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***SPECIAL EDUCATION DISTRICT OF LAKE COUNTY
SEJA DISTRICT NO. 825
STATE OF ILLINOIS***

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

eder, casella & co.

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY
SEJA DISTRICT NO. 825

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INDEPENDENT AUDITOR'S OPINION

To the Executive Board
Special Education District of Lake County
SEJA District No. 825
Gages Lake, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY SEJA DISTRICT NO. 825

as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise SEDOL's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the SEDOL'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 SEDOL'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Special Education District of Lake County, SEJA District No. 825, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 17 to the financial statements, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No 85, *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Illinois Municipal Retirement Fund – Schedule of Changes in the Employer's Net Pension Liability and Related Ratios, Illinois Municipal Retirement Fund – Schedule of Employer Contribution, Teachers' Retirement System of the State of Illinois – Schedule of the Employer's Proportionate Share of the Net Pension Liability, Teachers' Retirement System of the State of Illinois – Schedule of Employer Contribution, Other Post-Employment Benefit – Retiree Health Plan– Schedule of Changes in the Employer's Net OPEB Liability and Related Ratios, Other Post-Employment Benefit – Retiree Health Plan – Schedule of Employer Contribution, Teacher Health Insurance Security Fund of the State of Illinois – Schedule of the Employer's Proportionate Share of the Net OPEB Liability, Teacher Health Insurance Security Fund of the State of Illinois – Schedule of Employer Contribution, and budgetary comparison information on pages 6 through 10 and 44 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Special Education District of Lake County, SEJA District No. 825's basic financial statements. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018, on our consideration of Special Education District of Lake County, SEJA District No. 825'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 Special Education District of Lake County, SEJA District No. 825's internal control over financial reporting and compliance.

Eder, Casella & Co.

EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
December 7, 2018



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Executive Board
 Special Education District of Lake County
 SEJA District No. 825
 Gages Lake, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY
 SEJA DISTRICT NO. 825

as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 7, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Special Education District of Lake County, SEJA District No. 825's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Special Education District of Lake County, SEJA District No. 825's internal control. Accordingly, we do not express an opinion on the effectiveness of Special Education District of Lake County, SEJA District No. 825's internal control.

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Special Education District of Lake County, SEJA District No. 825's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

Eder, Casella & Co.

EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
December 7, 2018

REQUIRED SUPPLEMENTARY INFORMATION

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY
SEJA DISTRICT NO. 825
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

As management of Special Education District of Lake County, SEJA District No. 825 (SEDOL), we offer readers of SEDOL's statements this narrative overview and analysis of the financial activities of SEDOL for the fiscal year ended June 30, 2018.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of SEDOL exceeded its liabilities and deferred inflows of resources at June 30, 2018 by \$20,310,919(net position). Of this amount, \$(16,803,201) is unrestricted net position (Deficit).
- SEDOL's net position increased by \$991,848 from current year activities.
- At June 30, 2018, SEDOL reported combined ending fund balances of \$14,869,231 a decrease of \$1,570,912 in comparison with the prior year.
- SEDOL's capital assets, net of depreciation, increased by \$1,957,896 (6%) during the year ended June 30, 2018. The key factor in the increase was from the completion of the second phase of the Gages Lake campus project, and the maintenance building.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to SEDOL's basic financial statements. SEDOL's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. This Management's Discussion and Analysis is intended to explain the significant changes in financial position and differences in operation between the current and prior years.

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

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

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

Both of the government-wide financial statements distinguish functions of SEDOL that are principally supported by tuition and intergovernmental revenues (governmental activities). The governmental activities of SEDOL include instruction, supporting services, operation and maintenance of facilities, transportation services, and certain other activities and expenses such as payments to other districts and governmental units, interest and fees, and unallocated depreciation.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. SEDOL, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of SEDOL are governmental funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of SEDOL'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 this comparison between governmental funds and governmental activities.

SEDOL maintains six individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Operations and Maintenance Fund, Debt Services Fund, Transportation Fund, Illinois Municipal Retirement/Social Security Fund, and Capital Projects Fund, all of which are considered to be major funds.

SEDOL adopts an annual budget for each of the funds listed above. A budgetary comparison statement, which is Required Supplementary Information, has been provided for the General Fund and each major Special Revenue Fund to demonstrate compliance with this budget.

The basic fund financial statements can be found on pages 13 through 16 and the Required Supplementary Information can be found on pages 44 through 61 of this report.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 through 43 of this report.

Other information - In addition to the basic financial statements, accompanying notes, and Required Supplementary Information this report also presents certain supplemental information concerning SEDOL's progress in meeting its obligation to provide as fully adequate as possible services to its students. Supplemental financial information can be found on pages 62 and 63 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of SEDOL, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$20,310,919 at June 30, 2018.

A large portion of SEDOL's net position (\$36,410,141) reflects its investment in capital assets (e.g., land, construction in progress, buildings, improvements other than buildings, vehicles, and equipment other than transportation/food service). SEDOL uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although SEDOL's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of SEDOL's net position (\$703,979) represents resources that are subject to external restrictions on how they may be used.

Special Education District of Lake County's Net Position

	Governmental Activities	
	6/30/2018	6/30/2017
Assets		
Current and Other Assets	\$ 24,827,005	\$ 26,763,411
Long-Term Assets Outstanding	3,460,000	4,120,000
Capital Assets	36,758,046	34,800,150
Total Assets	\$ 65,045,051	\$ 65,683,561
Deferred Outflows of Resources		
Defeasance Asset, net of amortization	\$ 373,855	\$ 409,460
Pension Expense/Revenue	(2,337,776)	5,107,323
Total Deferred Outflows of Resources	\$ (1,963,921)	\$ 5,516,783
Liabilities		
Other Liabilities	\$ 9,213,710	\$ 10,769,408
Long-Term Liabilities Outstanding	28,592,035	14,410,249
Total Liabilities	\$ 37,805,745	\$ 25,179,657
Deferred Inflows of Resources		
Pension Expense/Revenue	\$ 4,964,466	\$ 2,532,765
Total Deferred Inflows of Resources	\$ 4,964,466	\$ 2,532,765
Net Position		
Invested in Capital Assets, net of related debt	\$ 36,410,141	\$ 34,419,111
Restricted	703,979	902,695
Unrestricted	(16,803,201)	8,166,116
Total Net Position	\$ 20,310,919	\$ 43,487,922

Governmental activities - Governmental activities in the current year increased net position by \$991,848. Key elements of this increase are as follows:

Special Education District of Lake County's Change in Net Position

	Governmental Activities	
	FY 2018	FY 2017
Revenues:		
Program Revenues		
Charges for Services	\$ 40,944,103	\$ 40,263,023
Operating Grants and Contributions	37,517,419	39,875,066
General Revenues:		
Unrestricted Investment Earnings	162,078	99,207
Gain/(Loss) on Sale of Capital Assets	(175,250)	-
Total Revenues	\$ 78,448,350	\$ 80,237,296
Expenses:		
Instruction	\$ 26,644,322	\$ 26,313,549
Support Services	23,990,344	24,288,612
Payments to Other Districts and Governmental Units	11,689,544	11,310,052
Interest and Fees on Long-Term Debt	167,321	190,421
On-Behalf Retirement Contributions	13,763,837	16,436,529
Depreciation - Unallocated	1,201,134	1,071,503
Total Expenses	\$ 77,456,502	\$ 79,610,666
Increase/(Decrease) in Net Position	\$ 991,848	\$ 626,630
Net Position - Beginning	43,487,922	42,861,292
Net Position Adjustment (Note 17)	(24,168,851)	-
Net Position - Ending	\$ 20,310,919	\$ 43,487,922

- Charges for Services increased in the current year mainly due to an increase in the amount of special education tuition received from other districts.

- Operating Grants and Contributions decreased mainly due to a decrease in the on-behalf retirement contributions.
- The total expenses decrease mainly due to the decrease in the on-behalf retirement contributions.

FINANCIAL ANALYSIS OF SEDOL'S FUNDS

As noted earlier, SEDOL uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds - The focus of SEDOL's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing SEDOL's financing requirements. In particular, unassigned fund balance may serve as a useful measure of SEDOL's net resources available for spending at the end of the fiscal year.

The General Fund's fund balance increased \$235,239. This includes a \$1,300,000 transfer to the Operations and Maintenance Fund and a \$260,000 transfer to the Transportation Fund.

The Operations and Maintenance Fund's fund balance decreased by \$1,500,985. This would have been a larger decrease, but it includes the \$1,300,000 transfer from the General Fund. This is mainly because of increased capital outlay costs as discussed earlier.

The Debt Services Fund experienced net revenues and expenditures that remained relatively consistent with the prior year.

The Transportation Fund's fund balance decreased by (\$223,308) which was more than the previous year because of the additional expenses in purchase services.

The Illinois Municipal Retirement/Social Security Fund's fund balance decreased by (\$36,402). This is because the District has a higher fund balance and they are trying to gradually spend it down.

The Capital Projects Fund's fund balance decreased by (\$46,712). This decrease is because the district is closing this fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

Significant differences between the budget and the actual revenues and expenditures are summarized as follows:

- The difference between the estimated revenues and the actual revenues was (\$968,015) (unfavorable). The majority of this difference was due to the On-Behalf payments being a little lower than budgeted and lower flow-through revenue than expected. However, once you factor in the deferral related to flow-through revenues this number is much closer.
- The difference between the estimated expenditures and the actual expenditures was \$2,868,754 (favorable). The difference is primarily due to the payments to the districts being lower and overall lower expenses in the support services – pupils.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - SEDOL's investment in capital assets for its governmental activities as of June 30, 2018 amounts to \$36,758,046 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements other than buildings, vehicles, and equipment other than transportation/food service. The total increase in SEDOL's investment in capital assets for the year ended June 30, 2018 was 6% and was largely due to the completion of the second phase of the Gages Lake campus project, and the maintenance building.

Major capital asset events during the year ended June 30, 2018 included the following:

- Campus improvement project - \$2,430,458
- Gages Lake renovations - \$1,252,478
- Maintenance Building - \$680,000

Special Education District of Lake County's Capital Assets
(net of depreciation)

	Governmental Activities	
	6/30/2018	6/30/2017
Land	\$ 1,260,625	\$ 1,260,625
Construction in Progress	-	1,297,075
Buildings	29,851,941	30,214,266
Improvements Other than Buildings	5,298,297	1,676,612
Vehicles	25,962	9,467
Equipment Other than Transportation/Food Service	321,221	342,105
Total	<u>\$ 36,758,046</u>	<u>\$ 34,800,150</u>

Additional information on SEDOL's capital assets can be found in note 6 on page 24 of this report.

Long-term debt - At June 30, 2018, SEDOL had total debt outstanding of \$3,807,905.

Special Education District of Lake County's Outstanding Debt

	Governmental Activities	
	6/30/2018	6/30/2017
Special Education Bonds	\$ 3,460,000	\$ 4,120,000
Unamortized Bond Premium	347,905	381,039
Total	<u>\$ 3,807,905</u>	<u>\$ 4,501,039</u>

Significant debt activity for the year ended June 30, 2018 was as follows:

- Principal payments on all debt were \$660,000.

Additional information on SEDOL's long-term debt can be found in note 7 on pages 24 and 25 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Operations and Maintenance Fund - The multi-year campus road improvement and maintenance garage projects have been completed in fiscal year 2017 – 2018. It is expected in 2018 – 2019 that expenses in the Operations and Maintenance fund will be comparable to fiscal year 2015 – 2016 budgeted expenses, as that is the year prior to work starting on the above mentioned large capital projects.

All other Funds – all other revenues and expenses, with the exception of those that flow directly through to member districts, are expected to remain fairly constant in comparison with fiscal year 2017-2018.

Fiscal Year 2019 – 2020 – All Special Education Cooperatives in Illinois have been notified that effective fiscal year 2019-2020 Federal IDEA grant funding will no longer flow through cooperatives; it will instead flow directly to Districts. This will require a change in tuition rates and revision to the Articles of Joint Agreement. We do not expect this to negatively affect SEDOL's revenues.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of SEDOL's finances for all those with an interest in SEDOL's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Special Education District of Lake County, 18160 Gages Lake Road, Gages Lake, Illinois 60030-1819.

BASIC FINANCIAL STATEMENTS

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY, SEJA DISTRICT NO. 825
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 7,924,848
Investments, at Fair Value	9,950,100
Tuition Billing Receivable, net of allowance of \$0	354,420
Assessment and Contractual Billings Receivable, net of allowance of \$0	2,535,142
Miscellaneous Billings Receivable, net of allowance of \$0	8,577
Due from Other Governments, net of allowance of \$0	3,988,060
Prepaid Expenses	28,033
Interest Receivable	37,825
Notes Receivable (Note 5)	3,460,000
Capital Assets (Note 6):	
Land	1,260,625
Depreciable Buildings, Property, and Equipment, net of depreciation	35,497,421
Total Assets	\$ 65,045,051
DEFERRED OUTFLOWS OF RESOURCES	
Defeasance Asset, net of amortization	\$ 373,855
Pension Expense/Revenue - IMRF	3,379,191
Pension Expense/Revenue - TRS	339,592
Pension Expense/Revenue - THIS	166,237
Total Deferred Outflows of Resources	\$ 4,258,875
LIABILITIES	
Accounts Payable and Accrued Expenses	\$ 2,066,509
Payroll Liabilities	5,317,080
Employee Health Insurance Account Liability	1,801,919
Flexible Spending Account Liability	28,202
Non-Current Liabilities	
Due Within One Year	718,134
Due in More Than One Year	27,873,901
Total Liabilities	\$ 37,805,745
DEFERRED INFLOWS OF RESOURCES	
Pension Expense/Revenue - IMRF	\$ 6,222,796
Pension Expense/Revenue - TRS	2,115,347
Pension Expense/Revenue - THIS	2,820,495
Pension Expense/Revenue - IMRF/TRS OPEB	28,624
Total Deferred Inflows of Resources	\$ 11,187,262
NET POSITION	
Net Investment in Capital Assets	\$ 36,410,141
Restricted for:	
Grants and Contributions	703,979
Unrestricted/(Deficit)	(16,803,201)
Total Net Position	\$ 20,310,919

The Notes to Financial Statements are an integral part of this statement.

