To: Dr. Mike Riggle
Board of Education

From: Dr. R.J. Gravel
Ms. Vicki Tarver

Date: January 23, 2017

Re: Acceptance of the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2016

Recommendation

It is recommended that the Board of Education acknowledge receipt of the Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2016 as prepared by Glenbrook High School District 225, and audited by Miller, Cooper & Co., Ltd.

Background

On April 11, 2016, the Board of Education selected Miller Cooper & Co., Ltd. of Deerfield to perform an independent audit of the District's financial statements for the year ended June 30, 2016. Preparation for the audit started in April 2016, and activities continued through October 2016. During this time members of our assigned team from Miller Cooper were provided access to the Business Services team and the District's financial records to complete their review and testing activities.

Illinois School Code (105 ILCS 5/3-7) requires each school district to conduct an independent audit of its financial statements at the close of each fiscal year. In addition to performing a thorough review and analysis of the District's funds, accounts, statements, and other financial matters, the auditor is charged by the District with:

- Assisting with the preparation of the Annual Financial Report[1] for submission to the Illinois State Board of Education;
- Assisting with the preparation of the Comprehensive Annual Financial Report (CAFR) for submission to the Association of School Business Officials International (ASBO International) and the Government Finance Officers Association (GFOA).

Although not required by Illinois School Code, the CAFR is a thorough and detailed presentation of the District's financial condition, which includes an understanding of the District's structure and academic activities, and an independent opinion of the information presented within the report from our auditor. The Governmental Accounting Standards Board (GASB) encourages governments to prepare the detailed report in the spirit of transparency and full disclosure. Additionally, the CAFR serves as a primary source document for investors in new bond issues, and is used for other credit monitoring agency submissions including Dun and Bradstreet, Moody's Investors Service, and Standard and Poors.

[1] The Annual Financial Report utilizes information collected during the course of the District's audit, and is submitted in a format defined by the Illinois State Board of Education that is consistent for all school districts. This report is due each year to ISBE by November 15, 2016.

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As referenced previously, the CAFR has historically been submitted to both ASBO International[2] and the GFOA[3], as part of each organization's financial reporting recognition program. It should be noted that the District maintains a strong legacy of receiving both of these awards each year, including for the year ended June 30, 2015. The District is in the process of applying for both of these awards for the fiscal year ended June 30, 2016.

In addition to complete copy of the CAFR, two additional letters are included with this memo for the Board of Education's review. The first document is the required communication to the Board letter. The auditor is required to communicate with those charged with governance (the Board) matter related to the financial statements audit that are in the auditor's professional judgement, significant and relevant to the responsibilities of those charged with overseeing the financial reporting process. The second document is commonly referred to as the "management letter", which presents a single internal control deficiency identified during the audit, and a recommendation to review the capitalization threshold currently established by the District.

As you review the CAFR and supporting documentation, please do not hesitate to reach-out to either Vicki Tarver or R.J. Gravel with any questions.

[2] The Association of School Business Officials International facilitates the Certificate of Excellence in Financing Reporting (COE) program, providing school districts additional feedback for use in continuing to improve the quality of financial reporting, and recognizing districts for a commitment to excellence in financial management and reporting.

[3] The Government Finance Officers Association facilitates the Certificate of Achievement for Excellence in Financial Reporting program, recognizing state and local governments that go beyond the minimum requirements of financial reporting, providing comprehensive financial reports that provide transparency and full disclosure.

MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

To the Board of Education
Northfield Township High School District 225
Glenview, Illinois

We have audited the financial statements of Northfield Township High School District 225 (the "District") as of and for the year ended June 30, 2016, and have issued our report thereon dated January 12, 2017. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated April 25, 2016, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America, *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. In accordance with *Government Auditing Standards*, we have also performed tests of internal control over financial reporting and tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements that contribute to the evidence supporting our opinion on the financial statements. However, they do not provide a basis for opining on Northfield Township High School District 225's internal control over financial reporting or on compliance and other matters.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you. We have provided our comments regarding control deficiencies and other matters noted during our audit in a separate letter to you dated January 12, 2017.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the District's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. We are not aware of any documents that include the audited financial statements.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team; others in our firm, as appropriate; and our firm; have complied with all relevant ethical requirements regarding independence.

Management and the Board have acknowledged our role in providing requested non-audit services and has taken full responsibility for these non-audit services, as detailed in the engagement letter.

Qualitative Aspects of the District's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note A to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application, except for those described below, during the fiscal year ended June 30, 2016. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Policies Adopted in the Current Year

GASB Statement No. 72, *Fair Value Measurement and Application,* issued in February 2015, was effective for the District beginning with its year ending June 30, 2016. The objective of this Statement is to address accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value investments.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* issued in June 2015, was effective for the District beginning with its year ending June 30, 2016. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants,* issued in December 2015, was effective for the District beginning with its year ending June 30, 2016. The objective of this Statement is to establish criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The specific criteria address (1) how the external investment pool transactions with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price.

