	422,500	96,644	(325,856)	2,064
Vocational education	165,200	77,912	(87,288)	168,744
Prekindergarten program for at risk students	483,100	815,519	332,419	871,313
School lunch aid	7,500	8,924	1,424	9,114
Driver education	125,000	145,219	20,219	134,763
On behalf payments - State of Illinois	47,500,000	60,110,142	12,610,142	51,012,026
Unallocated	13,000	60,004	47,004	10,710
Total state sources	62,521,300	77,965,268	15,443,968	65,628,059
Federal sources				
Restricted				
Title I	1,156,500	1,209,376	52,876	979,658
Education for handicapped	3,894,500	3,611,309	(283,191)	4,091,142
School lunch programs	1,158,000	1,116,393	(41,607)	1,083,653
Title II	277,700	282,143	4,443	272,131
Title III - language instruction program	187,300	175,675	(11,625)	102,688
Title III - immigrant education program	55,900	40,285	(15,615)	36,850
Medicaid matching/administrative outreach	350,000	381,744	31,744	344,332
Other	42,000	50,974	8,974	147,366
Total federal sources	7,121,900	6,867,899	(254,001)	7,057,820
Total revenues	\$ 268,382,630	\$ 283,521,726	\$ 15,139,096	\$ 269,897,551

(Continued)

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Educational Account
Year Ended June 30, 2018 with Comparative Actual Totals for 2017

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
EXPENDITURES				
Current operating				
Instruction				
Regular programs				
Salaries	\$ 68,251,790	\$ 64,752,673	\$ (3,499,117)	\$ 65,383,234
Employee benefits	18,920,400	18,263,937	(656,463)	17,575,348
On behalf payments	47,500,000	60,110,142	12,610,142	51,012,026
Purchased services	1,153,665	1,294,296	140,631	1,430,253
Supplies and materials	6,174,796	7,317,999	1,143,203	6,727,435
Capital outlay	41,010	46,931	5,921	62,801
Other	16,000	7,483	(8,517)	25,080
Total	142,057,661	151,793,461	9,735,800	142,216,177
Special education programs				
Salaries	18,959,700	19,142,195	182,495	18,577,320
Employee benefits	5,711,200	6,071,953	360,753	5,656,122
Purchased services	53,700	44,634	(9,066)	61,430
Supplies and materials	837,990	548,932	(289,058)	700,871
Capital outlay	39,000	73,012	34,012	26,000
Other	12,000	4,101	(7,899)	13,581
Total	25,613,590	25,884,827	271,237	25,035,324
Vocational programs				
Salaries	2,758,200	2,825,606	67,406	2,699,585
Employee benefits	713,900	787,642	73,742	734,017
Purchased services	530	7,092	6,562	5,787
Supplies and materials	147,796	111,226	(36,570)	130,036
Capital outlay	114,300	105,330	(8,970)	113,784
Other	-	-	-	16,442
Total	3,734,726	3,836,896	102,170	3,699,651
Interscholastic programs				
Salaries	3,506,500	4,424,215	917,715	3,547,169
Employee benefits	537,000	552,782	15,782	523,180
Purchased services	257,400	302,284	44,884	287,545
Supplies and materials	221,400	242,140	20,740	226,849
Capital outlay	3,000	-	(3,000)	11,288
Other	85,600	152,087	66,487	139,735
Total	\$ 4,610,900	\$ 5,673,508	\$ 1,062,608	\$ 4,735,766

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Educational Account
 Year Ended June 30, 2018 with Comparative Actual Totals for 2017

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
Summer school				
Salaries	\$ 1,082,960	\$ 1,162,296	\$ 79,336	\$ 1,105,289
Employee benefits	26,420	27,381	961	35,383
Purchased services	55,000	45,594	(9,406)	20,453
Supplies and materials	48,500	88,997	40,497	72,600
Other	40,000	38,742	(1,258)	-
Termination benefits	-	-	-	(57,934)
Total	1,252,880	1,363,010	110,130	1,175,791
Gifted				
Salaries	2,035,800	2,075,108	39,308	2,005,078
Employee benefits	505,800	528,614	22,814	476,076
Total	2,541,600	2,603,722	62,122	2,481,154
Bilingual				
Salaries	4,848,600	5,591,393	742,793	5,146,818
Employee benefits	1,426,300	1,731,568	305,268	1,583,506
Purchased services	20,000	-	(20,000)	-
Total	6,294,900	7,322,961	1,028,061	6,730,324
Truant's alternative & optional programming				
Salaries	9,200	9,796	596	6,448
Employee benefits	2,500	143	(2,357)	1,852
Total	11,700	9,939	(1,761)	8,300
Special education programs private tuition				
Other	4,701,450	5,749,191	1,047,741	-
Total	4,701,450	5,749,191	1,047,741	-
Total instruction	190,819,407	204,237,515	13,418,108	186,082,487
Support services				
Pupils				
Attendance and social work				
Salaries	2,801,600	2,970,698	169,098	2,889,825
Employee benefits	792,500	820,739	28,239	795,930
Supplies and materials	3,000	2,275	(725)	1,207
Total	\$ 3,597,100	\$ 3,793,712	\$ 196,612	\$ 3,686,962

