



815.344.1300 mchenry
847.382.3366 barrington
www.edercasella.com

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

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

eder, casella & co.

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY
SEJA DISTRICT NO. 825

TABLE OF CONTENTS

JUNE 30, 2016

	PAGE
INDEPENDENT AUDITORS' OPINION	1
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	4
REQUIRED SUPPLEMENTARY INFORMATION	
Management's Discussion and Analysis	6
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet – Governmental Funds	13
Reconciliation of the Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	16
Notes to Financial Statements	17
REQUIRED SUPPLEMENTARY INFORMATION	
Illinois Municipal Retirement Fund – Schedule of Changes in the Employer's Net Pension Liability and Related Ratios	42
Illinois Municipal Retirement Fund – Schedule of Employer Contribution	43
Teachers' Retirement System of the State of Illinois – Schedule of the Employer's Proportionate Share of the Net Pension Liability	44

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY
SEJA DISTRICT NO. 825

TABLE OF CONTENTS

JUNE 30, 2016

	PAGE
REQUIRED SUPPLEMENTARY INFORMATION (Continued)	
Teachers' Retirement System of the State of Illinois – Schedule of Employer Contribution	45
Retiree Paid Insurance Plan – Schedule of Funding Progress	46
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund – Educational Fund	47
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Special Revenue Fund – Operations and Maintenance Fund	52
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Special Revenue Fund – Transportation Fund	53
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Special Revenue Fund – Illinois Municipal Retirement/Social Security Fund	54
Notes to Required Supplementary Information	56
SUPPLEMENTAL FINANCIAL INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Debt Services Fund	57
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Projects Fund	58
ANNUAL FEDERAL FINANCIAL COMPLIANCE SECTION	
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance	59
Schedule of Expenditures of Federal Awards	61
Notes to the Schedule of Expenditures of Federal Awards	66
Schedule of Findings and Questioned Costs	67
Summary Schedule of Prior Audit Findings	70
Corrective Action Plan for Current Year Findings	71



815.344.1300 mchenry
 847.382.3366 barrington
 www.edercasella.com

INDEPENDENT AUDITORS' 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, 2016, 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 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 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.

eder, casella & co.

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, 2016, 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 discussed in Note 18 to the financial statements, SEDOL implemented GASB Statement No. 72, Fair Value Measurement and Application. 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 and budgetary comparison information on pages 6 through 10 and 42 through 56 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 (CFR) 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 October 11, 2016, 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
October 11, 2016



815.344.1300 mchenry
 847.382.3366 barrington
 www.edercasella.com

INDEPENDENT AUDITORS' 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, 2016, and the related notes to the financial statements which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 11, 2016.

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.

eder, casella & co.

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
October 11, 2016

REQUIRED SUPPLEMENTARY INFORMATION

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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, 2016.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of SEDOL exceeded its liabilities and deferred inflows of resources at June 30, 2016 by \$42,861,292 (net position). Of this amount, \$8,714,980 is unrestricted net position.
- SEDOL's net position decreased by \$2,919,641.
- At June 30, 2016, SEDOL reported combined ending fund balances of \$16,097,447 24,077 , an increase of \$2,514,194 in comparison with the prior year.
- SEDOL's capital assets, net of depreciation, decreased by \$3,673,617 (10%) during the year ended June 30, 2016. The key factor in the decrease was from the disposal of leasehold improvements from not continuing the Sally Potter lease.

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 42 through 56 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 41 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 57 and 58 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 \$42,861,292 at June 30, 2016.

A large portion of SEDOL's net position (\$33,186,819) 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 (\$959,493) 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	
	6/30/2016	6/30/2015
Assets		
Current and Other Assets	\$ 26,098,040	\$ 23,288,165
Long-Term Assets Outstanding	4,780,000	5,470,928
Capital Assets	33,600,992	37,274,609
Total Assets	\$ 64,479,032	\$ 66,033,702
Deferred Outflows of Resources		
Defeasance Asset, net of amortization	\$ 445,065	\$ 480,671
Pension Expense/Revenue	6,182,555	3,372,373
Total Deferred Outflows of Resources	\$ 6,627,620	\$ 3,853,044
Liabilities		
Other Liabilities	\$ 9,831,164	\$ 9,093,101
Long-Term Liabilities Outstanding	15,801,662	11,454,066
Total Liabilities	\$ 25,632,826	\$ 20,547,167
Deferred Inflows of Resources		
Unavailable Revenue - Grants	\$ -	\$ 219,521
Unavailable Revenue - Billings	76,333	-
Pension Expense/Revenue	2,536,201	3,339,125
Total Deferred Inflows of Resources	\$ 2,612,534	\$ 3,558,646
Net Position		
Invested in Capital Assets, net of related debt	\$ 33,186,819	\$ 36,827,302
Restricted	959,493	1,068,117
Unrestricted	8,714,980	7,885,514
Total Net Position	\$ 42,861,292	\$ 45,780,933

Governmental activities - Governmental activities decrease net position by (\$2,919,641). Key elements of this increase are as follows:

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

	Governmental Activities	
	FY 2016	FY 2015
Revenues:		
Program Revenues		
Charges for Services	\$ 38,842,092	\$ 42,572,509
Operating Grants and Contributions	36,779,006	38,410,386
General Revenues:		
Unrestricted Investment Earnings	33,062	22,053
Gain/(Loss) on Sale of Capital Assets	(3,412,804)	-
Total Revenues	\$ 72,241,356	\$ 81,004,948
Expenses:		
Instruction	\$ 25,875,825	\$ 27,581,401
Support Services	25,613,059	27,051,965
Payments to Other Districts and Governmental Units	9,456,563	8,580,971
Interest and Fees on Long-Term Debt	189,612	1,009,476
On-Behalf Retirement Contributions	13,002,192	12,879,115
Depreciation - Unallocated	1,023,746	1,166,784
Total Expenses	\$ 75,160,997	\$ 78,269,712
Increase/(Decrease) in Net Position	\$ (2,919,641)	\$ 2,735,236
Net Position - Beginning	45,780,933	49,554,183
Net Position Adjustment	-	(6,508,486)
Net Position - Ending	\$ 42,861,292	\$ 45,780,933

- Charges for Services decreased in the current year mainly due to a significant decrease in the amount of interest and fees on long-term debt in comparison to the prior year. In the previous year some schools paid the new debt in full when the bonds were reissued. The District also saw a decrease in support service revenue. The revenue from support services comes from what other districts request from SEDOL. The other Districts asked for less staff in the current fiscal year.
- Operating Grants and Contributions decreased mainly due to a decrease in grant revenue.
- There was a loss on the capital assets due to disposal of leasehold improvements from not continuing the Sally Potter lease.
- Total expenses decreased due to a decrease in salaries as a result of an overall reduction in staff.

