

Niles Township School Treasurer

Financial Report
June 30, 2016

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Independent Auditor's Report

RSM US LLP

To the Board of Trustees
Niles Township School Treasurer

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Niles Township School Treasurer (the Treasurer), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Treasurer's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to 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. 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 modified cash basis financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Niles Township School Treasurer, as of June 30, 2016, and the respective changes in modified cash basis financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Treasurer's basic financial statements. The accompanying other information, which includes management's discussion and analysis, schedules of employer contributions and changes in net pension liability and the schedule of cash and investment balances are presented for purposes of additional analysis and are not a required part of the basic financial statements. This 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.

RSM US LLP

Chicago, Illinois
July 13, 2017

Other Information

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

Niles Township School Treasurer

Management's Discussion and Analysis

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

Financial Highlights

- Revenues in the amount of \$975,402 were collected from school districts and joint agreements.
- Expenditures in the amount of \$1,262,163 were paid for operating costs of the Treasurer's office in the General Fund, and expenses on the Statement of Activities, which include depreciation and capitalized assets, totaled \$1,215,908.
- In total, Net Position decreased by \$240,506, which represents a 40 percent decrease from the 2015 Net Position of \$(599,138).

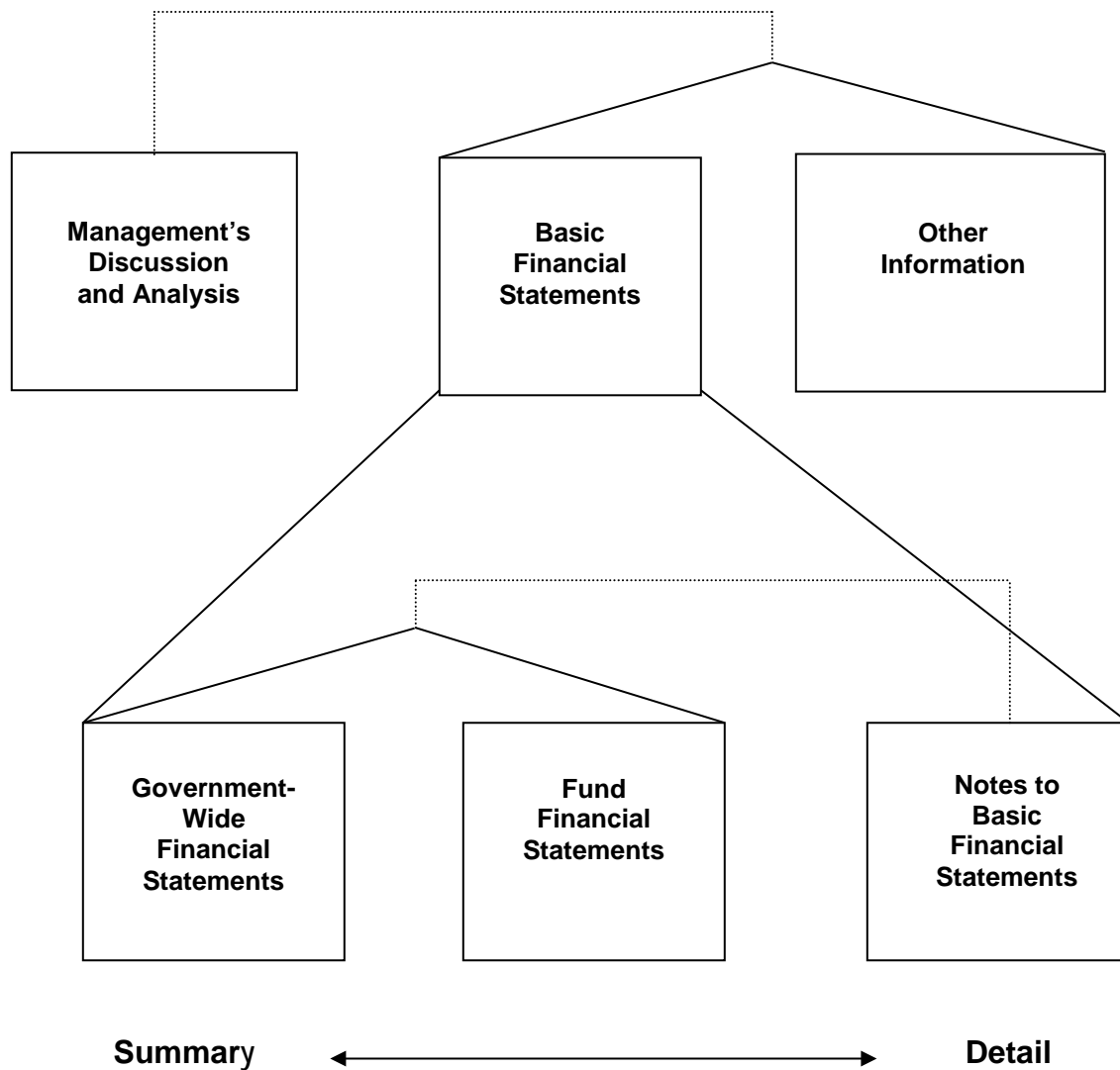
Overview of the Financial Statements

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

- Government-wide financial statements.
- Fund financial statements.
- Notes to basic financial statements.

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

Figure A-1
Organization of Niles Township School Treasurer's Annual Financial Report



Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broader overview of the Treasurer's finances.

The Statement of Net Position - modified cash basis presents information on certain assets and liabilities of the Treasurer with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Treasurer is improving or deteriorating.

Niles Township School Treasurer

Management's Discussion and Analysis

The Statement of Activities - modified cash basis presents information showing how the government's net position changed during the fiscal year being reported. Most changes in net position are reported when cash is received and disbursed. Additionally, activity related to the acquisition, depreciation and year-end balances of capital assets are reported.