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Educational Account
 Year Ended June 30, 2018 with Comparative Actual Totals for 2017

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
Guidance services				
Salaries	\$ 3,325,100	\$ 3,155,040	\$ (170,060)	\$ 3,002,848
Employee benefits	933,450	934,660	1,210	888,352
Purchased services	10,000	21,390	11,390	20,027
Supplies and materials	7,000	8,558	1,558	6,351
Total	4,275,550	4,119,648	(155,902)	3,917,578
Health services				
Salaries	2,980,200	2,992,962	12,762	2,955,033
Employee benefits	724,900	662,479	(62,421)	676,950
Supplies and materials	31,000	25,307	(5,693)	21,690
Total	3,736,100	3,680,748	(55,352)	3,653,673
Psychological services				
Salaries	2,275,100	2,760,461	485,361	2,155,783
Employee benefits	596,600	718,163	121,563	572,309
Purchased services	10,000	29,859	19,859	17,013
Total	2,881,700	3,508,483	626,783	2,745,105
Speech pathology and audiology services				
Salaries	3,244,500	3,082,443	(162,057)	3,016,386
Employee benefits	862,800	842,909	(19,891)	793,701
Purchased services	72,500	61,132	(11,368)	43,256
Supplies and materials	980	797	(183)	384
Total	4,180,780	3,987,281	(193,499)	3,853,727
Other support services				
Salaries	107,600	161,410	53,810	106,245
Employee benefits	16,000	23,289	7,289	15,543
Purchased services	210,000	242,811	32,811	233,115
Total	333,600	427,510	93,910	354,903
Total pupils	\$ 19,004,830	\$ 19,517,382	\$ 512,552	\$ 18,211,948

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Educational Account
 Year Ended June 30, 2018 with Comparative Actual Totals for 2017

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
Instructional staff				
Improvement of instruction services				
Salaries	\$ 5,746,400	\$ 5,134,545	\$ (611,855)	\$ 5,365,733
Employee benefits	1,430,950	1,201,644	(229,306)	1,306,320
Purchased services	845,615	603,315	(242,300)	446,332
Supplies and materials	190,513	308,723	118,210	82,978
Capital outlay	25,000	-	(25,000)	-
Other	164,500	251,028	86,528	134,735
Total	8,402,978	7,499,255	(903,723)	7,336,098
Educational media services				
Salaries	2,860,100	3,415,637	555,537	3,130,344
Employee benefits	931,600	1,253,209	321,609	1,111,220
Purchased services	100,000	96,794	(3,206)	110,396
Supplies and materials	316,870	355,896	39,026	274,450
Capital outlay	-	-	-	10,708
Total	4,208,570	5,121,536	912,966	4,637,118
Assessment and testing				
Salaries	362,000	225,319	(136,681)	310,505
Employee benefits	92,100	60,009	(32,091)	107,890
Purchased services	291,415	270,330	(21,085)	238,683
Supplies and materials	17,885	22,470	4,585	8,675
Other	3,200	1,295	(1,905)	1,069
Total	766,600	579,423	(187,177)	666,822
Total instructional staff	13,378,148	13,200,214	(177,934)	12,640,038
General administration				
Board of education				
Salaries	139,900	267,091	127,191	139,521
Employee benefits	29,100	56,679	27,579	25,685
Purchased services	615,000	492,644	(122,356)	412,524
Supplies and materials	50,000	37,972	(12,028)	44,584
Other	75,000	65,293	(9,707)	68,105
Total	\$ 909,000	\$ 919,679	\$ 10,679	\$ 690,419

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Educational Account
 Year Ended June 30, 2018 with Comparative Actual Totals for 2017

