



Comprehensive Annual Financial Report

*For the Fiscal Year
Ended June 30, 2017*



**FREERPORT SCHOOL DISTRICT
FREERPORT, IL**



Freeport School District No. 145
Freeport, Illinois

**Comprehensive Annual
Financial Report**

For the Year Ended
June 30, 2017

Prepared by:

**Patrick McDermott, Ed.D., SFO
Assistant Superintendent for Business & Finance**

Freeport School District No. 145

Year Ended June 30, 2017

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Introductory Section



F S D 1 4 5

F r e e p o r t S c h o o l D i s t r i c t

December 4, 2017

Members of the Community and the Board of Education
Freeport School District No. 145

Dear Members of the Community and the Board:

The Comprehensive Annual Financial Report (CAFR) for Freeport School District No. 145 (the District) for the fiscal year ending June 30, 2017, is hereby submitted. Submittal of this report complies with the requirements of the Illinois School Code. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District. We believe the data, as presented, is accurate in all material aspects and represents the financial position and results of operations of the District as shown by the disclosure of all financial activity of its various funds, and that all disclosures necessary for public understanding of the District's financial status have been incorporated within this report.

Management Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter for transmittal and should be read in conjunction with it.

This CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the district's organizational chart, and a list of principal officers and elected officials. The financial section includes the independent auditor's report on financial statements and pertinent schedules. The statistical section includes historical, multi-year financial, and demographic information pertinent to the district's financial condition.

The District is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Information related to this single audit, including a schedule of federal financial assistance and the independent auditor's reports on the internal control structure and on compliance with applicable laws and regulations, is included under separate cover.

The financial reporting entity of the District is to include the District, as the primary government, organizations for which the District is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading. Based on these criteria, there are no other organizations whose financial statements should be combined with the general purpose financial statements of the District. Additionally, based on consideration of oversight responsibility, scope of public service, and special financing relationships, the District is an independent entity, and not included as a component unit of any other reporting entity.



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F r e e p o r t S c h o o l D i s t r i c t

History of the District

In 1850, the citizens of Freeport voted in a referendum election to tax to build Union School. The vote passed 125 to 9. In 1852, the first public school, Union School, was built on South Galena Street in Freeport and opened for classes in October. The first public high school was on the second floor and the middle school was on the first floor (grammar school classes were conducted in the basements of the Presbyterian, Evangelical, and Methodist churches). In 1856, the first formal system of graded instruction was put into place in the county by the creation of a school system supported by general taxation and the election of a three-commissioner board of school commissioners. The commissioners were seated in 1857, so 1857 is considered the formal creation of Freeport School District.

Several schools were built in subsequent years. The high school principal was considered the supervisor of the school system. In 1867, the board of commissioners determined that such a supervisory system was not adequate to meet the demands of a rapidly growing school system and they elected Mr. G. G. Alvord as the first superintendent.

In 1919, a special election was held approving the purchase of the 25.19-acre tract of land that was the site of Stephenson County's first county fair in 1856. The site had also served in 1861 as Camp Scott, a training site for local men mobilized for service in the Civil War. On this site the present Freeport High School was built in 1925-26 and opened for classes in September 1926. This building has had several additions, including in 1924, 1947-48, 1962-64, and 1996.

Since 1919, several buildings have opened and closed. The current school buildings and administrative offices that are in use today comprise 787,283 square feet of building space, situated on 192.76 acres. Along with Freeport High School, the current list of schools includes the following. Empire Elementary was built in 1951, with additions in 1956 and 1963. Freeport Middle School (formerly Freeport Junior High School) was built in 1952, with additions in 1957 and 1963. Freeport Middle School is also the location of the 997-seat Jeanette Lloyd Theater. Taylor Park Elementary was built in 1952, with additions in 1957 and 1965. Blackhawk Elementary was built in 1954, with an addition in 1965. Lincoln Douglas Elementary was built in 1958, with an addition in 1965. The first Center Elementary was built in 1905. The current Center Elementary was built in 1968 and underwent renovations in 1994 to convert it from an open-concept elementary school. Carl Sandburg Middle School was built in 1969. It also underwent renovation to convert it from an open-concept school in 1995. Jones Farrar IB World School was built by Highland Community College as a vocational education building in 1975. Freeport School District bought the building in 1991. It served as a temporary site for Center and Carl Sandburg during their respective renovations, then became the District's Early Learning Center. It became an IB magnet school in 2010.



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F r e e p o r t S c h o o l D i s t r i c t

The old maintenance shop, built in 1947 and the attached bus garage, built in 1966, were converted into the Freeport Alternative High School and vocational classrooms in 2003. The Banks-Bergagna Education Center was the education building for First Presbyterian Church. Built in 1956, the building was purchased by the District in 2007. The central administration building was built as the Farm Credit Services building in 1972 and purchased by the District in 1988. Finally, in 2003 the District purchased the old Zimmerman car dealership facility and converted it into the maintenance shop and offices, transportation offices and bus maintenance garage, and the District's warehouse.

District Composition and Communities Served

The District serves grades preschool through grade 12. The District maintains ten school buildings: an elementary International Baccalaureate Candidate magnet school, five additional elementary schools (Preschool – 4th grade), two middle schools (5th – 8th grade), one high school (9th – 12th grade), one alternative high school, and a smaller transitional education facility. Each institution has full State of Illinois recognition and accreditation.

Enrollment includes 4,110 students from the City of Freeport, the Villages of Cedarville and Ridott, and the unincorporated areas of central Stephenson County in between these communities. The district covers 99 square miles entirely in Stephenson County, IL and is located approximately 114 miles northwest of Chicago, IL and approximately 30 miles west of Rockford, Illinois. The District serves 55% of the preschool through grade 12 students in Stephenson County.

Governance

The Board of Education consists of seven elected officials from our community. Freeport School District 145's current Board is comprised of:

Dr. Edward Finch	First elected 2015	Term expires 2019 President
Mrs. Janice Crutchfield	First elected 2009	Term expires 2021 Vice President
Mrs. Abbe Hayner	First elected 2011	Term expires 2019
Mr. Peter Norman	First elected 2015	Term expires 2019
Mr. Jack Sosnowski	First elected 2015	Term expires 2019
Ms. Shirley Bradley	First elected 2017	Term expires 2021
Mr. George McCarty	First elected 2017	Term expires 2021



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F r e e p o r t S c h o o l D i s t r i c t

Economic Condition and Outlook

The District's predominately residential tax base is expected to remain pressured over the near term as valuation declines moderately. The District's \$877.7 million tax base continues to depreciate, declining by a cumulative 15.7% from its peak in 2008 as a result of weakened residential property values. Based on discussions with the county assessor, District officials project that valuations will continue to fall, with some stabilization of the tax base in 2017 as appreciating agricultural values are expected to mitigate overall losses.

We expect the District's financial operations will continue to improve based on recent expenditure reductions. The district posted General Fund (Education + Operations & Maintenance + Transportation Funds) moderate operating surplus in 2017, for the second year in a row and for the second time in several years. The District has more aggressively controlled personnel expenditures over the past several years, primarily by reducing staff through attrition. Year-end figures indicate these cuts have resulted in finishing the last three fiscal years in the black.

The District's debt burden will likely remain manageable. The District carries a moderate direct debt burden of 2.3% of full value. All of the District's outstanding debt is secured by its debt service extension base (DSEB), a dedicated levy that is unlimited as to rate but limited in amount by the District's annual DSEB (\$2.6 million). All of the District's outstanding debt is fixed rate. Principal amortization is below average with 61.2% of GO debt retired within ten years.

Currently, the District has a relatively modest pension burden given the state is primarily responsible for funding teacher pensions. District teachers participate in the Teachers Retirement System (TRS) of Illinois, a multi-employer defined benefit pension plan, and non-teaching District employees participate in the Illinois Municipal Retirement Fund (IMRF), an agent multi-employer plan. As of June 30, 2017, TRS had a low reported funded ratio of 40.2%, while as of December 31, 2016, IMRF had a stronger funded ratio of 88.3%. The state is primarily responsible for funding TRS through payments made on behalf of school districts.

Revenues are comprised of local property taxes, state aid, and federal funding with the mix of the three revenue streams varying by each district. While the state constitution creates a foundational level for education funding, the state has reduced its annual allocation for state aid funding in recent years though there was a slight increase budgeted for fiscal 2017. Local property taxes have historically been largely predictable for Illinois school districts. Property taxes comprised 43.2% of fiscal 2017 Operating Fund revenues, and the district benefits from a nearly 100% collection rate.

Management has been proactive in making budget cuts in order to restore balanced operations.



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F r e e p o r t S c h o o l D i s t r i c t

Financial Policies / Budget Schedule

Financial policies regarding the acquisition, acknowledgement, investment, and expenditure of all District funds have been established by the Board of Education. A board finance committee meets on a regular basis to devote additional time and scrutiny of all financial operations on a policy and oversight level. The Board of Education follows a budget planning schedule that extends from October through the following September of each fiscal year and complies with all Illinois statutory requirements including, but not limited to, budgeting, levying, truth-in-taxation, and proper and complete auditing of district accounts.

Basis of Accounting and Reporting / Independent Audit

The District reports the government-wide financial statements on the accrual basis of accounting, and the fund financial statements are prepared on the modified accrual basis. Notes to financial statements expand upon the basis of accounting used by the District as well as other accounting practices and procedures. All district funds are included in this report and have been audited by Wipfli of Freeport, IL, who has issued an unmodified (clean) opinion on the Freeport School District 145's financial statements for the year ended June 30, 2017. The independent auditor's report is located at the front of the financial section of this report. The financial statements have been prepared in accordance with the standards set forth by the Governmental Accounting Standards Board (GASB).

Financial Management and Internal Controls

Management of the District is responsible for establishing and maintaining a system of internal control designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Tests are conducted by the District's independent auditors to determine the adequacy of internal control, including that portion related to federal financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.



FSD 145

Freeport School District

Budgetary Controls

Budgetary control is maintained at line-item levels by the buildings for their expenditures and built up into program and/or cost centers before being combined to form totals by fund. All actual activity compared to budget is reported to the District's management on a monthly basis. Reports of actual activity to budget are reported to the Board of Education monthly. The complete budget of the District is found on its website: www.fsd145.org.

Cash Management

The District invests up to 100 percent of available cash, timing investment maturities to actual cash needs. In addition, all checking accounts are of interest-bearing types. Investments are maintained in certificates of deposit, bank repurchase agreements, U.S. Treasury obligations, General Obligation Bonds, and commercial paper. Investments in prime commercial paper are made in small amounts in short-term money market accounts that are maintained as AAA ratings and monitored by PMA Financial Network on a weekly basis. There is minimal risk for our District in this area and within the restrictions allowed by the Illinois School Code. The District maintains investment relationships with several major local and Chicago area banks, two state-wide investment pools, and one nation-wide money manager.

Closing Statement

It is our belief that this Comprehensive Annual Financial Report will provide the District's management, outside investors, and local citizens with a meaningful financial presentation. We hope that all readers of this Report will obtain a clear and concise understanding of the District's financial condition as of June 30, 2017. We extend our appreciation to the members of the Board of Education for their interest and support in planning and conducting the financial operations of the District in a professional and fiscally responsible manner.

Respectfully submitted,

Dr. Michael Schiffman
Superintendent of Schools

Dr. Patrick McDermott
Assistant Superintendent for
Business & Finance

FREEPORT SCHOOL DISTRICT 145

Principal Officers

June 30, 2017

Board of Education Members

President	Dr. Edward Finch
Vice-president	Mrs. Janice Crutchfield
Member	Mrs. Abbe Hayner
Member	Mr. Pete Norman
Member	Mr. Jack Sosnowski
Member	Ms. Shirley Bradley
Member	Mr. George McCarty

District Administration

Superintendent	Dr. Michael Schiffman
Assistant Superintendent for Curriculum & Instruction	Dr. Duane Meighan
Assistant Superintendent for Business & Finance	Dr. Patrick McDermott
Director of Human Resources	Mr. Christopher Shockey
Director of Equity and Curriculum	Ms. Nita White
Director of Pupil Personnel Services	Mr. John Code

Building Principals

Blackhawk Elementary School	Ms. Stacey Kleindl
Carl Sandburg Middle School	Mr. Ben Asche
Center Elementary School	Ms. Danielle Summers
Empire Elementary School	Ms. Alice Stech
Freeport High School	Dr. Beth Summers
Freeport Middle School	Ms. Renee Coleman
Jones Farrar IB Magnet School	Ms. Jennifer DeJong
Lincoln Douglas Elementary School	Mr. Matthew Bohrer
Taylor Park Elementary School	Mr. Brian Lamm

Revised: 05/08/96

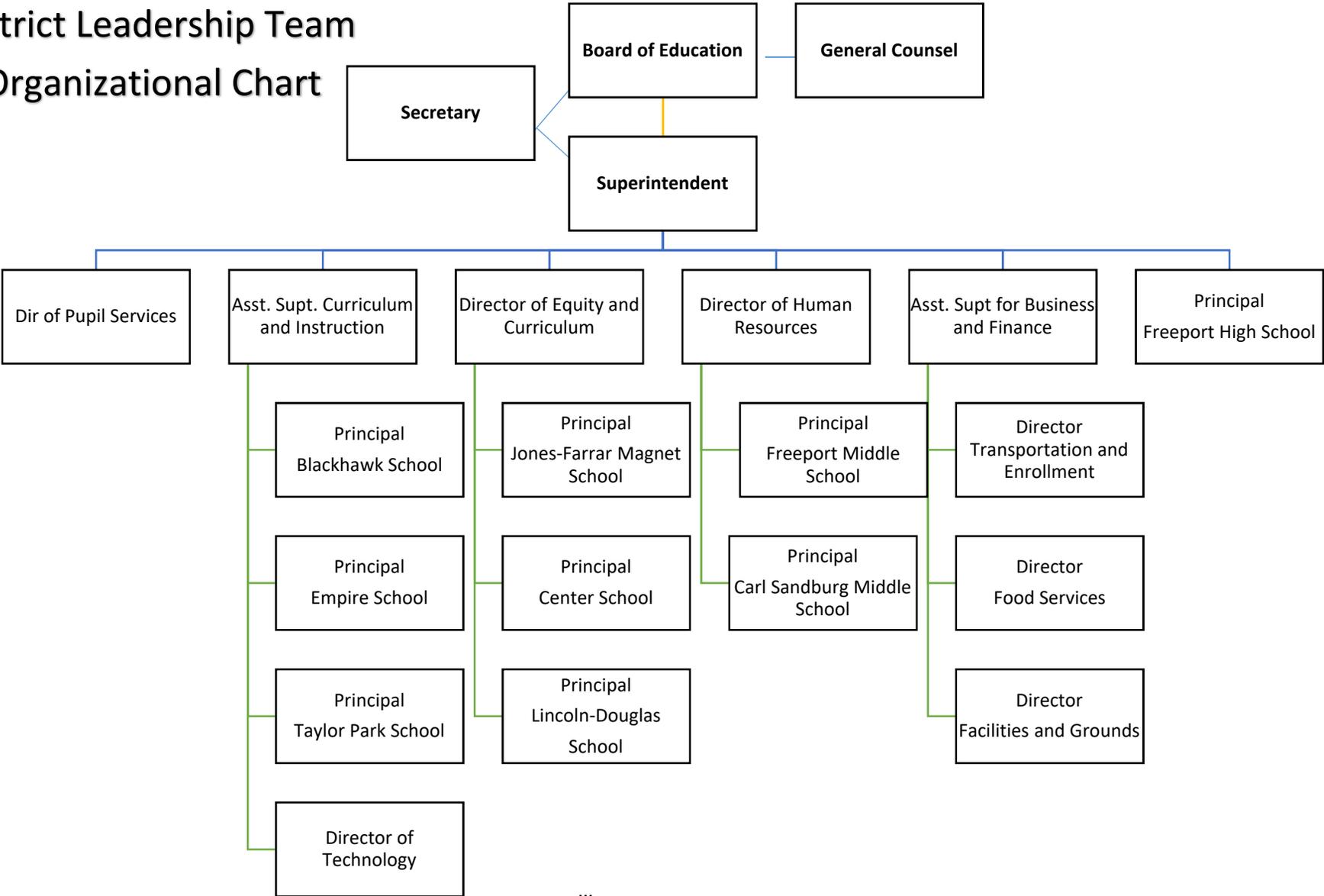
Revised: 08/17/11

Revised: 06/16/15

Freeport School District

Freeport, Illinois

District Leadership Team Organizational Chart



Financial Section



Independent Auditor's Report

Board of Education
Freeport School District No. 145
Freeport, Illinois 61032

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Freeport School District No. 145, Illinois, (the "District") as of and for the year ended June 30, 2017, 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; 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 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 Freeport School District No. 145, Illinois, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States.

Emphasis of Matter

The District adopted new accounting guidance, GASB Statement 34 “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments” for the current fiscal year. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management discussion and analysis and required supplementary information on pages 4 through 10 and 51 through 58 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, 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.