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY, SEJA DISTRICT NO. 825
 GOVERNMENT-WIDE FINANCIAL STATEMENTS
 STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2018

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Functions/Programs					
Governmental Activities					
Instruction					
Special Education Programs	\$ 22,730,209	\$ 17,897,956	\$ 5,859,928	\$ -	\$ 1,027,675
Other Instructional Programs	3,914,113	3,162,228	654,331	-	(97,554)
Support Services					
Pupils	13,054,839	11,575,448	2,885,808	-	1,406,417
Instructional Staff	1,373,032	887,033	736,505	-	250,506
General Administration	1,930,654	1,231,278	521,683	-	(177,693)
School Administration	2,810,688	1,796,133	643,330	-	(371,225)
Business	696,297	476,330	399,371	-	179,404
Facilities Acquisition and Construction	37,553	23,611	33,331	-	19,389
Operations and Maintenance	2,468,045	2,813,092	-	-	345,047
Transportation	1,268,389	8,766	773,788	-	(485,835)
Food Services	215,372	156,287	228,557	-	169,472
Central	135,475	91,441	76,378	-	32,344
Payments to Other Districts and Governmental Units	11,689,544	-	10,940,572	-	(748,972)
Interest and Fees on Long-Term Debt	167,321	824,500	-	-	657,179
On-Behalf Retirement Contributions	13,763,837	-	13,763,837	-	-
Depreciation - Unallocated	1,201,134	-	-	-	(1,201,134)
Total Governmental Activities	<u>\$ 77,456,502</u>	<u>\$ 40,944,103</u>	<u>\$ 37,517,419</u>	<u>\$ -</u>	<u>\$ 1,005,020</u>
General Revenues					
Unrestricted Investment Earnings					\$ 162,078
Gain/(Loss) on Sale of Capital Assets					(175,250)
Total General Revenues					<u>\$ (13,172)</u>
Change in Net Position					\$ 991,848
Net Position - July 1, 2017					43,487,922
Net Position Adjustment (Note 17)					<u>(24,168,851)</u>
Net Position - June 30, 2018					<u><u>\$ 20,310,919</u></u>

The Notes to Financial Statements are an integral part of this statement.

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY, SEJA DISTRICT NO. 825
 FUND FINANCIAL STATEMENTS
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2018

	General Fund	Operations and Maintenance Fund	Debt Services Fund	Transportation Fund	Illinois Municipal Retirement/ Social Security Fund	Capital Projects Fund	Total Governmental Funds
ASSETS							
Cash and Cash Equivalents	\$ 3,428,951	\$ 2,599,128	\$ 168,577	\$ 92,857	\$ 1,635,335	\$ -	\$ 7,924,848
Investments, at Fair Value	9,950,100	-	-	-	-	-	9,950,100
Tuition Billing Receivable, net of allowance of \$0	354,420	-	-	-	-	-	354,420
Assessment and Contractual Billings Receivable, net of allowance of \$0	2,535,142	-	-	-	-	-	2,535,142
Miscellaneous Billings Receivable, net of allowance of \$0	-	-	-	6,076	2,501	-	8,577
Due from Other Governments, net of allowance of \$0	3,794,261	-	-	193,799	-	-	3,988,060
Deposits							
Prepaid Payroll Deductions	28,033	-	-	-	-	-	28,033
Total Assets	\$ 20,090,907	\$ 2,599,128	\$ 168,577	\$ 292,732	\$ 1,637,836	\$ -	\$ 24,789,180
DEFERRED OUTFLOWS OF RESOURCES							
Medicaid Fee for Service Flow Thru Payments Payable	\$ 161,966	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 161,966
Total Deferred Outflows of Resources	\$ 161,966	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 161,966
Total Assets and Deferred Outflows of Resources	\$ 20,252,873	\$ 2,599,128	\$ 168,577	\$ 292,732	\$ 1,637,836	\$ -	\$ 24,951,146
LIABILITIES							
Current Liabilities							
Accounts Payable and Accrued Expenses	\$ 1,988,140	\$ 40,518	\$ -	\$ 26	\$ -	\$ -	\$ 2,028,684
Other Payables							
Payroll Liabilities	5,119,557	-	-	6,996	190,527	-	5,317,080
Employee Health Insurance Account Liability	1,801,919	-	-	-	-	-	1,801,919
Flexible Spending Account Liability	28,202	-	-	-	-	-	28,202
Total Current Liabilities	\$ 8,937,818	\$ 40,518	\$ -	\$ 7,022	\$ 190,527	\$ -	\$ 9,175,885
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue - Grants	\$ 906,030	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 906,030
Total Deferred Inflows of Resources	\$ 906,030	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 906,030
FUND BALANCE							
Restricted							
Grants and Contributions	\$ 703,979	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 703,979
Assigned							
Operations and Maintenance	-	2,558,610	-	-	-	-	2,558,610
Debt Service	-	-	168,577	-	-	-	168,577
Transportation	-	-	-	285,710	-	-	285,710
Illinois Municipal Retirement	-	-	-	-	1,447,309	-	1,447,309
Unassigned	9,705,046	-	-	-	-	-	9,705,046
Total Fund Balance	\$ 10,409,025	\$ 2,558,610	\$ 168,577	\$ 285,710	\$ 1,447,309	\$ -	\$ 14,869,231
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 20,252,873	\$ 2,599,128	\$ 168,577	\$ 292,732	\$ 1,637,836	\$ -	\$ 24,951,146

The Notes to Financial Statements are an integral part of this statement.

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY, SEJA DISTRICT NO. 825
 FUND FINANCIAL STATEMENTS
 RECONCILIATION OF THE BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2018

Total Fund Balances - Governmental Funds		\$ 14,869,231
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 in the funds.		
Capital Assets	\$ 53,761,070	
Accumulated Depreciation on Capital Assets	<u>(17,003,024)</u>	36,758,046
Deferred pension/OPEB amounts in governmental activities are not financial resources and therefore are not reported in the funds		
Pension Expense/Revenue - IMRF	\$ (2,843,605)	
Pension Expense/Revenue - TRS	(1,775,755)	
OPEB Expense/Revenue - THIS	(2,654,258)	
OPEB Expense/Revenue - IMRF/TRS	<u>(28,624)</u>	(7,302,242)
Other assets/liabilities are not available to pay for current period expenditures and therefore are deferred inflows/outflows of resources in the funds.		
Interest Receivable	\$ 37,825	
Notes Receivable	3,460,000	
State & Federal Aid Receivable	906,030	
Medicaid Fee for Service Flow Thru Payments Payable	<u>(161,966)</u>	4,241,889
Deferred charges and credits for debt issue discounts or premiums and other debt issue costs are not financial resources and therefore are not reported in the funds.		
Defeasance Asset, net of related amortization	\$ 373,855	
Bond Premiums, net of related amortization	<u>(347,905)</u>	25,950
Some assets/liabilities are not available/due and payable in the current period and therefore are not reported in the funds.		
Bonds Payable	\$ (3,460,000)	
Accrued Interest	(37,825)	
Compensated Absences Payable	(115,476)	
Net Pension Asset - IMRF	404,308	
Net Pension Liability - TRS	(2,101,418)	
Net Pension Liability - IMRF/TRS	(22,246,202)	
Net OPEB Obligation	<u>(725,342)</u>	<u>(28,281,955)</u>
Net Position of Governmental Activities		<u>\$ 20,310,919</u>

The Notes to Financial Statements are an integral part of this statement.

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY, SEJA DISTRICT NO. 825
 FUND FINANCIAL STATEMENTS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2018

	General Fund	Operations and Maintenance Fund	Debt Services Fund	Transportation Fund	Illinois Municipal Retirement/Social Security Fund	Capital Projects Fund	Total Governmental Funds
REVENUES							
Tuition	\$ 29,492,748	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,492,748
Earnings on Investments	126,674	18,027	1,606	1,118	14,502	151	162,078
Food Service	20,877	-	-	-	-	-	20,877
District/School Activity Income	1,100	-	-	-	-	-	1,100
Other Local Sources	6,445,689	2,710,967	824,500	-	1,616,886	-	11,598,042
State Aid	4,094,244	-	-	773,788	-	30,290	4,898,322
Federal Aid	17,822,816	-	-	-	-	-	17,822,816
On-Behalf Payments	13,763,837	-	-	-	-	-	13,763,837
	<u>\$ 71,767,985</u>	<u>\$ 2,728,994</u>	<u>\$ 826,106</u>	<u>\$ 774,906</u>	<u>\$ 1,631,388</u>	<u>\$ 30,441</u>	<u>\$ 77,759,820</u>
EXPENDITURES							
Current							
Instruction							
Special Education Programs	\$ 21,777,168	\$ -	\$ -	\$ -	\$ 658,047	\$ -	\$ 22,435,215
Other Instructional Programs	3,758,356	-	-	-	128,336	-	3,886,692
Support Services							
Pupils	12,271,600	-	-	-	601,286	-	12,872,886
Instructional Staff	1,338,514	-	-	-	28,454	-	1,366,968
General Administration	1,869,228	-	-	-	35,069	-	1,904,297
School Administration	2,715,721	-	-	-	55,493	-	2,771,214
Business	656,602	-	-	-	39,734	-	696,336
Facilities Acquisition and Construction	-	-	-	-	-	37,553	37,553
Operations and Maintenance	-	2,358,061	-	-	105,322	-	2,463,383
Transportation	-	-	-	1,258,214	9,040	-	1,267,254
Food Services	215,372	-	-	-	-	-	215,372
Central	127,621	-	-	-	7,009	-	134,630
Payments to Other Districts and Governmental Units	11,355,967	-	-	-	-	-	11,355,967
Debt Service							
Principal	-	-	660,000	-	-	-	660,000
Interest and Fees	-	-	164,850	-	-	-	164,850
Capital Outlay	122,760	3,171,918	-	-	-	39,600	3,334,278
On-Behalf Payments	13,763,837	-	-	-	-	-	13,763,837
	<u>\$ 69,972,746</u>	<u>\$ 5,529,979</u>	<u>\$ 824,850</u>	<u>\$ 1,258,214</u>	<u>\$ 1,667,790</u>	<u>\$ 77,153</u>	<u>\$ 79,330,732</u>
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 1,795,239	\$ (2,800,985)	\$ 1,256	\$ (483,308)	\$ (36,402)	\$ (46,712)	\$ (1,570,912)
OTHER FINANCING SOURCES (USES)							
Interfund Transfers	(1,560,000)	1,300,000	-	260,000	-	-	-
NET CHANGE IN FUND BALANCES	\$ 235,239	\$ (1,500,985)	\$ 1,256	\$ (223,308)	\$ (36,402)	\$ (46,712)	\$ (1,570,912)
FUND BALANCES - JULY 1, 2017	10,173,786	4,059,595	167,321	509,018	1,483,711	46,712	16,440,143
FUND BALANCES - JUNE 30, 2018	<u>\$ 10,409,025</u>	<u>\$ 2,558,610</u>	<u>\$ 168,577</u>	<u>\$ 285,710</u>	<u>\$ 1,447,309</u>	<u>\$ -</u>	<u>\$ 14,869,231</u>

The Notes to Financial Statements are an integral part of this statement.

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY, SEJA DISTRICT NO. 825
 FUND FINANCIAL STATEMENTS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances - Total Governmental Funds \$ (1,570,912)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period.

Depreciation Expense	\$ (1,201,134)	
Capital Outlays	<u>3,334,280</u>	2,133,146

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the undepreciated balance of the capital assets sold.

Gain/(Loss) on Sale of Capital Assets	\$ <u>(175,250)</u>	(175,250)
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Some revenues/expenses reported in the Statement of Activities do not provide/use current financial resources and therefore are deferred in the governmental funds.

State and Federal Aid	\$ 863,781	
Medicaid Fee for Service Flow Thru Payments	307,427	
State and Federal Flow Through Payments	<u>18,996</u>	1,190,204

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Amortization of Bond Premiums	\$ (2,471)	
Pension/OPEB Expense	(2,882,194)	
Compensated Absences	<u>15,442</u>	(2,869,223)

Receipt of long-term receivables increases current financial resources in the governmental funds and is therefore shown as revenue in the Statement of Revenues, Expenditures, and Changes in Fund Balance, but the receipt reduces long-term receivables in the Statement of Net Position and is therefore not reported in the Statement of Activities.

Notes Receivable		(660,000)
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Employer Pension and OPEB Contributions are expensed in the fund financial statements but are treated as a reduction in the Net Pension Liability in the government-wide financial statements.

2,283,883

Repayment of long-term debt requires the use of current financial resources of governmental funds and is therefore shown as an expenditure in the Statement of Revenues, Expenditures, and Changes in Fund Balances, but the repayment reduces long-term liabilities in the Statement of Net Position and is therefore not reported in the Statement of Activities.

Repayment of Long-Term Debt		<u>660,000</u>
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Change in Net Position of Governmental Activities		<u>\$ 991,848</u>
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SPECIAL EDUCATION DISTRICT OF LAKE COUNTY
SEJA DISTRICT NO. 825
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - DESCRIPTION OF JOINT AGREEMENT

The Special Education District of Lake County, SEJA District No. 825 (SEDOL) is a joint agreement district organized under Section 10-22.31 of the Illinois School Code for the purpose of providing education and services for children with disabilities of its member school districts as defined and mandated by the provisions of the Illinois School Code. SEDOL is governed by provisions of the Illinois Code and the Articles of Joint Agreement of the Special Education District of Lake County.

Membership in SEDOL may be obtained upon application and must demonstrate the ability to comply with these Articles and the policies and procedures of the Governing Board and Executive Board. Membership is continuous except as provided in the Articles of Joint Agreement for removal or withdrawal.

The following districts are members of SEDOL at June 30, 2018:

DISTRICT NO.

Winthrop Harbor District #1
Beach Park Community Consolidated School District #3
Zion School District #6
Millburn Community Consolidated School District #24
Emmons School District #33
Antioch Community Consolidated School District #34
Grass Lake School District #36
Gavin School District #37
Big Hollow School District #38
Lake Villa Community Consolidated School District #41
Grayslake Community Consolidated School District #46
Woodland Community Consolidated School District #50
Gurnee School District #56
Oak Grove School District #68
Libertyville School District #70
Rondout School District #72
Hawthorn Community Consolidated School District #73
Mundelein School District #75
Diamond Lake School District #76
Fremont School District #79
Aptakisic-Tripp Community Consolidated School District #102
Round Lake Community Unit School District #116
Community High School District #117
Wauconda Community Unit School District #118
Mundelein Consolidated High School District #120
Warren Township High School District #121
Grant Community High School District #124
Zion-Benton Township High School District #126
Grayslake Community High School District #127
Community High School District #128
North Chicago Community Unit School District #187

The purpose of SEDOL is to provide for the administration to oversee the Special Education programs described in Article 14 of the School Code as programs for:

NOTES TO FINANCIAL STATEMENTS (Continued)

Orthopedic Impairment
Specific Learning Disability
Visual Impairment including Blindness
Deafness
Deaf/Blindness
Other Health Impairment
Developmental Delay
Autism
Traumatic Brain Injury
Multiple Disabilities
Emotional Disability
Hearing Impairment
Intellectual Disability

Excluded, however, are programs for the hospitalized, the homebound, and the speech/language disability which each district shall provide at its own expense. If additional mandatory categories are added to Article 14, the SEDOL governing board shall determine whether they shall be included in the programs operated by SEDOL. Member districts may employ services of support staff and itinerant teachers on a contractual basis through SEDOL.