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
Executive administration				
Salaries	\$ 1,122,900	\$ 1,184,543	\$ 61,643	\$ 1,036,061
Employee benefits	230,600	255,789	25,189	226,487
Purchased services	53,750	93,572	39,822	34,101
Supplies and materials	26,000	19,115	(6,885)	6,819
Other	22,750	13,909	(8,841)	13,921
Total	1,456,000	1,566,928	110,928	1,317,389
Special area administration services				
Salaries	1,043,600	841,113	(202,487)	1,172,248
Employee benefits	372,500	229,722	(142,778)	286,580
Purchased services	106,500	145,249	38,749	161,006
Supplies and materials	2,000	2,738	738	2,957
Capital outlay	2,000	-	(2,000)	5,649
Total	1,526,600	1,218,822	(307,778)	1,628,440
Total general administration	3,891,600	3,705,429	(186,171)	3,636,248
School administration				
Office of the principal				
Salaries	8,149,700	7,683,134	(466,566)	7,642,078
Employee benefits	2,407,700	2,462,493	54,793	2,460,356
Purchased services	36,700	55,283	18,583	62,369
Supplies and materials	12,000	7,510	(4,490)	9,296
Other	-	52,523	52,523	10,895
Total	10,606,100	10,260,943	(345,157)	10,184,994
Other support services school administration				
Salaries	1,608,700	1,637,570	28,870	1,548,793
Employee benefits	503,200	484,585	(18,615)	487,095
Purchased services	-	54,485	54,485	33,316
Supplies and materials	40,000	41,823	1,823	-
Other	-	10,545	10,545	-
Total	2,151,900	2,229,008	77,108	2,069,204
Total school administration	\$ 12,758,000	\$ 12,489,951	\$ (268,049)	\$ 12,254,198

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Educational Account
 Year Ended June 30, 2018 with Comparative Actual Totals for 2017

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
Business				
Director of business support services				
Salaries	\$ 160,000	\$ 169,676	\$ 9,676	\$ 177,009
Employee benefits	41,500	40,938	(562)	38,790
Total	201,500	210,614	9,114	215,799
Fiscal services				
Salaries	643,160	704,708	61,548	645,542
Employee benefits	151,400	164,915	13,515	153,811
Purchased services	69,800	116,724	46,924	69,132
Supplies and materials	5,500	12,544	7,044	4,257
Capital outlay	-	-	-	20,205
Other	2,700	2,350	(350)	1,490
Total	872,560	1,001,241	128,681	894,437
Operation and maintenance of plant services				
Purchased services	1,005,600	936,332	(69,268)	497,829
Supplies and materials	497,500	532,331	34,831	683,699
Capital outlay	25,000	348,558	323,558	152,739
Total	1,528,100	1,817,221	289,121	1,334,267
Pupil transportation services				
Salaries	10,000	20,000	10,000	20,456
Total	10,000	20,000	10,000	20,456
Food services				
Salaries	768,300	1,017,825	249,525	748,496
Employee benefits	121,200	6,656	(114,544)	192,151
Purchased services	3,380,000	3,365,193	(14,807)	3,311,844
Supplies and materials	57,300	34,296	(23,004)	46,574
Capital outlay	10,000	5,790	(4,210)	2,837
Other	1,000	921	(79)	1,018
Total	\$ 4,337,800	\$ 4,430,681	\$ 92,881	\$ 4,302,920

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Educational Account
Year Ended June 30, 2018 with Comparative Actual Totals for 2017

	2018			2017 Actual
	Final Budget	Actual	Variance Over/Under	
Internal services				
Salaries	\$ 151,100	\$ 154,557	\$ 3,457	\$ 147,421
Employee benefits	66,300	65,723	(577)	65,606
Supplies and materials	80,000	49,343	(30,657)	72,647
Total	297,400	269,623	(27,777)	285,674
Total business	7,247,360	7,749,380	502,020	7,053,553
Information services				
Salaries	101,100	92,341	(8,759)	104,801
Employee benefits	700	225	(475)	1,482
Purchased services	78,700	37,061	(41,639)	60,617
Supplies and materials	8,500	1,600	(6,900)	4,327
Other	6,000	2,258	(3,742)	4,625
Total	195,000	133,485	(61,515)	175,852
Staff services				
Salaries	928,700	867,407	(61,293)	901,493
Employee benefits	2,030,000	2,051,337	21,337	1,756,759
Purchased services	265,000	208,461	(56,539)	82,634
Supplies and materials	6,500	4,069	(2,431)	4,306
Other	6,500	5,456	(1,044)	5,765
Total	3,236,700	3,136,730	(99,970)	2,750,957
Data processing services				
Salaries	2,130,100	2,127,796	(2,304)	2,090,913
Employee benefits	395,900	364,924	(30,976)	380,321
Purchased services	714,000	507,415	(206,585)	761,556
Supplies and materials	2,280,200	1,813,946	(466,254)	1,668,475
Capital outlay	95,000	91,359	(3,641)	61,472
Other	15,000	20,877	5,877	9,295
Total	5,630,200	4,926,317	(703,883)	4,972,032
Total central	\$ 9,061,900	\$ 8,196,532	\$ (865,368)	\$ 7,898,841