Supplementary 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 introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplementary information as listed in the table of contents is the responsibility of management and was 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Wipac LLP

Freeport, Illinois
December 4, 2017

Management Discussion and Analysis

Freeport School District No. 145

Management Discussion and Analysis

As management of Freeport School District No. 145 (the "District"), we offer the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2017.

The MD&A is provided at the beginning of the report to provide an overview of the District's financial position at June 30, 2017 and the results of operations for the year. This summary should not be taken as a replacement for the audit report, which consists of the basic financial statements, notes to the financial statements, required and other supplementary information.

FINANCIAL HIGHLIGHTS

The District's financial situation continues to struggle like most school Districts in Illinois. Cuts in state aid and continuing delays in state funding have had the most dramatic impact on the District. Investment earnings continue to be low due to the continued low investment rates.

The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the end of the year by \$4.8 million (net position).

The District's net position increased by \$2.1 million for the year.

The District decreased its outstanding bonds by a net \$1.1 million.

The General Fund - Educational and Working Cash Funds balance increased by \$886 thousand from the prior year to a total of \$7.4 million.

At the end of the year, the aggregate fund balances for the District's governmental funds (Educational, Operations and Maintenance, Working Cash, Transportation, Retirement/Social Security, Tort, Debt Service, Capital Project, and Fire Prevention and Safety), was \$19.8 million or 33% of the total expenditures of these governmental funds.

USING THIS FINANCIAL REPORT

The financial section of this annual report consists of four parts - Independent Auditor's Reports, required supplementary information which includes the MD&A (this section), the basic financial statements, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

Government -Wide Financial Statements

The first two statements are government-wide financial statements that provide both short term and long term information about the District's overall financial status, similar to a private sector business. In the government-wide financial statements the District's activities are shown in one category - governmental activities. The District's basic services are instruction, administration and building maintenance. These activities are largely financed with property taxes and state grants.

Freeport School District No. 145

Management Discussion and Analysis

USING THIS FINANCIAL REPORT (continued)

Government -Wide Financial Statements (continued)

The statement of net position presents information on all of the District's assets/deferred outflows and liabilities/deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the overall health of the District you need to consider additional non-financial factors such as the condition of the District's buildings and facilities.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in the next fiscal period.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law, while others are established to control and manage money for particular purposes or to show that the District is properly using certain revenues.

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

The District maintains eight individual governmental funds. Two of those funds, the Educational, and Working Cash are considered the General Fund of the District and are combined accordingly. Individual fund information is presented in separate columns in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and the changes in fund balances for all the other funds. These funds are all considered major funds of the District. More detail of the individual revenues and expenditures for these funds are presented in the other supplementary information section of this report.

The District adopts annual budgets for all the governmental funds. A budgetary comparison statement has been provided for the general and special revenue funds only, which is in compliance with GASB Statement No. 34.

Proprietary Fund - The District maintains one proprietary fund. Proprietary funds are reported in the same way as the government-wide financial statements. Internal Service Funds are a type of proprietary fund and provide service to other funds in the District. The District's internal service fund accounts for the medical and dental benefits for District employees.

Freeport School District No. 145

Management Discussion and Analysis

USING THIS FINANCIAL REPORT (continued)

Fund Financial Statements (continued)

Fiduciary Funds - The District is the trustee, or fiduciary, for assets that belong to others or are designated to be used for a specific purpose with the principal left intact. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purpose and by those to whom the assets belong. The District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the government-wide financial statements because the District cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's net position was \$4.8 million at June 30, 2017. Of this amount, \$(.4) million was unrestricted. Restricted net position is reported separately to show the limits from legislation, or accounting principles that limit the District's ability to use that net position for day to day operations. The following analysis focuses on the net position and changes in net position of the District's governmental activities.

Net Position Governmental Activities June 30 (In Millions)		
	2017	2016
Current assets	\$32.7	\$31.4
Noncurrent assets	11.9	12.4
Deferred outflows of resources	4.4	3.5
Total assets and deferred outflows	48.0	47.3
Current liabilities	4.8	5.3
Long term liabilities	24.7	25.8
Deferred inflows of resources	13.7	13.5
Total liabilities and deferred inflows	43.2	44.6
Net position		
Net investment in capital assets	(7.2)	(7.2)
Restricted	12.4	11.5
Unrestricted	(.4)	(1.6)
Total net position	\$4.8	\$2.7

Freeport School District No. 145

Management Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

**Changes in Net Position
Governmental Activities
For the years ended June 30
(In Millions)**

	2017	2016
Revenues:		
Program revenues:		
Charges for services	\$2.9	\$1.3
Operating grants and contributions	17.0	16.5
General revenue:		
Local property taxes	22.8	22.7
Payments in lieu of taxes	1.8	1.7
Earnings on investments	.0	.0
General state aid	17.9	17.0
Total revenues	62.4	59.2
Function/program expenses:		
Instruction	26.3	23.5
Pupil service	3.4	3.3
Instructional staff	4.3	4.5
General administration	1.4	1.7
School administration	2.9	3.0
Business services	10.2	10.0
Central services	.6	.6
Other support services	.2	.2
Community services	.1	.1
Payments to other governmental units	.7	.7
Expenses on behalf	8.6	8.2
Interest and service charges on debt	1.6	1.6
Total function/program expenses	60.3	57.4
Change in net position	2.1	1.8
Net position, beginning	2.7	.9
Net position, ending	\$4.8	2.7

The cost of governmental activities for this year was \$60.3 million. Local property taxes financed about 38% of this or \$22.8 million.

General state aid was the next largest contributor with \$17.9 million. Operating grants and contributions such as other state and federal funding was the next largest contributor with \$17.0 million of the total cost. Additionally, a small amount comes from payments in lieu of taxes (\$1.8 million) and charges for services (\$2.9 million).

Freeport School District No. 145

Management Discussion and Analysis

DISTRICT FUND'S FINANCIAL ANALYSIS

The District's budget is prepared according to Illinois law and was not amended during the year.

A budget was prepared for all funds except the Internal Service Fund and the Trust and Agency Funds.

General Fund

The General Fund is the District's main operating fund and includes the Educational and Working Cash Funds. The budget was not amended during the year. Actual revenue for the General Fund was \$47.9 million compared to budgeted revenue of \$39.3 million. Actual revenue was higher than budgeted largely due to on behalf payments to the Teachers' Retirement System (TRS) and Teachers' Health Insurance Security (THIS) not being budgeted. The on behalf revenue constitutes 38.54% of the TRS employees' creditable earnings for TRS + 1.12% for THIS.

Actual expenditures in the General Fund were \$47.2 million compared to budgeted expenditures of \$39.6 million. Actual expenditures were higher due to on behalf payments to the Teachers' Retirement System (TRS) and Teachers' Health Insurance Security (THIS) not being budgeted. The on behalf payments constitute 38.54% of the TRS employees' creditable earnings for TRS + 1.12% for THIS.

Actual expenditures exceeded actual revenue and other financing sources (uses) for the year by \$886 thousand bringing the General fund balance to \$7.4 million at June 30, 2017.

Special Revenue Funds

The Special Revenue Funds include the Operations and Maintenance, Transportation, Retirement/Social Security and Tort Funds. Actual revenue was \$9.8 million compared to budgeted revenue of \$10.0 million. Actual expenditures were \$9.2 million compared to budgeted expenditures of \$9.5 million. Actual revenue exceeded actual expenditures and other financing (uses) by \$909 thousand bringing the fund balance to \$9.5 million at June 30, 2017.

Debt Service Fund

The District only has one Debt Service Fund. Actual and budgeted revenues were \$2.6 million. Actual and budgeted expenditures were \$2.7 million. Fund balance at June 30, 2017 was \$2.5 million.

Capital Projects Funds

The Fire Prevention and Safety Fund comprises the District's Capital Projects Fund. Actual revenue was \$151 thousand, compared to budgeted revenue of \$151 thousand. Actual expenditures were \$77 thousand compared to budgeted expenditures of \$151 thousand. Fund balance at June 30, 2017 was \$284 thousand.

Freeport School District No. 145

Management Discussion and Analysis

DISTRICT FUND'S FINANCIAL ANALYSIS (continued)

Proprietary Fund

The District's only Proprietary Fund is an Internal Service Fund - The Employee Benefit Plan. It is used to account for the medical and dental benefits of the District's employees and retirees who choose to participate. No budget is prepared for the Proprietary Fund. Actual revenue and transfers in were \$6.4 million compared to actual expenditures of \$6.5 million, resulting in a deficit net position at June 30, 2017 of \$2.3 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had \$54.3 million invested in land, buildings, land improvements and equipment. Of this amount, \$43.5 million in depreciation has accumulated over the years, including \$1.4 million of depreciation being incurred in the current year. The District's net book value of capital assets at June 30, 2017 is \$10.8 million. Total net additions for the year were \$230 thousand. More detailed information can be found in Note 6 of the financial statements.

Net Book Value of Capital Assets at June 30 (In Millions)		
	2017	2016
Land	\$.8	\$.8
Buildings	7.3	8.1
Land improvements	1.2	1.3
Equipment	1.5	1.7
Total	\$10.8	\$11.9

Debt Administration

At June 30, 2017, the District had \$18.0 million in general obligation bonds. During the year the District retired \$1.1 million in general obligation bonds. Amounts due next year on these obligations are \$1.1 million in general obligation bonds.

Outstanding Debt at June 30 (In Millions)		
	2017	2016
General obligation bonds	\$18.0	\$19.1

Freeport School District No. 145

Management Discussion and Analysis

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

State statutes limit the amount of debt that a school district may issue. The current unused debt limitation for the District is \$22.3 million under that statutory limit. Additional details on the District's long term debt can be found in Note 7, 8, and 9 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The State of Illinois' General State Aid had decreased for five years (FY 10 – FY 15) because of being prorated, but the FY 16 proration was only 92.1% which was an improvement. FY 17 GSA was almost \$810K more than FY 16. Interest income earnings remain very low due to poor investment rates, and with lower fund balances, there are less funds to invest.

The State of Illinois is revamping the funding formula for the upcoming year. The District will continue to practice sound fiscal management while trying to meet state and federal mandates and provide the best quality education to the students of Freeport School District No. 145.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Freeport School District No. 145's finances for all those with interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to:

Patrick McDermott, Ed.D., SFO
Assistant Superintendent for Business & Finance
Freeport School District No. 145
501 E. South Street
Freeport, IL 61032
(815) 232-0300

Basic Financial Statements

Freeport School District No. 145

Statement of Net Position

June 30, 2017

ASSETS	Governmental Activities
Cash	\$5,494,173
Investments	5,097,388
Receivables, net of uncollectible amounts:	
Property taxes	18,483,667
Governmental claims	2,420,744
Other	212,343
Inventory	15,000
Prepaid expenditures	951,780
Other current assets	6,224
Total current assets	32,681,319
Noncurrent assets:	
Net pension asset	152,169
Land	822,541
Depreciable capital assets, net of accumulated depreciation	10,026,943
Total noncurrent assets	11,001,653
Deferred outflows of resources - pension contributions	4,373,166
Total assets and deferred outflows of resources	48,056,138
LIABILITIES	
Accounts payable	344,024
Accrued payroll and related deductions payable	3,333,234
General obligation bonds payable - current obligations	1,080,431
Total current liabilities	4,757,689
Net pension liability	7,768,915
General obligation bonds payable, net of current obligations	16,968,003
Total long term liabilities	24,736,918
Total liabilities	29,494,607
Deferred inflows of resources -	
Unavailable property taxes and fees paid in advance	11,473,408
Pension contributions	2,241,894
Total deferred inflows of resources	13,715,302
NET POSITION	
Net investment in capital assets	(7,198,950)
Restricted	12,405,808
Unrestricted	(360,629)
Total net position	\$4,846,229

See Accompanying Notes to Financial Statements.

Freeport School District No. 145

Statement of Activities

For the year ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities Total
Governmental activities:					
Instruction	26,349,743	\$2,185,459	6,272,645	\$0	(\$17,891,639)
Instruction - On behalf - State portion of payments	8,598,035	0	8,598,035	0	0
Pupil service	3,368,345	0	0	0	(3,368,345)
Instructional staff	4,372,394	0	0	0	(4,372,394)
General administration	1,429,661	0	0	0	(1,429,661)
School administration	2,935,512	0	0	0	(2,935,512)
Business services	10,155,762	745,676	2,220,208	0	(7,189,878)
Central services	553,543	0	0	0	(553,543)
Other support services	224,305	0	0	0	(224,305)
Community services	106,299	0	0	0	(106,299)
Payments to other governmental units	722,924	0	0	0	(722,924)
Interest and service charges on long term debt	1,588,661	0	0	0	(1,588,661)
Total governmental activities	\$60,405,184	\$2,931,135	\$17,090,888	\$0	(40,383,161)

General revenues:

Local property taxes	\$22,785,406
Payments in lieu of taxes	1,818,855
Earnings on investments	59,190
General state aid	17,853,802
Total general revenues	42,517,253

Change in net position	2,134,092
Net position - beginning	2,712,137
Net position - ending	\$4,846,229

See Accompanying Notes to Financial Statements.

Freeport School District No. 145

Governmental Funds

Balance Sheet

June 30, 2017

ASSETS	General Fund	Special Revenue Funds	
		Operations and Maintenance Fund	Transportation Fund
Cash	\$286,446	\$1,276,861	\$1,261,102
Investments	2,286,758	1,263,881	1,546,749
Receivables:			
Property taxes	11,265,086	1,772,310	1,213,907
Governmental claims	1,669,231	0	751,513
Interfund	3,150,000	0	0
Other	6,095	0	0
Inventory	15,000	0	0
Prepaid expenditures	0	0	0
Other current assets	6,224	0	0
Total assets	\$18,684,840	\$4,313,052	\$4,773,271
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Accounts payable	\$21,799	\$0	\$0
Accrued payroll and related deductions payable	3,252,040	0	0
Interfund payables	1,000,000	0	0
Total liabilities	4,273,839	0	0
Deferred inflows of resources -			
Unavailable property taxes and fees paid in advance	7,022,059	1,095,007	750,001
Fund balance:			
Nonspendable	15,000	0	0
Restricted	0	3,218,045	4,023,270
Assigned	5,706,047	0	0
Unassigned	1,667,895	0	0
Total fund balances	7,388,942	3,218,045	4,023,270
Total liabilities, deferred inflows of resources and fund balances	\$18,684,840	\$4,313,052	\$4,773,271

See Accompanying Notes to Financial Statements.

Special Revenue Funds		Debt Service Fund	Capital Projects Fund	
Municipal Retirement/ Social Security Fund	Tort Fund	Debt Service Fund	Fire Prevention and Safety	Total Governmental Funds
\$1,346,574	\$295,081	\$788,358	\$237,871	\$5,492,293
0	0	0	0	5,097,388
1,408,146	590,768	2,112,040	121,410	18,483,667
0	0	0	0	2,420,744
0	0	0	0	3,150,000
0	0	0	0	6,095
0	0	0	0	15,000
0	0	951,780	0	951,780
0	0	0	0	6,224
\$2,754,720	\$885,849	\$3,852,178	\$359,281	\$35,623,191
\$0	\$0	\$0	\$0	\$21,799
72,603	0	0	0	3,324,643
0	0	0	0	1,000,000
72,603	0	0	0	4,346,442
870,011	365,002	1,304,906	75,013	11,481,999
0	0	951,780	0	966,780
1,812,106	520,847	1,595,492	284,268	11,454,028
0	0	0	0	5,706,047
0	0	0	0	1,667,895
1,812,106	520,847	2,547,272	284,268	19,794,750
\$2,754,720	\$885,849	\$3,852,178	\$359,281	\$35,623,191

See Accompanying Notes to Financial Statements.

Freeport School District No. 145

Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position June 30, 2017

Total fund balances - governmental funds		\$19,794,750
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. This amount is the net book value of capital assets reported.		10,849,484
Net pension assets reported in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. This amount is the net pension asset reported.		152,169
Accrued long-term employee benefits are not due and payable in the current period and therefore are not reported as liabilities of the funds, but are included as liabilities and deferred items in the statement of net position		
Accrued net pension liability and related deferred outflows of resources		(5,637,643)
An internal service fund is used by the District to charge the costs of employee health insurance costs to the individual funds. The assets and liabilities of the internal service fund are included with the governmental activities.		(2,264,097)
Current and long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Current and long-term liabilities at year end consist of:		
Bonds payable	(18,048,434)	(18,048,434)
Total net position - governmental activities		<u>\$4,846,229</u>

See Accompanying Notes to Financial Statements.