SEDOL is under the direction of a governing board composed of one Board of Education member from each member district selected by the local Board of Education. Under the Articles of Joint Agreement, the Governing Board is responsible for the following:

1. Amendments to the Articles of Joint Agreement
2. Appointment of the Executive Board
3. Setting overall policies
4. Holding an annual budget hearing, approval of which shall be a majority vote of the entire Governing Board reflecting the decision of member school districts
5. Purchase or sale of property
6. Approval of bond issues

The Governing Board shall appoint an Executive Board consisting of nine members: four superintendents of SEDOL District Members, four members of the Governing Board, and the Lake County Regional Superintendent of Schools. The primary responsibilities of the Executive Board are as follows:

1. Preparation of the annual budget for submission to the Governing Board
2. Establishing policies of operation
3. Entering into agreements with other community or state agencies for the benefit of students in SEDOL programs
4. To let contracts for new construction
5. Employment of personnel

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SEDOL's accounting policies conform to generally accepted accounting principles as applicable to local education agencies.

SEDOL's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental

NOTES TO FINANCIAL STATEMENTS (Continued)

accounting and financial reporting principles. The most significant accounting policies established by GAAP and used by SEDOL are discussed below.

A. *Reporting Entity*

The accompanying financial statements comply with the provisions of GASB Statements, in that the financial statements include all organizations, activities, and functions that comprise SEDOL. Component units are legally separate entities for which SEDOL (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) SEDOL's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, SEDOL. Using these criteria, SEDOL has no component units. In addition, SEDOL is not included as a component unit in any other governmental reporting entity as defined by GASB pronouncements.

B. *Basic Financial Statements – Government-Wide Statements*

SEDOL's basic financial statements include both government-wide (reporting SEDOL as a whole) and fund (reporting SEDOL's major funds) financial statements. Both the government-wide and fund financial statements categorize all of the primary activities of SEDOL as governmental activities. SEDOL does not have any business-type activities.

In the government-wide Statement of Net Position, the governmental activities column (a) is presented on a consolidated basis, and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. SEDOL's net position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. SEDOL first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of SEDOL's functions. The functions are also supported by general government revenues (unrestricted investment earnings). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (special education programs, non-programmed services, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (unrestricted investment earnings).

SEDOL does not allocate indirect costs.

This government-wide focus is more on the sustainability of SEDOL as an entity and the change in SEDOL's net position resulting from the current year's activities.

C. *Basic Financial Statements – Fund Financial Statements*

The financial transactions of SEDOL are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The emphasis in fund financial statements is on the major funds. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of all governmental funds) for the determination of major funds. SEDOL electively made all governmental funds major funds.

NOTES TO FINANCIAL STATEMENTS (Continued)

The following fund types are used by SEDOL:

Governmental Fund Types - The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of SEDOL:

General Fund – The General Fund (Educational Fund) is the general operating fund of SEDOL. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – The Special Revenue Funds (Operations and Maintenance Fund, Transportation Fund, and Illinois Municipal Retirement/Social Security Fund) are used to account for the proceeds of specific revenue sources that are restricted, committed, or assigned to expenditures for specified purposes other than debt service or capital projects.

Debt Services Fund – The Debt Services Fund is used to account for financial resources that are restricted, committed, or assigned to expenditures for the periodic payment of principal, interest and related fees on general long-term debt.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources that are restricted, committed, or assigned to expenditures for the acquisition or construction of major capital facilities.

D. *Basis of Accounting*

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Nonexchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and revenues are available. Expenditures are recognized when the related liability is incurred. Exceptions to the general rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

E. *Cash and Cash Equivalents and Investments*

Separate bank accounts are not maintained for all of SEDOL's funds. Instead, the funds maintain their cash balances in a common checking account, with accounting records being maintained to show the portion of the common bank account balance attributable to each participating fund.

Occasionally certain funds participating in the common bank account will incur overdrafts (deficits) in the account. Such overdrafts in effect constitute cash borrowed from other SEDOL funds and are, therefore, interfund loans that have not been authorized by SEDOL Board action.

NOTES TO FINANCIAL STATEMENTS (Continued)

No SEDOL fund had a cash overdraft at June 30, 2018.

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.

Investments are stated at fair value. Fair value is determined by quoted market prices. Gains or losses on the sale of investments are recognized as they are incurred.

F. *Receivables*

All receivables are reported net of estimated uncollectible amounts.

G. *Prepaid Expenses*

Prepaid expenses are for payments made by SEDOL in the current year for goods and services received in the subsequent fiscal year, and the reserve for prepaid expenses in the governmental funds has been recorded to signify that a portion of fund balance is not available for subsequent expenditures.

H. *Inventories*

It is SEDOL's policy to charge all purchases of items for resale or supplies to expenditures when purchased. No inventory accounts are maintained to reflect the values of resale or supply items on hand.

I. *Interfund Activity*

Interfund activity is reported either as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

J. *Capital Assets*

Capital assets purchased or acquired with an original cost of \$2,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	50 years
Improvements Other than Buildings	20 years
Vehicles	5 years
Equipment Other than Transportation/Food Service	3-10 years

K. *Deferred Outflows and Inflows of Resources*

In addition to assets and liabilities, the Balance Sheet and Statement of Net Position will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period and so will not be recognized as an outflow of resource until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resource until that time.

L. *Compensated Absences*

Vacation benefits are granted to employees in varying amounts up to specified maximums depending on tenure with SEDOL.

NOTES TO FINANCIAL STATEMENTS (Continued)

M. *Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are amortized over the life of the bonds on a straight-line basis. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt service expenditures in the year they occur.

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

N. *Government-Wide Fund Net Position*

Government-wide fund net position is divided into three components:

- Net Investment in Capital Assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted Net Position – consists of net position that is restricted by SEDOL's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted Net Position – all other net position is reported in this category.

O. *Governmental Fund Balances*

Governmental fund balances are divided between nonspendable and spendable.

Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

The spendable fund balances are arranged in a hierarchy based on spending constraints.

- Restricted – Restricted fund balances are restricted when constraints are placed on the use by either (a) external creditors, grantors, contributors, or laws or regulations of other governments or (b) law through constitutional provisions or enabling legislation.
- Committed – Committed fund balances are amounts that can only be used for specific purposes as a result of a resolution of the Executive Board. Committed amounts cannot be used for any other purpose unless the Executive Board removes those constraints by way of resolution. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
- Assigned – Assigned fund balances are amounts that are constrained by SEDOL's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by an appointed body (e.g. a budget or finance committee) or official to which the Executive Board has delegated the authority to assign, modify or rescind amounts to be used for specific purposes. Pursuant to a resolution by the Executive Board, the Assistance Superintendent of Business, CSBO has been delegated this authority.

Assigned fund balances also include (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue, capital projects or debt services fund are assigned for purposes in accordance with the nature of their fund type. Assignment within

NOTES TO FINANCIAL STATEMENTS (Continued)

the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of SEDOL itself.

- Unassigned – Unassigned fund balance is the residual classification for the General Fund. This classification represents the General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund. This classification is also used to represent negative fund balances in special revenue, debt services, and capital projects funds.

SEDOL permits funds to be expended in the following order: Restricted, Committed, Assigned and Unassigned.

P. *Estimates*

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

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits with financial institutions are fully insured or collateralized by securities held in SEDOL's name.

SEDOL is allowed to invest in securities as authorized by the School Code of Illinois, Chapter 30, Section 235/2 and 6; and Chapter 105, Section 5/8-7.

As of June 30, 2018, SEDOL had the following investments and maturities:

Investment	Fair Value	Investment Maturities (in Years)	
		Less than 1	
State Investment Pool - ISDLAF	\$ 2,103	\$	2,103

The fair value of investments in the State Investment Pool and Term Series securities is the same as cost. The State Investment Pool and Term Series securities are not SEC-registered, but do have regulatory oversight through the State of Illinois.

Interest Rate Risk. SEDOL’s investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments based on credit risk. SEDOL’s investment policy further limits its investment choices to ensure that capital loss, whether from credit or market risk, is avoided. As of June 30, 2018, SEDOL’s investments were rated as follows:

Investment	Credit Rating	Rating Source
State Investment Pool - ISDLAF	AAAm	Standard and Poor's

NOTE 4 - FAIR VALUE MEASUREMENT

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District has the following recurring fair value measurements as of June 30, 2018:

NOTES TO FINANCIAL STATEMENTS (Continued)

	6/30/2018	Fair Value Measurements Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by fair value level			
Certificates of Deposit	\$ 9,950,100	\$ -	\$ 9,950,100
Total Investments by fair value level	\$ 9,950,100	\$ -	\$ 9,950,100

NOTE 5 - NOTES RECEIVABLE

SEDOL has notes receivable from its member districts reflecting the principal due on the 2015B Special Education Refunding Bond issued as described in Note 7. The member districts are liable for the repayment of the debt regardless of continued membership in SEDOL and are billed annually according to the debt repayment schedule. At June 30, 2018, the balance due on these notes was \$3,460,000.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 1,260,625	\$ -	\$ -	\$ 1,260,625
Construction in Progress	1,297,075	3,170,825	4,467,900	-
Total Capital Assets not being depreciated	\$ 2,557,700	\$ 3,170,825	\$ 4,467,900	\$ 1,260,625
Other Capital Assets				
Buildings	\$ 42,512,715	\$ 680,000	\$ 275,000	\$ 42,917,715
Improvements Other than Buildings	2,566,978	3,831,342	4,981	6,393,339
Vehicles	374,917	25,962	-	400,879
Equipment Other than Transportation/Food Service	2,730,345	94,051	35,884	2,788,512
Total Other Capital Assets at Historical Cost	\$ 48,184,955	\$ 4,631,355	\$ 315,865	\$ 52,500,445
Less Accumulated Depreciation				
Buildings	\$ 12,298,449	\$ 867,075	\$ 99,750	\$ 13,065,774
Improvements Other than Buildings	890,366	209,657	4,981	1,095,042
Vehicles	365,450	9,467	-	374,917
Equipment Other than Transportation/Food Service	2,388,240	114,935	35,884	2,467,291
Total Accumulated Depreciation	\$ 15,942,505	\$ 1,201,134	\$ 140,615	\$ 17,003,024
Other Capital Assets, Net	\$ 32,242,450	\$ 3,430,221	\$ 175,250	\$ 35,497,421
Governmental Activities Capital Assets, Net	\$ 34,800,150	\$ 6,601,046	\$ 4,643,150	\$ 36,758,046

All depreciation expense is unallocated.

NOTE 7 - LONG-TERM LIABILITY ACTIVITY

Long-term liability activity for the year ended June 30, 2018 was as follows:

NOTES TO FINANCIAL STATEMENTS (Continued)

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
Special Education Refunding Bonds					
Series 2015B	\$ 4,120,000	\$ -	\$ 660,000	\$ 3,460,000	\$ 685,000
Unamortized Bond Premium	381,039	-	33,134	347,905	33,134
Total Bonds and Notes Payable	\$ 4,501,039	\$ -	\$ 693,134	\$ 3,807,905	\$ 718,134
Other Long -Term Liabilities					
Net Pension Liability - IMRF	\$ 6,794,174	\$ -	\$ 7,198,482	\$ (404,308)	\$ -
Net Pension Liability - TRS	2,888,293	-	786,875	2,101,418	-
Net IMRF/TRS OPEB Liability	95,825	731,317	101,800	725,342	-
Net Pension Liability - THIS OPEB	-	22,246,202	-	22,246,202	-
Compensated Absences	130,918	-	15,442	115,476	-
Total Other Long-Term Liabilities	\$ 9,909,210	\$ 22,977,519	\$ 8,102,599	\$ 24,784,130	\$ -
Governmental Activities Long-Term Obligations	\$ 14,410,249	\$ 22,977,519	\$ 8,795,733	\$ 28,592,035	\$ 718,134

Bonds and notes payable consisted of the following at June 30, 2018:

	Maturity Date	Interest Rate	Face Amount	Carrying Amount
Governmental Activities				
Refunding Bonds 2015B, Dated 4/23/15	10/1/2028	2.00% - 5.00%	\$ 4,845,000	\$ 3,460,000

At June 30, 2018 the annual debt service requirements to service all long-term debt are:

Year Ending June 30	Principal	Interest	Total
2019	\$ 685,000	\$ 137,600	\$ 822,600
2020	350,000	116,900	466,900
2021	365,000	102,600	467,600
2022	375,000	87,800	462,800
2023	395,000	72,400	467,400
2024	410,000	54,250	464,250
2025	240,000	38,000	278,000
2026	150,000	28,250	178,250
2027	155,000	20,625	175,625
2028	165,000	12,625	177,625
2029	170,000	4,250	174,250
	<u>\$ 3,460,000</u>	<u>\$ 675,300</u>	<u>\$ 4,135,300</u>

Reconciliation to the Statement of Net Position

The following summarizes non-current liabilities as shown on the Statement of Net Position:

	Due Within One Year	Due in More Than One Year	Total
Bonds and Notes Payable	\$ 685,000	\$ 2,775,000	\$ 3,460,000
Bond Premiums, net of amortization	33,134	314,771	347,905
Other Long-Term Liabilities	-	24,784,130	24,784,130
	<u>\$ 718,134</u>	<u>\$ 27,873,901</u>	<u>\$ 28,592,035</u>

NOTE 8 - DEFICIT FUND BALANCE

No SEDOL fund had a deficit fund balance at June 30, 2018.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - EXCESS OF EXPENDITURES OVER BUDGET

For the year ended June 30, 2018, the expenditures of the following fund exceeded the budget.