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Educational Account
Year Ended June 30, 2018 with Comparative Actual Totals for 2017

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
Other support services				
Salaries	\$ 305,000	\$ 314,777	\$ 9,777	\$ 293,417
Employee benefits	76,600	77,052	452	76,006
Purchased services	468,400	697,278	228,878	673,333
Supplies and materials	11,500	16,807	5,307	788,953
Capital outlay	-	-	-	6,370
Other objects	-	8,413	8,413	100,979
Total	861,500	1,114,327	252,827	1,939,058
Total support services	66,203,338	65,973,215	(230,123)	63,633,884
Community services				
Salaries	267,850	447,621	179,771	337,539
Employee benefits	45,250	91,794	46,544	64,924
Purchased services	184,715	171,551	(13,164)	141,741
Supplies and materials	102,300	118,476	16,176	85,005
Capital outlay	-	4,499	4,499	4,120
Other	8,050	3,740	(4,310)	2,978
Total community services	608,165	837,681	229,516	636,307
Non-programmed charges				
Payments for regular programs:				
Other	-	-	-	139,602
Total	-	-	-	139,602
Payments for special education programs				
Other	761,400	603,871	(157,529)	5,350,024
Total	761,400	603,871	(157,529)	5,350,024
Payments for CTE programs				
Other	150,000	129,600	(20,400)	-
Total	150,000	129,600	(20,400)	-
Total non-programmed charges	911,400	733,471	(177,929)	5,489,626
Total expenditures	258,542,310	271,781,882	13,239,572	255,842,304
Excess of revenues over expenditures	\$ 9,840,320	\$ 11,739,844	\$ 1,899,524	\$ 14,055,247

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Educational Account
 Year Ended June 30, 2018 with Comparative Actual Totals for 2017

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	\$ -	\$ 1,113,476	\$ 1,113,476	\$ 1,783,130
Sale of fixed assets	-	-	-	5,234
Transfers out	(13,995,000)	(13,563,052)	431,948	(4,033,663)
Total other financing sources (uses)	(13,995,000)	(12,449,576)	1,545,424	(2,245,299)
Net change in fund balance	<u>\$ (4,154,680)</u>	(709,732)	<u>\$ 3,444,948</u>	11,809,948
Fund balance at beginning of year		<u>143,853,390</u>		<u>132,043,442</u>
FUND BALANCE AT END OF YEAR		<u>\$ 143,143,658</u>		<u>\$ 143,853,390</u>

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Working Cash Account
 Year Ended June 30, 2018 with Comparative Actual Totals for 2017

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
REVENUES				
Local sources				
Property taxes	\$ 1,993,100	\$ 1,430,527	\$ (562,573)	\$ 1,906,612
Earnings on investments	-	19,498	19,498	9,517
Total local sources	<u>1,993,100</u>	<u>1,450,025</u>	<u>(543,075)</u>	<u>1,916,129</u>
Total revenues	<u>1,993,100</u>	<u>1,450,025</u>	<u>(543,075)</u>	<u>1,916,129</u>
Net change in fund balance	<u>\$ 1,993,100</u>	<u>1,450,025</u>	<u>\$ (543,075)</u>	<u>1,916,129</u>
Fund balance at beginning of year		<u>10,726,050</u>		<u>8,809,921</u>
FUND BALANCE AT END OF YEAR		<u>\$ 12,176,075</u>		<u>\$ 10,726,050</u>

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Tort Immunity Account
 Year Ended June 30, 2018 with Comparative Actual Totals for 2017

	2018			2017 Actual
	Final Budget	Actual	Variance Over/Under	
REVENUES				
Local sources				
Property taxes	\$ 997,600	\$ 1,013,094	\$ 15,494	\$ 1,266,529
Earnings on investments	-	16,452	16,452	4,769
Other	-	90,956	90,956	-
Total local sources	997,600	1,120,502	122,902	1,271,298
Total revenues	997,600	1,120,502	122,902	1,271,298
EXPENDITURES				
Current operating				
Support services				
Workers compensation insurance:				
Purchased services	735,300	748,477	13,177	1,106,380
Total	735,300	748,477	13,177	1,106,380
Unemployment insurance payments				
Purchased services	45,000	17,310	(27,690)	33,629
Total	45,000	17,310	(27,690)	33,629
Insurance payments (regular or self-insurance):				
Purchased services	509,700	419,091	(90,609)	446,759
Total	509,700	419,091	(90,609)	446,759
Total support services	1,290,000	1,184,878	(105,122)	1,586,768
Total expenditures	1,290,000	1,184,878	(105,122)	1,586,768
Net change in fund balance	\$ (292,400)	(64,376)	\$ 228,024	(315,470)
Fund balance at beginning of year		1,836,213		2,151,683
FUND BALANCE AT END OF YEAR		\$ 1,771,837		\$ 1,836,213