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 \$805,317 which was lower than in the prior year. This was mainly due to a \$2,000,000 transfer to the Operations and Maintenance Fund and a \$400,000 transfer to the Transportation Fund.

The Operations and Maintenance Fund's fund balance increased by \$1,824,692, which was a higher increase than the previous year. This was mainly due to the \$2,000,000 transfer from the General Fund.

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

The Transportation Fund's fund balance increased by \$199,470 which was higher than the previous year because of the \$400,000 transfer from the General Fund.

The Illinois Municipal Retirement/Social Security Fund's fund balance decreased by (\$186,867). 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 (\$128,002). This is consistent with the previous year.

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 \$5,061,291 (favorable). The majority of this difference was due to the On-Behalf payments being nearly twice as much as the budgeted amount.
- The difference between the estimated expenditures and the actual expenditures was (\$2,637,974) (unfavorable). The difference is primarily due to the On-Behalf payments being much higher than projected.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - SEDOL's investment in capital assets for its governmental activities as of June 30, 2016 amounts to (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 decrease in SEDOL's investment in capital assets for the year ended June 30, 2016 was 10% and was largely due to not continuing the Sally Potter School lease as noted below.

Major capital asset events during the year ended June 30, 2016 included the following:

- Disposal of leasehold improvements from not continuing the Sally Potter lease - \$3,834,611
- Continued construction projects (net of projects placed into service) - \$331,739

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

	Governmental Activities	
	6/30/2016	6/30/2015
Land	\$ 1,260,625	\$ 1,260,625
Construction in Progress	584,560	252,821
Buildings	31,080,043	34,995,910
Improvements Other than Buildings	345,952	389,355
Vehicles	28,402	50,143
Equipment Other than Transportation/Food Service	301,410	325,755
Total	<u>\$ 33,600,992</u>	<u>\$ 37,274,609</u>

Additional information on SEDOL's capital assets can be found in note 6 on page 25 of this report.

Long-term debt - At June 30, 2016, SEDOL had total debt outstanding of \$5,194,173.

Special Education District of Lake County's Outstanding Debt

	Governmental Activities	
	6/30/2016	6/30/2015
Special Education Bonds	\$ 4,780,000	\$ 5,435,000
Unamortized Bond Premium	414,173	447,307
Total	<u>\$ 5,194,173</u>	<u>\$ 5,882,307</u>

Significant debt activity for the year ended June 30, 2016 was as follows:

- Principal payments on all debt were \$655,000.

Additional information on SEDOL's long-term debt can be found in note 7 on pages 25 and 26 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Expenses in the Operations & Maintenance Fund are expected to increase in the 2016 – 2017 fiscal year, as the District will be continuing a multi-year campus road improvement and maintenance garage project.
- 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 2015 – 2016.

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, 2016

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 12,876,257
Investments, at Fair Value	6,481,690
Tuition Billing Receivable, net of allowance of \$0	315,963
Assessment and Contractual Billings Receivable, net of allowance of \$0	1,913,529
Miscellaneous Billings Receivable, net of allowance of \$0	18,320
Due from Other Governments, net of allowance of \$0	4,400,250
Prepaid Expenses	42,656
Interest Receivable	49,375
Notes Receivable (Note 5)	4,780,000
Capital Assets (Note 6):	
Land	1,260,625
Construction in Progress	584,560
Depreciable Buildings, Property, and Equipment, net of depreciation	31,755,807
Total Assets	\$ 64,479,032
DEFERRED OUTFLOWS OF RESOURCES	
Defeasance Asset, net of amortization	\$ 445,065
Pension Expense/Revenue - IMRF	5,810,200
Pension Expense/Revenue - TRS	372,355
Total Deferred Outflows of Resources	\$ 6,627,620
LIABILITIES	
Accounts Payable and Accrued Expenses	\$ 2,534,423
Payroll Liabilities	5,714,863
Employee Health Insurance Account Liability	1,534,795
Flexible Spending Account Liability	47,083
Net Pension Liability - IMRF	6,918,048
Net Pension Liability - TRS	3,500,293
Net OPEB Obligation	58,551
Non-Current Liabilities	
Due Within One Year	693,134
Due in More Than One Year	4,631,636
Total Liabilities	\$ 25,632,826
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Billings	\$ 76,333
Pension Expense/Revenue - TRS	2,536,201
Total Deferred Inflows of Resources	\$ 2,612,534
NET POSITION	
Net Investment in Capital Assets	\$ 33,186,819
Restricted for:	
Grants and Contributions	929,295
Capital Projects	30,198
Unrestricted/(Deficit)	8,714,980
Total Net Position	\$ 42,861,292

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, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction					
Special Education Programs	\$ 21,714,954	\$ 15,949,881	\$ 5,931,400	\$ -	\$ 166,327
Other Instructional Programs	4,160,871	3,086,667	718,821	-	(355,383)
Support Services					
Pupils	14,895,501	12,133,993	4,928,011	-	2,166,503
Instructional Staff	746,000	429,039	595,962	-	279,001
General Administration	1,862,849	1,072,500	495,091	-	(295,258)
School Administration	2,672,235	1,565,031	601,810	-	(505,394)
Business	741,008	438,880	385,170	-	83,042
Facilities Acquisition and Construction	50,000	28,487	116,906	-	95,393
Operations and Maintenance	2,584,841	2,691,895	102,029	-	209,083
Transportation	1,049,726	5,351	835,111	-	(209,264)
Food Services	182,055	124,004	194,473	-	136,422
Central	828,430	475,048	398,990	-	45,608
Other Support Services	414	-	-	-	(414)
Payments to Other Districts and Governmental Units	9,456,563	-	8,473,040	-	(983,523)
Interest and Fees on Long-Term Debt	189,612	841,316	-	-	651,704
On-Behalf Retirement Contributions	13,002,192	-	13,002,192	-	-
Depreciation - Unallocated	1,023,746	-	-	-	(1,023,746)
Total Governmental Activities	<u>\$ 75,160,997</u>	<u>\$ 38,842,092</u>	<u>\$ 36,779,006</u>	<u>\$ -</u>	<u>\$ 460,101</u>
General Revenues					
Unrestricted Investment Earnings					\$ 33,062
Gain/(Loss) on Sale of Capital Assets					(3,412,804)
Total General Revenues					<u>\$ (3,379,742)</u>
Change in Net Position					\$ (2,919,641)
Net Position - July 1, 2015					<u>45,780,933</u>
Net Position - June 30, 2016					<u>\$ 42,861,292</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, 2016