Fund	Budget	Actual	Excess of Actual Over Over Budget
Transportation Fund	\$ 1,182,400	\$ 1,258,214	\$ 75,814

NOTE 10 - LEASE OBLIGATIONS

SEDOL has several lease agreements for copiers, police presence, technology equipment/services and classrooms. The balance due on these leases at June 30, 2018 is \$396,375.

Annual requirements to cover outstanding lease agreements are:

Year Ending June 30	Total Payments
2019	\$ 312,646
2020	199,326
	<u>\$ 511,972</u>

Total rental expense for lease agreements for the year ended June 30, 2018 was \$401,008.

NOTE 11 - RETIREMENT FUND COMMITMENTS

A. Teachers' Retirement System of the State of Illinois

General Information About the Pension Plan

Plan Description

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

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 ten 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 ten 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% of final average salary up to a maximum of 75% with 34 years of service. Disability and death benefits are also provided.

Tier II members qualify for retirement benefits at age 67 with ten years of service, or a discounted annuity can be paid at age 62 with ten 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

NOTES TO FINANCIAL STATEMENTS (Continued)

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% 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 3% of the original benefit or ½% of the rate of inflation beginning January 1 following attainment of age 67 or on January 1 following the member's first anniversary in retirement, whichever is later.

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

Contributions

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

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

On-Behalf Contributions to TRS. The State of Illinois makes employer pension contributions on behalf of the District. For the year ended June 30, 2018, State of Illinois contributions recognized by the District were based on the State's proportionate share of the collective net pension liability associated with the District, and the District recognized revenue and expenditures of \$13,461,228 in pension contributions from the State of Illinois.

2.2 Formula Contributions. Employers contribute 0.58% of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2018 were \$109,565 and are deferred because they were paid after the June 30, 2017 measurement date.

Federal and Special Trust Fund Contributions. When TRS members are paid from federal and special trust funds administered by the employer, there is a statutory requirement for the employer to pay an employer pension contribution from those funds. Under Public Act 100-340, the federal and special trust fund contribution rate is the total employer normal cost beginning with the year ended June 30, 2018.

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

For the year ended June 30, 2018, the District pension contribution was 10.10% of salaries paid from federal and special trust funds. For the year ended June 30, 2018, salaries totaling \$15,106 were paid from federal and special trust funds that required District contributions of \$1,526. These contributions are deferred because they were paid after the June 30, 2017 measurement date.

Employer Retirement Cost Contributions. Under GASB Statement No. 68, contributions that an employer is required to pay because of a TRS member retiring are categorized as specific liability payments. The employer is required to make a one-time contribution to TRS for members retiring under the ERO. The payments vary depending on the member's age and salary. The maximum employer ERO contribution under the program that ended on June 30, 2016 is 146.5% and applies when the member is age 55 at retirement. For the year ended June 30, 2018, the District paid \$0 to TRS for employer ERO contributions for retirements that occurred before July 1, 2016.

NOTES TO FINANCIAL STATEMENTS (Continued)

The employer is also required to make a one-time contribution to TRS for members granted salary increases over 6% if those salaries are used to calculate a retiree's final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2018, the District paid \$1,462 to TRS for employer contributions due on salary increases in excess of 6% and \$0 for sick leave days granted in excess of the normal annual allotment.

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

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

SEDOL's proportionate share of the net pension liability	\$ 2,101,418
State's proportionate share of the net pension liability associated with SEDOL	136,779,955
Total Net Pension Liability	<u>\$ 138,881,373</u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 and rolled forward to June 30, 2017. The District's proportion of the net pension liability was based on the District's share of contributions to TRS for the measurement year ended June 30, 2017, relative to the contributions of all participating TRS employers and the State during that period. At June 30, 2017, the District's proportion was 0.002751%, which was a decrease of 0.000908% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$13,461,228 and revenue of \$13,461,228 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Outflows of Resources
Differences between expected and actual experience	\$ 22,824	\$ 970	\$ 21,854
Net difference between projected and actual earnings on pension plan investments	1,442	-	1,442
Changes of assumptions	140,255	60,385	79,870
Changes in proportion and differences between employer contributions and proportionate share of contributions	52,872	2,053,992	(2,001,120)
Employer contributions subsequent to the measurement date	111,091	-	111,091
	<u>\$ 328,484</u>	<u>\$ 2,115,347</u>	<u>\$ (1,786,863)</u>

\$111,091 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows in these reporting years:

Year Ending June 30	
2019	\$ (1,048,356)
2020	(350,153)
2021	(297,322)
2022	(183,274)
2023	(18,851)
	<u>\$ (1,897,956)</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

Actuarial Assumptions

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

Inflation	2.50%
Salary Increases	varies by amount of service credit
Investment Rate of Return	7.0%, net of pension plan investment expenses, including inflation

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. large cap	14.4%	6.94%
Global equity excluding U.S.	3.6%	8.09%
Aggregate bonds	14.4%	7.46%
U.S. TIPS	3.6%	10.15%
NCREIF	10.7%	2.44%
Opportunistic real estate	5.3%	1.70%
ARS	15.0%	5.44%
Risk Parity	11.0%	4.33%
Diversified inflation strategy	8.0%	4.16%
Private Equity	14.0%	10.63%
Total	<u>100.0%</u>	

Discount Rate

At June 30, 2017, the discount rate used to measure total pension liability was 7.00%, which was a change from the June 30, 2016 rate of 6.83%. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and State contributions will be made at the current statutorily-required rates.

Based on those assumptions, TRS’s fiduciary net position at June 30, 2017 was projected to be available to make all projected future benefit payments to current active and inactive members and all benefit recipients. Tier I’s liability is partially funded by Tier II members, as the Tier II member contribution is higher than the cost of Tier II benefits. Due to this subsidy, contributions from future members in excess of the service cost are also included in the determination of the discount rate. All projected future payments were covered, so the long-term expected rate of return on TRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Employer's proportionate share of the net pension liability	\$ 2,581,866	\$ 2,101,418	\$ 1,707,890

TRS Fiduciary Net Position

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

B. *Illinois Municipal Retirement Fund*

Plan Description

The District's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The District's plan is 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 ten 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

NOTES TO FINANCIAL STATEMENTS (Continued)

consecutive months within the last ten years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of:

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

Employees Covered by Benefit Terms

All appointed employees of a participating employer who are employed in a position normally requiring 600 hours (1,000 hours for certain employees hired after 1981) or more of work in a year are required to participate. As of December 31, 2017, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	272
Inactive plan members entitled to but not yet receiving benefits	602
Active plan members	393
Total	<u><u>1,267</u></u>

Contributions

As set by statute, SEDOL'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 District's annual contribution rate for calendar year 2017 was 13.00%. For the fiscal year ended June 30, 2018, the District contributed \$1,704,888 to the plan. The District 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 components of the net pension liability of the IMRF as of December 31, 2017, calculated in accordance with GASB Statement No. 68, were as follows:

Total Pension Liability	\$	70,580,327
IMRF Fiduciary Net Position		70,984,635
SEDOL's Net Pension Liability		(404,308)
IMRF Fiduciary Net Position as a Percentage of the Total Pension Liability		100.57%

See the Schedule of Changes in the Employer's Net Pension Liability and Related Ratios in the Required Supplementary Information following the notes to the financial statements for additional information related to the funded status of the Plan.

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2017 using the following actuarial methods and assumptions.

NOTES TO FINANCIAL STATEMENTS (Continued)

Assumptions

Inflation	2.50%
Salary Increases	3.39% to 14.25% including inflation
Interest Rate	7.50%

Asset Valuation Method Market value of assets

Projected Retirement Age Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2017 valuation pursuant to an experience study from years 2014 to 2016.

For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Long-Term Expected Rate of Return

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, 2017:

Asset Class	Target Allocation	Projected Return
Equities	37.0%	6.85%
International Equities	18.0%	6.75%
Fixed Income	28.0%	3.00%
Real Estate	9.0%	5.75%
Alternatives	7.0%	
Private Equity		7.35%
Hedge Funds		5.25%
Commodities		2.65%
Cash	1.0%	2.25%
	100.0%	

Single Discount Rate

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

NOTES TO FINANCIAL STATEMENTS (Continued)

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 this discount rate, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.31%; and resulting single discount rate is 7.50%.

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Position Liability (A)-(B)
Balances at December 31, 2016	\$ 68,264,379	\$ 61,470,205	\$ 6,794,174
Changes for the year:			
Service Cost	\$ 1,454,312	\$ -	\$ 1,454,312
Interest on the Total Pension Liability	5,067,408	-	5,067,408
Differences Between Expected and Actual Experience of the Total Pension Liability	581,687	-	581,687
Changes of Assumptions	(1,935,269)	-	(1,935,269)
Contributions - Employer	-	1,727,011	(1,727,011)
Contributions - Employee	-	686,411	(686,411)
Net Investment Income	-	10,718,296	(10,718,296)
Benefit Payments, including Refunds of Employee Contributions	(2,852,190)	(2,852,190)	-
Other (Net Transfer)	-	(765,098)	765,098
Net Changes	\$ 2,315,948	\$ 9,514,430	\$ (7,198,482)
Balances at December 31, 2017	\$ 70,580,327	\$ 70,984,635	\$ (404,308)

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

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability/(Asset)	\$ 8,260,380	\$ (404,308)	\$ (7,517,957)

Pension Expense/(Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the District recognized pension expense/(income) of \$1,905,876. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO FINANCIAL STATEMENTS (Continued)

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
Expense in Future Periods			
Differences between expected and actual experience	\$ 547,912	\$ -	\$ 547,912
Assumption changes	-	1,300,255	(1,300,255)
Net difference between projected and actual earnings on pension investment	<u>1,964,543</u>	<u>4,922,541</u>	<u>(2,957,998)</u>
Total deferred amounts to be recognized in pension expense in future periods	\$ 2,512,455	\$ 6,222,796	\$ (3,710,341)
Pension contributions made subsequent to the measurement date	<u>866,737</u>	<u>-</u>	<u>866,737</u>
Total deferred amounts related to pensions	<u>\$ 3,379,192</u>	<u>\$ 6,222,796</u>	<u>\$ (2,843,604)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Net Deferred Outflows of of Resources
2018	\$ (499,811)
2019	(798,229)
2020	(1,181,665)
2021	(1,230,636)
2022	-
Thereafter	-
	<u>\$ (3,710,341)</u>

C. Social Security

Employees not qualifying for coverage under the Teachers' Retirement System of the State of Illinois or the Illinois Municipal Retirement Fund are considered "non-participating employees". These employees and those qualifying for coverage under the Illinois Municipal Retirement Fund are covered under Social Security. SEDOL paid the total required contribution for the current fiscal year.

NOTE 12 - POST EMPLOYMENT BENEFIT COMMITMENTS

A. Teacher Health Insurance Security Fund (THIS)

General Information About the OPEB Plan

Plan Description

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 the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants not enrolled in Medicare may participate in the state-administered participating provider option plan or choose from several managed care options. Annuitants who are enrolled in Medicare Parts A and B may be eligible to enroll in a Medicare Advantage plan.

The 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" (<http://www.auditor.illinois.gov/Audit-Reports/CMS-THISF.asp>). Prior

NOTES TO FINANCIAL STATEMENTS (Continued)

reports are available under "Healthcare and Family Services" (<http://www.auditor.illinois.gov/Audit-Reports/HEALTHCARE-FAMILY-SERVICES-Teacher-Health-Ins-Sec-Fund.asp>).

Benefits Provided

The State of Illinois offers comprehensive health plan options, all of which include prescription drug and behavioral health coverage. The State of Illinois offers TCHP, HMO, and OAP plans.

- Teachers' Choice Health Plan (TCHP) benefit recipients can choose any physician or hospital for medical services; however, benefit recipients receive enhanced benefits, resulting in lower out-of-pocket costs, when receiving services from a TCHP in-network provider. TCHP has a nationwide network and includes CVS/Caremark for prescription drug benefits and Magellan Behavioral Health for behavioral health services.
- Health Maintenance Organizations (HMO) benefit recipients are required to stay within the health plan provider network. No out-of-network services are available. Benefit recipients will need to select a primary care physician (PCP) from a network of participating providers. The PCP will direct all healthcare services and make referrals to specialists and hospitalization.
- Open Access Plan (OAP) benefit recipients will have three tiers of providers from which to choose to obtain services. The benefit level is determined by the tier in which the healthcare provider is contracted.
 - Tier I offers a managed care network which provides enhanced benefits and operates like an HMO.
 - Tier II offers an expanded network of providers and is a hybrid plan operating like an HMO and PPO.
 - Tier III covers all providers which are not in the managed care networks of Tiers I or II (i.e., out-of-network providers). Using Tier III can offer benefit recipients flexibility in selecting healthcare providers but involves higher out-of-pocket costs. Furthermore, benefit recipients who use out-of-network providers will be responsible for any amount that is over and above the charges allowed by the plan for services (i.e., allowable charges), which could result in substantial out-of-pocket costs. Benefit recipients enrolled in an OAP can mix and match providers and tiers.

Contributions

For the fiscal year ended June 30, 2018, the State Employees Group Insurance Act of 1971 (5 ILCS 375/6.6) requires that all active contributors of the THIS make contributions to the plan at a rate of 1.18% of salary and for every employer of a teacher to contribute an amount equal to .88% of each teacher's salary. For the fiscal year ended June 30, 2017, the employee contribution was 1.12% of salary and the employer contribution was .84% of each teacher's salary. The Department of Central Management Services determines, by rule, the percentage required, which each year shall not exceed 105% of the percentage of salary actually required to be paid in the previous fiscal year. In addition, under the State Pension Funds Continuing Appropriations Act (40 ILCS 15/1.3), there is appropriated, on a continuing annual basis, from the General Revenue Fund, an account of the General Fund, to the State Comptroller for deposit in the Teachers' Health Insurance Security Fund (THISF), an amount equal to the amount certified by the Board of Trustees of THIS as the estimated total amount of contributions to be paid under 5 ILCS 376/6.6(a) in that fiscal year. The member contribution, which may be paid on behalf of employees by the employer, is submitted to THIS by the employer.