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Major Special Revenue Fund - Operations and Maintenance Fund
Year Ended June 30, 2018 with Comparative Actual Totals for 2017

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
REVENUES				
Local sources				
Property taxes	\$ 31,192,900	\$ 31,123,122	\$ (69,778)	\$ 30,209,893
Pupil activities - fees	62,000	66,040	4,040	63,874
Earnings on investments	4,000	323,426	319,426	146,107
Rentals	405,000	405,706	706	376,749
Other	299,000	124,943	(174,057)	154,814
Total local sources	31,962,900	32,043,237	80,337	30,951,437
Total revenues	31,962,900	32,043,237	80,337	30,951,437
EXPENDITURES				
Current operating				
Operations and maintenance of plant services:				
Salaries	9,130,400	8,355,954	(774,446)	8,496,889
Employee benefits	2,365,200	2,441,580	76,380	2,352,246
Purchased services	3,490,150	3,246,378	(243,772)	3,706,514
Supplies and materials	5,743,000	6,206,649	463,649	6,102,224
Capital outlay	11,378,250	10,535,500	(842,750)	12,908,707
Other	1,600	40	(1,560)	160
Total support services	32,108,600	30,786,101	(1,322,499)	33,566,740
Total expenditures	32,108,600	30,786,101	(1,322,499)	33,566,740
Excess of revenues over expenditures	(145,700)	1,257,136	1,402,836	(2,615,303)
OTHER FINANCING SOURCES (USES)				
Sale of fixed assets	-	24,065	24,065	-
Transfers in	-	9,500,000	9,500,000	-
Transfers out	-	(9,500,000)	(9,500,000)	-
Total other financing sources (uses)	-	24,065	24,065	-
Net change in fund balance	\$ (145,700)	1,281,201	\$ 1,426,901	(2,615,303)
Fund balance at beginning of year		15,049,210		17,664,513
FUND BALANCE AT END OF YEAR		\$ 16,330,411		\$ 15,049,210

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Major Special Revenue Fund - Transportation Fund
Year Ended June 30, 2018 with Comparative Actual Totals for 2017

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
REVENUES				
Local sources				
Property taxes	\$ 6,336,500	\$ 6,598,009	\$ 261,509	\$ 6,697,320
Transportation fees from pupils or parents	9,000	11,234	2,234	9,274
Transportation fees from other districts	25,000	20,795	(4,205)	26,376
Transportation fees from private sources	50,000	76,619	26,619	110,213
Transportation fees from co-curricular	155,000	126,185	(28,815)	123,294
Earnings on investments	500	75,494	74,994	30,309
Other	10,000	-	(10,000)	-
Total local sources	6,586,000	6,908,336	322,336	6,996,786
State sources				
Restricted				
Transportation aid	4,445,000	6,375,922	1,930,922	3,383,303
Total state sources	4,445,000	6,375,922	1,930,922	3,383,303
Total revenues	11,031,000	13,284,258	2,253,258	10,380,089
EXPENDITURES				
Current operating				
Support services				
Pupil transportation services				
Salaries	3,899,200	3,787,867	(111,333)	3,902,494
Employee benefits	1,354,300	1,394,497	40,197	1,360,669
Purchased services	3,826,600	5,586,791	1,760,191	4,259,926
Supplies and materials	848,900	847,712	(1,188)	849,456
Capital outlay	1,065,000	1,045,726	(19,274)	1,015,647
Other	-	340	340	325
Total support services	10,994,000	12,662,933	1,668,933	11,388,517
Total expenditures	10,994,000	12,662,933	1,668,933	11,388,517
Net change in fund balance	<u>\$ 37,000</u>	621,325	<u>\$ 584,325</u>	(1,008,428)
Fund balance at beginning of year		<u>7,523,441</u>		<u>8,531,869</u>
FUND BALANCE AT END OF YEAR		<u>\$ 8,144,766</u>		<u>\$ 7,523,441</u>

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Major Special Revenue Fund - Municipal Retirement/Social Security Fund