	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	\$ 6,720,692	\$ 3,629,328	\$ 166,559	\$ 373,928	\$ 1,887,716	\$ 98,034	\$ 12,876,257
Investments, at Fair Value	6,481,690	-	-	-	-	-	6,481,690
Tuition Billing Receivable, net of allowance of \$0	315,963	-	-	-	-	-	315,963
Assessment and Contractual Billings Receivable, net of allowance of \$0	1,913,529	-	-	-	-	-	1,913,529
Miscellaneous Billings Receivable, net of allowance of \$0	6,179	2,823	-	6,724	2,594	-	18,320
Due from Other Governments, net of allowance of \$0	4,190,655	-	-	209,595	-	-	4,400,250
Deposits							
Prepaid Payroll Deductions	33,804	-	-	-	-	-	33,804
Prepaid Expenses	8,852	-	-	-	-	-	8,852
Total Assets	\$ 19,671,364	\$ 3,632,151	\$ 166,559	\$ 590,247	\$ 1,890,310	\$ 98,034	\$ 26,048,665
DEFERRED OUTFLOWS OF RESOURCES							
Medicaid Fee for Service Flow Thru Payments Payable	\$ 438,941	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 438,941
Other Accounts Payable	23,686	-	-	-	-	-	23,686
Total Deferred Outflows of Resources	\$ 462,627	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 462,627
Total Assets and Deferred Outflows of Resources	\$ 20,133,991	\$ 3,632,151	\$ 166,559	\$ 590,247	\$ 1,890,310	\$ 98,034	\$ 26,511,292
LIABILITIES							
Current Liabilities							
Accounts Payable and Accrued Expenses	\$ 2,079,421	\$ 361,786	\$ -	\$ 82	\$ -	\$ 43,759	\$ 2,485,048
Payroll Liabilities	5,504,795	-	-	5,000	205,068	-	5,714,863
Employee Health Insurance Account Liability	1,534,795	-	-	-	-	-	1,534,795
Flexible Spending Account Liability	47,083	-	-	-	-	-	47,083
Total Current Liabilities	\$ 9,166,094	\$ 361,786	\$ -	\$ 5,082	\$ 205,068	\$ 43,759	\$ 9,781,789
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue - Grants	\$ 555,723	\$ -	\$ -	\$ -	\$ 76,333	\$ -	\$ 632,056
Total Deferred Inflows of Resources	\$ 555,723	\$ -	\$ -	\$ -	\$ 76,333	\$ -	\$ 632,056
FUND BALANCE							
Nonspendable							
Prepaid Expenses	\$ 8,852	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,852
Restricted							
Grants and Contributions	929,295	-	-	-	-	-	\$ 929,295
Capital Projects	-	-	-	-	-	30,198	30,198
Assigned							
Operations and Maintenance	-	3,270,365	-	-	-	-	3,270,365
Debt Service	-	-	166,559	-	-	-	166,559
Transportation	-	-	-	585,165	-	-	585,165
Illinois Municipal Retirement	-	-	-	-	1,608,909	-	1,608,909
Capital Projects	-	-	-	-	-	24,077	24,077
Unassigned	9,474,027	-	-	-	-	-	9,474,027
Total Fund Balance	\$ 10,412,174	\$ 3,270,365	\$ 166,559	\$ 585,165	\$ 1,608,909	\$ 54,275	\$ 16,097,447
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 20,133,991	\$ 3,632,151	\$ 166,559	\$ 590,247	\$ 1,890,310	\$ 98,034	\$ 26,511,292

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, 2016

Total Fund Balances - Governmental Funds	\$	16,097,447
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	\$ 48,471,994	
Accumulated Depreciation on Capital Assets	<u>(14,871,002)</u>	33,600,992
Deferred pension costs in governmental activities are not financial resources and therefore are not reported in the funds		
Pension Expense/Revenue - IMRF	\$ 5,810,200	
Pension Expense/Revenue - TRS	<u>(2,163,846)</u>	3,646,354
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	\$ 49,375	
Notes Receivable	4,780,000	
State & Federal Aid Receivable	555,723	
Medicaid Fee for Service Flow Thru Payments Payable	(438,941)	
Other Accounts Payable	<u>(23,686)</u>	4,922,471
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	\$ 445,065	
Bond Premiums, net of related amortization	<u>(414,173)</u>	30,892
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Bonds Payable	\$ (4,780,000)	
Accrued Interest	(49,375)	
Compensated Absences Payable	(130,597)	
Net Pension Liability - IMRF	(6,918,048)	
Net Pension Liability - TRS	(3,500,293)	
Net OPEB Obligation	<u>(58,551)</u>	<u>(15,436,864)</u>
Net Position of Governmental Activities	\$	<u><u>42,861,292</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
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2016