On-Behalf Contributions to THIS. The State of Illinois makes employer benefit contributions on behalf of the District. For the year ended June 30, 2018, State of Illinois contributions recognized by the District were based on the State's proportionate share of the collective net OPEB liability associated with the

NOTES TO FINANCIAL STATEMENTS (Continued)

District, and the District recognized revenue and expenditures of \$302,609 in benefit contributions from the State of Illinois.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

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

SEDOL's proportionate share of the net pension liability	\$ 22,246,202
State's proportionate share of the net pension liability associated with SEDOL	29,215,031
Total Net Pension Liability	<u>\$ 51,461,233</u>

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016 and rolled forward to June 30, 2017. The District's proportion of the net OPEB liability was based on the District's share of contributions to THIS for the measurement year ended June 30, 2017, relative to the contributions of all participating THIS employers and the State during that period. At June 30, 2017, the District's proportion was 0.085729%, which was a decrease of 0.000616% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized benefit expense of \$1,629,163 and on-behalf revenue/expense of \$302,609 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Outflows of Resources
Differences between expected and actual experience	\$ -	\$ 12,600	\$ (12,600)
Net difference between projected and actual earnings on pension plan investments	-	245	(245)
Changes of assumptions	-	2,648,704	(2,648,704)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	158,946	(158,946)
Employer contributions subsequent to the measurement date	166,237	-	166,237
	<u>\$ 166,237</u>	<u>\$ 2,820,495</u>	<u>\$ (2,654,258)</u>

\$166,237 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the reporting year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows in these reporting years:

Year Ending June 30	
2019	\$ (1,557,930)
2020	(520,352)
2021	(441,841)
2022	(272,358)
2023	(28,014)
	<u>\$ (2,820,495)</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

Actuarial Assumptions

The total OPEB 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%	
Salary Increases		Depends on service and ranges from 9.25% at 1 year of service to 3.25% at 20 or more years of service. Salary increase includes a 3.25% wage inflation assumption.
Investment Rate of Return		0%, net of OPEB plan investment expense, including inflation
Healthcare Cost Trend Costs		Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.00% and 9.00% for non-Medicare costs and post-Medicare costs, respectively, and gradually decrease to an ultimate trend of 4.5%. Additional trend rate of 0.59% is added to non-Medicare costs on and after 2020 to account for the Excise Tax.

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

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

The long-term expected rate of return on OPEB 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 OPEB 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
Illinois Public Treasurers' Investment Pool	100.0%	0.68%
	100.0%	

Discount Rate

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

NOTES TO FINANCIAL STATEMENTS (Continued)

Based on those assumptions, THIS’s fiduciary net position at June 30, 2017 was projected to be available to make all projected future benefit payments to current active and inactive members and all benefit recipients. Due to this subsidy, contributions from future members in excess of the service cost are also included in the determination of the discount rate. All projected future payments were covered, so the long-term expected rate of return on THIS investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

At June 30, 2017, the discount rate used to measure the total OPEB liability was 3.56%.

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

	1% Decrease 2.56%	Discount Rate 3.56%	1% Increase 4.56%
Employer’s proportionate share of the net OPEB liability	\$ 61,753,209	\$ 51,461,233	\$ 43,226,020

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher. The key trend rates are 8.00% in 2018 decreasing to an ultimate trend rate of 5.09% in 2025, for non-Medicare coverage, and 9.00% in 2018 decreasing to an ultimate trend rate of 4.5% in 2027 for Medicare coverage.

	1% Decrease (a)	Healthcare Cost Valuation Rate	1% Increase (b)
Employer’s proportionate share of the net OPEB liability	\$ 41,534,486	\$ 51,461,233	\$ 65,709,399

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

B. Retiree Paid Insurance

Plan Overview

In addition to the retirement plan described in Note 11, the District provides post-employment benefits other than pensions (“OPEB”) to employees who meet certain criteria. The Plan, a single-employer defined benefit plan, provides the following coverage:

Special Education District of Lake County provides pre- and post-Medicare postretirement healthcare benefits to employees who work for the District and receive a pension from the Teachers’ Retirement System of Illinois (TRS) or the Illinois Municipal Retirement Fund (IMRF).

NOTES TO FINANCIAL STATEMENTS (Continued)

Certified teachers may continue healthcare coverage after retirement through the Teachers Retirement Insurance Program (TRIP) healthcare plan.

Administrators hired before July 1, 2005, receiving pension benefits under TRS and healthcare benefits under the Teacher Retirement Insurance Program (TRIP) are eligible for a premium reimbursement from the District. The District provides a premium supplement equal to the lesser of the employee's premium rate through the District at time of retirement or 100 percent of the member's share of the TRIP premium to age 65. Administrators hired on or after July 1, 2005, may continue healthcare coverage after retirement through the Teachers Retirement Insurance Program (TRIP) healthcare plan.

Support staff eligible for pension benefits under IMRF receive access to healthcare coverage under the District's programs provided they pay the full portion of the healthcare premium.

The Plan does not issue a stand-alone financial report.

Eligibility

Employees of the District are eligible for retiree health benefits as listed below:

- IMRF participants are eligible at age 55 with 8 years of service for reduced benefits and at age 60 with 8 years of service or age 55 with 35 years of service for unreduced benefits if hired before January 1, 2011; age 62 with 8 years of service for reduced benefits and at age 67 with 10 years of services or age 62 with 35 years of services for unreduced benefits if hired on or after January 1, 2011.
- TRS participants are eligible for normal retirement at age 60 with 10 years of services or age 62 with 5 years of services if hired before January 2, 2011; ages 67 with 10 years of service if hired on or after January 1, 2011. TRS participants are eligible for early retirement at age 55 with 20 years of service if hired before January 1, 2011; age 62 with 10 years of services if hired on or after January 1, 2011.
- IMRF participants are eligible for disability benefit after becoming disabled prior to age 70 with at least 1 year of service, provided that the member is permanently disabled and unable to engage in any gainful occupation and the temporary disability benefit period has expired.

Dependents of IMRF employees and retirees are eligible for healthcare coverage.

Dependents are eligible for reimbursement of TRIP premiums.

We have assumed retirees opting out of the retiree health program cannot reenter into the program. The following pages contain a summary of the healthcare programs available to employees upon retirement.

Membership in the plan consisted of the following at July 1, 2016, the date of the latest actuarial valuation:

Retirees and Beneficiaries	13
Active Members	374
Total	<u>387</u>

Contribution

The required contribution is based on projected pay-as-you-go financing requirements. Employees are not required to contribute to the plan.

NOTES TO FINANCIAL STATEMENTS (Continued)

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2017, and the total OPEB liability was determined by an actuarial valuation as of July 1, 2016.

Actuarial Assumptions

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

Actuarial Cost Method:	Entry Age Normal
GASB 75 Discount Rate:	3.56% per year
Wage Inflation:	3.50% per year
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition
Post-retirement Mortality:	<p>IMRF: IMRF-specific mortality rates, sex distinct, projected generationally with scale MP-2014 (projected from 2014). These rates were developed from the RP-2014 Blue Collar Mortality Table with adjustments to match current IMRF experience.</p> <p>TRS: RP-2014 White Collar Annuitant Mortality Table, sex distinct, projected generationally with scale MP-2014. Rates for females are further adjusted for ages 50-77 by 76% and ages 78-114 by 106%. Rates for males are further adjusted for ages 78-114 by 115%.</p>
Health Care Trend Rates:	<p>IMRF: The trend rate in the first year, 1.40% effective July 1, 2017, is based on actual premium increases. Beginning July 1, 2018, 8.00% per year graded down to 4.50% per year ultimate trend in 0.05% increments. Excess trend rate of 0.46% over the base healthcare trend rate beginning in 2021 applied to pre0Medicare per capita claim cost to account for the Excise Tax under the Healthcare Reform Act.</p> <p>TRS: Beginning July 2, 2017, a trend rate of 5.00% per year applies to TRIP premiums and premium reimbursements. There are no increases in premium reimbursement after retirement.</p>
Aging Factors:	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2017.

There is no long-term expected rate of return on OPEB plan investments because the District does not have a trust dedicated exclusively to the payment of OPEB benefits.

Discount Rate

For plans that do not have formal assets, the discount rate should equal the tax0exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of this valuation, the municipal bond rate is 3.56% (based on the daily closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The discount rate was 2.85% as of the prior measurement date.

NOTES TO FINANCIAL STATEMENTS (Continued)

Changes in the Total OPEB Liability

	Increase/(Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at July 1, 2017	\$ 827,142	\$ -	\$ 827,142
Changes for the Year:			
Service Cost	\$ 30,778	\$ -	\$ 30,778
Interest on Total OPEB Liability	22,277	-	22,277
Difference between expected and actual experience	(4,209)	-	(4,209)
Changes in assumptions	(28,219)	-	(28,219)
Benefit payments, including refunds of employee contributions	(122,427)	-	(122,427)
Net Changes	\$ (101,800)	\$ -	\$ (101,800)
Balances at June 30, 2018	\$ 725,342	\$ -	\$ 725,342

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

Plan's Total OPEB Liability/(Asset)		
1% Decrease 2.56%	Current Discount Rate Assumption 3.56%	1% Increase 4.56%
\$ 765,406	\$ 725,342	\$ 687,900

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

Plan's Total OPEB Liability/(Asset)		
1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
\$ 677,379	\$ 725,342	\$ 781,905

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

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of \$49,251. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

NOTES TO FINANCIAL STATEMENTS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Outflows of Resources
Differences between expected and actual experience	\$ -	\$ (3,715)	\$ 3,715
Changes of assumptions	-	(24,909)	24,909
Employer contributions subsequent to the measurement date	TBD	-	-
	<u>\$ -</u>	<u>\$ (28,624)</u>	<u>\$ 28,624</u>

Changes in total OPEB liability related to the difference in actual and expected experience, or changes in assumptions regarding future events, are recognized in OPEB expense over the expected remaining service life of all employees (8.5265 years, active and retired) in the postretirement plan.

Amounts reported as deferred outflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Year Ending June 30	Deferred (Outflows) of Resources	Deferred (Inflows) of Resources
2019	\$ -	\$ (3,804)
2020	-	(3,804)
2021	-	(3,804)
2022	-	(3,804)
2023	-	(3,804)
Thereafter	-	(9,604)
Total	<u>\$ -</u>	<u>\$ (28,624)</u>

NOTE 13 - INTERFUND TRANSFERS

SEDOL made the following interfund transfers during the year ended June 30, 2018:

Transfer from	Transfer to	Amount
General Fund	Transportation Fund	\$ 260,000
General Fund	Operations & Maintenance Fund	1,300,000

The Transfer from the General Fund to the Transportation Fund was because state aid only covers about 80% of the expenditures and so the District will transfer money into this fund to cover the remaining 20%. The transfer from the General Fund to the Operations & Maintenance Fund was to cover a portion of the construction project.

NOTE 14 - RISK MANAGEMENT

SEDOL 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.

SEDOL is a member of the Collective Liability Insurance Cooperative (CLIC), a joint risk management pool of school districts through which property, general liability, automobile liability, crime, excess property, excess liability, and boiler and machinery coverage is provided in excess of specified limits for the members, acting as a single insurable unit. The relationship between SEDOL and CLIC is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. SEDOL is contractually obligated to make all annual and supplementary contributions for CLIC, to report claims on a timely basis, cooperate with CLIC, its claims administrator and attorneys in claims investigation and

NOTES TO FINANCIAL STATEMENTS (Continued)

settlement, and to follow risk management procedures as outlined by CLIC. Members have a contractual obligation to fund any deficit of CLIC attributable to a membership year during which they were a member.

CLIC is responsible for administering the self-insurance program and purchasing excess insurance according to the direction of the Board of Directors. CLIC also provides its members with risk management services, including the defense of and settlement of claims, and establishes reasonable and necessary loss of reduction and prevention procedures to be followed by the members.

During the year ended June 30, 2018, there were no significant reductions in insurance coverage. Also, there have been no settlement amounts that have exceeded insurance coverage in any of the past three fiscal years. SEDOL is insured under a retrospectively-rated policy for worker's compensation coverage. Whereas, the initial premium may be adjusted based on actual experience. Adjustments in premiums are recorded when paid or received. During the year ended June 30, 2018, there were no significant adjustments in premiums based on actual experience.

NOTE 15 - SELF INSURANCE

SEDOL is self-insured for medical coverage that is provided to SEDOL personnel. A third party administrator administers claims for a monthly fee per participant. Expenditures are recorded as insurance benefits paid on behalf of each employee based on their level of coverage. Amounts are then held by SEDOL for purposes of paying employee health claims received on a monthly basis through the third party administrator. The total amount of claims to be paid from these funds, or SEDOL if necessary, will not exceed \$185,000 per employee due to stop-loss provisions incorporated in the plan. Additionally, SEDOL has purchased aggregate stop-loss coverage. Total cost to SEDOL for the year ended June 30, 2018 was \$5,734,054.

NOTE 16 - CONTINGENCIES

SEDOL is not aware of any litigation which might have a material adverse effect on SEDOL's financial position.

NOTE 17 - CHANGE IN ACCOUNTING PRINCIPLE

Effective for the year ended June 30, 2018, the District has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No. 85, *Omnibus 2017*. This Statement establishes financial reporting standards for postemployment benefits other than pension agreements offered by the District. The Statement also requires additional disclosures about the postemployment benefits other than pensions offered by the District, see Note 12.

The implementation of GASB Statement No. 75 and GASB Statement No. 85 required a restatement for prior year net positions for the pension funds. As a result, the beginning net position decreased by \$24,168,851.