The government-wide financial statements present the functions of the Treasurer that are principally supported by intergovernmental revenues (governmental activities). All of the Treasurer's basic services are included here. Charges to the school districts and joint agreements finance all of these activities. The Treasurer 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 Treasurer's governmental activities include Treasurer's office services.

Fund Financial Statements

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

The Treasurer's governmental fund is 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 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 the Treasurer'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, readers 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 changes in fund balance provide a reconciliation to facilitate this comparison between the governmental fund and governmental activities. The Treasurer maintains one individual governmental fund – the General (Distributive) Fund, which the Treasurer considers to be a major fund.

The Treasurer adopts an annual budget for the General (Distributive) Fund listed above. A budgetary comparison schedule has been provided for the fund to demonstrate compliance with this budget.

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

Niles Township School Treasurer

Management's Discussion and Analysis

Notes to Basic Financial Statements

The notes to the basic 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 supplementary information concerning the Treasurer's progress in funding its obligation to provide pension benefits to its employees.

Government-Wide Financial Analysis

Net Position. The Treasurer's net position decreased by 40 percent compared to the prior year. Total net position was \$(839,644) and \$(599,138) as of June 30, 2016 and 2015, respectively (see Table 1).

The Treasurer's financial position is the product of many factors. However, the primary factor resulting in the decrease in net position was \$312,541 in capital expenditures for the year ended June 30, 2016, only \$131,174 of which were eligible for capitalization under the Treasurer's policy.

Table 1		
Condensed Statement of Net Position		
(in thousands of dollars)		
	<u>2016</u>	<u>2015</u>
Current assets	\$ 160.5	\$ 160.5
Capital assets	145.4	99.1
Total assets	<u>\$ 305.9</u>	<u>\$ 259.6</u>
Due to fiduciary fund	\$ 1,145.5	\$ 858.7
Total liabilities	<u>\$ 1,145.5</u>	<u>\$ 858.7</u>
Net Position:		
Net investment in capital assets	\$ 145.4	\$ 99.1
Unrestricted	<u>(985.0)</u>	<u>(698.2)</u>
Total net position	<u>\$ (839.6)</u>	<u>\$ (599.1)</u>

Niles Township School Treasurer

Management’s Discussion and Analysis

Table 2		
Changes in Net Position		
<i>(in thousands of dollars)</i>		
	2016	2015
Revenues:		
Program revenues:		
Charges for services	\$975.4	\$920.0
Expenses:		
Treasurer’s office services	\$1,215.9	\$1,011.1
Change in Net Position	(240.5)	(91.1)
Net Position – Beginning	\$(599.1)	(508.0)
Net Position – Ending	\$(839.6)	\$(599.1)

Changes in Net Position. The Treasurer’s total revenues were \$975,402 and \$920,000 for the years ended June 30, 2016 and 2015, respectively (see Table 2).

The total cost of all the Treasurer’s office services were \$1,215,908 and \$1,011,203 during the years ended June 30, 2016 and 2015, respectively.

Total expenses surpassed revenues, decreasing net position by \$240,506 from last year.