Freeport School District No. 145

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the year ended June 30, 2017

	General Fund	Special Revenue Funds	
		Operations and Maintenance Fund	Transportation Fund
Revenues:			
Local property taxes	\$13,808,841	\$2,202,302	\$1,496,257
Payments in lieu of taxes	21,992	1,693,352	0
Earnings on investments	19,960	7,477	26,059
Other local sources	354,915	51,750	626,607
Unrestricted state aid	17,723,802	130,000	0
Restricted state aid	2,317,797	0	924,976
Restricted federal aid	5,210,080	0	40,000
On behalf - State portion of payments	8,598,035	0	0
Total revenues	48,055,422	4,084,881	3,113,899
Expenditures:			
Current:			
Instruction	23,130,399	0	0
Pupil services	3,250,383	0	18,450
Instructional staff	4,195,453	0	0
General administration	773,438	0	0
School administration	2,859,250	0	0
Business services	2,682,679	3,879,601	2,735,118
Central services	529,730	0	0
Other support services	150,883	0	53,091
Community services	106,300	0	0
Total current	37,678,515	3,879,601	2,806,659
Intergovernmental:			
Payments to other governmental units	722,924	0	0
On behalf - State portion of payments	8,598,035	0	0
Total intergovernmental	9,320,959	0	0
Debt service:			
Interest	0	0	0
Principal	0	0	0
Total debt service	0	0	0
Capital outlay	172,314	0	126,000
Total expenditures	47,171,788	3,879,601	2,932,659
Excess (deficiency) of revenues over expenditures	883,634	205,280	181,240
Other financing sources (uses):			
Capital lease proceeds	0	0	0
Operating transfers in	19,060	0	0
Operating transfers out	(17,092)	0	0
Total other financing sources (uses)	1,968	0	0
Net change in fund balance	885,602	205,280	181,240
Fund balance, beginning	6,503,340	3,012,765	3,842,030
Fund balance, ending	\$7,388,942	\$3,218,045	\$4,023,270

See Accompanying Notes to Financial Statements.

Special Revenue Funds		Debt Service Fund	Capital Projects Fund	
Retirement/ Social Security Fund	Tort Fund	Debt Service Fund	Fire Prevention and Safety	Total Governmental Funds
\$1,748,130	\$777,430	\$2,602,793	\$149,653	\$22,785,406
103,511	0	0		1,818,855
2,831	488	1,968	\$407	59,190
7,155	3,361	10,575	608	1,054,971
0	0	0	0	17,853,802
0	0	0	0	3,242,773
0	0	0	0	5,250,080
0	0	0	0	8,598,035
1,861,627	781,279	2,615,336	150,668	60,663,112
459,089	0	0	0	23,589,488
139,127	0	0	0	3,407,960
99,998	0	0	0	4,295,451
19,613	643,882	0	0	1,436,933
108,323	0	0	0	2,967,573
602,401	0	0	77,297	9,977,096
24,683	0	0	0	554,413
22,615	0	0	0	226,589
547	0	0	0	106,847
1,476,396	643,882	0	77,297	46,562,350
0	0	0	0	722,924
0	0	0	0	8,598,035
0	0	0	0	9,320,959
0	0	1,588,661	0	1,588,661
0	0	1,112,905	0	1,112,905
0	0	2,701,566	0	2,701,566
0	0	0	0	298,314
1,476,396	643,882	2,701,566	77,297	58,883,189
385,231	137,397	(86,230)	73,371	1,779,923
0	0	0	0	0
0	0	0	0	19,060
0	0	(1,968)	0	(19,060)
0	0	(1,968)	0	0
385,231	137,397	(88,198)	73,371	1,779,923
1,426,875	383,450	2,635,470	210,897	18,014,827
\$1,812,106	\$520,847	\$2,547,272	\$284,268	\$19,794,750

See Accompanying Notes to Financial Statements.

Freeport School District No. 145

Reconciliation of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities For the year ended June 30, 2017

Net change in fund balance - governmental funds	\$1,779,923
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capitalized fixed assets in the period.	(1,071,871)
Repayment of bond principal is an expenditures in the governmental funds, but repayment reduces long term liabilities in the statement of net position.	1,112,905
An internal service fund is used by the District to charge the costs of employee health insurance costs to the individual funds. The net revenue (expense) of the internal service fund is reported with the governmental activities.	(118,894)
In the statement of activities, net pension obligations, and deferred sources are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	
Net pension obligations and deferred sources	<u>432,029</u>
Change in net position of governmental activities	<u><u>\$2,134,092</u></u>

See Accompanying Notes to Financial Statements.

Freeport School District No. 145

Statement of Net Position

Proprietary Fund

June 30, 2017

	Governmental Activities: Internal Service Fund
<hr/> ASSETS <hr/>	
Cash	\$1,880
Accounts receivable	206,248
<hr/>	
Total assets - all current	208,128
<hr/>	
LIABILITIES <hr/>	
Accounts payable	\$322,225
Interfund payables	2,150,000
<hr/>	
Total liabilities - all current	2,472,225
<hr/>	
NET POSITION <hr/>	
Unrestricted	(\$2,264,097)
<hr/>	

See Accompanying Notes to Financial Statements.

Freeport School District No. 145

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Fund

For the year ended June 30, 2017

	Governmental Activities: Internal Service Fund
Operating revenues:	
Employee contributions	\$1,210,468
Board contributions	4,503,077
Miscellaneous	665,696
<hr/>	
Total operating revenues	6,379,241
<hr/>	
Operating expenses:	
Claims	5,372,977
Administrative fees/premiums	1,125,158
<hr/>	
Total operating expenses	6,498,135
<hr/>	
Net operating income (loss)	(118,894)
<hr/>	
Net position, beginning	(2,145,203)
<hr/>	
Net position, ending	(\$2,264,097)
<hr/>	

See Accompanying Notes to Financial Statements.

Freeport School District No. 145

Statement of Cash Flows

Proprietary Fund

For the year ended June 30, 2017

	Governmental Activities: Internal Service Fund
<hr/>	
CASH FLOWS FROM OPERATING ACTIVITIES:	
Received from assessments made to other funds	\$4,503,077
Received from user charges - employee premiums	1,210,468
Refunds and miscellaneous receipts	797,403
Payment for health and dental claims	(5,443,732)
Payment for third party administration fee and stop loss insurance	(1,125,158)
<hr/>	
Net cash flows from operating activities	(57,942)
<hr/>	
Net increase (decrease) in cash and cash equivalents	(57,942)
<hr/>	
Cash and cash equivalents - beginning of year	59,822
<hr/>	
Cash and cash equivalents - end of year	\$1,880
<hr/> <hr/>	
Reconciliation of operating income to net cash used	
by operating activities:	
Net operating loss	(\$118,894)
Adjustments to reconcile net income to net cash	
provided by operating activities:	
Change in operating assets and liabilities:	
Decrease in accounts receivable	131,707
Decrease in accounts payable	(160,933)
Increase in interfund payable	90,178
<hr/>	
Net cash (used in) operating activities	(\$57,942)
<hr/> <hr/>	

See Accompanying Notes to Financial Statements.

Freeport School District No. 145

Statement of Fiduciary Assets and Liabilities

June 30, 2017

	<u>Agency Funds</u> <u>Student Activity</u> <u>Funds</u>
ASSETS	
Cash	\$375,451
Total assets	\$375,451
LIABILITIES	
Liabilities - Due to student groups	\$375,451

See Accompanying Notes to Financial Statements.

Freeport School District No. 145

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies

The financial statements of Freeport School District No. 145 ("District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

Financial Reporting Entity

Generally accepted accounting principles require that the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Primary Government:

The District is organized in accordance with Chapter 105 of the Illinois Compiled Statutes governed by a School Board which is elected by the public and has the exclusive responsibility and accountability for the decisions it makes. The District has the statutory authority to adopt its own budget, to levy taxes and to issue bonded debt without the approval of another government. It has the right to sue and be sued, and has the right to buy, sell, lease or mortgage property in its own name. Based on these criteria, the District is considered a primary government.

Joint Ventures:

The District is a member of Northwest Special Education District at 310 N. West Street, Elizabeth, IL 61028 and paid them \$113,782 during the year. The District is also a member of Career & Technical Education Consortium along with other area school districts and paid them \$335,876 during the year. The Career & Technical Education Consortium is located at 2037 W. Galena Ave., Freeport, IL 61032. The District's pupils benefit from programs administered under these joint agreements, and the District benefits from jointly administered grants and programming. The District does not have any equity interest in these joint agreements. The joint agreements are separately audited and are not included in these financial statements. Financial information about the joint agreements can be obtained by contacting them at the addresses given above. In addition, the District is not aware of any entity in which the District would exercise such oversight as to result in the District having any component units.

Freeport School District No. 145

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

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 the interfund activity has been removed from these statements.

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. Certain indirect costs are included in the program expense for individual functions and activities.

Earnings on investments, not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary fund and the fiduciary funds, even though the latter are excluded from the government wide financial statements. For consistency purposes and due to the limited number of funds in the system, all funds are considered major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment income, result from non-exchange transactions.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. All major revenue types are susceptible to accrual and 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, except state categorical grant revenue to be available if they are collected, generally, within 60 days of the end of the current fiscal period. State categorical grant revenue is considered available when vouchered by the state comptroller. Expenditures generally are recorded when a liability is incurred, as under the accrual accounting. However, expenditures relating to compensated absences and early retirement are recorded only when payment is due.

Freeport School District No. 145

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The District may report any governmental or enterprise fund (but not internal service funds or fiduciary funds) as a major fund if the government's officials believe the fund is "particularly important to financial statement users". The District has chosen to include the Transportation, Retirement/Social Security, Tort, Capital Projects, and Fire Prevention and Safety Funds as major funds even though the fund calculations do not classify them as major funds. The District views these funds particularly important to the financial users.

The District reports the following fund types and major governmental funds:

General Fund - The General Fund is used to account for all financial resources of the District except those which are required to be accounted for in another fund. The General Fund consists of the Educational Fund and Working Cash Fund. A brief description of the District's two General Funds follows:

Educational Fund - This fund is used for most of the instructional and administrative aspects of the District's operations. Revenues consist primarily of local property taxes and state government aid.

Working Cash Fund - This fund makes temporary cash transfers as necessary to the other funds for ordinary cash requirements. It can also issue bonds and transfer interest to the Governmental Fund Types. It can also be abolished or abated by a Board of Education resolution at the end of any year with the existing balance, plus outstanding taxes collected thereafter, permanently transferred to another fund. Revenues consist primarily of local property taxes.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Each of the District's Special Revenue Funds has been established as a separate fund in accordance with the fund structure required by the State of Illinois for local educational agencies. A brief description of the District's four Special Revenue Funds follows:

Operations and Maintenance Fund - This fund is used for expenditures made for repair and maintenance of District property. Revenue consists primarily of local property taxes.

Transportation Fund - This fund accounts for all revenues received and expenditures made for student transportation. Revenues are derived primarily from local property taxes and state reimbursement grants.

Municipal Retirement/Social Security Fund - This fund accounts for the District's portion of pension contributions to the Illinois Municipal Retirement Fund and Social Security Fund for non-certified employees. Revenue to finance the contributions are derived primarily from local property taxes.

Freeport School District No. 145

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Special Revenue Funds continued -

Tort Fund - This fund accounts for all revenues received and expenditures made under the District's Risk Management Plan and Tort Immunity Act. Revenues are derived primarily from local property taxes.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term principal and interest. This fund accounts for the periodic principal and interest payments on the general obligation serial bond issue of the District. Revenues consist primarily of local property taxes.

Capital Projects Funds - The Capital Project Funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities. The District's Capital Projects Fund is:

Fire Prevention and Safety Fund - This fund accounts for the revenues and expenditures made under the Health, Life Safety code of the State of Illinois. Revenues are derived primarily from local property taxes, but can come from debt issuance.

Proprietary Fund Type - Internal Service Funds are used to account for the financing of services provided to other funds of the District. The District's internal service fund is the employee benefit fund which accounts for the District's contributions and expenditures relating to its health and dental plans.

Fiduciary Fund Types - Trust and Agency Funds account for the assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

A brief description of each of the District's Trust and Agency Funds follows:

Agency Funds -

The Activity Funds account for monies owned and managed by students. The District's responsibility for these funds is custodial in nature.

Amounts reported as program revenues include 1) charges for tuition, fees, rentals, material, supplies, or services provided 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include taxes, earnings on investments and unrestricted state aid.

Receivables

Receivables consist of all revenues earned at year-end and not received. All receivables are anticipated to be collected and therefore no allowance for doubtful accounts has been recorded.

Freeport School District No. 145

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Cash and Investments

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The District is authorized to invest in funds according to Illinois Compiled Statutes 30 ILCS 235 under the Public Funds Investment Act.

Investments are reported at fair value (generally based on quoted market prices) except for the position in the State Treasurer’s Investment Pool (Pool). In accordance with state law, the Pool operates in conformity with all of the requirements of the Securities and Exchange Commission’s (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the Pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The Pool is subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC. Investment in the Pool are not subject to the fair value hierarchy.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the District considers all investments with a maturity of three months or less when purchased to be cash equivalents for the Proprietary Fund.

Capital assets

Capital assets, which include buildings, land improvements, 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 \$1,000, and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated assets are stated at estimated fair market value as of the date of acquisition. The cost of normal maintenance and repair that do not add to the value of the asset or materially extend the useful life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. All capital assets, except land and construction in progress which are not depreciated, are being depreciated using the straight line method over the following useful lines:

Buildings	50 years
Land improvements	20 years
Transportation equipment	5 years
Equipment	10 years

Freeport School District No. 145

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Fund Equity

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds.

The classifications are as follows:

- Non-spendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balances – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegate the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Board of Education establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Education through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets construction, debt service, or other purpose).

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Inventory and prepaid expenditures

Inventory is valued at lower of cost (first-in, first-out method) or market and includes items purchased and held for use. Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items in both government-wide and fund financial statements. Inventory and prepaid expenditures are accounted for using the consumption method and are recognized as an expenditure as they are used.

Freeport School District No. 145

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Sick and Vacation Pay

The District follows the policy of allowing unused sick days to accumulate to a maximum of 360 days. However, if the employee does not use the accumulated sick days, the benefit is lost upon any termination of employment other than retirement. If an employee enrolled in IMRF and TRS should retire with accumulated sick days, the number of days accumulated is added to their years of credited service in determining their retirement benefit. Unused vacation days are not allowed to accumulate. As a result, no accrued liability for accumulated unpaid vacation or sick pay has been reflected in the financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position 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 position 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 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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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 expenditures during the reporting period. Actual results could differ from those estimates.

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 position of the Teachers' Retirement System of the State of Illinois (TRS) and the Illinois Municipal Retirement Fund (IMRF) and additions to/deductions from TRS's and IMRF's fiduciary net position have been determined on the same basis as they are reported by TRS and IMRF. 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.

Note 2 Stewardship, Compliance and Accountability

Excess of expenditures over appropriations

No funds expenditures exceeded appropriations for the year.

Deficit Fund Equity

At June 30, 2017, the Internal Service Fund had a deficit fund balance of \$2,264,097.

Freeport School District No. 145

Notes to Financial Statements

Note 3 Property Taxes

The District's property tax is levied each year on all taxable real property located in the District on or before the last Tuesday in December. The 2016 and 2015 levies were passed by the Board on December 20, 2016 and December 15, 2015, respectively. Property taxes attach as an enforceable lien on property as of January 1 and are payable in two installments on approximately June 1 and September 1. The District receives significant distributions of tax receipts during July, August, September, October, and November. Taxes recorded in these financial statements are from the 2016 and prior tax levies.

Property tax receivables reflect the estimated collectible portion of the current year levy. The District historically has received at least one-half of its tax monies by the end of August. The District, to be consistent with past years, has therefore recognized 50% of current year tax levies as revenue for the period each year.

Note 4 Cash Deposits and Investments

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2017, the government's bank balance was \$6,462,457 and the entire balance was collateralized with securities held by the pledging or financial institution's trust department or agent in the government's name.

As of June 30, 2017, the District had the following investments at fair value:

State Investment Pool	<u>\$5,097,388</u>
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Interest rate risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The government has no specific policy on the interest rate risk at year-end. Information about the sensitivity of the fair values of the government's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the government's investments by maturity:

	Remaining Maturity (in Months)			Total
	12 Months or Less	13-60 Months	60+ Months	
State Investment Pool	<u>\$5,097,388</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$5,097,388</u>

Credit risk. Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of year-end for each investment type:

	Total as of June 30, 2017	A1
State Investment Pool	<u>\$5,097,388</u>	<u>\$5,097,388</u>

Freeport School District No. 145

Notes to Financial Statements

Note 4 Cash Deposits and Investments (Continued)

Concentration of credit risk. The government's investment policy does not allow for an investment in any one issuer that is in excess of 5 percent of the government'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 government 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, 2017 there are no investments with custodial credit risk in that all of its investments are insured.

Foreign Currency Risk. The government has no foreign currency risk for investments at year end.

Note 5 Common Bank Account/Interfund Balances

Separate bank accounts are not maintained for all District funds; instead, certain funds maintain balances in common checking and money market accounts, with the 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 which have been approved by the School Board. A deficit in one fund restricts the cash available for use by other funds in the same common account. As of June 30, 2017, the Internal Service Fund had a net deficit balance of \$2,148,120 that was reclassified to due to the Working Cash Fund. A total of \$3,150,000 has been loaned to the Educational Fund (\$1,000,000) and the Internal Service Fund (\$2,150,000) from the Working Cash Fund. The amounts will be paid when the cash position in the respective funds improve.