Qualitative Aspects of the District's Significant Accounting Practices (Continued)

Significant Accounting Policies which will be Applicable in Future Years

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* issued in June 2015, will be effective for the District beginning with its year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans,* and Statement 68 for pension plans and pensions that are within their respective scopes.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* issued in June 2015, will be effective for the District beginning with its year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* as amended, Statement 43, and Statement No. 50, *Pension Disclosures.*

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* issued in June 2015, will be effective for the District beginning with its year ending June 30, 2018. The primary objective of this Statement is to improve 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. This Statement replaces the requirements of Statements No. 45*, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* establishes new accounting and financial reporting requirements for OPEB plans.

GASB Statement No. 77, *Tax Abatement Disclosures,* issued in August 2015, will be effective for the District beginning with its year ending June 30, 2017. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess (a) whether current year revenues were sufficient to pay for current year services, (b) compliance with finance related legal or contractual requirements, (c) where a government's financial resources come from and how it uses them, and (d) financial position and economic condition and how they have changed over time.

Qualitative Aspects of the District's Significant Accounting Practices (Continued)

Significant Accounting Policies which will be Applicable in Future Years (Continued)

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans,* issued in December 2015, will be effective for the District beginning with its year ending June 30, 2017. The primary objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pension.* This issue is associated with pension provided through certain multiple-employer defined benefit pension plans and to state or local government employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer. This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pension that have the characteristics described above.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – Amendment of GASB Statement No. 14,* issued in January 2016, will be effective for the District beginning with its year ending June 30, 2017. The objective of this Statement is to improve financial reporting by clarifying the financial presentation requirements for certain component units. This Statement amends the blending requirements established in Statement No. 14, *The Financial Reporting Entity, as amended.*

GASB Statement No. 81, *Irrevocable Split-Interest Agreements,* issued in March 2016, will be effective for the District beginning with its year ending June 30, 2018. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73,* issued in March 2016, will be effective for the District beginning with its year ending June 30, 2017. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans,* No. 68, *Accounting and Financial Reporting for Pensions,* and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The District's management has not yet determined the effect that these Statements will have on the District's financial statements.

Qualitative Aspects of the District's Significant Accounting Practices (Continued)

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are self-insurance accruals, net pension liabilities for the Illinois Municipal Retirement Fund, Teachers' Retirement System, and other post-employment benefits. Included in the notes to the financial statements are the methodologies used by management to determine the estimates.

We evaluated the key factors and assumptions used to develop those estimates noted above and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements relate to: accruals related to self-insurance and actuarial methods and assumptions regarding the Illinois Municipal Retirement Fund, Teachers' Retirement System and other postemployment benefit (OPEB) obligations.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no uncorrected misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were no material, corrected misstatements identified by us.

We assisted your personnel with non-audit services necessary for the preparation of the financial statements, including drafting of the financial statements and AFR, preparation of the Schedule of Expenditures of Federal Awards, assistance with the preparation of the Data Collection Form, assistance with modified accrual adjustments and GASB 34 entries, and filing the AFR with the Illinois State Board of Education.

Disagreements with Management

For purposes of this letter, a disagreement with management is a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the representation letter dated January 12, 2017.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the District, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

An adverse opinion was issued on the Annual Financial Report filed with the Illinois State Board of Education. These financial statements use accounting practices prescribed by the Illinois State Board of Education, which practices differ from accounting principles generally accepted in the United States of America.

This report is intended solely for the information and use of the Board of Education, and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

MILLER, COOPER & CO., LTD.

Miller, Cooper & Co., Ltd.

Certified Public Accountants

Deerfield, Illinois
January 12, 2017

To the Board of Education
Northfield Township High School District 225
Glenview, Illinois

In planning and performing our audit of the financial statements of Northfield Township High School District 225 (the "District") as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, there can be no assurance that all deficiencies, material weaknesses or significant deficiencies have been identified.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Following is a description of an identified control deficiency that we determined did not constitute a significant deficiency or material weakness:

Reconciliation of Investment Account

During the audit, we noted that bank statements for the District's investment account were not reconciled to the general ledger. We also noted that the District utilizes various due to and due from accounts in its bank reconciliations that may carry for several months that may lead to problems reconciling cash at year-end. We recommend that all of the bank accounts be reconciled monthly to the general ledger and that all reconciling items be promptly investigated and adjusted on a timely basis.

This letter includes comments and suggestions with respect to matters that came to our attention in connection with our audit of the financial statements. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the District's practices and procedures.

Increase in Capitalization Threshold

We noted the District's capitalization threshold for property and equipment purchases is defined as assets with a cost of more than $2,500, per the District's policy. As of June 30, 2016, the District's total net capital assets approximate $140 million. We believe that the level of capitalization is low in relation to the size of the District. We recommend that the District increase its capitalization policy, requiring that all future asset purchases costing more than $5,000 or $7,500 be capitalized and depreciated over the assets' useful lives.

This communication is intended solely for the information and use of the Board of Education and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

MILLER, COOPER & CO., LTD.

Miller, Cooper & Co., Ltd.

Certified Public Accountants

Deerfield, Illinois
January 12, 2017