Financial Analysis of the Treasurer’s Funds

The financial position of the Treasurer as a whole is reflected in its governmental fund, as well. As the Treasurer completed the year, the governmental fund balance was \$(985,005). This reflects a decrease of \$286,761 from the prior year fund balance of \$(698,244).

General Fund Budgetary Highlights

The Treasurer’s budget for the General (Distributive) Fund anticipated that revenues would exceed expenditures by \$13,050; the actual result was a \$286,761 deficit.

Niles Township School Treasurer

Management's Discussion and Analysis

Capital Assets

By the end of 2016, the Treasurer had invested \$145,361 (after accumulated depreciation of \$(751,535) in capital assets, including equipment and furniture). (See Table 3.) More detailed information about capital assets can be found in Note 5 to the financial statements.

Depreciation expense for the year was \$84,919, while net additions amounted to \$131,174, which consisted mainly of office equipment.

	2016	2015	Total Percentage Change
Equipment	\$ 835,993	\$ 723,851	15.5%
Furniture	60,903	41,871	45.5%
Total Assets	896,896	765,722	
Accumulated Depreciation	(751,535)	(666,616)	
Total, Net	\$ 145,361	\$ 99,106	

Factors Bearing on the Treasurer's Future

At the time these financial statements were prepared and audited, the Treasurer was not aware of any circumstances that may significantly affect its financial position in the future.

Contacting the Treasurer's Financial Management

This financial report is designed to provide the Niles Township School Treasurer member districts, those districts' taxpayers and creditors with a general overview of the Treasurer's finances and to demonstrate the Treasurer's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Martin Paltzer, Jr. at:

Niles Township School Treasurer
5407 W. Lincoln Ave.
Skokie, Illinois 60077

Basic Financial Statements

**Government-Wide
Financial Statements (GWFS)**

Niles Township School Treasurer

**Statement of Net Position (Deficit) - Modified Cash Basis
June 30, 2016**

	Governmental Activities
<hr/>	
Assets	
Due from intergovernmental agreement	\$ 160,489
Capital assets, net of accumulated depreciation	<u>145,361</u>
Total assets	<u><u>\$ 305,850</u></u>
Liabilities	
Due to fiduciary fund	<u>\$ 1,145,494</u>
Net Position (Deficit)	
Net investment in capital assets	145,361
Unrestricted (deficit)	<u>(985,005)</u>
Total net position (deficit)	<u>(839,644)</u>
Total liabilities and net position (deficit)	<u><u>\$ 305,850</u></u>

See Notes to Basic Financial Statements.

Niles Township School Treasurer

**Statement of Activities - Modified Cash Basis
Year Ended June 30, 2016**

Functions/Programs	Expenses	Program Revenues	Charges for Services	Net Revenue, (Expense) and Changes in Net Position
			Governmental Activities	
Governmental activities:				
Treasurer's office services	\$ 1,215,908	\$ 975,402		\$ (240,506)
Net position (deficit):				
July 1, 2015				(599,138)
June 30, 2016				\$ (839,644)

See Notes to Basic Financial Statements.

Fund Financial Statements (FFS)

Niles Township School Treasurer

Balance Sheet - Modified Cash Basis

General Fund

June 30, 2016

Assets

Due from intergovernmental agreement \$ 160,489

Liabilities and Fund Balance (Deficit)

Liabilities

Due to fiduciary fund \$ 1,145,494

Fund balance (deficit),

Unassigned (985,005)

Total liabilities and fund balance (deficit) \$ 160,489

See Notes to Basic Financial Statements.

Niles Township School Treasurer

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

Total fund balance (deficit) - General Fund	\$ (985,005)
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the General Fund.

145,361

Net position (deficit) of governmental activities

\$ (839,644)

See Notes to Basic Financial Statements.

Niles Township School Treasurer

**Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit) - Modified Cash Basis - Budget and Actual - General Fund
Year Ended June 30, 2016**

	Original and Final Budget	Actual
Revenues:		
Reimbursement of Treasurer's office expenses from:		
Fees and charges to other school districts and joint agreements	\$ 975,000	\$ 975,402
Expenditures:		
Current:		
Supporting services:		
Treasurer's salary	162,750	165,250
Assistants' salaries	235,000	219,078
Retirement and social security contributions	216,200	195,388
Liability insurance	26,300	26,472
Professional fees	46,700	48,690
Utilities	37,500	36,574
Rent	13,500	13,838
Office supplies and service contracts	155,500	218,378
Maintenance	12,000	11,203
Miscellaneous	25,500	14,751
Capital outlay	31,000	312,541
Total expenditures	<u>961,950</u>	<u>1,262,163</u>
Change in fund balance (deficit)	<u>\$ 13,050</u>	(286,761)
Fund balance (deficit):		
July 1, 2015		<u>(698,244)</u>
June 30, 2016		<u>\$ (985,005)</u>

See Notes to Basic Financial Statements.