Note 6 Capital Assets

The governmental activities capital asset activity for the year ended June 30, 2017 is as follows:

Governmental activities	Balance 7/1/2016	Additions	Deletions/ Transfers	Balance 6/30/17
Capital assets, not being depreciated:				
Land	\$822,541	\$ -	\$ -	\$822,541
Capital assets, being depreciated:				
Buildings	47,057,537	-	-	47,057,537
Improvements	2,131,047	-	-	2,131,047
Equipment	2,079,016	172,314	-	2,251,330
Vehicles	1,999,743	126,000	68,393	2,057,350
Total capital assets, being depreciated	53,267,343	298,314	68,393	53,497,264

Freeport School District No. 145

Notes to Financial Statements

Note 6 Capital Assets (Continued)

Governmental activities	Balance 7/1/2016	Additions	Deletions/ Transfers	Balance 6/30/17
Accumulated depreciation:				
Buildings	38,892,014	864,279	-	39,756,293
Improvements	876,455	106,552	-	983,007
Equipment	1,313,307	182,197	-	1,495,504
Vehicles	1,086,753	217,157	68,393	1,235,517
Total accumulated depreciation	42,168,529	1,370,185	-	43,470,321
Total capital assets, being depreciated, net	11,098,814	(1,071,871)	-	10,026,943
Governmental activities capital assets, net	\$11,921,355	\$(1,071,871)	-	\$10,849,484

Depreciation expense was charged to governmental functions as follows:

Governmental activities:	
Instruction	\$1,018,519
Central services	10,264
Instructional staff	105,984
Business services	235,778
Total depreciation expense, governmental activities	\$1,370,185

Note 7 Long-Term Debt

Long-term debt activity for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Issued	Retired	Balance June 30, 2017	Due within One Year
General obligation bonds	\$19,161,339	\$ -	\$1,112,905	\$18,048,434	\$1,080,431

Bonded indebtedness current requirements for principal and interest expenditures are payable from future revenues of the Debt Service Fund. The revenues consist principally of property taxes collected by the District and interest earnings. Bonded indebtedness consists of the following:

Limited Tax Capital Appreciation School Bonds, Series 2003

Dated	April 9, 2003
Purpose	Fire Prevention and Safety Needs
Original issue	\$20,182,851
Principal date	January 1
Interest date	January 1 and July 1
Rate	4.961%

Freeport School District No. 145

Notes to Financial Statements

Note 7 Long-Term Debt (Continued)

Fiscal Year ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 845,431	\$ 894,569	\$ 1,740,000
2019	805,011	934,989	1,740,000
2020	766,505	973,495	1,740,000
2021	729,843	1,010,157	1,740,000
2022	694,939	1,045,061	1,740,000
2023	<u>661,704</u>	<u>1,078,295</u>	<u>1,740,000</u>
Total	<u>\$4,503,434</u>	<u>\$5,936,566</u>	<u>\$10,440,000</u>

General Obligation Limited School Bonds, Series 2007

Dated	April 8, 2007
Purpose	Building Improvements
Original issue	\$5,120,000
Principal date	February 1, 2024
Interest date	February/August
Rate	4.625%

Fiscal Year ended ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 202,344	\$ 202,344
2019	-	202,344	202,344
2020	-	202,344	202,344
2021	-	202,344	202,344
2022	-	202,344	202,344
2023	-	202,344	202,344
2024	1,740,000	202,344	1,942,344
2025	1,820,000	121,869	1,941,869
2026	<u>815,000</u>	<u>37,694</u>	<u>852,694</u>
Total	<u>\$4,375,000</u>	<u>\$1,575,968</u>	<u>\$5,950,968</u>

General Obligation Limited School Bonds, Series 2010

Dated	August 10, 2010
Original issue	\$9,690,000
Principal date	February 1, 2026
Interest date	February/August
Rate	6.50% - 7.00%

Of the \$9,690,000 bond issuance, \$4,890,000 is taxable general obligation limited school bonds (taxable Build America Bonds – direct pay), Series 2010A to fund building improvements and \$4,800,000 is general obligation limited refunding school bonds, Series 2010B which funded prior building improvements. The \$4,890,000 in taxable general obligation limited school bonds was refunded with the G.O. Refunding Limited School Bonds, Series 2014.

Freeport School District No. 145

Notes to Financial Statements

Note 7 Long-Term Debt (Continued)

Fiscal Year ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 240,000	\$ 240,000
2019	-	240,000	240,000
2020	-	240,000	240,000
2021	-	240,000	240,000
2022	-	240,000	240,000
2023	-	240,000	240,000
2024	-	240,000	240,000
2025	-	240,000	240,000
2026	1,090,000	240,000	1,330,000
2027	2,000,000	185,500	2,185,500
2028	<u>1,710,000</u>	<u>85,500</u>	<u>1,795,500</u>
Total	<u>\$4,800,000</u>	<u>\$2,431,000</u>	<u>\$7,231,000</u>

General Obligation Limited School Bonds, Series 2014

Dated	May 5, 2014
Purpose	Refund prior bonds that were used for building improvements
Original issue	\$4,890,000
Principal date	February 1, 2026
Interest date	February/August
Rate	2.00% - 4.625%

Fiscal Year ended ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 235,000	\$ 179,469	\$ 414,469
2019	240,000	174,769	414,769
2020	245,000	169,969	414,969
2021	255,000	160,169	415,169
2022	265,000	149,969	414,969
2023	275,000	139,369	414,369
2024	285,000	128,369	413,369
2025	295,000	116,969	411,969
2026	310,000	104,431	414,431
2027	320,000	90,481	410,481
2028	725,000	76,081	801,081
2029	<u>920,000</u>	<u>42,550</u>	<u>962,550</u>
Total	<u>\$4,370,000</u>	<u>\$1,532,595</u>	<u>\$5,902,595</u>

Freeport School District No. 145

Notes to Financial Statements

Note 8 Debt Defeasance

In prior years, the District defeased the Series 2003, 2007, and 2010 Bonds by creating separate irrevocable escrow funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the escrow funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the District's financial statements. As of June 30, 2017, the amount of defeased debt outstanding but removed from the District's financial statements related to the 2003, 2007 and 2010 defeasances amounted to \$6,579,685.

Note 9 Legal Debt Margin

2016 Equalized assessed valuation	<u>\$292,563,476</u>
Statutory debt limitation	
13.8% of 2016 equalized assessed valuation	\$40,373,760
Less indebtedness – Bonds	<u>18,048,434</u>
Legal debt margin	<u>\$22,325,326</u>

Note 10 Operating Leases

On July 16, 2012, the District entered into an operating lease with Sovereign Bank for the lease of three 72 passenger school buses. A payment of \$31,242 was made on July 16, 2012, with payments of the same amount required each year until July 16, 2016.

On July 16, 2013, the District entered into an operating lease with Sovereign Bank for the lease of four 72 passenger school buses. A payment of \$42,360 was made on July 16, 2013, with payments of the same amount required each year until July 16, 2017.

On July 15, 2014, the District entered into an operating lease with Sovereign Bank for the lease of seven 72 passenger school buses. A payment of \$74,130 was made on July 15, 2014, with payments of the same amount required each year until July 16, 2018.

On July 20, 2015, the District entered into an operating lease with Sovereign Bank for the lease of three 72 passenger school buses. A payment of \$29,808 was made on July 20, 2015, with payments of the same amount required each year until July 20, 2019.

On July 20, 2016, the District entered into an operating lease with Sovereign Bank for the lease of six 72 passenger school buses. A payment of \$66,336 was made on July 20, 2016, with payments of the same amount required each year until July 20, 2020.

Freeport School District No. 145

Notes to Financial Statements

Note 10 Operating Leases (Continued)

The District made payments of \$177,540 for operating leases during the year ended June 30, 2017. The schedule of future operating leases are as follows:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Total</u>
2018	\$212,634
2019	170,274
2020	96,144
2021	<u>8,938</u>
Total	<u>\$545,388</u>

Note 11 Net Position/Fund Balances

Net position reported on the government wide statement of net position at June 30, 2017:

Governmental Activities:

Net investment in capital assets

Land	\$822,541
Other capital assets, net of accumulated depreciation	10,026,943
Less: related long-term debt outstanding	(18,048,434)

Total net investment in capital assets,	(7,198,950)
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Restricted -

Operations and Maintenance enabling legislation	\$3,218,045
Transportation enabling legislation	4,023,270
Illinois Municipal Retirement and Social Security Fund enabling legislation	1,812,106
Tort enabling legislation	520,847
Debt service enabling legislation	2,547,272
Fire prevention and safety enabling legislation	284,268
Total restricted	12,405,808

Unrestricted	(360,629)
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Total governmental activities net position	\$4,846,229
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Freeport School District No. 145

Notes to Financial Statements

Note 11 Net Position/Fund Balances

Governmental fund balances reported on the fund financial statements at June 30, 2017 include the following:

Nonspendable:	
Inventory	\$ 15,000
Prepaid expenditures	951,780
<hr/> Total nonspendable	<hr/> 966,780
Restricted:	
Operations and Maintenance enabling legislation	\$3,218,045
Transportation enabling legislation	4,023,270
Illinois Municipal Retirement and Social Security Fund enabling legislation	1,812,106
Tort enabling legislation	520,847
Debt service enabling legislation	1,595,492
Fire prevention and safety enabling legislation	284,268
<hr/> Total restricted	<hr/> 11,454,028
Assigned:	
Working Cash	5,706,047
Unassigned:	
General	1,667,895
<hr/> Total governmental fund balances	<hr/> \$19,794,750

Note 12 Retirement Fund Commitments

The school district participates in two retirement systems: The Teachers' Retirement System of the State of Illinois (TRS) and the Illinois Municipal Retirement Fund (IMRF).

Teachers' Retirement System of the State of Illinois

Plan description - The employer participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The TRS Board of Trustees is responsible for the System's administration.

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

Freeport School District No. 145

Notes to Financial Statements

Note 12 Retirement Fund Commitments

Benefits provided - TRS provides retirement, disability, and death benefits. Tier I members have TRS or reciprocal system service prior to January 1, 2011. Tier I members qualify for retirement benefits at age 62 with five years of service, at age 60 with 10 years, or age 55 with 20 years. The benefit is determined by the average of the four highest years of creditable earnings within the last 10 years of creditable service and the percentage of average salary to which the member is entitled. Most members retire under a formula that provides 2.2 percent of final average salary up to a maximum of 75 percent with 34 years of service. Disability and death benefits are also provided.

Tier II members qualify for retirement benefits at age 67 with 10 years of service, or a discounted annuity can be paid at age 62 with 10 years of service. Creditable earnings for retirement purposes are capped and the final average salary is based on the highest consecutive eight years of creditable service rather than the last four. Disability provisions for Tier II are identical to those of Tier I. Death benefits are payable under a formula that is different from Tier I.

Essentially all Tier I retirees receive an annual 3 percent increase in the current retirement benefit beginning January 1 following the attainment of age 61 or on January 1 following the member's first anniversary in retirement, whichever is later. Tier II annual increases will be the lesser of three percent of the original benefit or one-half percent of the rate of inflation beginning January 1 following attainment of age 67 or on January 1 following the member's first anniversary in retirement, whichever is later.

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

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2016, was 9.4 percent of creditable earnings. On July 1, 2016, the rate dropped to 9.0 percent of pay due to the expiration of the Early Retirement Option (ERO). The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the employer.

On behalf contributions to TRS. The State of Illinois makes employer pension contributions on behalf of the employer. For the year ended June 30, 2017, State of Illinois contributions were based on 38.54 percent of creditable earnings not paid from federal funds, and the District recognized revenue and expenditures of \$8,355,226 in pension contributions that the State of Illinois paid directly to TRS.

2.2 formula contributions. Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2017 were \$125,740.

Freeport School District No. 145

Notes to Financial Statements

Note 12 Retirement Fund Commitments (Continued)

Teachers' Retirement System of the State of Illinois (Continued)

Federal and special trust fund contributions. When TRS members are paid from federal and special trust funds administered by the employer, there is a statutory requirement for the employer to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that has been in effect since the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the state contribution rate to TRS. Public Act 98-0674 now requires the two rates to be the same.

For the year ended June 30, 2017, the employer pension contribution was 38.54 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2017, salaries totaling \$609,406 were paid from federal and special trust funds that required employer contributions of \$234,865.

Employer retirement cost contributions. Under GASB Statement No. 68, contributions that an employer is required to pay because of a TRS member retiring are categorized as specific liability payments. The employer is required to make a one-time contribution to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the member's age and salary. The maximum employer ERO contribution under the current program is 146.5 percent and applies when the member is age 55 at retirement. For the year ended June 30, 2017, the employer paid \$-0- to TRS for employer ERO contributions.

The employer is also required to make a one-time contribution to TRS for members granted salary increases over 6 percent if those salaries are used to calculate a retiree's final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2017, the employer paid \$-0- to TRS for employer contributions due on salary increases in excess of 6 percent and \$-0- for sick leave days granted in excess of the normal annual allotment.

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

At June 30, 2017, the employer had a liability for its proportionate share of the net pension liability (first amount shown below) that reflected a reduction for state pension support provided to the employer. The amount recognized by the employer as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the employer were as follows:

Employer's proportionate share of the net pension liability	\$ 7,768,915
State's proportionate share of the net pension liability associated with the employer	175,481,832
<hr/>	
Total	\$183,250,747

Freeport School District No. 145

Notes to Financial Statements

Note 12 Retirement Fund Commitments (Continued)

Teachers' Retirement System of the State of Illinois (Continued)

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, and rolled forward to June 30, 2016. 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, 2016, relative to the projected contributions of all participating TRS employers and the state during that period. At June 30, 2016, the employer's proportion was .009842 percent, which was a decrease of 0.001180 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the employer recognized pension expense of \$8,715,831 and revenue of \$8,355,226 for support provided by the state. At June 30, 2017, the employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 57,444	\$ 5,269
Net difference between projected and actual earnings on pension plan investments	219,486	-
Changes of assumptions	667,234	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	380,045	1,196,909
Employer contributions subsequent to the measurement date	360,605	-
Total	\$1,684,814	\$1,202,178

The District reported \$360,605 as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2018. 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 ended June 30:	To be recognized in pension expense
2018	\$(85,455)
2019	(85,455)
2020	215,583
2021	75,831
2022	1,527

Freeport School District No. 145

Notes to Financial Statements

Note 12 Retirement Fund Commitments (Continued)

Teachers' Retirement System of the State of Illinois (Continued)

Actuarial assumptions - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	Varies by amount of service credit
Investment rate of return	7.00 percent, 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.

For the June 30, 2016 valuation, the investment return assumption was lowered from 7.50 percent to 7.0 percent. Salary increase assumptions were lowered from their 2015 levels. Other assumptions were based on the 2015 experience analysis which increased retirement rates, improved mortality assumptions and made other changes.

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. equities large cap	14.4%	6.94%
U.S. equities small/mid-cap	3.6	8.09
International equities developed	14.4	7.46
Emerging market equities	3.6	10.15
U.S. bonds ore	10.7	2.44
International debt development	5.3	1.70
Real estate	15.0	5.44
Commodities (real return)	11.0	4.28
Hedge funds (absolute return)	8.0	4.16
Private equity	14.0	10.63
Total	100%	

Freeport School District No. 145

Notes to Financial Statements

Note 12 Retirement Fund Commitments (Continued)

Teachers' Retirement System of the State of Illinois (Continued)

Discount rate - At June 30, 2016, the discount rate used to measure the total pension liability was a blended rate of 6.83 percent, which was a change from the June 30, 2015 rate of 7.47 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and state contributions will be made at the current statutorily-required rates.

Based on those assumptions, TRS's fiduciary net position at June 30, 2016 was not projected to be available to make all projected future benefit payments of current active and inactive members and all benefit recipients. Tier I's liability is partially funded by Tier II members, as the Tier II member contribution is higher than the cost of Tier II benefits. Due to this subsidy, contributions from future members in excess of the service cost are also included in the determination of the discount rate. Despite the subsidy, all projected future payments were not covered, so a slightly lower long-term expected rate of return on TRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

At June 30, 2015, the discount rate used to measure the total pension liability was 7.47 percent. The discount rate was lower than the actuarially-assumed rate of return on investments that year as well 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 employer's proportionate share of the net pension liability calculated using the discount rate of 6.83 percent, as well as what the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.83 percent) or 1-percentage-point higher (7.83 percent) than the current rate.

	1% Decrease (5.83%)	Current Rate (6.83%)	1% Increase (7.83%)
Employer's proportionate share of the net pension liability	\$9,501,699	\$7,768,915	\$6,353,691

TRS fiduciary net position - Detailed information about the TRS's fiduciary net position as of June 30, 2016 is available in the separately issued TRS *Comprehensive Annual Financial Report*.