Year Ended June 30, 2018 with Comparative Actual Totals for 2017

	2018			2017 Actual
	Final Budget	Actual	Variance Over/Under	
REVENUES				
Local sources				
Property taxes	\$ 3,631,100	\$ 3,629,045	\$ (2,055)	\$ 3,589,276
Social security/Medicare only levy	4,183,400	4,027,506	(155,894)	3,989,909
Replacement taxes	238,600	238,600	-	238,600
Earnings on investments	-	80,364	80,364	36,541
Total local sources	8,053,100	7,975,515	(77,585)	7,854,326
Total revenues	8,053,100	7,975,515	(77,585)	7,854,326
EXPENDITURES				
Current operating				
Instruction				
Regular programs	1,018,900	1,000,520	(18,380)	1,031,329
Pre kindergarten programs	70,000	16,220	(53,780)	47,744
Special education programs	1,213,300	1,376,786	163,486	1,306,451
Educationally deprived/remedial programs	137,100	149,289	12,189	140,107
Vocational programs	43,500	44,966	1,466	44,196
Interscholastic programs	92,100	162,892	70,792	104,049
Summer school programs	79,100	85,166	6,066	53,808
Gifted programs	27,900	-	(27,900)	28,248
Bilingual programs	133,000	148,088	15,088	139,338
Truant's alternative and optional programs	200	142	(58)	87
Total instruction	2,815,100	2,984,069	168,969	2,895,357
Support services				
Pupils				
Attendance and social work services	68,200	67,977	(223)	64,573
Guidance services	57,600	58,871	1,271	57,220
Health services	329,000	304,731	(24,269)	323,665
Psychological services	32,200	38,296	6,096	30,746
Speech pathology and audiology services	70,600	80,402	9,802	72,985
Other	2,500	7,967	5,467	3,640
Total pupils	560,100	558,244	(1,856)	552,829
Instructional staff				
Improvement of instruction services	117,600	120,884	3,284	116,846
Education media	241,400	233,169	(8,231)	243,726
Assessment and testing	40,700	40,533	(167)	38,597
Total instructional staff	\$ 399,700	\$ 394,586	\$ (5,114)	\$ 399,169

(Continued)

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Major Special Revenue Fund - Municipal Retirement/Social Security Fund

Year Ended June 30, 2018 with Comparative Actual Totals for 2017

	2018			2017 Actual
	Final Budget	Actual	Variance Over/Under	
General administration				
Board of education services	\$ 34,500	\$ 31,059	\$ (3,441)	\$ 28,567
Executive administration services	50,100	39,189	(10,911)	40,924
Special area administration services	51,700	50,638	(1,062)	53,246
Total general administration	136,300	120,886	(15,414)	122,737
School administration				
Office of the principal services	586,800	536,054	(50,746)	546,787
Other support services	45,300	51,491	6,191	46,279
Total school administration	632,100	587,545	(44,555)	593,066
Business				
Director of business support services	3,100	2,411	(689)	2,466
Fiscal services	137,500	133,216	(4,284)	124,141
Operation and maintenance of plant services	1,763,500	1,545,818	(217,682)	1,566,303
Pupil transportation services	742,300	729,118	(13,182)	752,174
Food services	61,300	77,233	15,933	65,743
Internal services	31,900	28,557	(3,343)	27,376
Total business	2,739,600	2,516,353	(223,247)	2,538,203
Central				
Information services	21,900	17,738	(4,162)	19,901
Staff services	164,300	141,852	(22,448)	147,680
Data processing services	415,900	385,317	(30,583)	373,690
Total central	602,100	544,907	(57,193)	541,271
Other support services	61,200	57,968	(3,232)	54,359
Total support services	5,131,100	4,780,489	(350,611)	4,801,634
Community services	54,800	84,874	30,074	67,031
Total expenditures	8,001,000	7,849,432	(151,568)	7,764,022
Net change in fund balance	<u>\$ 52,100</u>	126,083	<u>\$ 73,983</u>	90,304
Fund balance at beginning of year		<u>3,540,040</u>		<u>3,449,736</u>
FUND BALANCE AT END OF YEAR		<u>\$ 3,666,123</u>		<u>\$ 3,540,040</u>

(Concluded)

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Major Debt Service Fund
 Year Ended June 30, 2018 with Comparative Actual Totals for 2017

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
REVENUES				
Local sources				
Property taxes	\$ -	\$ -	\$ -	\$ 1,562,914
Earnings on investments	-	33,602	33,602	-
Total local sources	-	33,602	33,602	1,562,914
Federal sources				
Unrestricted				
Bond interest reimbursement	386,000	327,354	(58,646)	179,705
Total federal sources	386,000	327,354	(58,646)	179,705
Total revenues	386,000	360,956	(25,044)	1,742,619
EXPENDITURES				
Debt service				
Principal retirement	12,930,300	12,879,633	(50,667)	3,037,342
Interest on bonds	1,377,700	1,416,457	38,757	1,500,600
Purchased services	1,000	-	(1,000)	700
Total expenditures	14,309,000	14,296,090	(12,910)	4,538,642
Excess (deficiency) of revenues over expenditures	(13,923,000)	(13,935,134)	(12,134)	(2,796,023)
OTHER FINANCING SOURCES				
Transfers in	13,995,000	13,563,052	(431,948)	4,033,663
Total other financing sources	13,995,000	13,563,052	(431,948)	4,033,663
Net change in fund balance	<u>\$ 72,000</u>	<u>(372,082)</u>	<u>\$ (444,082)</u>	1,237,640
Fund balance at beginning of year		<u>2,668,972</u>		<u>1,431,332</u>
FUND BALANCE AT END OF YEAR		<u>\$ 2,296,890</u>		<u>\$ 2,668,972</u>