	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	\$ 26,981,622	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,981,622
Earnings on Investments	24,616	3,686	409	539	3,604	208	33,062
Food Service	20,281	-	-	-	-	-	20,281
District/School Activity Income	4,420	-	-	-	-	-	4,420
Other Local Sources	7,106,908	2,593,196	841,316	-	1,447,932	-	11,989,352
State Aid	4,234,756	-	-	835,111	-	112,360	5,182,227
Federal Aid	18,313,496	-	-	-	-	-	18,313,496
On-Behalf Payments	13,002,192	-	-	-	-	-	13,002,192
	<u>\$ 69,688,291</u>	<u>\$ 2,596,882</u>	<u>\$ 841,725</u>	<u>\$ 835,650</u>	<u>\$ 1,451,536</u>	<u>\$ 112,568</u>	<u>\$ 75,526,652</u>
EXPENDITURES							
Current							
Instruction							
Special Education Programs	\$ 20,703,354	\$ -	\$ -	\$ -	\$ 589,102	\$ -	\$ 21,292,456
Other Instructional Programs	3,889,396	-	-	-	127,732	-	4,017,128
Support Services							
Pupils	13,627,634	-	-	-	645,679	-	14,273,313
Instructional Staff	701,450	-	-	-	20,226	-	721,676
General Administration	1,799,737	-	-	-	32,424	-	1,832,161
School Administration	2,624,518	-	-	-	47,990	-	2,672,508
Business	666,890	-	-	-	40,544	-	707,434
Facilities Acquisition and Construction	-	-	-	-	-	50,000	50,000
Operations and Maintenance	60,123	2,271,901	-	-	111,682	-	2,443,706
Transportation	-	-	-	1,036,180	6,055	-	1,042,235
Food Services	182,055	-	-	-	-	-	182,055
Central	790,516	-	-	-	16,969	-	807,485
Other Support Services	414	-	-	-	-	-	414
Payments to Other Districts and Governmental Units	8,362,622	-	-	-	-	-	8,362,622
Debt Service							
Principal	-	-	655,000	-	-	-	655,000
Interest and Fees	-	-	187,141	-	-	-	187,141
Capital Outlay	72,073	500,289	-	-	-	190,570	762,932
On-Behalf Payments	13,002,192	-	-	-	-	-	13,002,192
	<u>\$ 66,482,974</u>	<u>\$ 2,772,190</u>	<u>\$ 842,141</u>	<u>\$ 1,036,180</u>	<u>\$ 1,638,403</u>	<u>\$ 240,570</u>	<u>\$ 73,012,458</u>
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 3,205,317	\$ (175,308)	\$ (416)	\$ (200,530)	\$ (186,867)	\$ (128,002)	\$ 2,514,194
OTHER FINANCING SOURCES (USES)							
Interfund Transfers	(2,400,000)	2,000,000	-	400,000	-	-	-
NET CHANGE IN FUND BALANCES	\$ 805,317	\$ 1,824,692	\$ (416)	\$ 199,470	\$ (186,867)	\$ (128,002)	\$ 2,514,194
FUND BALANCES - JULY 1, 2015	9,606,857	1,445,673	166,975	385,695	1,795,776	182,277	13,583,253
FUND BALANCES - JUNE 30, 2016	<u>\$ 10,412,174</u>	<u>\$ 3,270,365</u>	<u>\$ 166,559</u>	<u>\$ 585,165</u>	<u>\$ 1,608,909</u>	<u>\$ 54,275</u>	<u>\$ 16,097,447</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, 2016

Net Change in Fund Balances - Total Governmental Funds \$ 2,514,194

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	\$ (1,023,746)	
Capital Outlays	<u>762,932</u>	(260,814)

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	\$ (3,440,675)	
Proceeds from Sale of Fixed Assets	<u>27,871</u>	(3,412,804)

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	\$ 127,505	
Medicaid Fee for Service Flow Thru Payments	(438,941)	
Other Accounts Payable	<u>(23,686)</u>	(335,122)

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)	
Change in Net Other Post Employment Benefit Asset	(23,196)	
Pension Expense	(3,214,648)	
Compensated Absences	<u>8,967</u>	(3,231,348)

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		(655,000)
------------------	--	-----------

Employer Pension 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.

1,806,253

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>655,000</u>
-----------------------------	--	----------------

Change in Net Position of Governmental Activities		<u>\$ (2,919,641)</u>
---	--	-----------------------

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

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY
SEJA DISTRICT NO. 825
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016:

<u>DISTRICT NO.</u>	
1	Winthrop Harbor
3	Beach Park Community Consolidated
6	Zion Elementary
24	Millburn Community Consolidated
33	Emmons
34	Antioch Community Consolidated
36	Grass Lake
37	Gavin
38	Big Hollow
41	Lake Villa Community Consolidated
46	Grayslake Community Consolidated
50	Woodland Community Consolidated
56	Gurnee
68	Oak Grove
70	Libertyville Elementary
72	Rondout
73	Hawthorn
75	Mundelein
76	Diamond Lake
79	Fremont Center
102	Aptakisic-Tripp
114	Fox Lake Elementary
116	Round Lake Unit School District
117	Community High School
118	Wauconda Community Unit School District
120	Mundelein Community High School
121	Warren Township High School
124	Grant Township High School
126	Zion-Benton Township High School
127	Grayslake High School
128	Libertyville Community High School
187	North Chicago School District

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)

NOTE 1 - DESCRIPTION OF JOINT AGREEMENT (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.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 Statement No. 14, *The Financial Reporting Entity*, 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. *Basis of Accounting* (Continued)

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.

No SEDOL fund had a cash overdraft at June 30, 2016.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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:

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. *Government-Wide Fund Net Position (Continued)*

- 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 Director of Business Services 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 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. *Governmental Fund Balances* (Continued)

- 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, 2016, SEDOL had the following investments and maturities:

Investment	Fair Value	Investment Maturities (in Years)
		Less than 1
State Investment Pool - ISDLAF	\$ 6,628,970	\$ 6,628,970

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, 2016, 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - FAIR VALUE MEASUREMENT (Continued)

The District has the following recurring fair value measurements as of June 30, 2016.

- State Investment Pools of \$6,628,970 are valued using quoted market prices (level 1 inputs)

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, 2016, the balance due on these notes was \$4,780,000.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Additions	Deletions	Adjustment	Balance June 30, 2016
Governmental Activities					
Capital Assets not being depreciated					
Land	\$ 1,260,625	\$ -	\$ -	\$ -	\$ 1,260,625
Construction in Progress	252,821	584,560	252,821	-	584,560
Total Capital Assets not being depreciated	<u>\$ 1,513,446</u>	<u>\$ 584,560</u>	<u>\$ 252,821</u>	<u>\$ -</u>	<u>\$ 1,845,185</u>
Other Capital Assets					
Buildings	\$ 45,988,205	\$ 359,121	\$ 3,834,611	\$ -	\$ 42,512,715
Improvements Other than Buildings	1,157,683	-	-	-	1,157,683
Vehicles	374,917	-	-	-	374,917
Equipment Other than Transportation/Food Service	2,538,583	72,073	40,392	11,230	2,581,494
Total Other Capital Assets at Historical Cost	<u>\$ 50,059,388</u>	<u>\$ 431,194</u>	<u>\$ 3,875,003</u>	<u>\$ 11,230</u>	<u>\$ 46,626,809</u>
Less Accumulated Depreciation					
Buildings	\$ 10,992,295	\$ 862,184	\$ 421,807	\$ -	\$ 11,432,672
Improvements Other than Buildings	768,328	43,403	-	-	811,731
Vehicles	324,774	21,741	-	-	346,515
Equipment Other than Transportation/Food Service	2,212,828	96,418	40,392	11,230	2,280,084
Total Accumulated Depreciation	<u>\$ 14,298,225</u>	<u>\$ 1,023,746</u>	<u>\$ 462,199</u>	<u>\$ 11,230</u>	<u>\$ 14,871,002</u>
Other Capital Assets, Net	<u>\$ 35,761,163</u>	<u>\$ (592,552)</u>	<u>\$ 3,412,804</u>	<u>\$ -</u>	<u>\$ 31,755,807</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 37,274,609</u></u>	<u><u>\$ (7,992)</u></u>	<u><u>\$ 3,665,625</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 33,600,992</u></u>