Freeport School District No. 145

Notes to Financial Statements

Note 12 Retirement Fund Commitments (Continued)

Illinois Municipal Retirement Fund

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

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

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

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

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

Freeport School District No. 145

Notes to Financial Statements

Note 12 Retirement Fund Commitments (Continued)

Illinois Municipal Retirement Fund (Continued)

Employees Covered by the Benefit Terms - At the December 31, 2016 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	283
Inactive employees entitled to but not yet receiving benefits	239
Active employees	346
<hr/>	
Total	868

Contributions – As set by statute, the employer's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer's annual contribution rate for calendar year 2016 was 8.77%. For the fiscal year ended June 30, 2017, the employer contributed \$588,066 to the plan. The employer also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability - The employer's Net Pension Liability was measured as of December 31, 2016, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions – The following are the methods and assumptions used to determine total pension liability at December 31, 2016:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.75%.
- **Salary Increases** were expected to be 3.75% to 14.50%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.50%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for **Mortality** (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For Active Members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Freeport School District No. 145

Notes to Financial Statements

Note 12 Retirement Fund Commitments (Continued)

Illinois Municipal Retirement Fund (Continued)

- The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2016:

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

Single Discount rate - A Single Discount Rate of 7.50% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

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 3.78%, and the resulting single discount rate is 7.50%.

Freeport School District No. 145

Notes to Financial Statements

Note 12 Retirement Fund Commitments (Continued)

Illinois Municipal Retirement Fund (Continued)

Changes in Net Pension Liability

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
Balances, January 1, 2016	\$31,589,150	\$32,147,570	\$(558,420)
Service costs	771,577	-	771,577
Interest on total pension liability	991,162	-	991,162
Difference between expected and actual experience	580,716	-	580,716
Changes in assumptions	-	-	-
Employer contributions	-	619,672	(619,672)
Employee contributions	-	314,094	(314,094)
Net investment income	-	1,023,722	(1,023,722)
Benefit payments – net of refunds	(1,566,538)	(1,566,538)	-
Administrative expense	-	-	-
Other changes	-	(20,284)	(20,284)
Net changes	776,917	370,666	406,251
Balances, December 31, 2016	\$32,366,067	\$32,518,236	\$ (152,169)

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate - The following presents the plan's net pension liability, calculated using the single discount rate of 7.50 percent, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1% lower or 1% higher:

	1% Decrease (6.50%)	Current Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the Net pension liability (asset)	\$3,821,130	\$(152,169)	\$(3,422,764)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended June 30, 2017, the District recognized pension expense of \$588,066. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Freeport School District No. 145

Notes to Financial Statements

Note 12 Retirement Fund Commitments (Continued)

Illinois Municipal Retirement Fund (Continued)

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$577,306	\$1,039,716
Changes in assumptions	183,343	-
Net difference between projected and actual earnings	1,663,385	-
Employer contributions subsequent to the measurement date	264,317	-
Total	\$2,688,352	\$1,039,716

The District reported \$264,317 as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2018. 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 ended June 30:	To be recognized in pension expense
2018	\$199,918
2019	69,556
2020	470,870
2021	161,443
2022	23,694
Thereafter	458,836

Reconciliation of Pension Amounts to the Financial Statements

	Net Pension Asset	Deferred Outflows Of Resources	Net Pension Liability	Deferred Inflows Of Resources
Teachers' Retirement System	\$ -	\$ 1,684,814	\$7,768,915	\$1,202,178
Illinois Municipal Retirement Fund	152,169	2,688,352	-	1,039,716
Total	\$152,169	\$4,373,166	\$7,768,915	\$2,241,894

Freeport School District No. 145

Notes to Financial Statements

Note 13 Interfund Transfers

<u>From</u>	<u>To</u>	<u>Amount Transferred</u>	<u>Purpose</u>
Debt service fund	Educational fund	\$1,968	Transfer all interest earnings
Working cash fund	Educational fund	\$17,092	Transfer all interest earnings

Note 14 Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to handle such risks of loss, the District purchases commercial insurance coverage and self insures for unemployment insurance purposes (see Note 15). There have been no significant reductions in insurance coverage from the prior year. The amounts of settlements have not exceeded insurance coverage for any of the past three years.

Note 15 Contingencies

The District has received funding from state and federal grants in the current and prior years which are subject to audits by the granting agencies. The School Board believes any adjustments that may arise from these audits will be insignificant to District operations.

Note 16 Employee's Health Benefit Account

On July 1, 2001 the District established an all Insurance Program Health Plan with an insurance company. The Northwest Special Education Co-op is included in this program. Self-insurance is in effect up to an aggregate stop/loss of \$5,574,647 with a \$100,000 per covered person stop/loss. Coverage from a private insurance company is maintained for losses in excess of the aggregate stop/loss amount. The internal service fund reflects the assets and liabilities of this account.

The following represents changes in those liabilities for the District during the past two years:

<u>Beginning of Year Ending June 30</u>	<u>Current Year Claims and Fiscal Year Liability</u>	<u>Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2016	\$346,640	\$4,893,761	\$4,757,243	\$483,158
2017	\$483,158	\$5,374,722	\$5,535,655	\$322,225

Freeport School District No. 145

Notes to Financial Statements

Note 17 Post-Employment Benefits

Teacher Health Insurance Security (THIS) Fund

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

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of the THIS Fund and amendments to the plan can be made only by the legislative action with the Governor's approval. Effective July 1, 2012, in accordance with Executive order 12-01, the plan is administered by the Illinois Department of Central Management Services (CMS) with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to TRS who are not employees of the state to make a contribution to the THIS Fund.

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

- **On Behalf Contributions THIS Fund.** The State of Illinois makes employer retiree health insurance contributions on behalf of the District. State contributions are intended to match contributions to THIS Fund from active members which were 1.12 percent of the pay during the year ended June 30, 2017. State of Illinois contributions were \$242,809, 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 0.84 percent during the year ended June 30, 2017. For the year ended June 30, 2017, the employer paid \$182,107 to the THIS Fund, which was 100 percent of the required contribution.

Further Information on THIS Fund. The publicly available financial report of the THIS Fund may be found on the website of the Illinois Auditor General: <http://www.auditor.illinois.gov/Audit-Reports/ABC-List.asp>. The current reports are listed under "Central Management Services." Prior reports are available under "Healthcare and Family Services."

Note 18 New Accounting Pronouncements

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* addresses the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017.

Freeport School District No. 145

Notes to Financial Statements

Note 18 New Accounting Pronouncements (Continued)

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2016.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* amends the required the presentation to include the covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. The requirements of this Statement are effective for reporting period in which the measurement date of the pension liability is after June 15, 2017.

GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations, and requires the current value of a government's asset retirement obligations to be adjusted for the effects of general inflation or deflation at least annually. The requirements of this Statement are effective for reporting period in which the measurement date of the pension liability is after June 15, 2018.

GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 85, *Omnibus 2017*, addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other post-employment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 87, *Leases*, will be effective for the District beginning with its year ending June 30, 2021. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

Management has not completed its assessment of these pending standards as to the effect, if any, they may have on the financial statements.

Required Supplementary Information

Freeport School District No. 145
 Required Supplementary Information
 Budgetary Comparison Schedule for the General Fund
 For the year ended June 30, 2017

	Original and Final Budget	Actual	Variance with Final Budget
Revenues:			
Local property taxes	\$13,666,000	\$13,709,085	\$43,085
Payments in lieu of taxes	26,900	21,992	(4,908)
Earnings on investments	2,900	2,869	(31)
Other local sources	666,500	354,510	(311,990)
Unrestricted state aid	16,640,329	17,723,802	1,083,473
Restricted state aid	2,221,679	2,317,797	96,118
Restricted federal aid	6,065,666	5,210,080	(855,586)
On behalf - state portion of payments	0	8,598,035	8,598,035
Total revenues	39,289,974	47,938,170	8,648,196
Expenditures:			
Instruction	22,746,823	23,130,399	(383,576)
Pupil services	3,434,338	3,250,383	183,955
Instructional staff	5,217,018	4,195,453	1,021,565
General administration	865,793	773,438	92,355
School administration	2,897,404	2,859,250	38,154
Business services	2,570,929	2,682,679	(111,750)
Central services	595,935	529,730	66,205
Other support services	141,638	150,883	(9,245)
Community services	123,006	106,300	16,706
Payments to other governmental units	653,462	722,924	(69,462)
On behalf - state portion of payments	0	8,598,035	(8,598,035)
Total current expenditures	39,246,346	46,999,474	(7,753,128)
Capital outlay	306,691	172,314	134,377
Total expenditures	39,553,037	47,171,788	(7,618,751)
Excess (deficiency) of revenues over expenditures	(263,063)	766,382	1,029,445
Other financing sources (uses):			
Operating transfers in	0	19,060	19,060
Operating transfers out	0	0	0
Net change in fund balance	<u>(\$263,063)</u>	785,442	<u>\$1,048,505</u>
Fund balance, beginning		<u>897,453</u>	
Fund balance, ending		<u>\$1,682,895</u>	
GAAP fund balances for General Funds:			
Educational Fund		<u>\$1,682,895</u>	
Working Cash Fund		<u>5,706,047</u>	
GAAP fund balances for General Funds		<u>\$7,388,942</u>	

See Notes to Required Supplementary Information.

Freeport School District No. 145

Required Supplementary Information

Budgetary Comparison Schedule for the Special Revenue Funds

For the year ended June 30, 2017

	Operations and Maintenance Fund		
	Original and Final Budget	Actual	Variance with Final Budget
Revenues:			
Local property taxes	\$2,225,733	\$2,202,302	(\$23,431)
Payments in lieu of taxes	1,617,581	1,693,352	75,771
Earnings on investments	5,300	7,477	2,177
Other local sources	55,450	51,750	(3,700)
Unrestricted state aid	130,000	130,000	0
Restricted state aid	0	0	0
Restricted federal aid	0	0	0
Total revenues	4,034,064	4,084,881	50,817
Expenditures:			
Instruction	0	0	0
Pupil services	0	0	0
Instructional staff	0	0	0
General administration	0	0	0
School administration	0	0	0
Business services	3,915,750	3,879,601	36,149
Central services	0	0	0
Other support services	0	0	0
Community services	0	0	0
Total current expenditures	3,915,750	3,879,601	36,149
Capital outlay	94,000	0	94,000
Total expenditures	4,009,750	3,879,601	130,149
Excess (deficiency) of revenues over expenditures	24,314	205,280	180,966
Other financing sources (uses):			
Capital lease proceeds	0	0	0
Net change in fund balance	\$24,314	205,280	\$180,966
Fund balance, beginning		3,012,765	
Fund balance, ending		\$3,218,045	

See Notes to Required Supplementary Information.

Freeport School District No. 145

Required Supplementary Information

Budgetary Comparison Schedule for the Special Revenue Funds

For the year ended June 30, 2017

Transportation Fund			Retirement/ Social Security Fund			Tort Fund		
Original and Final Budget	Actual	Variance with Final Budget	Original and Final Budget	Actual	Variance with Final Budget	Original and Final Budget	Actual	Variance with Final Budget
\$1,499,999	\$1,496,257	(\$3,742)	\$1,765,025	\$1,748,130	(\$16,895)	\$829,000	\$777,430	(\$51,570)
0	0	0	120,000	103,511	(16,489)	0	0	0
9,850	26,059	16,209	2,475	2,831	356	176	488	312
584,850	626,607	41,757	7,361	7,155	0	3,474	3,361	0
0	0	0	0	0	0	0	0	0
1,055,068	924,976	(130,092)	0	0	0	0	0	0
40,000	40,000	0	0	0	0	0	0	0
<u>3,189,767</u>	<u>3,113,899</u>	<u>(75,868)</u>	<u>1,894,861</u>	<u>1,861,627</u>	<u>(33,234)</u>	<u>832,650</u>	<u>781,279</u>	<u>(51,371)</u>
0	0	0	542,859	459,089	83,770	0	0	0
26,679	18,450	8,229	172,255	139,127	33,128	0	0	0
0	0	0	128,001	99,998	28,003	0	0	0
0	0	0	21,163	19,613	1,550	719,288	643,882	75,406
0	0	0	125,843	108,323	17,520	0	0	0
2,418,973	2,735,118	(316,145)	693,671	602,401	91,270	0	0	0
0	0	0	30,608	24,683	5,925	0	0	0
53,830	53,091	739	27,483	22,615	4,868	0	0	0
0	0	0	261	547	(286)	0	0	0
<u>2,499,482</u>	<u>2,806,659</u>	<u>(307,177)</u>	<u>1,742,144</u>	<u>1,476,396</u>	<u>265,748</u>	<u>719,288</u>	<u>643,882</u>	<u>75,406</u>
<u>572,363</u>	<u>126,000</u>	<u>446,363</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>3,071,845</u>	<u>2,932,659</u>	<u>139,186</u>	<u>1,742,144</u>	<u>1,476,396</u>	<u>265,748</u>	<u>719,288</u>	<u>643,882</u>	<u>75,406</u>
117,922	181,240	63,318	152,717	385,231	232,514	113,362	137,397	24,035
0	0	0	0	0	0	0	0	0
<u>\$117,922</u>	<u>181,240</u>	<u>\$63,318</u>	<u>\$152,717</u>	<u>385,231</u>	<u>\$232,514</u>	<u>\$113,362</u>	<u>137,397</u>	<u>\$24,035</u>
	<u>3,842,030</u>			<u>1,426,875</u>			<u>383,450</u>	
	<u>\$4,023,270</u>			<u>\$1,812,106</u>			<u>\$520,847</u>	

See Notes to Required Supplementary Information.

Freeport School District No. 145

Required Supplementary Information
 Multiyear Schedule of Changes in Net Pension Liability and
 Related Ratios - Illinois Municipal Retirement Fund (IMRF)
 Last Ten Calendar Years
 (schedule to be built prospectively from 2014)

	2016	2015	2014
Calendar year ending December 31,			
Total pension liability:			
Service cost	\$771,577	\$803,699	\$856,929
Interest on the total pension liability	991,162	2,339,193	2,162,475
Benefit changes	0	0	0
Difference between expected and actual experience	580,716	(1,573,422)	(351,143)
Assumption changes	0	0	1,215,099
Benefit payments and refunds	(1,566,538)	(1,535,419)	(1,465,599)
Net change in total pension liability	776,917	34,051	2,417,762
Total pension liability - beginning	31,589,150	31,555,099	29,137,337
Total pension liability - ending (a)	\$32,366,067	\$31,589,150	\$31,555,099
Plan fiduciary net position:			
Employer contributions	\$619,672	\$661,237	\$677,735
Employee contributions	314,094	324,490	326,456
Pension plan net investment income	1,023,722	159,340	1,869,293
Benefit payments and refunds	(1,566,538)	(1,535,420)	(1,465,599)
Other	(20,284)	395,178	(139,983)
Net change in plan fiduciary net position	370,666	4,825	1,267,902
Plan fiduciary net position - beginning	32,147,570	32,142,745	30,874,843
Plan fiduciary net position - ending (b)	\$32,518,236	\$32,147,570	\$32,142,745
Net pension liability(asset) - Ending (a) - (b)	(152,169)	(558,420)	(587,646)
Plan fiduciary net position as a percentage of total pension liability	100.47%	101.77%	101.86%
Covered valuation payroll	7,582,691	7,078,593	6,997,101
Net pension liability as a percentage of covered valuation payroll	(2.01%)	(7.89%)	(8.40%)

The District implemented GASB 68 in June 2015.

Freeport School District No. 145

Required Supplementary Information

Multiyear Schedule of Contributions – IMRF

Last Ten Fiscal Years

Last 10 Fiscal Years

Fiscal Year Ending June 30,	Actuarially Determined Contribution*	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution As a % of Covered Valuation Payroll
2015	\$705,124	\$705,124	\$0	\$7,462,396	9.45%
2016	681,593	681,593	0	7,557,360	9.02%
2017	588,066	588,066	0	7,596,749	7.74%

The District implemented GASB Statement No. 68 in June 2015.

Freeport School District No. 145

Required Supplementary Information

Schedule of the Employer's Proportionate Share of the Net Pension Liability and Employer Contributions - TRS Last Ten Fiscal Years

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

	FY16*	FY15*	FY14*
Employer's proportion of the net pension liability	.009842%	.011022%	.010021%
Employer's proportionate share of the net pension liability	\$7,768,915	\$7,220,538	\$6,098,647
State's proportionate share of the net pension liability associated with the employer	175,481,832	139,996,613	136,629,915
Total	\$183,250,747	\$147,217,151	\$142,728,562
Employer's covered-employer payroll	\$22,103,212	\$21,620,966	\$22,140,217
Employer's proportionate share of the net pension liability as a percentage of its cover-employee payroll	35.15%	33.40%	27.55%
Plan fiduciary net position as a percentage of the total pension liability	36.4%	41.50%	43.00%

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

Schedule of the Employer Contributions Teachers' Retirement System (TRS) of the State of Illinois

	FY17	FY16	FY15
Contractually-required contribution	\$360,605	\$381,125	\$385,616
Contributions in relation to the contractually-required contribution	360,605	381,125	385,616
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer's covered-employer payroll	\$21,679,362	\$22,103,212	\$21,620,966
Contributions as a percentage of covered-employee payroll	1.66%	1.72%	1.78%

The information in both schedules will accumulate until a full 10-year trend is presented as required by Statement No. 68.