REQUIRED SUPPLEMENTARY INFORMATION

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY, SEJA DISTRICT NO. 825
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION
LIABILITY AND RELATED RATIOS
JUNE 30, 2018

	<u>6/30/2018 *</u>	<u>6/30/2017 *</u>	<u>6/30/2016 *</u>	<u>6/30/2015 *</u>
TOTAL PENSION LIABILITY				
Service Cost	\$ 1,454,312	\$ 1,419,881	\$ 1,447,896	\$ 1,574,820
Interest	5,067,408	4,771,376	4,466,581	4,004,483
Differences Between Expected and Actual Experience	581,687	385,523	410,338	131,259
Changes in Assumptions	(1,935,269)	-	-	2,392,852
Benefit Payments, Including Refunds of Member Contributions	<u>(2,852,190)</u>	<u>(2,441,619)</u>	<u>(2,052,129)</u>	<u>(1,705,156)</u>
Net Change in Total Pension Liability	<u>\$ 2,315,948</u>	<u>\$ 4,135,161</u>	<u>\$ 4,272,686</u>	<u>\$ 6,398,258</u>
Total Pension Liability - Beginning	<u>68,264,379</u>	<u>64,129,218</u>	<u>59,856,532</u>	<u>53,458,274</u>
Total Pension Liability - Ending	<u>\$ 70,580,327</u>	<u>\$ 68,264,379</u>	<u>\$ 64,129,218</u>	<u>\$ 59,856,532</u>
PLAN FIDUCIARY NET POSITION				
Contributions - Employer	\$ 1,727,011	\$ 1,705,294	\$ 1,614,439	\$ 1,773,043
Contributions - Member	686,411	589,461	596,005	687,849
Net Investment Income	10,718,296	3,951,796	288,310	3,277,285
Benefit Payments, Including Refunds of Member Contributions	(2,852,190)	(2,441,619)	(2,052,129)	(1,705,156)
Other	<u>(765,098)</u>	<u>454,103</u>	<u>(818,229)</u>	<u>201,634</u>
Net Change in Plan Fiduciary Net Position	<u>\$ 9,514,430</u>	<u>\$ 4,259,035</u>	<u>\$ (371,604)</u>	<u>\$ 4,234,655</u>
Plan Net Position - Beginning	<u>61,470,205</u>	<u>57,211,170</u>	<u>57,582,774</u>	<u>53,348,119</u>
Plan Net Position - Ending	<u>\$ 70,984,635</u>	<u>\$ 61,470,205</u>	<u>\$ 57,211,170</u>	<u>\$ 57,582,774</u>
District's Net Pension Liability	<u>\$ (404,308)</u>	<u>\$ 6,794,174</u>	<u>\$ 6,918,048</u>	<u>\$ 2,273,758</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	100.57%	90.05%	89.21%	96.20%
Covered Payroll	\$ 13,283,766	\$ 13,039,329	\$ 12,848,332	\$ 13,046,683
Employer's Net Pension Liability as a percentage of Covered-Valuation Payroll	-3.04%	52.11%	53.84%	17.43%

* This information presented is based on the actuarial valuation performed as of the December 31 year end prior to the fiscal year end listed above.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years for which information is available.

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY, SEJA DISTRICT NO. 825
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF EMPLOYER CONTRIBUTION
JUNE 30, 2018

	<u>6/30/2018 *</u>	<u>6/30/2017 *</u>	<u>6/30/2016 *</u>	<u>6/30/2015 *</u>
Actuarial Determined Contribution	\$ 1,724,378	\$ 1,697,721	\$ 1,591,908	\$ 1,714,298
Contributions in Relation to Actuarially Determined Contribution	<u>1,727,011</u>	<u>1,705,294</u>	<u>1,614,439</u>	<u>1,773,043</u>
Contribution Deficiency/(Excess)	<u>\$ (2,633)</u>	<u>\$ (7,573)</u>	<u>\$ (22,531)</u>	<u>\$ (58,745)</u>
Covered Payroll	\$ 13,281,847	\$ 13,039,329	\$ 12,848,332	\$ 12,614,406
Contributions as a Percentage of Covered-Valuation Payroll	13.00%	13.08%	12.57%	14.06%

Notes to Schedule:

Actuarial Method and Assumptions Used on the Calculation of the 2017 Contribution Rate *

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

Actuarial Cost Method: Aggregate entry age = normal

Amortization Method: Level percentage of payroll, closed

Remaining Amortization Period: 26-year closed period

Asset Valuation Method: 5-year smoothed market; 20% corridor

Wage Growth: 3.5%

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 to 2013.

Mortality: RP-2014 Blue Collar Healthy Mortality Table, adjusted to match current IMRF experience. For disabled lives, 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 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 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

*Based on Valuation Assumptions used in the December 31, 2015 actuarial valuation; note two year lag between valuation and rate setting.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years for which information is available.

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY, SEJA DISTRICT NO. 825
 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
 SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 JUNE 30, 2018

	<u>6/30/2018 *</u>	<u>6/30/2017 *</u>	<u>6/30/2016 *</u>	<u>6/30/2015 *</u>
Employer's proportion of the Net Pension Liability	0.0027506%	0.0036590%	0.0053431%	0.0051317%
Employer's proportionate share of the Net Pension Liability	\$ 2,101,418	\$ 2,888,294	\$ 3,500,293	\$ 3,123,083
State's proportionate share of the Net Pension Liability associated with the employer	<u>136,779,955</u>	<u>165,119,243</u>	<u>156,086,583</u>	<u>156,829,474</u>
Total	<u>\$ 138,881,373</u>	<u>\$ 168,007,537</u>	<u>\$ 159,586,876</u>	<u>\$ 159,952,557</u>
Employer's Covered-Employee Payroll	\$ 19,715,403	\$ 20,024,587	\$ 24,772,230	\$ 25,077,002
Employer's proportionate share of the Net Pension Liability as a percentage of its Covered-Employee Payroll	10.66%	14.42%	14.13%	12.45%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	39.30%	36.40%	41.50%	43.00%

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

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years for which information is available.

Changes of Assumptions:

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

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

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

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY, SEJA DISTRICT NO. 825
 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
 SCHEDULE OF EMPLOYER CONTRIBUTION
 JUNE 30, 2018

	<u>6/30/2018 *</u>	<u>6/30/2017 *</u>	<u>6/30/2016 *</u>	<u>6/30/2015 *</u>
Statutorily-required contribution	\$ 113,324	\$ 141,704	\$ 182,484	\$ 191,119
Contributions in relation to the statutorily-required contribution	<u>113,324</u>	<u>141,704</u>	<u>187,223</u>	<u>191,119</u>
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,739)</u>	<u>\$ -</u>
Employer's covered-employee Payroll	\$ 18,890,547	\$ 20,024,587	\$ 24,772,230	\$ 25,077,002
Contributions as a percentage of Covered-Employee Payroll	0.60%	0.71%	0.76%	0.76%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years for which information is available.

* - This information presented is based on the actuarial valuation performed as of the prior June 30 year end.

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY, SEJA DISTRICT NO. 825
 TEACHER HEALTH INSURANCE SECURITY FUND OF THE STATE OF ILLINOIS
 SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE
 OF THE NET OPEB LIABILITY
 JUNE 30, 2018

	6/30/2018 *
Employer's proportion of the Net OPEB Liability	0.0857290%
Employer's proportionate share of the Net OPEB Liability	\$ 22,246,202
State's proportionate share of the Net OPEB Liability associated with the employer	29,215,031
Total	\$ 51,461,233
Covered Payroll	\$ 19,730,517
Employer's proportionate share of the Net OPEB Liability as a percentage of Covered Payroll	112.75%
OPEB Plan Net Position as a percentage of the Total OPEB Liability	-0.17%

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

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years for which information is available.

Changes of Assumptions:

For the 2017 measurement year, the assumed investment rate of return was 0%, including an inflation rate of 2.75%, and the healthcare cost trend rates used the actual trend. Salary increases include a 3.25% wage inflation.

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY, SEJA DISTRICT NO. 825
 TEACHER HEALTH INSURANCE SECURITY FUND OF THE STATE OF ILLINOIS
 SCHEDULE OF EMPLOYER CONTRIBUTION
 JUNE 30, 2018

	6/30/2018 *
Statutorily-Required Contribution	\$ 165,661
Contributions in relation to the Statutorily-Required Contribution	165,609
Contribution deficiency/(excess)	\$ 52
Employer's Covered Payroll	\$ 18,905,653
Contributions as a percentage of Covered Payroll	0.88%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years for which information is available.

* - This information presented is based on the actuarial valuation performed as of the prior June 30 year end.

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY, SEJA DISTRICT NO. 825
 OTHER POST-EMPLOYMENT BENEFIT
 SCHEDULE OF CHANGES IN THE EMPLOYER'S NET OPEB
 LIABILITY AND RELATED RATIOS
 JUNE 30, 2018

	6/30/2018
TOTAL OPEB LIABILITY	
Service Cost	\$ 30,778
Interest	22,277
Differences Between Expected and Actual Experience	(4,209)
Changes in Assumptions	(28,219)
Benefit Payments, including refunds of employee contributions	(122,427)
Net Change in Total OPEB Liability	\$ (101,800)
 Total OPEB Liability - Beginning	 827,142
 Total OPEB Liability - Ending	 \$ 725,342
 Covered-Employee Payroll	 \$ 13,360,528
 Employer's Net OPEB Liability as a Percentage of Covered-Valuation Payroll	 5.43%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years for which information is available.

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY, SEJA DISTRICT NO. 825
 OTHER POST-EMPLOYMENT BENEFIT
 SCHEDULE OF EMPLOYER CONTRIBUTION
 JUNE 30, 2018

	6/30/2018
Actuarially-Determined Contribution	N/A
Contributions in Relation to Actuarially-Determined Contribution	-
Contribution Deficiency/(Excess)	N/A
Covered-Employee Payroll	\$ 13,281,882
Contributions as a Percentage of Covered-Employee Payroll	0.00%

Notes to Schedule:

There is no ADC or employer contribution in relation to the ADC, as the total OPEB liabilities are currently an unfunded obligation.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years for which information is available.

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY, SEJA DISTRICT NO. 825
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - EDUCATIONAL FUND
YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>
REVENUES		
Tuition	\$ 28,510,000	\$ 29,492,748
Earnings on Investments	60,000	126,674
Food Service	20,000	20,877
District/School Activity Income	500	1,100
Other Local Sources	6,131,500	6,445,689
State Aid		
General State Aid	-	3,751,446
Special Education	3,750,000	-
State Free Lunch and Breakfast	2,000	3,241
Other Restricted Revenue from State Sources	-	339,557
Federal Aid		
Flow-Through Revenue	12,000,000	10,940,572
Food Service	185,000	207,874
Federal Special Education	7,277,000	6,392,886
Medicaid Matching Funds - Administrative Outreach	300,000	265,945
Medicaid Matching Funds - Fee-for-Service Program	150,000	15,539
Other Federal Aid	350,000	-
On-Behalf Payments	14,000,000	13,763,837
Total Revenues	\$ 72,736,000	\$ 71,767,985
EXPENDITURES		
Current		
Instruction		
Special Education Programs		
Salaries	\$ 16,500,000	\$ 15,328,361
Employee Benefits	4,198,350	4,002,702
Purchased Services	550,000	1,013,212
Supplies and Materials	305,000	298,278
Non-Capitalized Equipment	50,000	35,925
	<u>\$ 21,603,350</u>	<u>\$ 20,678,478</u>
Special Education Programs Pre-K		
Salaries	\$ 825,000	\$ 887,922
Employee Benefits	250,500	206,843
Purchased Services	-	2,925
Supplies and Materials	2,000	1,000
Non-Capitalized Equipment	2,000	-
	<u>\$ 1,079,500</u>	<u>\$ 1,098,690</u>
CTE Programs		
Salaries	\$ 1,170,000	\$ 1,038,358
Employee Benefits	350,000	296,318
Purchased Services	40,000	65,817
Supplies and Materials	40,000	24,488
Non-Capitalized Equipment	7,500	-
	<u>\$ 1,607,500</u>	<u>\$ 1,424,981</u>
Interscholastic Programs		
Salaries	\$ 15,000	\$ 12,271
Employee Benefits	1,200	921
Supplies and Materials	1,000	-
	<u>\$ 17,200</u>	<u>\$ 13,192</u>
Summer School Programs		
Salaries	\$ 500,000	\$ 469,064
Employee Benefits	26,300	25,205
Purchased Services	20,000	49,557
Supplies and Materials	2,000	4,399
	<u>\$ 548,300</u>	<u>\$ 548,225</u>

See Accompanying Independent Auditors' Opinion

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY, SEJA DISTRICT NO. 825
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - EDUCATIONAL FUND
YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>
EXPENDITURES (Continued)		
Current (Continued)		
Instruction (Continued)		
Truant Alternative and Optional Programs		
Salaries	\$ 468,000	\$ 418,460
Employee Benefits	117,700	150,576
Purchased Services	110,000	112,898
Supplies and Materials	5,000	6,622
Non-Capitalized Equipment	1,000	11,291
	<u>\$ 701,700</u>	<u>\$ 699,847</u>
Private Tuition - Other Objects		
Special Education Programs K-12	\$ 875,500	\$ 1,072,111
	<u>\$ 875,500</u>	<u>\$ 1,072,111</u>
Total Instruction	<u>\$ 26,443,050</u>	<u>\$ 25,535,524</u>
Support Services		
Pupils		
Attendance and Social Work Services		
Salaries	\$ 2,495,000	\$ 2,392,759
Employee Benefits	390,200	369,517
Purchased Services	9,000	6,862
Supplies and Materials	10,000	1,201
Other Objects	500	1,751
Non-Capitalized Equipment	2,500	-
	<u>\$ 2,907,200</u>	<u>\$ 2,772,090</u>
Health Services		
Salaries	\$ 4,351,050	\$ 4,249,990
Employee Benefits	895,000	814,507
Purchased Services	100,000	49,136
Supplies and Materials	50,000	39,622
Other Objects	500	643
Non-Capitalized Equipment	15,000	16,119
	<u>\$ 5,411,550</u>	<u>\$ 5,170,017</u>
Psychological Services		
Salaries	\$ 1,025,000	\$ 1,057,838
Employee Benefits	145,000	154,595
Purchased Services	110,000	92,538
Supplies and Materials	15,000	7,102
Other Objects	500	224
Non-Capitalized Equipment	2,500	2,885
	<u>\$ 1,298,000</u>	<u>\$ 1,315,182</u>
Speech Pathology and Audiology Services		
Salaries	\$ 2,390,000	\$ 2,124,882
Employee Benefits	415,000	363,296
Purchased Services	450,000	493,519
Supplies and Materials	25,000	10,733
Other Objects	6,000	5,035
Non-Capitalized Equipment	15,000	16,846
	<u>\$ 3,301,000</u>	<u>\$ 3,014,311</u>
Total Support Services - Pupils	<u>\$ 12,917,750</u>	<u>\$ 12,271,600</u>