All depreciation expense is unallocated.

NOTE 7 - LONG-TERM LIABILITY ACTIVITY

Long-term liability activity for the year ended June 30, 2016 was as follows:

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - LONG-TERM LIABILITY ACTIVITY (Continued)

	Balance			Balance	Amounts
	July 1, 2015	Additions	Reductions	June 30, 2016	Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
Special Education Refunding Bonds					
Series 2015A	\$ 590,000	\$ -	\$ 590,000	\$ -	\$ -
Special Education Refunding Bonds					
Series 2015B	4,845,000	-	65,000	4,780,000	660,000
Unamortized Bond Premium	447,307	-	33,134	414,173	33,134
Total Bonds and Notes Payable	<u>\$ 5,882,307</u>	<u>\$ -</u>	<u>\$ 688,134</u>	<u>\$ 5,194,173</u>	<u>\$ 693,134</u>
Other Long -Term Liabilities					
Compensated Absences	\$ 139,564	\$ -	\$ 8,967	\$ 130,597	\$ -
Total Other Long-Term Liabilities	<u>\$ 139,564</u>	<u>\$ -</u>	<u>\$ 8,967</u>	<u>\$ 130,597</u>	<u>\$ -</u>
Governmental Activities Long-Term Obligations	<u>\$ 6,021,871</u>	<u>\$ -</u>	<u>\$ 697,101</u>	<u>\$ 5,324,770</u>	<u>\$ 693,134</u>

Bonds and notes payable consisted of the following at June 30, 2016:

	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	4,780,000

At June 30, 2016 the annual debt service requirements to service all long-term debt are:

Year Ending June 30	Principal	Interest	Total
2017	\$ 660,000	\$ 187,600	\$ 847,600
2018	660,000	164,500	824,500
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>\$ 4,780,000</u>	<u>\$ 1,027,400</u>	<u>\$ 5,807,400</u>

NOTE 8 - DEFICIT FUND BALANCE

No SEDOL fund had a deficit fund balance at June 30, 2016.

NOTE 9 - EXCESS OF EXPENDITURES OVER BUDGET

For the year ended June 30, 2016, the expenditures of the following fund exceeded the budget.

Fund	Budget	Actual	Excess of Actual Over Over Budget
Education Fund	63,845,000	66,482,974	(2,637,974)

NOTES TO FINANCIAL STATEMENTS (Continued)

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, 2016 is \$421,684.

Annual requirements to cover outstanding lease agreements are:

<u>Year Ending June 30</u>	<u>Total Payments</u>
2017	\$ 256,922
2018	161,887
2019	2,875
	<u>\$ 421,684</u>

Total rental expense for lease agreements for the year ended June 30, 2016 was \$312,607.

SEDOL is also the lesser in several lease agreements for facilities usage. The balance due on these leases at June 30, 2016 is \$53,767.

Annual income from outstanding leases are:

<u>Year Ending June 30</u>	<u>Total Payments</u>
2017	\$ 53,767

Total rental income for lease agreements for the year ended June 30, 2016 was \$53,676.

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://trs.illinois.gov/pubs/cafr>; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling (888) 877-0890, option 2.

○ **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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - RETIREMENT FUND COMMITMENTS (Continued)

A. *Teachers' Retirement System of the State of Illinois* (Continued)

➤ **General Information About the Pension Plan** (Continued)

○ **Benefits Provided** (Continued)

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 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.

○ **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, 2016 was 9.4% 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, 2016, 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 \$12,787,929 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, 2016 were \$116,143, and are deferred because they were paid after the June 30, 2015 measurement date.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - RETIREMENT FUND COMMITMENTS (Continued)

A. *Teachers' Retirement System of the State of Illinois* (Continued)

➤ **General Information About the Pension Plan** (Continued)

○ **Contributions** (Continued)

▪ **Federal and Special Trust Fund Contributions**

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

For the year ended June 30, 2016, the District pension contribution was 36.06% of salaries paid from federal and special trust funds. For the year ended June 30, 2016, salaries totaling \$81,873 were paid from federal and special trust funds that required District contributions of \$29,523. These contributions are deferred because they were paid after the June 30, 2015 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 Early Retirement Option (ERO). The payments vary depending on the member's age and salary. The maximum employer ERO contribution under the current program is 146.5% and applies when the member is age 55 at retirement. For the year ended June 30, 2016, the District paid \$0 to TRS for employer ERO contributions.

The employer is also required to make a one-time contribution to TRS for members granted salary increases over 6% 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, 2016, the District paid \$286 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, 2016, the District reported a liability for its proportionate share of the net pension liability (first amount shown below) that reflected a reduction for state pension support provided to the District. The State's support and total are for disclosure purposes only. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - RETIREMENT FUND COMMITMENTS (Continued)

A. *Teachers' Retirement System of the State of Illinois* (Continued)

➤ **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

SEDOL's proportionate share of the net pension liability	\$ 3,500,293
State's proportionate share of the net pension liability associated with SEDOL	156,086,583
Total Net Pension Liability	<u>\$ 159,586,876</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 and rolled forward to June 30, 2015. 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, 2015, relative to the projected contributions of all participating TRS employers and the State during that period. At June 30, 2015, the District's proportion was 0.0053431%, which was an increase of 0.0002114% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$12,787,929 and revenue of \$12,787,929 for support provided by the State. At June 30, 2016, 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	\$ 1,301	\$ 3,837	\$ (2,536)
Net difference between projected and actual earnings on pension investments	69,321	122,569	(53,248)
Assumption changes	48,405	-	48,405
Changes in proportion and differences between employer contributions and proportionate share of contributions	107,662	2,409,796	(2,302,134)
Employer contributions subsequent to the measurement date	145,666	-	145,666
	<u>\$ 372,355</u>	<u>\$ 2,536,202</u>	<u>\$ (2,163,847)</u>