Freeport School District No. 145

Notes to Required Supplementary Information

Note 1 Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2016 Contribution Rate for IMRF *

Valuation date:

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

Methods and Assumptions Used to Determine 2016 Contribution Rates:

Actuarial Cost Method	Aggregate Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Non-Taxing bodies: 10-year rolling period. Taxing bodies (Regular, SLEP and ECO groups): 28-year closed period until remaining period reaches 15 years (then 15-year rolling period). Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 23 years for most employers (two employers were financed over 32 years).
Asset Valuation Method	5-Year smoothed market; 20% corridor
Wage growth	3.50%
Price Inflation	2.75% - approximate; No explicit price inflation assumption is used in this valuation.
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.

Freeport School District No. 145

Notes to Required Supplementary Information

Note 1 Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2016 Contribution Rate for IMRF * (Continued)

Other Information:

Notes There were no benefit changes during the year.

** Based on Valuation Assumptions used in the December 31, 2014 actuarial valuation*

Note 2 TRS Changes of Assumptions

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

For the 2015 measurement year, the assumed investment rate of return was 7.5 percent, including an inflation rate of 3.0 percent and a real return of 4.5 percent. 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 percent, including an inflation rate of 3.0 percent and a real return of 4.5 percent. However, salary increases were assumed to vary by age.

Note 3 Budgets and Budgetary Accounting

The budget for the Government Funds is prepared on the modified accrual basis of accounting, which is the same basis used in financial reporting. This allows for comparability between budget and actual amounts. The budget was not amended. A budget is not prepared for the Proprietary or Trust and Agency Funds.

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

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

- Annually the Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted at a public meeting to obtain taxpayer comments after the proposed budget has been made available to the public for a 30-day period.
- Prior to September 30, the budget is legally enacted through passage of a resolution.
- Legal spending control for District monies is at the fund level, but management control is exercised at budgetary line item levels within each fund. The Board of Education may amend the budget after it is approved using the same procedures necessary to approve the original budget. The Board also authorizes transfers between the various budgetary line items in any fund, not exceeding, in the aggregate, 10% of the total amount budgeted for such fund. There were no amendments or authorized transfers to the original budget.

Other Supplementary Information

Freeport School District No. 145

Budgetary Comparison Schedule for the Debt Service Fund

For the year ended June 30, 2017

	Debt Service Fund		
	Original and Final Budget	Actual	Variance with Final Budget
Revenues:			
Local property taxes	\$2,608,812	\$2,602,793	(\$6,019)
Earnings on investments	2,000	1,968	(32)
Other local sources	11,000	10,575	(425)
Total revenues	2,621,812	2,615,336	(6,476)
Expenditures:			
Debt services:			
Interest	1,588,663	1,588,661	2
Principal	1,112,906	1,112,905	1
Total current expenditures	2,701,569	2,701,566	3
 Excess (deficiency) of revenues over expenditures	 (79,757)	 (86,230)	 (6,473)
Other financing sources (uses):			
Operating transfers in	0	0	0
Operating transfers out	0	(1,968)	(1,968)
 Net change in fund balance	 <u>(\$79,757)</u>	 <u>(88,198)</u>	 <u>(\$8,441)</u>
 Fund balance, beginning		 <u>2,635,470</u>	
 Fund balance, ending		 <u><u>\$2,547,272</u></u>	

Freeport School District No. 145

Budgetary Comparison Schedule for the Capital Projects Fund

For the year ended June 30, 2017

	Fire Prevention and Safety Fund		Variance with Final Budget
	Original and Final Budget	Actual	
Revenues:			
Local property taxes	\$150,017	\$149,653	(\$364)
Earnings on investments	381	407	26
Other local sources	628	608	(20)
Total revenues	151,026	150,668	(358)
Expenditures:			
Business services	48,517	77,297	(28,780)
Total current expenditures	48,517	77,297	(28,780)
Capital outlay	102,509	0	102,509
Total expenditures	151,026	77,297	73,729
Excess (deficiency) of revenues over expenditures	<u>\$0</u>	73,371	<u>\$73,371</u>
Fund balance, beginning		<u>210,897</u>	
Fund balance, ending		<u>\$284,268</u>	

Freeport School District No. 145

General Fund

Combining Balance Sheet

June 30, 2017

ASSETS	Educational Fund	Working Cash Fund	Total General Fund
Cash	\$48,094	\$238,352	\$286,446
Investments	0	2,286,758	2,286,758
Receivables:			
Property taxes	11,184,135	80,951	11,265,086
Governmental claims	1,669,231	0	1,669,231
Interfund	0	3,150,000	3,150,000
Other	6,095	0	6,095
Inventory	15,000	0	15,000
Other current assets	6,224	0	6,224
Total assets	\$12,928,779	\$5,756,061	\$18,684,840

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

Accounts payable	\$21,799	\$0	\$21,799
Accrued payroll and related deductions payable	3,252,040	0	3,252,040
Interfund payable	1,000,000	0	1,000,000
Total liabilities	4,273,839	0	4,273,839
Deferred inflows of resources -			
Unavailable property taxes and fees	6,972,045	50,014	7,022,059
Fund balances:			
Nonspendable	15,000	0	15,000
Assigned	0	5,706,047	5,706,047
Unassigned	1,667,895	0	1,667,895
Total fund balances	1,682,895	5,706,047	7,388,942
Total liabilities, deferred inflows of resources and fund balances	\$12,928,779	\$5,756,061	\$18,684,840

Freeport School District No. 145

General Fund

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended June 30, 2017

	Educational Fund	Working Cash Fund	Total General Fund
Revenues:			
Local property taxes	\$13,709,085	\$99,756	\$13,808,841
Payments in lieu of taxes	21,992	0	21,992
Earnings on investments	2,869	17,091	19,960
Other local sources	354,510	405	354,915
Unrestricted state aid	17,723,802	0	17,723,802
Restricted state aid	2,317,797	0	2,317,797
Restricted federal aid	5,210,080	0	5,210,080
On behalf - state portion of payments	8,598,035	0	8,598,035
Total revenues	47,938,170	117,252	48,055,422
Expenditures:			
Instruction	23,130,399	0	23,130,399
Pupil services	3,250,383	0	3,250,383
Instructional staff	4,195,453	0	4,195,453
General administration	773,438	0	773,438
School administration	2,859,250	0	2,859,250
Business services	2,682,679	0	2,682,679
Central services	529,730	0	529,730
Other support services	150,883	0	150,883
Community services	106,300	0	106,300
Payments to other governmental units	722,924	0	722,924
On behalf - state portion of payments	8,598,035	0	8,598,035
Total current expenditures	46,999,474	0	46,999,474
Capital outlay	172,314	0	172,314
Total expenditures	47,171,788	0	47,171,788
Excess (deficiency) of revenues over expenditures	766,382	117,252	883,634
Other financing sources (uses):			
Operating transfers in	19,060	0	19,060
Operating transfers out	0	(17,092)	(17,092)
Net change in fund balance	785,442	100,160	885,602
Fund balance, beginning	897,453	5,605,887	6,503,340
Fund balance, ending	\$1,682,895	\$5,706,047	\$7,388,942

Freeport School District No. 145

Activity Funds

Summary of Accounts

Year ended June 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Activity				
Administrative Pop Account	\$ 1,000	\$ 35	\$ 78	\$ 957
Blackhawk School	1,318	14,733	15,356	695
Carl Sandburg Middle School	38,223	65,509	56,951	46,781
Center School	1,073	5,206	5,657	622
District Leadership Team	319	-	-	319
Empire School	3,020	9,247	10,108	2,159
Freeport Middle School	36,007	90,265	85,495	40,777
Freeport Senior High School	283,389	1,875,649	1,891,478	267,560
Jones-Farrar Early Learning Center	4,954	18,074	19,125	3,903
Lincoln-Douglas School	1,072	4,813	4,812	1,073
Medical & Dental Indigent Fund	3,630	1	40	3,591
Taylor Park Elementary School	3,134	15,634	11,754	7,014
	\$ 377,139	\$ 2,099,166	\$ 2,100,854	\$ 375,451

Freeport School District No. 145

Administrative Pop Account

Activity Fund

Year ended June 30, 2017

	Balance			Balance
	June 30, 2016	Additions	Deductions	June 30, 2017
Activity				
General Account	\$ 1,000	\$ 35	\$ 78	\$ 957

Freeport School District No. 145

Blackhawk School

Activity Fund

Year ended June 30, 2017

	Balance			Balance
	June 30, 2016	Additions	Deductions	June 30, 2017
Activity				
General Account	\$ 1,318	\$ 14,733	\$ 15,356	\$ 695

Freeport School District No. 145

Carl Sandburg Middle School

Activity Fund

Year ended June 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Activity				
5th Grade Team	\$ 522	\$ 1,059	\$ 1,044	\$ 537
6th Grade Team	1,220	8,889	8,908	1,201
7th Grade Team	-	-	-	-
8th Grade Team	391	-	-	391
Art	1,186	1,228	1,829	585
Art Scholarship	467	-	-	467
Band	1,663	795	1,544	914
Builder's Club	857	-	18	839
Drama Club	1,421	-	-	1,421
General	20,009	37,239	29,631	27,617
Giving Tree	-	273	-	273
Industrial Tech	383	1,050	1,073	360
Legacy Girls	144	-	-	144
Library	1,251	814	304	1,761
Orchestra	3,378	2,145	1,386	4,137
PBIS	3,422	11,384	9,984	4,822
Pencil Machine	47	-	-	47
Physical Education	64	10	50	24
Science	991	-	537	454
Science Club	124	-	-	124
Social Committee	49	-	49	-
Student Council	634	623	594	663
	\$ 38,223	\$ 65,509	\$ 56,951	\$ 46,781

Freeport School District No. 145

Center School

Activity Fund

Year ended June 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Activity				
General Account	\$ 1,073	\$ 5,206	\$ 5,657	\$ 622

Freeport School District No. 145

District Leadership Team

Activity Fund

Year ended June 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Activity				
General Account	\$ 319	\$ -	\$ -	\$ 319

Freeport School District No. 145

Empire School

Activity Fund

Year ended June 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Activity				
General Account	\$ 3,020	\$ 9,247	\$ 10,108	\$ 2,159

Freeport School District No. 145

Freeport Middle School

Activity Fund

Year ended June 30, 2017

	Balance			Balance		
	June 30, 2016	Additions	Deductions	June 30, 2017		
Activity						
Activity	\$ 5,875	\$ 38,618	\$ 39,066	\$ 5,427		
Anti-bullying	1,611	33	33	1,611		
Art	491	605	854	242		
Athletics	4,842	20,690	17,984	7,548		
Bowling	1,125	7,992	7,502	1,615		
Builder's Club	92	625	424	293		
Checkbook Int.	143	65	100	108		
Cheerleading	2,560	2,462	2,347	2,675		
Drama	2,023	-	505	1,518		
Faculty	634	1,625	1,188	1,071		
Friends for Rachel	261	-	-	261		
HomeEc	(6)	6	-	-		
ID & Lanyards	646	2,544	307	2,883		
Inst. Music Band	133	763	757	139		
Inst. Music Orchestra	5,526	1,289	1,350	5,465		
Library	829	590	429	990		
Office	1,102	-	800	302		
PE Locks	807	170	62	915		
Rental Textbooks	922	2,610	1,992	1,540		
Science/Avid	1,338	-	-	1,338		
Secretarial Supplies	1,273	5,174	4,915	1,532		
Shop	208	2,222	2,399	31		
Student Council	2,314	768	1,026	2,056		
Team 6	505	-	-	505		
Team 7	433	-	-	433		
Team 8	108	-	-	108		
Vocal Music	212	1,414	1,455	171		
	\$ 36,007	\$ 90,265	\$ 85,495	\$ 40,777		

Freeport School District No. 145

Freeport Senior High School

Activity Fund

Year ended June 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Activity				
ACT/SAT Prep	\$ -	\$ 540	\$ 480	\$ 60
Administrative Account	2,060	31,612	32,660	1,012
Advanced Placement	1	7,415	7,416	-
Alternative Ed.	983	1,463	1,598	848
Art Department				
Art Club	816	414	-	1,230
General Account	1,874	1,704	1,909	1,669
Empty Bowls	685	-	685	-
Athletic Tournaments				
(Schedule A)	7,294	15,187	11,929	10,552
Pop Receipts	5,750	30,965	32,094	4,621
Pop Maintenance	-	58,233	58,803	(570)
Auto Mechanics	557	9,702	7,321	2,938
Avid	207	791	462	536
Band	1,223	5,586	5,239	1,570
Board of Educations				
(Schedule B)	1,866	957,821	958,594	1,093
Bowling (Boys)	3,184	10,828	10,549	3,463
Bowling (Girls)	356	3,292	3,080	568
Bus Pass Fines	49	-	-	49
Business Class	49	-	-	49
Business Office	793	394	472	715
Business Office Cash	118	-	-	118
Carl Sandburg Fines	-	658	591	67
Certificate of Deposit	11,500	-	-	11,500
Change Bank	-	9,832	9,832	-
Cheerleaders	13,584	20,549	29,715	4,418
Chess Club	185	338	-	523
Child Care	4,636	210	178	4,668
Choices	100	-	-	100
Class of 2016	989	-	989	-
Class of 2017	249	1,463	1,712	-
Class of 2018	1,358	541	831	1,068
Class of 2019	330	1,697	96	1,931
Class of 2020	-	600	101	499

Freeport School District No. 145

Freeport Senior High School

Activity Fund

Year ended June 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Activity (Continued)				
Clothing Account	\$ 1,405	\$ -	\$ -	\$ 1,405
College and Career Center	461	2,450	2,568	343
Concessions account	1	48,567	42,994	5,574
Debate	2,110	-	-	2,110
Drafting	7,255	1,409	2,304	6,360
Drama - Season Tickets	-	3,245	3,245	-
Drama - Winter Play	586	4,954	5,540	-
Dramatics	2,099	5,793	6,652	1,240
Driver's License Fees	2,161	5,899	6,179	1,881
Elevator Key	155	65	-	220
English Department	1,344	500	190	1,654
Ex. Applied Tech.	7	-	-	7
Faculty Dues	263	7,563	6,725	1,101
Foreign Language Clubs				
German Club	403	2,928	2,180	1,151
Spanish Club	780	-	-	780
International Club	159	-	-	159
F.F.A.	6,185	28,269	21,687	12,767
Gay-Straight Alliance Club	115	-	-	115
Guidance Dept.	173	59	-	232
Guidance Emergency	115	-	-	115
Guidance/Testing	114	-	-	114
Hall of Fame	-	3,143	3,143	-
Health Fund CPR	830	1,550	2,131	249
Helpings Hands	537	-	-	537
Holiday Pageant	-	3,879	3,879	-
Home and Shop Maintenance	-	500	500	-
Home Economics Food	1,048	-	-	1,048
Interest - NOW Account	684	1,576	-	2,260
Interest - Savings/CD	5,642	124	1,200	4,566
Journalism - Publications	24,664	18,364	43,028	-
Key Club	699	4,311	4,088	922
Library I.M.C.	1,973	804	1,153	1,624
Literary First	3	-	-	3
Math Dept.	2,255	6,821	5,422	3,654

Freeport School District No. 145

Freeport Senior High School

Activity Fund

Year ended June 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Activity (Continued)				
Memorials and Gifts				
AVID Scholarship	\$ 15	\$ -	\$ -	\$ 15
Bill Chance Memorial	-	1,500	1,500	-
Castro/Buss Scholarship	-	2,500	2,500	-
Dave Steenrod Scholarship	-	1,000	1,000	-
David A Worthington ROTC	1,400	-	100	1,300
Ernie Seeman Scholarship	4,310	-	560	3,750
General Scholarship	10	750	750	10
Jan Peterson Memorial Award	100	100	-	200
Karl Kubitz & Lester Werntz	581	-	-	581
Misc. Scholarships	-	1,000	1,000	-
Raymond Kincade-Haynes	2,162	20	500	1,682
ROTC Scholarship	2,000	1,250	1,250	2,000
Swingley Scholarship	-	500	500	-
Schleich Memorial	150	-	-	150
Misc. Scholarships	-	1,000	1,000	-
Musical	2,252	22,938	23,271	1,919
National Honor Society	1,212	1,679	2,459	432
Nurse	470	100	70	500
Orchestra	323	1,037	1,054	306
P.E. Locks	103	76	-	179
PBIS	22	6,930	6,333	619
Pom Pon Squad	16,204	16,998	25,134	8,068
Post Prom Account	-	9,420	7,416	2,004
Prepaid Registration Fees	79	-	79	-
Prom Account	2,488	5,173	3,129	4,532
R.O.T.C.	814	32,981	24,934	8,861
ROTC Unit Support and Main.	1,035	1,195	1,228	1,002
ROTC - Air Rifle Team	8,653	22,671	24,934	6,390
Robe Acct. (Vocal)	3,215	-	-	3,215
Scholastic Bowl	-	310	84	226
School Fees	1,741	67,552	66,004	3,289
Science Department	2,244	2,010	3,378	876
Servant Leadership	92	3,003	3,038	57
Showtime	7,060	20,543	22,464	5,139
Social Studies	116	487	487	116
Incubateredu	-	20,400	20,193	207