Niles Township School Treasurer

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

Net change in fund balance (deficit) - General Fund	\$	(286,761)
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlay	\$	131,174	
Depreciation		(84,919)	46,255
		<u> </u>	<u> </u>

Change in net position (deficit) of governmental activities	\$	<u><u>(240,506)</u></u>
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See Notes to Basic Financial Statements.

Niles Township School Treasurer

**Statement of Assets and Liabilities - Modified Cash Basis
Agency Fund
June 30, 2016**

	Fiduciary Fund Type <hr/> Agency
Assets	
Cash and investments	\$ 420,724,719
Restricted investments	21,866
Due from general fund	1,145,494
Purchased interest	<hr/> 101,335
Total assets	<hr/><hr/>\$ 421,993,414
Liabilities	
Due to participating school districts	\$ 417,524,150
Unallocated net appreciation in fair market value of investments, net of unallocated interest	2,990,292
Due to others	<hr/> 1,478,972
Total liabilities	<hr/><hr/>\$ 421,993,414

See Notes to Basic Financial Statements.

Niles Township School Treasurer

Notes to Basic Financial Statements

Note 1. Nature of Activities, Financial Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Significant Accounting Policies

Nature of Activities

The Niles Township School Treasurer (Treasurer) oversees the treasury function of School District Nos. 67, 68, 69, 70, 71, 72, 73, 73 ½, 74, 219 and Niles Township District for Special Education (NTDSE) (the Participating Districts). The Treasurer and each Participating District are located in Cook County, Illinois. In this capacity, funds received by the Treasurer from various sources are distributed to Participating Districts on a current basis to meet operating needs. Excess funds are invested by the Treasurer in accordance with its investment policy.

The accounting policies of the Treasurer conform to the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Significant accounting policies are as follows:

Financial Reporting Entity

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

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

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

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

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

Basis of Presentation

Government-Wide Financial Statements (GWFS): The Government-Wide Statement of Net Position and Statement of Activities display information about the reporting government as a whole.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct revenues are those that are clearly identifiable with a specific function or segment. Indirect expenses not allocated to functions, if any, are reported separately. Program revenues include charges to the Niles Township School Treasurer and joint agreements and fees and charges to other school districts and joint agreements. Other items not properly included among program revenues are reported instead as general revenues.

Niles Township School Treasurer

Notes to Basic Financial Statements

Note 1. Nature of Activities, Financial Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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

Fund Financial Statements (FFS): The FFS of the reporting entity are generally organized into funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that represent the fund's assets, liabilities, equity, revenues and expenditures. The following fund types are used by the Treasurer:

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

The General (Distributive) Fund is the Treasurer's primary operating fund. It accounts for all financial resources of the Niles Township School Treasurer. It is reported as a major fund as required by GASB Statement No. 34.

Fiduciary fund types are used to account for assets held in a trustee or agency capacity on behalf of others.

The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. The agency fund is used to account for assets and liabilities held by the Treasurer for the public school Districts and joint agreements in Niles Township in an agency capacity.

Measurement Focus and Basis of Accounting

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

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resource" measurement focus, as applied on the modified cash basis of accounting, is used as defined below.

The governmental fund (General Fund) utilizes a "modified current financial resources" measurement focus. Only certain current financial assets and liabilities are generally included on the balance sheet. The operating statement presents sources and uses of available spendable financial resources during a given period. This fund uses fund balance as its measure of available spendable financial resources at the end of the period.

Niles Township School Treasurer

Notes to Basic Financial Statements

Note 1. Nature of Activities, Financial Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Significant Accounting Policies (Continued)

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and fiduciary activities are presented using a modified cash basis of accounting. This basis recognizes cash, cash equivalents and investments, amounts due to/from other governments, interfund debt, net position/fund balance, revenues, and expenditures/expenses when they result from cash transactions, with certain modifications. Under this basis of accounting, the Treasurer reports activity related to the acquisition, depreciation and year-end balances of capital assets, as well as year-end balances and related changes in long-term debt in its GWFS. At June 30, 2016, the Treasurer had no long-term debt. This basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected), and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and accrued expenses and liabilities) are not recorded in these financial statements.