\$145,666 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2017	\$ (756,744)
2018	(756,744)
2019	(756,744)
2020	(39,280)
2021	0
	<u>\$ (2,309,512)</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - RETIREMENT FUND COMMITMENTS (Continued)

A. *Teachers' Retirement System of the State of Illinois* (Continued)

➤ **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

○ **Actuarial Assumptions**

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	varies by amount of service credit
Investment Rate of Return	7.5%, 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 actuarial assumptions for the years ended June 30, 2015 and 2014 were different. The actuarial assumptions used in the June 30, 2015 valuation were based on the 2015 actuarial experience analysis. The investment return assumption remained at 7.5%, salary increase assumptions were lowered, retirement rates were increased, mortality updates were made and other assumptions were revised. The actuarial assumptions used in the June 30, 2014 valuation were based on updates to economic assumptions adopted in 2014 which lowered the investment return assumption from 8.0% to 7.5%. The salary increase and inflation assumptions were also lowered from their 2013 levels.

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	18.0%	7.53%
Global equity excluding U.S.	18.0%	7.88%
Aggregate bonds	16.0%	1.57%
U.S. TIPS	2.0%	2.82%
NCREIF	11.0%	5.11%
Opportunistic real estate	4.0%	9.09%
ARS	8.0%	2.57%
Risk Parity	8.0%	4.87%
Diversified inflation strategy	1.0%	3.26%
Private Equity	14.0%	12.33%
Total	100.0%	

NOTE 11 - RETIREMENT FUND COMMITMENTS (Continued)

A. *Teachers' Retirement System of the State of Illinois* (Continued)

➤ **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

○ **Discount Rate**

At June 30, 2015, the discount rate used to measure total pension liability was a blended rate of 7.47%, which was a change from the June 30, 2014 rate of 7.50%. 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, 2015 was not projected to be available to make all projected future benefit payments of current active and inactive members and all benefit recipients. Tier I's liability is partially funded by Tier II members, as the Tier II member contribution is higher than the cost of Tier II benefits. Due to this subsidy, contributions from future members in excess of the service cost are also included in the determination of the discount rate. Despite the subsidy, all projected future payments were not covered, so a slightly lower long-term expected rate of return on TRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

At June 30, 2014, the discount rate used to measure the total pension liability was 7.50%. The discount rate was the same as the actuarially-assumed rate of return on investments that year because TRS's fiduciary net position and the subsidy provided by Tier II were sufficient to cover all projected benefit payments.

○ **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 7.47%, 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 (6.47%) or 1-percentage-point-higher (8.47%) than the current rate.

	1% Decrease 6.47%	Current Discount Rate 7.47%	1% Increase 8.47%
Employer's proportionate share of the net pension liability	\$ 4,325,504	\$ 3,500,293	\$ 2,823,598

○ **TRS Fiduciary Net Position**

Detailed information about the TRS's fiduciary net position as of June 30, 2015 is available in the separately issued TRS Comprehensive Annual Financial Report.

NOTE 11 - RETIREMENT FUND COMMITMENTS (Continued)

B. *Illinois Municipal Retirement Fund*

➤ **Plan Description**

SEDOL'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. That report may be obtained on-line 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 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - RETIREMENT FUND COMMITMENTS (Continued)

B. *Illinois Municipal Retirement Fund* (Continued)

➤ **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, 2015, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	228
Inactive plan members entitled to but not yet receiving benefits	588
Active plan members	<u>385</u>
Total	<u><u>1,201</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 2015 was 12.39%. For the fiscal year ended June 30, 2016, the District contributed \$1,631,752 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, 2015, calculated in accordance with GASB Statement No. 68, were as follows:

Total Pension Liability	\$ 64,129,218
IMRF Fiduciary Net Position	57,211,170
SEDOL's Net Pension Liability/(Asset)	6,918,048
IMRF Fiduciary Net Position as a Percentage of the Total Pension Liability	89.21%

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, 2015 using the following actuarial methods and assumptions.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - RETIREMENT FUND COMMITMENTS (Continued)

B. *Illinois Municipal Retirement Fund* (Continued)

➤ **Actuarial Assumptions** (Continued)

Actuarial Cost Method Assumptions	Entry Age Normal
Inflation	3.50%
Price Inflation	2.75%
Salary Increases	3.75% to 14.50% including inflation
Interest Rate	7.50%
Asset Valuation Method	Market value of assets
Projected Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.

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

➤ **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:

Asset Class	Target Allocation	Projected Return
Equities	38.0%	7.39%
International Equities	17.0%	7.59%
Fixed Income	27.0%	3.00%
Real Estate	8.0%	6.00%
Alternatives	9.0%	
Private Equity		8.15%
Hedge Funds		5.25%
Commodities		2.75%
Cash	1.0%	2.25%
	100.0%	

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - RETIREMENT FUND COMMITMENTS (Continued)

B. *Illinois Municipal Retirement Fund* (Continued)

➤ **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
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 3.57%; and resulting single discount rate is 7.50%.

➤ **Discount Rate Sensitivity**

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the District calculated using the discount rate of 7.50% as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability/(Asset)	\$ 15,517,495	\$ 6,918,048	\$ (78,905)

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

For the year ended June 30, 2016, the District recognized pension expense of \$3,676,612. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - RETIREMENT FUND COMMITMENTS (Continued)

B. *Illinois Municipal Retirement Fund (Continued)*

➤ **Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
Expense in Future Periods			
Differences between expected and actual experience	\$ 334,916	\$ -	\$ 334,916
Assumption changes	966,370	-	966,370
Net difference between projected and actual earnings on pension investment	<u>3,660,356</u>	<u>-</u>	<u>3,660,356</u>
Total deferred amounts to be recognized in pension expense in future periods	\$ 4,961,642	\$ -	\$ 4,961,642
Pension contributions made subsequent to the measurement date	848,558	-	848,558
Total deferred amounts related to pensions	<u>\$ 5,810,200</u>	<u>\$ -</u>	<u>\$ 5,810,200</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
2016	\$ 1,833,872
2017	1,348,519
2018	978,120
2019	801,131
2020	-
Thereafter	-
	<u>\$ 4,961,642</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)*

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - POST EMPLOYMENT BENEFIT COMMITMENTS (Continued)

A. *Teacher Health Insurance Security Fund (THIS) (Continued)*

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of the THIS Fund and amendments to the plan can be made only by legislative action with the Governor’s approval. The Plan is administered by the Illinois Department of Central Management Services (CMS) with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to TRS who are not employees of the state to make a contribution to the THIS Fund.