Freeport School District No. 145

Freeport Senior High School

Activity Fund

Year ended June 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Activity (Continued)				
Special Ed.				
Life Skills I	169	215	215	169
Pop Fund	507	144	348	303
Speech Team	771	9,647	10,418	-
Stage Equipment	1,141	4,587	3,849	1,879
Street Lockers	57	30	57	30
Student Activities	158	5,115	4,857	416
Student Council	6,029	9,227	11,106	4,150
Student ID Fund	3,700	5,247	5,634	3,313
Student Farm & Greenhouse	6,405	-	-	6,405
Student Parking Fund	1,085	-	739	346
Summer School Fees	6,975	4,436	7,611	3,800
Tap Credit Acct	475	-	-	475
Team Accounts (Schedule A)	64,514	195,070	188,511	71,073
Theatre Online Ticketing	698	6,605	6,236	1,067
Thespian Society	993	3,798	4,618	173
Activity:		-	-	
Transcript Fees	2,203	983	791	2,395
U.S. First	1,109	2,631	2,812	928
Vocal Music	500	11,226	8,225	3,501
Vocal Music Fundraiser	167	42,037	41,964	240
Woodshop	1,861	4,920	4,994	1,787
	\$ 283,389	\$ 1,875,649	\$ 1,891,478	\$ 267,560

Freeport School District No. 145

Freeport Senior High School

Activity Fund

Year ended June 30, 2017

SCHEDULE A

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Activity				
Athletic Tournaments				
Cross Country Conces.	\$ 1,520	\$ 7,815	\$ 1,611	\$ 7,724
Cross Country Inv.	5,340	7,372	10,317	2,395
Total - Athletic Tournaments	\$ 6,860	\$ 15,187	\$ 11,928	\$ 10,119
Team Accounts				
Boys - Baseball Team	\$ 1,465	\$ 10,235	\$ 8,802	\$ 2,898
- Basketball Team	2,971	12,469	12,746	2,694
- Football Team	6,160	48,321	39,641	14,840
- Golf Team	4,391	5,440	5,550	4,281
- Swimming	4,944	4,047	6,082	2,909
- Tennis Team	5,260	1,840	2,205	4,895
- Track Team	2,372	5,981	6,800	1,553
- Wrestling	2,414	17,392	15,208	4,598
- Wrestling/PE	202	103	-	305
Total Boys	30,179	105,828	97,034	38,973
Girls - Basketball Team	3,384	3,579	2,763	4,200
- Golf Team	2,421	9,305	8,166	3,560
- Soccer Team	6,822	28,202	31,787	3,237
- Softball Team	9,027	15,834	15,987	8,874
- Swim Team	5,190	4,944	6,925	3,209
- Girls Tennis	226	3,711	3,875	62
- Track Team	1,390	5,775	5,913	1,252
- Volleyball Team	5,875	18,363	16,061	8,177
Total Girls	34,335	89,713	91,477	32,571
Total Team Accounts	\$ 64,514	\$ 195,541	\$ 188,511	\$ 71,544

Freeport School District No. 145

Freeport Senior High School

Activity Fund

Year ended June 30, 2017

SCHEDULE B

	Balance		Balance
	June 30, 2016	Additions	June 30, 2017
Activity			
Board of Education Transfers			
Accounts Payable	\$ -	\$ 865,250	\$ 865,250
Basketball Admin. Boys	-	11,185	11,185
B/G Soccer Admin.	-	5,654	5,654
B/G Swim Admin.	-	8,105	8,105
Career Tec	-	6,437	6,437
Driver's Ed. Lab	-	19,860	19,860
Football Admin.	-	16,310	16,310
G Basketball Admin.	-	4,425	4,425
JH (MS) Fines	45	1,262	1,307
Refunds	1,065	2,982	4,047
Textbook Fees	-	185	185
Volleyball Admin.	-	3,471	3,471
Wrestling Admin.	-	1,708	1,708
Workbooks/Fines	756	10,986	10,649
Total Board of Education Transfers	\$ 1,866	\$ 957,820	\$ 958,593
	1,093		1,093

Freeport School District No. 145

Jones Farrar Early Learning Center

Activity Fund

Year ended June 30, 2017

	Balance				Balance
	June 30, 2016	Additions	Deductions		June 30, 2017
Activity					
General Account	\$ 4,853	\$ 16,638	\$ 18,532	\$	2,959
Social Committee	101	1,436	593		944
	\$ 4,954	\$ 18,074	\$ 19,125	\$	3,903

Freeport School District No. 145

Lincoln-Douglas School

Activity Fund

Year ended June 30, 2017

	Balance			Balance
	June 30, 2016	Additions	Deductions	June 30, 2017
Activity				
General Account	\$ 1,072	\$ 4,813	\$ 4,812	\$ 1,073

Freeport School District No. 145

Medical & Dental Indigent Fund

Activity Fund

Year ended June 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Activity				
General Account	\$ 1,186	\$ -	\$ 40	1,146
CD	2,444	1	-	2,445
	\$ 3,630	\$ 1	\$ 40	\$ 3,591

Freeport School District No. 145

Taylor Park Elementary School

Activity Fund

Year ended June 30, 2017

	Balance			Balance
	June 30, 2016	Additions	Deductions	June 30, 2017
Activity				
General Account	\$ 3,134	\$ 15,634	\$ 11,754	\$ 7,014

Statistical Section

Freeport School District No. 145

Schedule of Net Position by Component

Last Ten Fiscal Years

	For the year ended June 30				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net investment in capital assets	\$ (7,198,950)	\$ (7,157,916)	\$ (6,990,893)	\$ (7,311,028)	\$ (7,171,878)
Restricted	12,405,808	11,511,487	9,737,657	9,644,808	10,810,403
Unrestricted	<u>(360,629)</u>	<u>(1,641,434)</u>	<u>(1,813,487)</u>	<u>(690,482)</u>	<u>1,462,062</u>
Total government net position	<u>\$ 4,846,229</u>	<u>\$ 2,712,137</u>	<u>\$ 933,277</u>	<u>\$ 1,643,298</u>	<u>\$ 5,100,587</u>
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Net investment in capital assets	\$ (6,732,580)	\$ (7,481,198)	\$ (7,809,482)	\$ (8,406,032)	\$ (9,669,398)
Restricted	10,878,897	11,347,822	7,575,717	7,026,430	6,491,268
Unrestricted	<u>1,627,139</u>	<u>1,426,048</u>	<u>3,237,387</u>	<u>2,265,544</u>	<u>2,392,039</u>
Total government net position	<u>\$ 5,773,456</u>	<u>\$ 5,292,672</u>	<u>\$ 3,003,622</u>	<u>\$ 885,942</u>	<u>\$ (786,091)</u>

Source: District Records

Note: The District implemented GASB 68 for the year ended June 30, 2015.

Freeport School District No. 145

Schedule of Expenses by Identifiable Activity

Last Ten Fiscal Years

	For the Year Ended June 30				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Instruction	26,349,743	\$ 25,176,842	\$ 23,001,221	\$ 23,800,889	\$ 24,142,744
Pupil service	3,368,345	3,273,702	2,782,228	2,855,968	2,774,629
Instructional staff	4,372,394	4,537,490	3,988,404	4,199,052	3,671,644
General administration	1,429,661	1,701,537	1,921,270	3,836,215	1,744,274
School administration	2,935,512	3,026,860	2,983,836	3,008,251	3,447,241
Business services	10,155,762	10,016,088	13,731,959	10,355,105	9,063,255
Central services	553,543	638,451	563,202	588,245	563,124
Other support services	224,305	189,051	208,686	239,406	147,648
Community services	106,299	136,567	127,749	114,790	120,454
Payments to other governmental units	722,924	687,725	792,917	867,681	1,061,437
On behalf - State portion of of payments	8,598,035	8,206,923	7,355,453	8,130,657	6,434,195
Interest and service charges on long term debt	1,588,661	1,548,464	1,450,752	1,599,916	1,548,255
Total Expenses	<u>60,405,184</u>	<u>59,139,700</u>	<u>58,907,677</u>	<u>59,596,175</u>	<u>54,718,900</u>
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Instruction	\$ 24,076,437	\$ 22,532,743	\$ 22,857,431	\$ 22,393,386	\$ 21,476,132
Pupil service	2,782,341	2,588,846	2,730,692	2,582,145	2,608,451
Instructional staff	3,442,801	2,493,091	3,049,278	2,279,478	2,460,218
General administration	1,767,649	1,699,345	1,742,209	1,753,054	1,533,297
School administration	2,783,339	2,589,409	2,651,361	2,632,337	2,665,267
Business services	9,773,995	12,007,298	8,830,165	9,884,366	10,701,329
Central services	518,918	490,620	485,749	437,914	351,623
Other support services	93,141	139,665	61,459	104,000	10,157
Community services	114,240	214,924	85,757	106,794	60,231
Payments to other governmental units	830,805	901,636	745,762	966,014	951,030
On behalf - State portion of of payments	5,724,014	4,915,526	5,080,849	3,442,319	2,553,992
Interest and service charges on long term debt	1,494,002	1,213,009	828,031	571,173	591,924
Total Expenses	<u>53,401,682</u>	<u>51,786,112</u>	<u>49,148,743</u>	<u>47,152,980</u>	<u>45,963,651</u>

Source: District Records

Freeport School District No. 145

Schedule of Revenues by Source and Total Changes in Net Position Last Ten Fiscal Years

	For the Year Ended June 30				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Charges for Services	\$ 2,931,135	\$ 2,913,018	\$ 2,840,703	\$ 960,291	\$ 1,167,486
Operating Grants and Contributions	17,090,888	16,538,862	16,048,140	16,492,518	15,338,420
Capital Grants and Contributions	-	-	34,500	109,652	119,123
Total operating revenues	<u>20,022,023</u>	<u>19,451,880</u>	<u>18,923,343</u>	<u>17,562,461</u>	<u>16,625,029</u>
Total net (expense) revenue	(40,383,161)	(39,687,820)	(39,984,334)	(42,033,714)	(38,093,871)
Local property taxes	22,785,406	22,741,952	22,548,659	22,122,996	21,453,482
Payments in lieu of taxes	1,818,855	1,644,539	1,781,217	1,707,538	1,629,087
Earnings on investments	59,190	36,730	33,909	39,368	30,698
General state aid	<u>17,853,802</u>	<u>17,043,459</u>	<u>14,910,528</u>	<u>14,706,523</u>	<u>14,161,503</u>
Total nonoperating revenues	<u>42,517,253</u>	<u>41,466,680</u>	<u>39,274,313</u>	<u>38,576,425</u>	<u>37,274,770</u>
Changes in Net Position	<u>\$ 2,134,092</u>	<u>\$ 1,778,860</u>	<u>\$ (710,021)</u>	<u>\$ (3,457,289)</u>	<u>\$ (819,101)</u>

	For the Year Ended June 30				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Charges for Services	\$ 1,231,120	\$ 1,004,376	\$ 1,250,516	\$ 1,524,670	\$ 1,577,252
Operating Grants and Contributions	15,727,820	13,985,491	14,341,868	11,666,677	10,508,521
Capital Grants and Contributions	119,123	56,583	-	-	-
Total operating revenues	<u>17,078,063</u>	<u>15,046,450</u>	<u>15,592,384</u>	<u>13,191,347</u>	<u>12,085,773</u>
Total net (expense) revenue	(36,323,619)	(36,739,662)	(33,556,359)	(33,961,633)	(33,877,878)
Local property taxes	21,002,461	20,499,712	20,072,287	19,534,192	18,753,861
Payments in lieu of taxes	1,574,076	1,715,900	1,417,841	1,701,922	1,910,924
Earnings on investments	17,513	47,050	24,419	157,876	508,317
General state aid	<u>14,402,438</u>	<u>14,957,784</u>	<u>14,330,862</u>	<u>14,685,323</u>	<u>14,376,809</u>
Total nonoperating revenues	<u>36,996,488</u>	<u>37,220,446</u>	<u>35,845,409</u>	<u>36,079,313</u>	<u>35,549,911</u>
Changes in Net Position	<u>\$ 672,869</u>	<u>\$ 480,784</u>	<u>\$ 2,289,050</u>	<u>\$ 2,117,680</u>	<u>\$ 1,672,033</u>

Source: District Records

Freeport School District No. 145

Fund Balances - Modified Accrual Basis - Last Ten Fiscal Years

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>6/30/2010</u>	<u>6/30/2009</u>	<u>6/30/2008</u>
General Fund:										
Nonspendable	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
Assigned	5,706,047	5,605,887	5,505,918	5,405,772	5,305,438	5,171,091	4,998,963	4,825,531	4,650,630	5,387,241
Unassigned	<u>1,667,895</u>	<u>882,453</u>	<u>1,157,103</u>	<u>2,131,877</u>	<u>3,719,745</u>	<u>5,684,891</u>	<u>5,849,670</u>	<u>4,010,710</u>	<u>3,959,618</u>	<u>4,209,947</u>
Total General Fund	<u>7,388,942</u>	<u>6,503,340</u>	<u>6,678,021</u>	<u>7,552,649</u>	<u>9,040,183</u>	<u>10,870,982</u>	<u>10,863,633</u>	<u>8,851,241</u>	<u>8,625,248</u>	<u>9,612,188</u>
All other Governmental Funds:										
Nonspendable	951,780	1,057,533	1,163,286	1,269,039	1,374,792	1,480,545	1,586,298	1,692,051	-	-
Restricted	<u>11,454,028</u>	<u>10,453,954</u>	<u>9,737,657</u>	<u>8,648,739</u>	<u>9,435,611</u>	<u>9,398,352</u>	<u>9,761,524</u>	<u>5,883,666</u>	<u>7,026,430</u>	<u>5,720,303</u>
Total All other Governmental Funds	<u>12,405,808</u>	<u>11,511,487</u>	<u>10,900,943</u>	<u>9,917,778</u>	<u>10,810,403</u>	<u>10,878,897</u>	<u>11,347,822</u>	<u>7,575,717</u>	<u>7,026,430</u>	<u>5,720,303</u>
Total All Governmental Funds	<u>\$ 19,794,750</u>	<u>\$ 18,014,827</u>	<u>\$ 17,578,964</u>	<u>\$ 17,470,427</u>	<u>\$ 19,850,586</u>	<u>\$ 21,749,879</u>	<u>\$ 22,211,455</u>	<u>\$ 16,426,958</u>	<u>\$ 15,651,678</u>	<u>\$ 15,332,491</u>

Note: All balances were restated for the implementation of GASB 54 in 2010.