If the Treasurer utilized the basis of accounting recognized as generally accepted, the fund financial statements for the governmental fund would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

Significant Accounting Policies

Investments

The Niles Township School Treasurer accounts for the cash and investments of the public school districts and the joint agreement in Niles Township. The investments are recorded at fair value, which is based on market value for same or similar investments.

Capital Assets

Capital assets, which include equipment and furniture, are reported in the Statement of Net Position. Capital assets are defined as assets with an initial individual cost of more than \$2,500 and an estimated useful life of greater than one year. Additions or improvements that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset, are capitalized. Expenditures for asset acquisitions and improvements are stated as capital outlay expenditures in the governmental fund.

These assets have been valued at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at their estimated fair market value at the date of donation.

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

Depreciation of capital assets is recorded in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position and is provided on the straight-line basis over the following estimated useful lives:

Equipment	5 years
Furniture	10 years

Niles Township School Treasurer

Notes to Basic Financial Statements

Note 1. Nature of Activities, Financial Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Significant Accounting Policies (Continued)

Significant Accounting Policies (Continued)

Compensated Absences

Annually, full-time employees accrue 2 weeks to 4 weeks of vacation based on seniority. Unused vacation is not carried forward to the following year.

All full-time employees receive 10 sick days each calendar year and there is a limit of 50 days that can be accumulated. Upon the termination of employment, sick days will not be reimbursed. If the employee is a member of the Illinois Municipal Retirement Fund (IMRF), the unused sick days will be used as additional service time.

Net Position

The Statement of Net Position presents the Treasurer's non-fiduciary assets and liabilities with a difference reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation.

Restricted net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions enabling legislation. The Treasurer has no restricted net position as of June 30, 2016.

Unrestricted net position consists of net assets that do not meet the criteria of the two preceding categories.

When both restricted and unrestricted resources are available for use, it is the Treasurer's policy to use restricted resources first, then unrestricted resources as they are needed. The Treasurer did not have any restricted assets as of June 30, 2016.

Fund Balance

Within the governmental fund, the Treasurer's fund balance is reported in one of the following classifications:

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

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

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

Niles Township School Treasurer

Notes to Basic Financial Statements

Note 1. Nature of Activities, Financial Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Significant Accounting Policies (Continued)

Significant Accounting Policies (Continued)

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

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

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

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2. Budget and Budgetary Information

An annual budget is adopted for the General Fund. The annual budget is adopted using the modified cash basis of accounting. All budgets lapse at fiscal year-end.

On or before July 1 of each year, the Treasurer is to submit for review a proposed budget for the fiscal year commencing on that date. After reviewing the proposed budget, the Treasurer holds a public hearing and a final budget must be prepared and adopted no later than October 1.

Note 3. Cash and Investments

Substantially all of the cash balances are deposits and investments maintained in the name of the Niles Township School Treasurer, as the legal custodian for any Participating Districts of the Niles Township Schools. The Treasurer comingles the Participating Districts’ Funds. Accounting records are maintained to separate the common cash and investment accounts by individual Participating District and by fund within the Districts.

a) Deposits

State statutes authorize the Treasurer to make deposits in interest-bearing depository accounts in federally insured and/or state chartered banks, savings and loan associations, and credit unions. As of June 30, 2016, the Treasurer had deposits with federally insured financial institutions of \$45,056,787 with bank balances totaling \$57,074,968.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Treasurer’s deposits may not be returned to it. The Treasurer does not have a deposit policy for custodial credit risk. As of June 30, 2016, \$3,482,835 of the Treasurer’s bank balances was uninsured and collateral was held by the pledging bank’s trust department not in the Treasurer’s name.

Niles Township School Treasurer

Notes to Basic Financial Statements

Note 3. Cash and Investments (Continued)

b) Investments

As of June 30, 2016, the Treasurer had the following investments:

Investment Type	Value	Maturities			
		Less Than 1 Year	1-5 Years	6-10 Years	Greater Than 10 Years
Federal National Mortgage Association (FNMA or Fannie Mae)	\$ 16,907,774	\$ -	\$ 2,257,122	\$ 2,170,440	\$ 12,480,211
Federal Home Loan Bank (FHLB)	34,294,160	-	4,999,899	675,367	28,618,894
Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)	52,545,232	-	4,617,797	3,309,342	44,618,092
Government National Mortgage Association (GNMA or Ginnie Mae)	59,103,511	-	-	1,710,782	57,392,729
State of Israel Bonds	3,500,000	-	3,500,000	-	-
Municipal Bonds	120,098,939	772,671	16,359,046	11,315,714	91,651,507
Corporate Bonds	10,007,957	250,344	1,758,885	2,858,185	5,140,543
Repurchase Agreements	19,394,122	19,394,122	-	-	-
Illinois Funds	9,875,279	9,875,279	-	-	-
TransWestern Institutional Short Duration Government Bond Fund	35,982,934	35,982,934	-	-	-
Illinois School District Liquid Asset Fund (ISDLAF)	11,672,081	11,672,081	-	-	-
Illinois Institutional Investors Trust (IIIT)	2,307,810	2,307,810	-	-	-
	<u>\$ 375,689,798</u>	<u>\$ 80,255,241</u>	<u>\$ 33,492,750</u>	<u>\$ 22,039,831</u>	<u>\$ 239,901,976</u>

The Illinois Funds, Illinois School District Liquid Asset Fund, TransWestern Institutional Short Duration Government Bond Fund and Illinois Institutional Investors Trust (IIIT) are shown as maturing in less than one year because the weighted average maturity of the funds is less than one year.

Interest rate risk. The Treasurer's investment policy does not limit the Treasurer's investment portfolio to specific maturities; however, the Treasurer's predominant investment strategy is to operate as a buy and hold to maturity investor, which does limit interest rate risk.

Authorized investments. State statutes authorize the Treasurer 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. The Treasurer is also authorized to invest in the Illinois School District Liquid Asset Fund Plus, the Illinois Institutional Investors Trust, the Illinois Funds, Municipal Bonds, and State of Israel Bonds. The Treasurer restricted its investments to only those investments described above.

Credit risk. The Illinois Funds and FHLB securities are rated AAA and AA+, respectively, by Standard & Poor's. FNMA, GNMA, FHLMC, TransWestern Institutional Short Duration Government Bond Fund, Repurchase Agreements and State of Israel Bonds are not rated. Of the Municipal and Corporate Bonds, \$32,859,498 is rated AAA or Aaa, \$40,352,399 is rated AA+ or Aa1, \$26,226,408 is rated AA or Aa2, \$4,569,836 is rated AA- or Aa3, \$239,014 is rated A+ or A1, \$742,673 is rated A or A2, \$1,315,060 is rated A- or A3, \$2,228,896 is rated BBB- or Baa3, and \$377,113 is rated BB- or Ba3 by Standard and Poor's and Moody's, respectively. \$21,195,999 of the Municipal and Corporate Bonds are not rated.

Niles Township School Treasurer

Notes to Basic Financial Statements

Note 3. Cash and Investments (Continued)

Concentration of credit risk. The Treasurer's policy states that it shall diversify its investments to the best of its ability based upon the type of funds invested, available institutions to invest in, and the cash flow needs of those funds. Diversification can be by type of investments, number of institutions invested in, and length of maturity. More than 5 percent of the Treasurer's investments are in FHLB and FHLMC. These investments are 9.1 percent and 14.0 percent, respectively, of the Treasurer's total investments.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Trustees will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2016, the Treasurer's investments are not subject to custodial risk.

The above deposits of \$45,056,787 and investments of \$375,689,798 totaling \$420,746,585 are reported in the financial statements as cash and investments as follows:

Fiduciary fund type:

Cash and investments	\$ 420,724,719
Restricted investments	21,866
	<u>\$ 420,746,585</u>

Fair value of investments. The Treasurer adopted GASB Statement No. 72, *Fair Value Measurement and Application* in fiscal year 2016. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

The Treasurer categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation input 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 which include quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets that are not active; or using other inputs such as interest rates and yield curves at commonly quoted intervals, implied volatilities and credit spreads or market-corroborated inputs.
- Level 3 inputs are significant unobservable inputs.

The Illinois Funds, Illinois School District Liquid Asset Fund and Illinois Institutional Trust are maintained at amortized cost (2a7 like pool) through daily adjustment in the interest earnings. The value of the Treasurer's investment in the funds is the same as the value of the pool shares. All funds deposited in the pool are classified as investments even though some could be withdrawn on a day's notice.