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

➤ **On behalf contributions to the THIS Fund**

State of Illinois makes employer retiree health insurance contributions on behalf of the District. State contributions are intended to match contributions to the THIS Fund from active members which were 1.07% of pay during the year ended June 30, 2016. State of Illinois contributions were \$214,263, and the District recognized revenue and expenditures of this amount during the year.

➤ **Employer contributions to the THIS Fund**

District also makes contributions to the THIS Fund. The District THIS Fund contribution was 0.80% during the year ended June 30, 2016. For the year ended June 30, 2016, the District paid \$160,197 to the THIS Fund, which was 100% of the required contribution.

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

B. *Retiree Paid Insurance*

➤ **Plan Overview**

SEDOL provides post-employment benefits other than pensions (“OPEB”) to employees who retire directly from SEDOL and who meet certain criteria. SEDOL has elected to prospectively implement GASB 45 for reporting of this liability. The Plan, a single-employer defined benefit plan, provides medical, prescription drug, dental, and vision insurance benefits to retirees. Participants in the plan must contribute 100% of the premium level to participate in the plan. Premiums are based on expected experience for active and retiree populations. Retirees are eligible to continue coverage for life. To be eligible, the employee must be enrolled in the active medical plan immediately prior to retiring and not be enrolled in the TRS medical plan. If the participant is not a teacher, they become eligible to retire and receive medical coverage as of 55 years of age and eight years of service. The Plan does not issue a stand-alone financial report.

Membership in the Plan consisted of the following at July 1, 2014 (the date of the latest actuarial valuation):

Active Participants	365
Retirees	11
Total	<u>376</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - POST EMPLOYMENT BENEFIT COMMITMENTS (Continued)

B. *Retiree Paid Insurance* (Continued)

➤ **Funding Policy**

The required contribution is based on projected pay-as-you-go financing requirements.

➤ **Annual OPEB Cost and Net OPEB Obligation**

SEDOL’s annual OPEB cost (expense) is calculated based on annual required contributions (ARC) of SEDOL, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement No. 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period of 30 years. The following shows the components of SEDOL’s annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in SEDOL’s net OPEB obligation to the plan:

Annual required contribution	\$ 93,437
Annual OPEB cost (expense)	<u>\$ 93,437</u>
Contributions made	<u>70,241</u>
Increase/(Decrease) in net OPEB obligation	\$ 23,196
Net OPEB (asset)/obligation - beginning of year	35,355
Net OPEB (asset)/obligation - end of year	<u><u>\$ 58,551</u></u>

SEDOL’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year are as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB (Asset)/ Obligation	Annual Required Contribution	Percentage of ARC Contributed
6/30/2016 (1)	\$ 93,437	\$ 70,241	75.2%	\$ 58,551	\$ 94,706	74.2%
6/30/2015	103,913	68,558	66.0%	58,551	103,913	66.0%

(1) Estimated

➤ **Funded Status and Funding Progress**

The Schedule of Funding Progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

➤ **Actuarial Assumptions and Methods**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

The following includes actuarial assumptions and methods:

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - POST EMPLOYMENT BENEFIT COMMITMENTS (Continued)

B. *Retiree Paid Insurance* (Continued)

➤ **Actuarial Assumptions and Methods** (Continued)

Actuarial Cost Method	Entry Age Normal
Amortization Period	Level percentage of pay, open
Remaining Amortization Period	4 years for Administration; 30 Years for IMRF employees
Asset Valuation Method	Market
Discount Rate, Includes Inflation at 4%	4%
Projected Salary Increases	4%
Healthcare Inflation Rate	7.8% initial, 8% per year graded down to 4.5% per year ultimate trend in 0.5% increments
Mortality	Same rates used for IMRF
Percentage of Active Employees Assumed to Elect Benefit	100% - Admin, 25% - Other

NOTE 13 - INTERFUND TRANSFERS

SEDOL made the following interfund transfers during the year ended June 30, 2016:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
General Fund	Transportation Fund	\$ 400,000
General Fund	Operations & Maintenance Fund	2,000,000

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 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,

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 14 - RISK MANAGEMENT (Continued)

and establishes reasonable and necessary loss of reduction and prevention procedures to be followed by the members.

During the year ended June 30, 2016, 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, 2016, there were no significant adjustments in premiums based on actual experience.

NOTE 15 - CONSTRUCTION COMMITMENTS

The District has a large on-going construction project which is estimated to cost \$1,439,762. As of June 30, 2016 approximately \$584,560 has been paid.

NOTE 16 - SELF INSURANCE

SEDOL is self-insured for medical and dental 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 and dental 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, 2016 was \$5,651,174.

NOTE 17 - CONTINGENCIES

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

NOTE 18 - CHANGE IN ACCOUNTING PRINCIPLE

Effective in the year ended June 30, 2016, SEDOL has implemented GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement further clarifies how the fair value is determined for assets and liabilities. The Statement also requires additional disclosures about the fair value measurement of the investments held by the District (see Note 4).