Source: District Records

Freeport School District No. 145

Changes in Fund Balance - Governmental Funds

Last Ten Fiscal Years

	For the Year Ended June 30									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Local property taxes	\$ 22,785,406	\$ 22,741,952	\$ 22,548,659	\$ 22,122,996	\$ 21,453,482	\$ 21,002,461	\$ 20,499,712	\$ 20,072,287	\$ 19,534,192	\$ 18,753,861
Payments in lieu of taxes	1,818,855	1,644,539	1,781,217	1,707,538	1,629,087	1,574,076	1,715,900	1,417,841	1,701,922	1,910,924
Earnings on investments	59,190	36,730	33,909	39,368	30,698	17,513	47,050	24,419	157,876	508,317
Other local sources	1,054,971	1,282,702	1,354,951	960,291	1,155,643	1,228,325	1,004,376	1,250,516	1,522,867	1,559,202
Unrestricted state aid	17,853,802	17,043,459	14,910,528	14,706,523	14,161,503	14,402,438	14,957,784	14,330,862	14,685,323	14,376,809
Restricted state aid	3,242,773	3,189,442	4,126,869	3,570,623	3,830,184	3,600,751	3,549,011	1,414,097	775,232	4,131,578
Restricted federal aid	5,250,080	5,142,497	4,600,318	4,900,890	5,193,164	6,522,178	5,577,537	7,846,922	7,449,126	3,822,951
On behalf - State portion of payments	8,598,035	8,206,923	7,355,453	8,130,657	6,434,195	5,724,014	4,915,526	5,080,849	3,442,319	2,553,992
Total Revenues	60,663,112	59,288,244	56,711,904	56,138,886	53,887,956	54,071,756	52,266,896	51,437,793	49,268,857	47,617,634
Expenditures:										
Instruction	\$ 23,589,488	\$ 25,025,333	\$ 23,001,221	\$ 23,623,019	\$ 23,926,873	\$ 23,825,269	\$ 22,246,492	\$ 22,633,530	\$ 22,125,409	\$ 21,141,616
Pupil service	3,407,960	3,250,360	2,782,228	2,855,968	2,774,629	2,782,341	2,588,846	2,730,692	2,557,715	2,608,451
Instructional staff	4,295,451	4,437,725	3,988,404	3,997,656	3,454,999	2,985,303	2,429,516	2,878,618	2,104,370	2,206,318
General administration	1,436,933	1,699,613	1,921,270	3,836,215	1,743,178	1,767,649	1,699,345	1,738,098	1,742,986	1,529,223
School administration	2,967,573	3,026,860	2,983,836	3,008,251	3,447,241	2,783,339	2,589,409	2,651,361	2,630,281	2,661,160
Business services	9,545,776	9,414,485	9,482,112	9,698,359	8,929,112	8,779,987	11,738,061	8,048,221	8,720,475	9,435,599
Central services	554,413	638,451	563,202	588,245	563,124	518,918	490,620	485,749	437,914	351,623
Other support services	226,589	189,051	208,686	239,406	147,648	93,141	139,665	61,459	104,000	10,157
Community services	106,847	136,567	127,749	114,790	120,454	114,240	214,924	85,757	106,794	60,231
Payments to other governmental units	722,924	687,725	792,917	867,681	1,061,437	830,805	901,636	745,762	966,014	951,030
On behalf - State portion of payments	8,598,035	8,206,923	7,355,453	8,130,657	6,434,195	5,724,014	4,915,526	5,080,849	3,442,319	2,553,992
Capital outlay	729,634	980,922	1,216,491	1,217,221	702,291	2,047,311	619,063	1,431,760	1,643,530	1,862,327
Debt service:										
Principal retirement	1,112,905	1,152,501	1,054,342	1,028,531	1,080,192	1,134,445	4,398,664	1,513,769	1,797,697	1,890,419
Interest and service charges on long term debt	1,588,661	1,548,464	1,450,752	1,599,916	1,548,255	1,494,002	1,213,009	828,031	571,173	591,924
Total Expenditures	58,883,189	60,394,980	56,928,663	60,805,915	55,933,628	54,880,764	56,184,776	50,913,656	48,950,677	47,854,070
Excess (deficiency) of revenues over expenditures	1,779,923	(1,106,736)	(216,759)	(4,667,029)	(2,045,672)	(809,008)	(3,917,880)	524,137	318,180	(236,436)
Other financing sources (uses):										
Capital lease proceeds	286,559	101,954	325,296	181,209	134,536	344,637	-	251,144	-	-
Operating transfers in	19,060	117,431	15,005	14,647	16,444	4,050	25,631	8,569	69,917	257,411
Operating transfers out	(19,060)	(15,476)	(15,005)	(14,647)	(16,444)	(4,050)	(25,631)	(8,569)	(69,917)	(257,411)
Total other financing sources (uses)	286,559	203,909	325,296	181,209	134,536	344,637	-	251,144	-	-
Net change in fund balance	2,066,482	(902,827)	108,537	(4,485,820)	(1,911,136)	(464,371)	(3,917,880)	775,281	318,180	(236,436)
Debt service as a percentage of noncapital expenditures	4.6%	4.5%	4.5%	4.4%	4.8%	5.0%	10.1%	4.7%	5.0%	5.4%

Source: District Records

Freeport School District No. 145

Schedule of Property Tax Equalized Assessed Valuations Last Ten Fiscal Years

<u>Levy Year</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>Farm Property</u>	<u>Railroad Property</u>	<u>Total Equalized Assessed Valuation</u>
2016	\$ 184,505,997	\$ 67,419,206	\$ 15,224,220	\$ 22,193,369	\$ 3,220,684	\$ 292,563,476
2015	190,529,678	67,097,056	15,467,904	21,276,535	2,634,874	297,006,047
2014	197,551,430	68,652,479	16,738,727	20,617,397	2,428,189	305,988,222
2013	208,938,115	70,822,060	16,985,543	20,273,137	1,801,208	318,820,063
2012	221,965,545	72,762,901	17,775,833	20,124,531	1,684,189	334,312,999
2011	231,090,583	74,324,557	17,902,408	19,538,454	1,377,985	344,233,987
2010	263,630,218	74,751,400	16,132,015	18,984,527	1,519,192	375,017,352
2009	238,750,132	75,562,414	16,270,691	17,789,154	1,457,183	349,829,574
2008	241,163,605	74,985,204	16,810,044	16,646,698	1,187,113	350,792,664
2007	235,381,971	74,310,203	16,401,470	15,767,940	909,751	342,771,335

Source: Stephenson County Assessor

Freeport School District No. 145

Ten Year Statistics - Assessed Valuations, Tax Rates and Extensions

Levy Year	Assessed Valuations	Actual Value	Total Tax Rate	Taxes Extended
2016	\$ 292,563,476	\$ 877,690,428	7.80684	\$ 22,839,962
2015	297,006,047	891,018,141	7.69178	22,845,052
2014	305,988,222	917,964,666	7.46903	22,854,352
2013	318,820,063	956,460,189	7.01410	22,362,358
2012	334,312,999	1,002,938,997	6.56894	21,960,820
2011	355,334,348	1,066,003,044	6.19545	21,326,845
2010	348,017,352	1,044,052,056	5.98946	20,844,360
2009	363,253,571	1,089,760,713	5.77607	20,206,401
2008	350,792,664	1,052,377,992	5.69613	19,981,606
2007	342,771,335	1,028,314,005	5.58548	19,145,424

Note: The District is subject to the Property Tax Limitation Law which limits its ability to raise its direct rate.

Source: Stephenson County Assessor

Freeport School District No. 145

Schedule of Property Tax Levies and Collections

Last Ten Fiscal Years

Tax Levy Year	Final Tax Levy	Collected within the Fiscal Year of the Levy		Collected in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percent of Levy
2016	\$ 22,839,962	\$ 4,356,296	19.07%	\$ -	4,356,296	19.07%
2015	22,845,052	3,707,964	16.23%	19,079,986	22,787,950	99.75%
2014	22,854,352	1,803,097	7.89%	20,943,503	22,746,600	99.53%
2013	22,362,358	12,040,865	53.84%	10,263,982	22,304,847	99.74%
2012	21,960,820	3,460,696	15.76%	18,418,431	21,879,127	99.63%
2011	21,326,845	11,218,961	52.60%	9,917,534	21,136,495	99.11%
2010	20,844,360	10,405,052	49.92%	10,339,042	20,744,094	99.52%
2009	20,206,401	10,614,413	52.53%	9,576,599	20,191,012	99.92%
2008	19,981,606	1,961,414	9.82%	18,005,320	19,966,734	99.93%
2007	19,145,424	1,083,956	5.66%	18,032,158	19,116,114	99.85%

Source: District Records

Freeport School District No. 145

Direct and Overlapping Property Tax Rates Last Ten Fiscal Years

<u>Levy Year</u>	<u>Stephenson County</u>	<u>City of Freeport</u>	<u>Freeport Library</u>	<u>Highland College</u>	<u>Freeport Park District</u>	<u>Freeport Township</u>	<u>Freeport Mosquito District</u>	<u>Freeport School District</u>	<u>Total</u>
2016	1.40414	1.19899	0.47004	0.56143	1.08089	0.48747	0.05115	7.80684	13.06095
2015	1.40801	1.16454	0.44330	0.56690	1.08306	0.46880	0.05112	7.69178	12.87751
2014	1.39135	1.12227	0.44174	0.48368	1.08192	0.45577	0.05109	7.46903	12.49685
2013	1.35593	1.10111	0.44256	0.48479	1.07186	0.43846	0.04971	7.01410	11.95852
2012	1.27725	1.09819	0.44048	0.47813	1.03686	0.42559	0.04643	6.56894	11.37187
2011	1.20950	1.07009	0.43906	0.49382	0.97853	0.40077	0.04488	6.19545	10.83210
2010	1.17959	1.04272	0.43368	0.48532	0.96249	0.40381	0.04323	5.98946	10.54030
2009	1.14966	0.99993	0.43590	0.47834	0.94098	0.40150	0.04281	5.77607	10.22519
2008	1.13045	0.99200	0.43561	0.48794	0.92693	0.39558	0.04256	5.69613	10.10720
2007	1.11065	0.97592	0.42887	0.46890	0.92902	0.39017	0.04338	5.58548	9.93239

Source: Stephenson County Treasurer/Collector

Freeport School District No. 145

Principal Taxpayers

Current Calendar Year and Calendar Year Nine Years Prior

Name	2016		2007	
	Equalized Assessed Valuation	Percent of District's Total EAV	Equalized Assessed Valuation	Percent of District's Total EAV
BIGS Mortgage, LLC	\$ 3,320,770.00	1.14%		
Titan Tire Corporation	3,032,526.00	1.04%		
Walmart Stores, Inc.	2,073,930.00	0.71%		
Menard Inc.	2,052,206.00	0.70%		
Honeywell Micro Switch	1,928,868.00	0.66%		
Residential Alternatives of IL Inc.	1,715,630.00	0.59%		
Harborside Properties	1,323,641.00	0.45%		
Freeport-3133 Industrial Dr LLC	1,170,783.00	0.40%		
Tri Star Realty LLC	1,106,393.00	0.38%		
Frances House Inc.	1,059,674.00	0.36%		
CJF2 LLC			\$ 4,728,975.00	1.38%
Titan Tire Corporation			4,088,241.00	1.19%
Honeywell Micro Switch			2,858,540.00	0.83%
Edwin Enterprises LLC			2,776,122.00	0.81%
Meadows LLC			1,486,060.00	0.43%
Walmart Real Estate Business Trust			1,410,580.00	0.41%
General Casualty Company of Illinois			1,396,680.00	0.41%
LT Freeport Senior Housing LLC			1,384,030.00	0.40%
Emster VI & VII LLC			1,309,930.00	0.38%
Shopko Special Real Estate LLC			1,224,891.00	0.36%

Source: Stephenson County Assessor

Freeport School District No. 145

Legal Debt Margin Information

Last Ten Fiscal Years

Fiscal Year	Debt Limit	General Obligation Bonds	Total Debt Applicable to Limit	Legal Debt Margin	Percentage of Debt Limit
2017	\$ 40,373,760	\$ 18,048,434	\$ 18,048,434	\$ 22,325,326	44.70%
2016	40,986,834	19,161,339	19,161,339	21,825,495	46.75%
2015	42,226,375	20,313,840	20,313,840	21,912,535	48.11%
2014	43,997,169	21,368,182	21,368,182	22,628,987	48.57%
2013	46,135,194	22,396,713	22,396,713	23,738,481	48.55%
2012	49,036,140	23,476,905	23,476,905	25,559,235	47.88%
2011	48,026,395	24,611,350	24,611,350	23,415,045	51.25%
2010	50,128,993	19,320,014	19,320,014	30,808,979	38.54%
2009	48,409,388	20,833,783	20,833,783	27,575,605	43.04%
2008	47,302,444	22,631,480	22,631,480	24,670,964	47.84%

Source: District Records

Freeport School District No. 145

Direct and Overlapping Debt

June 30, 2017

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable to School District	Estimated Amount Applicable to School District
Overlapping:			
Stephenson County	\$ 9,305,000	49%	\$ 4,566,723
City of Freeport	20,835,000	100%	20,835,000
Freeport Park District	1,135,000	100%	1,135,000
Highland Community College	8,260,000	19%	1,529,963
Total Overlapping Debt	39,535,000		28,066,686
Direct:			
General Obligation Bonds	18,048,434	100%	18,048,434
Less: Amount in Debt Service Fund			<u>(2,547,272)</u>
Net General Bonded Debt			15,501,162
Direct and Overlapping Debt			46,115,120
Net Direct General Obligation Bonded Debt			
As a Percentage of Equalized Assessed Valuation			5%
As a Percentage of Personal Income			3%
Amount per Capita			\$ 614
Direct and Overlapping General Bonded Debt			
As a Percentage of Equalized Assessed Valuation			16%
As a Percentage of Estimated Full Valuation			47%

Note: The percentage of overlap for each District is determined by the amount of assessed valuation of the District within the other governments.

Freeport School District No. 145

Schedule of Demographic and Economic Statistics

Last Ten Calendar Years

Calendar Year	District Population	Total Household Income	Household Income Per Capita	Unemployment Rate
2016	25,266	508,640,958	40,662	7.5%
2015	25,738	461,376,288	42,531	7.8%
2014	25,951	451,187,328	41,088	9.3%
2013	26,086	509,333,532	45,258	9.2%
2012	26,333	532,702,896	46,595	10.0%
2011	26,520	460,821,530	39,829	10.8%
2010	26,542	481,523,328	42,328	12.5%
2009	26,465	490,541,310	42,917	6.5%
2008	26,509	477,695,478	41,691	5.0%
2007	26,505	483,245,352	42,312	5.5%

Sources: American Community 5-year survey 2-10-2016, US Census Bureau Quickfacts Data, Federal Reserve Bank Economic Data

Note: Values are the averages of the values for for the three communities that make up Freeport School District: Freeport, IL, Cedarville, IL, and Ridott, IL.

Freeport School District No. 145

Principal Employers

Current Calendar Year and Calendar Year Nine Years Prior

2016

Employer	Number of Employees	Rank	Percent of District's Employment
Freeport Health Network	1,400	1	11.2%
Honeywell	800	2	6.4%
Freeport School District	750	3	6.0%
Titan Tire	650	4	5.2%
Highland Community College	425	5	3.4%
Walmart	380	6	3.0%
Mechanical, Inc.	369	7	3.0%
Stephenson County	350	8	2.8%
Berner Food and Beverage	345	9	2.8%
Newell Rubbermaid	310	10	2.5%

2007

Employer	Number of Employees	Rank	Percent of District's Employment
Freeport Health Network	1,309	1	9.8%
Honeywell	1,180	2	8.9%
Freeport School District	800	3	6.0%
Titan Tire	725	4	5.4%
Newell Rubbermaid	530	5	4.0%
Met Life Auto & Home	500	6	3.8%
Highland Community College	495	7	3.7%
Stephenson County	403	8	3.0%
Sauer-Danfoss	315	9	2.4%
City of Freeport	250	10	1.9%

Sources: 2017 Illinois Department of Commerce & Economic Opportunity
Freeport Chamber of Commerce

Freeport School District No. 145

Faculty, Staff, and Administrator Statistics

Full-Time Equivalent Data

Last Ten Fiscal Years

	Fiscal Year									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Faculty										
Part-time (FTE)	3	12	11	11	16	16	14	11	9	13
Full-time (FTE)	343	366	363	358	364	364	345	304	316	296
Staff and Administrators										
Part-time (FTE)	201	301	291	302	288	279	285	354	337	326
Full-time (FTE)	167	168	169	148	113	101	93	114	122	145
Total Employees										
Part-time (FTE)	204	313	302	313	304	295	299	365	346	339
Full-time (FTE)	510	534	532	506	477	465	438	418	438	441

Source: District Records

Freeport School District No. 145

Schedule of Average Daily Attendance, Operating Expense Per Pupil, and Total Operating Expense Last Ten Fiscal Years

Year Ended June 30,	Average Daily Attendance	Operating Expense Per Pupil	Total Operating Expense
2017	3,797	\$ 11,895	\$ 45,160,481
2016	3,814	11,903	45,403,106
2015	3,571	12,546	44,803,076
2014	3,783	12,464	47,151,695
2013	3,923	11,190	43,894,814
2012	3,838	11,194	42,959,082
2011	3,861	10,409	40,187,183
2010	3,888	10,449	40,621,670
2009	3,838	10,619	40,761,069
2008	3,778	10,608	40,075,544

Source: District Records

Freeport School District No. 145

Capital Asset Statistics

Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2000	2009	2008
Schools										
Elementary										
Buildings	6	6	6	6	6	6	6	6	6	6
Square feet	252,619	252,619	252,619	252,619	252,619	252,619	252,619	252,619	252,619	252,619
Capacity	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,800	1,800	1,800
Enrollment	1,651	1,707	1,654	1,748	1,733	1,711	1,667	1,724	1,658	1,686
Middle										
Buildings	2	2	2	2	2	2	2	2	2	2
Square feet	260,106	260,106	260,106	260,106	260,106	260,106	260,106	260,106	260,106	260,106
Capacity	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,300	1,300	1,300
Enrollment	1,140	1,184	1,203	1,189	1,247	1,243	1,255	1,277	1,285	1,261
High										
Buildings	1	1	1	1	1	1	1	1	1	1
Square feet	248,681	248,681	248,681	248,681	248,681	248,681	248,681	248,681	248,681	248,681
Capacity	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Enrollment	1,159	1,189	1,231	1,263	1,282	1,302	1,331	1,340	1,294	1,295
Other										
Buildings	2	2	2	2	2	2	2	2	2	2
Square feet	20,883	20,883	20,883	20,883	20,883	20,883	20,883	20,883	20,883	20,883
Capacity	112	112	112	112	112	112	112	90	90	90
Enrollment	107	59	71	75	80	84	85	66	*	*
Administrative										
Buildings	1	1	1	1	1	1	1	1	1	1
Square feet	10,065	10,065	10,065	10,065	10,065	10,065	10,065	10,065	10,065	10,065
Transportation										
Garages	1	1	1	1	1	1	1	1	1	1
Buses	54	54	51	51	39	39	37	36	39	39
Athletic Fields										
Football fields	1	1	1	1	1	1	1	1	1	1
Running tracks	1	1	1	1	1	1	1	1	1	1
Baseball/softball	2	2	2	2	2	2	2	2	2	2
Swimming pools	2	2	2	2	2	2	2	2	2	2
Playgrounds	7	7	7	7	7	7	7	7	7	7

Source: District records