Niles Township School Treasurer

Notes to Basic Financial Statements

Note 3. Cash and Investments (Continued)

The Treasurer has the following as of June 30, 2016:

Investments Measured at Fair Value	Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Federal National Mortgage Association (FNMA or Fannie Mae)	\$ 16,907,774	\$ -	\$ 16,907,774	\$ -
Federal Home Loan Bank (FHLB)	34,294,160	-	34,294,160	-
Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)	52,545,232	-	52,545,232	-
Government National Mortgage Association (GNMA or Ginnie Mae)	59,103,511	-	59,103,511	-
State of Israel Bonds	3,500,000	-	3,500,000	-
Municipal Bonds	120,098,939	-	120,098,939	-
Corporate Bonds	10,007,957	-	10,007,957	-
Repurchase Agreements	19,394,122	-	19,394,122	-
TransWestern Institutional Short Duration Government Bond Fund	35,982,934	-	35,982,934	-
Total investments measured at fair value	<u>351,834,628</u>	<u>\$ -</u>	<u>\$ 351,834,628</u>	<u>\$ -</u>
<u>Investments Not Measured at Fair Value</u>				
Illinois Funds	9,875,279			
Illinois School District Liquid Asset Fund (ISDLAF)	11,672,081			
Illinois Institutional Investors Trust (IIIT)	2,307,810			
Total investments not measured at fair value	<u>23,855,170</u>			
Total investments	<u>\$ 375,689,798</u>			

Note 4. Lease Obligations

The Treasurer has a lease with the W.M. Worden Tyler Association for a portion of the Skokie Masonic Temple building, which expires on December 31, 2021. The lease calls for monthly payments of \$1,000 through the expiration date. The remaining future minimum lease payments are as follows:

Years ending June 30:	
2017	\$ 12,000
2018	12,000
2019	12,000
2020	12,000
2021	12,000
Thereafter	6,000
	<u>\$ 66,000</u>

Rent expense was \$13,838 for the year ended June 30, 2016.

Niles Township School Treasurer

Notes to Basic Financial Statements

Note 5. Capital Assets

A summary of the changes in capital assets for governmental activities of the Treasurer for the year ended June 30, 2016, is as follows:

	Balance, July 1, 2015	Additions	Deletions	Balance, June 30, 2016
Governmental activities:				
Capital assets being depreciated:				
Equipment	\$ 723,851	\$ 112,142	\$ -	\$ 835,993
Furniture	41,871	19,032	-	60,903
Total capital assets being depreciated	<u>765,722</u>	<u>131,174</u>	<u>-</u>	<u>896,896</u>
Less accumulated depreciation for:				
Equipment	629,675	82,999	-	712,674
Furniture	36,941	1,920	-	38,861
Total accumulated depreciation	<u>666,616</u>	<u>84,919</u>	<u>-</u>	<u>751,535</u>
Governmental activities capital assets, net	<u>\$ 99,106</u>	<u>\$ 46,255</u>	<u>\$ -</u>	<u>\$ 145,361</u>

Depreciation was charged to functions/programs as follows:

Governmental activities	
Treasurer's office services	<u>\$ 84,919</u>

Note 6. Retirement Fund Commitments

Illinois Municipal Retirement

Plan Description

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

Benefits Provided

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

Niles Township School Treasurer

Notes to Basic Financial Statements

Note 6. Retirement Fund Commitments (Continued)

Employees hired *on or after* January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after 10 years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with 10 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3 percent of the final rate of earnings for the first 15 years of service credit, plus 2 percent for each year of service credit after 15 years to a maximum of 75 percent of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of 3 percent of the original pension amount, or 1/2 of the increase in the Consumer Price Index of the original pension amount.

Employees Covered by Benefit Terms

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

Retirees and Beneficiaries currently receiving benefits	5
Inactive Plan Members entitled to but not yet receiving benefits	0
Active Plan Members	5
Total	<u><u>10</u></u>

Contributions

As set by statute, the Treasurer's regular plan members are required to contribute 4.50 percent of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Treasurer's required and actual contribution rates for the calendar years ending December 31, 2016 and 2015 were 9.12 percent and 9.09 percent, respectively. For fiscal year 2016, the District contributed \$35,432 to the plan. The Treasurer also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefit rate is set by statute.

Net Pension Liability, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

The Treasurer's net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Since the net pension liability, deferred outflows of resources, and deferred inflows of resources related to the pension are not the result of cash transactions, the modified cash basis of accounting does not allow for these to be recorded on the government-wide financial statements.

The schedule of changes in net pension liability and related ratios and the schedule of employer contributions are presented as other information following the notes to the financial statements.