N/A

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Schedule of Changes in Assets and Liabilities
Fiduciary Fund - Agency Fund - Activity Funds
Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Assets				
Cash	\$ 3,309,923	\$ 5,538,286	\$ 5,162,089	\$ 3,686,120
Liabilities				
Due to organizations	\$ 3,309,923	\$ 5,538,286	\$ 5,162,089	\$ 3,686,120

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Assessed Valuations, Tax Rates, Extensions and Collections
Last Five Tax Levy Years

	2017	2016
Tax Levies and Collections		
Assessed valuation	\$ 4,767,236,629	\$ 4,592,630,325
Property tax extensions		
Educational Fund	\$ 156,680,025	\$ 153,006,473
Operations and Maintenance Fund	32,294,053	30,477,252
Debt Service Fund	-	-
Transportation Fund	6,963,889	6,363,378
Municipal Retirement Fund	3,690,256	3,634,091
Tort Immunity Fund	1,042,779	1,001,194
Working Cash	909,309	1,998,204
Special Education Fund	32,942,383	31,629,445
Social Security Fund	4,090,289	4,037,833
Total levies extended	\$ 238,612,983	\$ 232,147,870
Current year collections	\$ 131,401,172	\$ 117,982,192
Subsequent collections	-	113,890,518
Total collections	\$ 131,401,172	\$ 231,872,710
Percentage of extensions collected	55.07%	99.88%

	2017 Rate		2016 Rate	
	DuPage	Will	DuPage	Will
Rates extended by year of levy (per \$100 of assessed valuation)				
Educational	3.2862	3.2908	3.3312	3.3353
Operations and Maintenance	0.6780	0.6713	0.6642	0.6576
Debt Service	-	-	-	-
Transportation	0.1462	0.1448	0.1382	0.1422
Illinois Municipal Retirement	0.0774	0.0775	0.0792	0.0784
Tort Immunity	0.0219	0.0216	0.0218	0.0218
Special Education	0.6918	0.6828	0.6887	0.6887
Working Cash	0.0189	0.0209	0.0435	0.0436
Social Security	0.0858	0.0858	0.0880	0.0871
Total rates extended	5.0062	4.9955	5.0548	5.0547

Source of information: DuPage and Will Counties, Rate and Extension Reports for 2013-2017

2015		2014		2013	
\$	4,327,743,513	\$	4,163,178,209	\$	4,143,826,550
\$	150,471,480	\$	145,723,727	\$	150,006,148
	29,428,656		29,000,699		29,006,413
	3,121,888		3,126,547		3,132,733
	6,924,390		6,944,181		6,505,434
	3,462,195		3,401,317		3,432,246
	1,514,711		2,060,773		2,020,321
	1,781,463		1,706,903		1,989,037
	31,143,844		32,156,388		23,290,880
	3,894,969		3,838,450		3,811,574
\$	231,743,596	\$	227,958,985	\$	223,194,786
\$	116,501,691	\$	113,077,494	\$	109,543,622
	115,293,818		114,105,318		113,299,957
\$	231,795,509	\$	227,182,812	\$	222,843,579
	100.02%		99.66%		99.84%

2015 Rate		2014 Rate		2013 Rate	
DuPage	Will	DuPage	Will	DuPage	Will
3.4800	3.4458	3.5003	3.5003	3.6200	3.6199
0.6800	0.6800	0.6966	0.6966	0.7000	0.6999
0.0722	0.0715	0.0751	0.0751	0.0756	0.0756
0.1600	0.1600	0.1668	0.1668	0.1570	0.1569
0.0800	0.0800	0.0817	0.0817	0.0829	0.0821
0.0350	0.0350	0.0495	0.0495	0.0488	0.0483
0.7165	0.7511	0.7724	0.7724	0.5619	0.5637
0.0412	0.0408	0.0410	0.0410	0.0480	0.0480
0.0900	0.0900	0.0922	0.0922	0.0920	0.0918
5.3549	5.3542	5.4756	5.4756	5.3862	5.3862

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Operating Cost and Tuition Charge