See Accompanying Independent Auditors' Opinion

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY, SEJA DISTRICT NO. 825
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - EDUCATIONAL FUND
YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>
EXPENDITURES (Continued)		
Current (Continued)		
Support Services (Continued)		
Instructional Staff		
Improvement of Instruction Services		
Salaries	\$ 263,650	\$ 265,480
Employee Benefits	227,700	97,168
Purchased Services	230,000	175,326
Supplies and Materials	30,000	145,858
Non-Capitalized Equipment	-	8,748
	<u>\$ 751,350</u>	<u>\$ 692,580</u>
Educational Media Services		
Salaries	\$ 134,300	\$ 115,855
Employee Benefits	32,800	26,952
Purchased Services	400,000	354,492
Supplies and Materials	100,000	82,601
Other Objects	500	-
Non-Capitalized Equipment	185,000	66,034
	<u>\$ 852,600</u>	<u>\$ 645,934</u>
Total Support Services - Instructional Staff	<u>\$ 1,603,950</u>	<u>\$ 1,338,514</u>
General Administration		
Board of Education Services		
Employee Benefits	\$ 150,000	\$ 111,180
Purchased Services	500,000	626,295
Supplies and Materials	5,000	7,801
	<u>\$ 655,000</u>	<u>\$ 745,276</u>
Executive Administration Services		
Salaries	\$ 797,000	\$ 812,151
Employee Benefits	225,000	236,720
Purchased Services	20,000	50,814
Supplies and Materials	15,000	14,887
Other Objects	5,500	5,347
Non-Capitalized Equipment	2,500	4,033
	<u>\$ 1,065,000</u>	<u>\$ 1,123,952</u>
Total Support Services - General Administration	<u>\$ 1,720,000</u>	<u>\$ 1,869,228</u>
School Administration		
Office of the Principal Services		
Salaries	\$ 2,020,000	\$ 2,057,561
Employee Benefits	585,000	571,957
Purchased Services	12,000	10,199
Supplies and Materials	5,000	2,594
Other Objects	5,000	1,919
Non-Capitalized Equipment	10,000	5,078
	<u>\$ 2,637,000</u>	<u>\$ 2,649,308</u>
Other Support Services - School Administration		
Salaries	\$ 53,000	\$ 52,890
Employee Benefits	14,000	11,922
Purchased Services	2,000	1,601
	<u>\$ 69,000</u>	<u>\$ 66,413</u>
Total Support Services - School Administration	<u>\$ 2,706,000</u>	<u>\$ 2,715,721</u>

See Accompanying Independent Auditors' Opinion

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY, SEJA DISTRICT NO. 825
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - EDUCATIONAL FUND
YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>
EXPENDITURES (Continued)		
Current (Continued)		
Support Services (Continued)		
Business		
Direction of Business Support Services		
Salaries	\$ 150,000	\$ 149,346
Employee Benefits	32,000	32,721
Purchased Services	60,000	60,822
Supplies and Materials	7,500	1,345
Other Objects	1,500	1,170
	<u>\$ 251,000</u>	<u>\$ 245,404</u>
Fiscal Services		
Salaries	\$ 340,000	\$ 309,445
Employee Benefits	91,100	82,109
Purchased Services	15,000	15,660
Supplies and Materials	2,500	3,834
Other Objects	-	150
Non-Capitalized Equipment	5,000	-
	<u>\$ 453,600</u>	<u>\$ 411,198</u>
Total Support Services - Business	<u>\$ 704,600</u>	<u>\$ 656,602</u>
Food Services		
Purchased Services	\$ 200,000	\$ 215,328
Supplies and Materials	2,000	44
Non-Capitalized Equipment	2,000	-
Total Support Services - Food Services	<u>\$ 204,000</u>	<u>\$ 215,372</u>
Central		
Data Processing Services		
Salaries	\$ 58,000	\$ 54,621
Employee Benefits	19,150	17,918
Purchased Services	-	54,951
Supplies and Materials	-	131
	<u>\$ 77,150</u>	<u>\$ 127,621</u>
Total Support Services - Central	<u>\$ 77,150</u>	<u>\$ 127,621</u>
Total Support Services	<u>\$ 19,933,450</u>	<u>\$ 19,194,658</u>
Community Services		
Purchased Services	\$ 20,000	\$ -
Supplies and Materials	20,000	-
Total Community Services	<u>\$ 40,000</u>	<u>\$ -</u>
Payments to Other Districts and Governmental Units		
Payments to Other Districts and Governmental Units (In-State)		
Payments for Special Education Programs		
Purchased Services	\$ 225,000	\$ 175,913
Other Objects	12,000,000	11,180,054
	<u>\$ 12,225,000</u>	<u>\$ 11,355,967</u>
Total Payments to Other Districts and Governmental Units (In-State)	<u>\$ 12,225,000</u>	<u>\$ 11,355,967</u>
Total Payments to Other Districts and Governmental Units	<u>\$ 12,225,000</u>	<u>\$ 11,355,967</u>

See Accompanying Independent Auditors' Opinion

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY, SEJA DISTRICT NO. 825
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - EDUCATIONAL FUND
YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>
EXPENDITURES (Continued)		
Debt Services		
Interest		
Other Interest on Short-Term Debt		
Other Objects	\$ 100,000	\$ -
Total Debt Services	\$ 100,000	\$ -
Capital Outlay		
Instruction		
Special Education Programs	\$ 30,000	\$ 35,527
Other Instructional Programs	10,000	-
Support Services		
Pupils	15,000	9,802
Instructional Staff	45,000	77,431
Total Capital Outlay	\$ 100,000	\$ 122,760
On-Behalf Payments	\$ 14,000,000	\$ 13,763,837
Total Expenditures	\$ 72,841,500	\$ 69,972,746
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (105,500)	\$ 1,795,239
OTHER FINANCING SOURCES (USES)		
Interfund Transfers	(1,560,000)	(1,560,000)
NET CHANGE IN FUND BALANCE	\$ (1,665,500)	\$ 235,239
FUND BALANCE - JULY 1, 2017	9,302,570	10,173,786
FUND BALANCE - JUNE 30, 2018	\$ 7,637,070	\$ 10,409,025

See Accompanying Independent Auditors' Opinion

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY, SEJA DISTRICT NO. 825
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - OPERATIONS AND MAINTENANCE FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts Original and Final	Actual Amounts
REVENUES		
Earnings on Investments	\$ 9,000	\$ 18,027
Other Local Sources	2,746,920	2,710,967
Total Revenues	\$ 2,755,920	\$ 2,728,994
EXPENDITURES		
Current		
Support Services		
Operations and Maintenance		
Salaries	\$ 910,000	\$ 828,410
Employee Benefits	255,700	237,464
Purchased Services	808,000	722,952
Supplies and Materials	582,000	550,933
Other Objects	1,000	75
Non-Capitalized Equipment	10,000	18,227
Total Support Services - Operations and Maintenance	\$ 2,566,700	\$ 2,358,061
Total Support Services	\$ 2,566,700	\$ 2,358,061
Capital Outlay		
Support Services		
Operations and Maintenance	\$ 3,391,379	\$ 3,171,918
Total Capital Outlay	\$ 3,391,379	\$ 3,171,918
Total Expenditures	\$ 5,958,079	\$ 5,529,979
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (3,202,159)	\$ (2,800,985)
OTHER FINANCING SOURCES (USES)		
Interfund Transfers	1,300,000	1,300,000
NET CHANGE IN FUND BALANCE	\$ (1,902,159)	\$ (1,500,985)
FUND BALANCE - JULY 1, 2017	4,048,787	4,059,595
FUND BALANCE - JUNE 30, 2018	\$ 2,146,628	\$ 2,558,610

See Accompanying Independent Auditors' Opinion

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY, SEJA DISTRICT NO. 825
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - TRANSPORTATION FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts Original and Final	Actual Amounts
REVENUES		
Earnings on Investments	\$ 500	\$ 1,118
State Aid		
Transportation	820,800	773,788
Total Revenues	\$ 821,300	\$ 774,906
EXPENDITURES		
Current		
Support Services		
Transportation		
Salaries	\$ 66,700	\$ 70,578
Employee Benefits	20,700	23,072
Purchased Services	1,040,000	1,158,592
Supplies and Materials	5,000	5,972
Total Support Services - Transportation	\$ 1,132,400	\$ 1,258,214
Total Support Services	\$ 1,132,400	\$ 1,258,214
Capital Outlay		
Support Services		
Transportation	\$ 50,000	\$ -
Total Capital Outlay	\$ 50,000	\$ -
Total Expenditures	\$ 1,182,400	\$ 1,258,214
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (361,100)	\$ (483,308)
OTHER FINANCING SOURCES (USES)		
Interfund Transfers	260,000	260,000
NET CHANGE IN FUND BALANCE	\$ (101,100)	\$ (223,308)
FUND BALANCE - JULY 1, 2017	512,318	509,018
FUND BALANCE - JUNE 30, 2018	\$ 411,218	\$ 285,710

See Accompanying Independent Auditors' Opinion

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY, SEJA DISTRICT NO. 825
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - ILLINOIS MUNICIPAL RETIREMENT/SOCIAL SECURITY FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts Original and Final	Actual Amounts
REVENUES		
Earnings on Investments	\$ 8,000	\$ 14,502
Other Local Sources	1,610,000	1,616,886
Total Revenues	\$ 1,618,000	\$ 1,631,388
EXPENDITURES		
Current		
Instruction		
Special Education Programs		
Employee Benefits	\$ 657,500	\$ 621,246
Special Education Programs - Pre-K		
Employee Benefits	46,100	36,801
CTE Programs		
Employee Benefits	115,250	107,347
Interscholastic Programs		
Employee Benefits	2,000	1,550
Summer School Programs		
Employee Benefits	35,725	19,063
Truant Alternative and Optional Programs		
Employee Benefits	17,950	376
Total Instruction	\$ 874,525	\$ 786,383
Support Services		
Pupils		
Attendance and Social Work Services		
Employee Benefits	\$ 20,300	\$ 14,246
Health Services		
Employee Benefits	523,175	499,177
Psychological Services		
Employee Benefits	-	4,305
Speech Pathology and Audiology Services		
Employee Benefits	70,800	83,558
Total Supports Services - Pupils	\$ 614,275	\$ 601,286
Instructional Staff		
Improvement of Instruction Services		
Employee Benefits	\$ 7,300	\$ 13,582
Educational Media Services		
Employee Benefits	17,250	14,872
Total Support Services - Instructional Staff	\$ 24,550	\$ 28,454
General Administration		
Executive Administration Services		
Employee Benefits	\$ 38,000	\$ 35,069
Total Support Services - General Administration	\$ 38,000	\$ 35,069

See Accompanying Independent Auditors' Opinion

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY, SEJA DISTRICT NO. 825
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - ILLINOIS MUNICIPAL RETIREMENT/SOCIAL SECURITY FUND
YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>
EXPENDITURES (Continued)		
Current (Continued)		
Support Services (Continued)		
School Administration		
Office of the Principal Services		
Employee Benefits	\$ 48,850	\$ 48,717
Other Support Services - School Administration		
Employee Benefits	6,800	6,776
Total Support Services - School Administration	\$ 55,650	\$ 55,493
Business		
Fiscal Services		
Employee Benefits	\$ 43,600	\$ 39,734
Total Support Services - Business	\$ 43,600	\$ 39,734
Operations and Maintenance		
Employee Benefits	\$ 115,400	\$ 105,322
Total Support Services - Operations and Maintenance	\$ 115,400	\$ 105,322
Transportation		
Employee Benefits	\$ 8,550	\$ 9,040
Total Support Services - Transportation	\$ 8,550	\$ 9,040
Central		
Data Processing Services		
Employee Benefits	\$ 7,450	\$ 7,009
Total Support Services - Central	\$ 7,450	\$ 7,009
Total Support Services	\$ 907,475	\$ 881,407
Total Expenditures	\$ 1,782,000	\$ 1,667,790
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (164,000)	\$ (36,402)
OTHER FINANCING SOURCES (USES)	-	-
NET CHANGE IN FUND BALANCE	\$ (164,000)	\$ (36,402)
FUND BALANCE - JULY 1, 2017	1,483,711	1,483,711
FUND BALANCE - JUNE 30, 2018	\$ 1,319,711	\$ 1,447,309

See Accompanying Independent Auditors' Opinion

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY, SEJA DISTRICT NO. 825
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 1 - BUDGETARY PROCESS

SEDOL follows procedures mandated by Illinois State law and Board policy to establish the budgetary data reflected in its financial statements. The budget was passed on August 30, 2017 and was not amended. The modified accrual basis budgeted amounts in this report are the result of full compliance with the following procedures:

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

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

1. Prior to July 1, the Director of Business Services submits to the Governing Board a proposed operating budget for the fiscal year commencing on that date. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally adopted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year.
5. The Governing Board may make transfers between the various items in any fund not exceeding in the aggregate 10% of the total of such fund as set forth in the budget.
6. The Governing Board may amend the budget by the same procedures required of its original adoption.

NOTE 2 - EXCESS OF EXPENDITURES OVER BUDGET

For the year ended June 30, 2018, The Transportation Fund had expenditures that exceeded the budget by \$75,814. This is because there was an increase need for work crews for transportation of the students.

SUPPLEMENTAL FINANCIAL INFORMATION

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY, SEJA DISTRICT NO. 825
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICES FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts Original and Final	Actual Amounts
REVENUES		
Earnings on Investments	\$ 1,000	\$ 1,606
Other Local Sources	824,500	824,500
Total Revenues	\$ 825,500	\$ 826,106
EXPENDITURES		
Debt Services		
Interest		
Other Interest on Long-Term Debt		
Other Objects	\$ 164,500	\$ 164,500
Total Debt Services - Interest	\$ 164,500	\$ 164,500
Debt Services - Payment of Principal on Long-Term Debt		
Other Objects	\$ 660,000	\$ 660,000
Total Debt Services - Payment of Principal on Long-Term Debt	\$ 660,000	\$ 660,000
Debt Services - Other		
Other Objects	\$ 1,000	\$ 350
Total Debt Services - Other	\$ 1,000	\$ 350
Total Debt Services	\$ 825,500	\$ 824,850
Total Expenditures	\$ 825,500	\$ 824,850
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	\$ 1,256
OTHER FINANCING SOURCES (USES)	-	-
NET CHANGE IN FUND BALANCE	\$ -	\$ 1,256
FUND BALANCE - JULY 1, 2017	167,321	167,321
FUND BALANCE - JUNE 30, 2018	\$ 167,321	\$ 168,577

See Accompanying Independent Auditors' Opinion

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY, SEJA DISTRICT NO. 825
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>
REVENUES		
Earnings on Investments	\$ 500	\$ 151
State Aid		
Other State Aid	35,000	30,290
Total Revenues	\$ 35,500	\$ 30,441
EXPENDITURES		
Current		
Support Services		
Facilities Acquisition and Construction		
Purchased Services	\$ -	\$ 37,553
Total Support Services - Facilities Acquisition and Construction	\$ -	\$ 37,553
Total Support Services	\$ -	\$ 37,553
Capital Outlay		
Support Services		
Facilities Acquisition and Construction	\$ 82,213	\$ 39,600
Total Capital Outlay	\$ 82,213	\$ 39,600
Total Expenditures	\$ 82,213	\$ 77,153
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (46,713)	\$ (46,712)
OTHER FINANCING SOURCES (USES)	-	-
NET CHANGE IN FUND BALANCE	\$ (46,713)	\$ (46,712)
FUND BALANCE - JULY 1, 2017	46,713	46,712
FUND BALANCE - JUNE 30, 2018	\$ -	\$ -

See Accompanying Independent Auditors' Opinion

ANNUAL FEDERAL FINANCIAL COMPLIANCE SECTION



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INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Executive Board
 Special Education District of Lake County
 SEJA District No. 825
 Gages Lake, Illinois

Report on Compliance for Each Major Federal Program

We have audited

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY
 SEJA DISTRICT NO. 825

compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Special Education District of Lake County, SEJA District No. 825’s major federal programs for the year ended June 30, 2018. Special Education District of Lake County, SEJA District No. 825’s major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of Special Education District of Lake County, SEJA District No. 825’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Special Education District of Lake County, SEJA District No. 825’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Special Education District of Lake County, SEJA District No. 825’s compliance.