Note 7. Risk Management

The Treasurer is exposed to various risks of loss related to torts; theft of, damage to, and destruction to assets; errors and omissions; injuries to employees; and natural disasters. The Treasurer carries commercial insurance for general liability and property, workers' compensation and employee health coverage. There have not been any significant changes in insurance coverage in the last year. Additionally, settled claims have not exceeded commercial insurance coverage during any of the past three years.

Niles Township School Treasurer

Notes to Basic Financial Statements

Note 8. Intergovernmental Agreement

The Treasurer has entered into an intergovernmental agreement with the Niles Township Property Tax Appeals Cooperative (NTPTAC) to serve as the NTPTAC's administrative agent. The NTPTAC is comprised of Niles Township taxing districts for the purpose of pooling and sharing costs associated with the repayment of property tax appeals. As of June 30, 2016, the Treasurer's office had \$160,489 due from the NTPTAC.

Note 9. Pronouncements Issued But Not Yet Adopted

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

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (Employer)*, will be effective for the Treasurer beginning with its year ended June 30, 2018. This statement outlines accounting and financial reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments.

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

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statement No. 67, No. 68, and No. 73*, will be effective for the Treasurer beginning with its year ending June 30, 2017. The objective of this Statement is to address issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

GASB Statement No. 84, *Fiduciary Activities*, will be effective for the Treasurer beginning with its year ended June 30, 2019. This statement provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

GASB Statement No. 85, *Omnibus 2017*, will be effective for the Treasurer beginning with its year ended June 30, 2018. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addressed a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits).

Management is still in the process of determining what effect, if any, these above Statements will have on the financial statements and related disclosures.

Other Information

Niles Township School Treasurer

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

<u>Calendar Year Ending December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Valuation Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2015	\$ 33,857	\$ 33,857	\$ -	\$ 372,466	9.09%
2014	32,808	32,808	-	358,561	9.15%

Note to schedule: Detailed information and the summary of actuarial methods and assumptions used in the calculation of the contribution rate are available at the Treasurer's administrative offices.

Niles Township School Treasurer

**Schedule of Changes in Net Pension Liability and Related Ratios
Illinois Municipal Retirement Fund**

Calendar Year Ended December 31,	2015	2014
A. Total pension liability		
1. Service cost	\$ 43,034	\$ 42,747
2. Interest on the Total Pension Liability	98,073	91,311
3. Changes of benefit terms	-	-
4. Difference between expected and actual experience of the Total Pension Liability	20,892	(51,014)
5. Changes of assumptions	5,915	47,879
6. Benefit payments, including refunds of employee contributions	(40,903)	(40,911)
7. Net change in total pension liability	127,011	90,012
8. Total pension liability - beginning	1,306,569	1,216,557
9. Total pension liability - ending	<u>\$ 1,433,580</u>	<u>\$ 1,306,569</u>
B. Plan fiduciary net position		
1. Contributions - employer	\$ 33,857	\$ 32,808
2. Contributions - employee	16,761	16,135
3. Net investment income	6,729	80,228
4. Benefit payments, including refunds of employee contributions	(40,903)	(40,911)
5. Other (net transfer)	(53,286)	(58,492)
6. Net change in plan fiduciary net position	(36,842)	29,768
7. Plan fiduciary net position - beginning	1,340,964	1,311,196
8. Plan fiduciary net position - ending	<u>\$ 1,304,122</u>	<u>\$ 1,340,964</u>
C. Net pension liability	<u>\$ 129,458</u>	<u>\$ (34,395)</u>
D. Plan fiduciary net position as a percentage of total pension liability	90.97%	102.63%
E. Covered valuation payroll	\$ 372,466	\$ 358,561
F. Net pension liability as a percentage of covered valuation payroll	34.76%	-9.59%

Note to schedule: Detailed information and actuarial assumptions used in the preparation of this schedule are available at the Treasurer's administrative offices and at <https://www.imrf.org/en/employers/employer-resources/reports-for-employers>.

Niles Township School Treasurer

**Schedule of Cash and Investment Balances by Participating District
Year Ended June 30, 2016**

Participating District	Cash and Investment Balances
District 67	\$ 7,179,623
District 68	50,329,894
District 69	36,151,778
District 70	17,035,492
District 71	10,500,731
District 72	18,748,712
District 73	5,788,258
District 73-1/2	39,426,841
District 74	39,110,672
District 219	185,074,824
NTDSE	8,177,325
	\$ 417,524,150