Last Three Fiscal Years

Operating Cost Per Pupil	2018	2017	2016
Average Daily Attendance (ADA)	15,497	15,481	15,574
Operating Costs			
Educational	\$ 211,671,740	\$ 204,830,278	\$ 201,880,375
Operations and Maintenance	30,786,101	33,566,740	28,626,084
Debt Service	14,296,090	4,538,642	4,119,184
Transportation	12,662,933	11,388,517	10,477,664
Municipal Retirement/Social Security	7,849,431	7,764,022	7,541,758
Tort	1,184,878	1,586,768	1,214,651
Subtotal	278,451,173	263,674,967	253,859,716
Less Revenue/Expenditures of Nonregular Programs			
Transportation fees from other districts	20,795	26,376	34,409
Pre-K programs	1,060,990	1,521,452	1,912,333
Pre-K programs - private tuition	5,749,191	-	-
Summer school	1,448,176	1,229,599	2,967,749
Capital outlay	12,256,705	14,402,327	13,902,708
Debt principal retired	12,879,633	3,037,342	2,543,772
Community services	918,056	703,338	618,240
Payments to other districts & governmental units	733,471	5,489,626	5,539,064
Operating costs	35,067,017	26,410,060	27,518,275
Operating Cost Per Pupil - Based on ADA	\$ 243,384,156	\$ 237,264,907	\$ 226,341,441
Operating Cost Per Pupil - Based ADA	\$ 15,705	\$ 15,326	\$ 14,533
Tuition Charge			
Operating Costs	243,384,156	237,264,907	226,341,441
Less - revenues from specific programs, such as special education or lunch programs	(23,970,939)	(22,932,624)	(25,812,532)
Net operating costs	219,413,217	214,332,283	200,528,909
Depreciation allowance	7,546,008	16,524,231	15,573,389
Allowable Tuition Costs	\$ 226,959,225	\$ 230,856,514	\$ 216,102,298
Tuition Charge Per Pupil - Based on ADA	\$ 14,646	\$ 14,912	\$ 13,876

Source of information: Annual Financial Report

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

2009 General Obligation Bonds

June 30, 2018

<u>YEAR ENDED JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2019	\$ 2,130,000	\$ 899,500	\$ 3,029,500
2020	2,200,000	793,000	2,993,000
2021	2,270,000	683,000	2,953,000
2022	2,350,000	569,500	2,919,500
2023	2,430,000	452,000	2,882,000
2024	2,510,000	330,500	2,840,500
2025	1,080,000	205,000	1,285,000
2026	-	151,000	151,000
2027	-	151,000	151,000
2028	-	151,000	151,000
2029	3,020,000	151,000	3,171,000
Total	<u>\$ 17,990,000</u>	<u>\$ 4,536,500</u>	<u>\$ 22,526,500</u>

Paying Agent

Bond Trust Services Corporation, Minnesota

Principal payment date

February 1

Interest payment dates

February 1 and August 1

Interest rates

1.50% to 5.00%

NAPERVILLE COMMUNITY UNIT SCHOOL DISTRICT NO. 203

Employee Health Benefit Plan Reserve
 Schedule of Assets and Changes in Fund Balance
 Last Two Fiscal Years

	2018	2017
Assets		
Cash	\$ 17,307,564	\$ 17,515,122
Other assets	194,694	75,742
Total assets	<u>\$ 17,502,258</u>	<u>\$ 17,590,864</u>
Liabilities and fund balance		
Accrued claims outstanding	\$ 5,337,060	\$ 5,177,838
Other liabilities	163,125	151,063
Total liabilities	<u>5,500,185</u>	<u>5,328,901</u>
Fund balances		
Increases during the year		
Contributions	<u>35,030,613</u>	<u>33,792,397</u>
Total increases during the year	<u>35,030,613</u>	<u>33,792,397</u>
Decreases during the year		
Employer benefit claims, premiums and other services	<u>35,290,503</u>	<u>33,668,343</u>
Total decreases during the year	<u>35,290,503</u>	<u>33,668,343</u>
Net increase (decrease) during the year	(259,890)	124,054
Beginning fund balance	<u>12,261,963</u>	<u>12,137,909</u>
Ending fund balance	<u>12,002,073</u>	<u>12,261,963</u>
Total liabilities and fund balance	<u>\$ 17,502,258</u>	<u>\$ 17,590,864</u>

Description of reserve

This reserve was established in fiscal year 1982 to account for amounts reserved to pay employee health benefit plan claims for medical, dental, and vision expense reimbursements. The reserve is funded based upon actuarial assumptions of future claims to be paid. Premiums for minimum insurance coverage (the insurance carrier pays all claims over a maximum limit) are paid from this fund. The Board of Education may elect to reduce the level of contributions into the reserve in order to maintain the fund at a specified limit. If claims exceed the fund balance, the General Fund is obligated to pay the additional claims.