Opinion on Each Major Federal Program

In our opinion, Special Education District of Lake County, SEJA District No. 825 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Special Education District of Lake County, SEJA District No. 825 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Special Education District of Lake County, SEJA District No. 825's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Special Education District of Lake County, SEJA District No. 825's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eder, Casella & Co.

EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
December 7, 2018

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY
34-049-8250-60
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2018

Federal Grantor/Pass-Through Grantor Program or Cluster Title and Major Program Designation	CFDA Number ² (A)	ISBE Project # (1st 8 digits) or Contract # ³ (B)	Receipts/Revenues		Expenditure/Disbursements ⁴			Obligations/ Encumb. (G)	Final Status (E)+(F)+(G) (H)	Budget (I)
			Year 7/1/16-6/30/17 (C)	Year 7/1/17-6/30/18 (D)	Year 7/1/16-6/30/17 (E)	Year 7/1/16-6/30/17 Pass through to Subrecipients	Year 7/1/17-6/30/18 (F)			
U.S. Department of Agriculture Passed									0	
Through Food Services Management Company:									0	
Food Donation Program	10.555	18-4229		13,747			13,747		13,747	N/A
									0	
U.S. Department of Agriculture Passed									0	
Through Illinois State Board of Education:									0	
School Breakfast Program*	10.553	17-4220-00	54,665	10,332	54,665		10,332		64,997	N/A
School Breakfast Program*	10.553	18-4220-00		62,617			62,617		62,617	N/A
National School Lunch Program*	10.555	17-4210-00	103,341	22,402	103,341		22,402		125,743	N/A
National School Lunch Program*	10.555	18-4210-00		112,523			112,523		112,523	N/A
Subtotal - CFDA - "10"			158,006	221,621	ssssssssssss		221,621		#VALUE!	
									0	
									0	
									0	
									0	
									0	
									0	

• (M) Program was audited as a major program as defined by §200.518.

***Include the total amount provided to subrecipients from each Federal program. §200.510 (b)(4).**

The accompanying notes are an integral part of this schedule.

¹ To meet state or other requirements, auditees may decide to include certain nonfederal awards (for example, state awards) in this schedule. If such nonfederal data are presented they should be segregated and clearly designated as nonfederal. The title of the schedule should also be modified to indicate that nonfederal awards are included.

² When the CFDA number is not available, the auditee should indicate that the CFDA number is not available and include in the schedule the program's name and, if applicable, other identifying number.

³ When awards are received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included in the schedule. §200.510 (b)(2)

⁴ The Uniform Guidance requires that the value of federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end be included in the schedule and suggests to include the amounts in the SEFA notes.

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY
34-049-8250-60
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2018

Federal Grantor/Pass-Through Grantor Program or Cluster Title and Major Program Designation	CFDA Number ² (A)	ISBE Project # (1st 8 digits) or Contract # ³ (B)	Receipts/Revenues		Expenditure/Disbursements ⁴			Obligations/ Encumb. (G)	Final Status (E)+(F)+(G) (H)	Budget (I)
			Year 7/1/16-6/30/17 (C)	Year 7/1/17-6/30/18 (D)	Year 7/1/16-6/30/17 (E)	Year 7/1/16-6/30/17 Pass through to Subrecipients	Year 7/1/17-6/30/18 (F)			
U.S. Department of Education Passed Through									0	
Illinois State Board of Education:									0	
IDEA - Flow Through (M)	84.027	17-4620-00	16,057,676	41,084	16,079,764	8,902,053	18,996		16,098,760	18,316,934
IDEA - Flow Through (M)	84.027	18-4620-00		15,723,204			16,629,234	9,403,844	16,629,234	18,762,321
									0	
IDEA - Preschool Flow Through (M)	84.173	17-4600-00	551,958	1,165	553,123	474,774			553,123	612,638
IDEA - Preschool Flow Through (M)	84.173	18-4600-00		456,022			456,022	424,745	456,022	526,752
									0	
Subtotal CFDA "84"			16,609,634	16,221,475	16,632,887		17,104,252	0	33,737,139	
									0	
U.S. Department of Health and Human Services									0	
Passed Through State of Illinois Department Of Healthcare and Family Services:									0	
Medicaid Administrative Outreach	93.778	18-4991-00		277,026			277,026		277,026	N/A
									0	
Total Federal Assistance			16,767,640	16,720,122	#VALUE!		17,602,899		#VALUE!	
* Project Year End 9/30									0	

• (M) Program was audited as a major program as defined by §200.518.

***Include the total amount provided to subrecipients from each Federal program. §200.510 (b)(4).**

The accompanying notes are an integral part of this schedule.

¹ To meet state or other requirements, auditees may decide to include certain nonfederal awards (for example, state awards) in this schedule. If such nonfederal data are presented they should be segregated and clearly designated as nonfederal. The title of the schedule should also be modified to indicate that nonfederal awards are included.

² When the CFDA number is not available, the auditee should indicate that the CFDA number is not available and include in the schedule the program's name and, if applicable, other identifying number.

³ When awards are received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included in the schedule. §200.510 (b)(2)

⁴ The Uniform Guidance requires that the value of federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end be included in the schedule and suggests to include the amounts in the SEFA notes.

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY, SEJA DISTRICT NO. 825
 DETAILED SCHEDULE OF EXPENDITURES
 JUNE 30, 2018

DISTRICT NO.	DISTRICT NAME	FLOW THROUGH	PRESCHOOL
		18-2200-00	FLOW THROUGH
		7/1/17 to	18-2200-00
		6/30/18 FINAL	7/1/17 to
			s
1	Winthrop Harbor	\$ 83,413	\$ 3,579
3	Beach Park Community Consolidated	318,203	17,245
6	Zion Elementary	370,128	31,717
24	Millburn Community Consolidated	132,035	7,822
33	Emmons	38,273	633
34	Antioch Community Consolidated	309,149	23,350
36	Grass Lake	30,690	325
37	Gavin	141,233	7,457
38	Big Hollow	160,896	20,499
41	Lake Villa Community Consolidated	353,258	16,408
46	Grayslake Community Consolidated	379,695	11,626
50	Woodland Community Consolidated	706,693	30,694
56	Gurnee	311,680	28,303
68	Oak Grove	114,059	-
70	Libertyville Elementary	356,081	4,555
72	Rondout	33,624	976
73	Hawthorn	391,577	45,158
75	Mundelein	196,774	14,614
76	Diamond Lake	145,643	12,486
79	Fremont Center	232,471	23,502
102	Aptakisic-Tripp	318,490	18,221
116	Round Lake Unit School District	968,034	54,386
117	Antioch Community High School/Allendale	241,684	-
118	Wauconda Community Unit School District	548,941	25,379
120	Mundelein Community High School	387,941	-
121	Warren Township High School	416,145	-
124	Grant Township High School	212,321	-
126	Zion-Benton Township High School	325,502	-
127	Grayslake High School	219,121	-
128	Libertyville Community High School	319,934	-
187	North Chicago School District	640,156	25,810
		<u>\$ 9,403,844</u>	<u>\$ 424,745</u>

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY, SEJA DISTRICT NO. 825
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal award activity of Special Education District of Lake County under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

The District has elected not to use the 10 percent de minimis indirect rate as allowed under the Uniform Guidance.

NOTE 4 - SUBRECIPIENTS

Of the federal expenditures presented in the schedule, Special Education District of Lake County, SEJA District No. 825 provided federal awards to subrecipients (detailed statement of expenditures) during the June 30, 2018 fiscal year as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided To Subrecipients</u>
IDEA - Flow Through	84.027	\$ 9,403,844
IDEA - Preschool Flow Through	84.173	424,745

NOTE 5 - FEDERAL LOANS

There was no federal loans or loan guarantees outstanding at year end.

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY, SEJA DISTRICT NO. 825
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

- 1) Summary of auditor's results:
 - a. The auditor's report expresses an unmodified opinion on whether the financial statements of Special Education District of Lake County, SEJA District No. 825 were prepared in accordance with GAAP.
 - b. No significant deficiencies are reported during the audit of the financial statements. No material weaknesses are reported.
 - c. No instances of noncompliance material to the financial statements of Special Education District of Lake County, SEJA District No. 825, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
 - d. No significant deficiencies in internal control over major federal award programs are reported during the audit of the financial statements. No material weaknesses in internal control over major federal award programs are reported.
 - e. The auditor's report on compliance for the major federal award programs for Special Education District of Lake County, SEJA District No. 825 expresses an unmodified opinion on all major federal programs.
 - f. There are no audit findings that are required to be reported in accordance with Uniform Guidance 2 CRF section 200.516(a).
 - g. The programs tested as a major programs were: IDEA – Flow Through, CFDA #84.027 and IDEA – Preschool Flow Through, CFDA #84.173
 - h. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
 - i. Special Education District of Lake County, SEJA District No. 825 was determined to be a low-risk auditee.
- 2) There were no findings relating to the financial statements which are required to be reported.
- 3) There were no findings or questioned costs for federal awards which are required to be reported.

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY
34-049-8250-60
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: UNMODIFIED
(Unmodified, Qualified, Adverse, Disclaimer)

INTERNAL CONTROL OVER FINANCIAL REPORTING:

- Material weakness(es) identified? YES X None Reported
- Significant Deficiency(s) identified that are not considered to be material weakness(es)? YES X None Reported
- Noncompliance material to the financial statements noted? YES X NO

FEDERAL AWARDS

INTERNAL CONTROL OVER MAJOR PROGRAMS:

- Material weakness(es) identified? YES X None Reported
- Significant Deficiency(s) identified that are not considered to be material weakness(es)? YES X None Reported

Type of auditor's report issued on compliance for major programs: UNMODIFIED
(Unmodified, Qualified, Adverse, Disclaimer⁷)

Any audit findings disclosed that are required to be reported in accordance with §200.516 (a)? YES X NO

IDENTIFICATION OF MAJOR PROGRAMS:⁸

CFDA NUMBER(S) ⁹	NAME OF FEDERAL PROGRAM or CLUSTER ¹⁰	AMOUNT OF FEDERAL PROGRAM
84.027	IDEA - FLOW THROUGH	16,648,230
84.173	IDEA - PRESCHOOL FLOW THROUGH	456,022
	Total Amount Tested as Major	\$17,104,252

Total Federal Expenditures for 7/1/17-6/30/18 \$17,602,899

% tested as Major 97.17%

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.00

Auditee qualified as low-risk auditee? X YES NO

⁷ If the audit report for one or more major programs is other than unmodified, indicate the type of report issued for each program. Example: "Unmodified for all major programs except for [name of program], which was modified and [name of program], which was a disclaimer."

⁸ Major programs should generally be reported in the same order as they appear on the SEFA.

⁹ When the CFDA number is not available, include other identifying number, if applicable.

¹⁰ The name of the federal program or cluster should be the same as that listed in the SEFA. For clusters, auditors are only required to list the name of the cluster.

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY
34-049-8250-60
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

1. FINDING NUMBER:¹¹

2018- N/A

2. THIS FINDING IS:

New

Repeat from Prior Year?

Year originally reported? _____

3. Criteria or specific requirement

4. Condition

5. Context¹²

6. Effect

7. Cause

8. Recommendation

9. Management's response¹³

¹¹ A suggested format for assigning reference numbers is to use the digits of the fiscal year being audited followed by a numeric sequence of findings. For example, findings identified and reported in the audit of fiscal year 2018 would be assigned a reference number of 2018-001, 2018-002, etc. The sheet is formatted so that only the number need be entered (1, 2, etc.)

¹² Provide sufficient information for judging the prevalence and consequences of the finding, such as relation to universe of costs and/or number of items examined and quantification of audit findings in dollars

¹³ See §200.521 *Management decision* for additional guidance on reporting management's response.

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY
34-049-8250-60
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2018

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

1. FINDING NUMBER:¹⁴ 2018- N/A 2. THIS FINDING IS: New Repeat from Prior year?
Year originally reported? _____

3. Federal Program Name and Year: _____

4. Project No.: _____ 5. CFDA No.: _____

6. Passed Through: _____

7. Federal Agency: _____

8. Criteria or specific requirement (including statutory, regulatory, or other citation)

9. Condition¹⁵

10. Questioned Costs¹⁶

11. Context¹⁷

12. Effect

13. Cause

14. Recommendation

15. Management's response¹⁸

For ISBE Review	
Date: _____	Resolution Criteria Code Number _____
Initials: _____	Disposition of Questioned Costs Code Letter _____

¹⁴ See footnote 11.
¹⁵ Include facts that support the deficiency identified on the audit finding (§200.516 (b)(3))
¹⁶ Identify questioned costs as required by §200.516 (a)(3 - 4).
¹⁷ See footnote 12.
¹⁸ To the extent practical, indicate when management does not agree with the finding, questioned cost, or both

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY
34-049-8250-60
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS¹⁹
Year Ending June 30, 2018

[If there are no prior year audit findings, please submit schedule and indicate **NONE**]

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u> ²⁰
NONE		

When possible, all prior findings should be on the same page

¹⁹ Explanation of this schedule - §200.511 (b)

²⁰ Current Status should include one of the following:

- A statement that corrective action was taken
- A description of any partial or planned corrective action
- An explanation if the corrective action taken was significantly different from that previously reported or in the management decision received from the pass-through entity.