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, 2016

	<u>6/30/2016 *</u>	<u>6/30/2015 *</u>
TOTAL PENSION LIABILITY		
Service Cost	\$ 1,447,896	\$ 1,574,820
Interest	4,466,581	4,004,483
Differences Between Expected and Actual Experience	410,338	131,259
Changes in Assumptions	-	2,392,852
Benefit Payments, Including Refunds of Member Contributions	<u>(2,052,129)</u>	<u>(1,705,156)</u>
Net Change in Total Pension Liability	\$ 4,272,686	\$ 6,398,258
Total Pension Liability - Beginning	<u>59,856,532</u>	<u>53,458,274</u>
Total Pension Liability - Ending	<u>\$ 64,129,218</u>	<u>\$ 59,856,532</u>
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	\$ 1,614,439	\$ 1,773,043
Contributions - Member	596,005	687,849
Net Investment Income	288,310	3,277,285
Benefit Payments, Including Refunds of Member Contributions	(2,052,129)	(1,705,156)
Other	<u>(818,229)</u>	<u>201,634</u>
Net Change in Plan Fiduciary Net Position	\$ (371,604)	\$ 4,234,655
Plan Net Position - Beginning	<u>57,582,774</u>	<u>53,348,119</u>
Plan Net Position - Ending	<u>\$ 57,211,170</u>	<u>\$ 57,582,774</u>
District's Net Pension Liability	<u>\$ 6,918,048</u>	<u>\$ 2,273,758</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	89.21%	96.20%
Covered-Employee Payroll	\$ 12,848,332	\$ 13,046,683
Employer's Net Pension Liability as a percentage of Covered-Employee Payroll	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.

See Accompanying Independent Auditors' Opinion

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY, SEJA DISTRICT NO. 825
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF EMPLOYER CONTRIBUTION
JUNE 30, 2016

	6/30/2016 *	6/30/2015 *
Actuarial Determined Contribution	\$ 1,591,908	\$ 1,773,044
Contributions in Relation to Actuarially Determined Contribution	1,614,439	1,773,043
Contribution Deficiency/(Excess)	\$ (22,531)	\$ 1
Covered-Employee Payroll	\$ 12,848,332	\$ 13,046,683
Contributions as a Percentage of Covered-Employee Payroll	12.57%	13.59%

Notes to Schedule:

Actuarial Method and Assumptions Used on the Calculation of the 2015 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: 28-year closed period until remaining period reaches 15 years (then 15-year rolling period)

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

Wage Growth: 4%

Price Inflation: 3%, approximate; No explicit price inflation assumption is used in this valuation.

Salary Increases: 4.40% to 16%, 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 2011 valuation pursuant to an experience study of the period 2008 to 2010.

Mortality: RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward ten years.

*Based on Valuation Assumptions used in the December 31, 2013 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, 2016

	6/30/2016 *	6/30/2015 *
Employer's proportion of the Net Pension Liability	0.0053431%	0.0051317%
Employer's proportionate share of the Net Pension Liability	\$ 3,500,293	\$ 3,123,083
State's proportionate share of the Net Pension Liability associated with the employer	156,086,583	156,829,474
Total	\$ 159,586,876	\$ 159,952,557
Employer's Covered-Employee Payroll	\$ 24,772,230	\$ 25,077,002
Employer's proportionate share of the Net Pension Liability as a percentage of its Covered-Employee Payroll	14.13%	12.45%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	41.50%	43.00%

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

Changes of Assumptions: Amounts reported in 2015 reflect an investment rate of return of 7.5%, an inflation rate of 3.0% and real return of 4.5%, and salary increases that vary by service credit. In 2014, assumptions used were an investment rate of return of 7.5%, an inflation rate of 3.0% and real return of 4.5%, and salary increases of 5.75%.

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 EMPLOYER CONTRIBUTION
 JUNE 30, 2016

	6/30/2016 *	6/30/2015 *
Statutorily-required contribution	\$ 182,484	\$ 191,119
Contributions in relation to the statutorily-required contribution	187,223	191,119
Contribution deficiency/(excess)	\$ (4,739)	\$ -
Employer's Covered-Employee Payroll	\$ 24,772,230	\$ 25,077,002
Contributions as a percentage of Covered-Employee Payroll	0.76%	0.76%

* - 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
 RETIREE PAID INSURANCE PLAN
 SCHEDULE OF FUNDING PROGRESS
 JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll ((b-a)/c)
7/1/2014	\$ -	\$ 676,019	\$ 676,019	0.00%	\$ 13,259,708	5.1%

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, 2016

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>
REVENUES		
Tuition	\$ 26,950,000	\$ 26,981,622
Earnings on Investments	15,000	24,616
Food Service	25,000	20,281
District/School Activity Income	5,000	4,420
Other Local Sources	7,195,000	7,106,908
State Aid		
Special Education	4,150,000	4,232,833
State Free Lunch and Breakfast	2,000	1,923
Other Restricted Revenue from State Sources	100,000	-
Federal Aid		
Flow-Through Revenue	9,275,000	8,473,040
Food Service	170,000	175,998
Federal Special Education	9,040,000	8,828,138
Medicaid Matching Funds - Administrative Outreach	300,000	243,848
Medicaid Matching Funds - Fee-for-Service Program	100,000	240,849
Other Federal Aid	250,000	351,623
On-Behalf Payments	7,050,000	13,002,192
Total Revenues	\$ 64,627,000	\$ 69,688,291
EXPENDITURES		
Current		
Instruction		
Special Education Programs		
Salaries	\$ 15,784,000	\$ 14,836,731
Employee Benefits	3,970,000	3,656,400
Purchased Services	686,450	623,993
Supplies and Materials	300,000	300,965
Non-Capitalized Equipment	80,000	32,273
	<u>\$ 20,820,450</u>	<u>\$ 19,450,362</u>
Special Education Programs Pre-K		
Salaries	\$ 970,000	\$ 1,004,199
Employee Benefits	255,000	246,447
Purchased Services	500	113
Supplies and Materials	5,000	2,233
	<u>\$ 1,230,500</u>	<u>\$ 1,252,992</u>
CTE Programs		
Salaries	\$ 1,321,000	\$ 1,129,163
Employee Benefits	321,000	271,088
Purchased Services	30,000	74,529
Supplies and Materials	10,000	21,380
Non-Capitalized Equipment	20,000	682
	<u>\$ 1,702,000</u>	<u>\$ 1,496,842</u>
Interscholastic Programs		
Salaries	\$ 15,000	\$ 12,215
Employee Benefits	1,500	922
Supplies and Materials	1,000	-
	<u>\$ 17,500</u>	<u>\$ 13,137</u>
Summer School Programs		
Salaries	\$ 480,000	\$ 548,212
Employee Benefits	25,000	28,288
Purchased Services	7,750	46,846
Supplies and Materials	5,000	4,162
	<u>\$ 517,750</u>	<u>\$ 627,508</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, 2016

	<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	\$ 471,000	\$ 430,444
Employee Benefits	130,500	124,080
Purchased Services	119,500	114,793
Supplies and Materials	14,500	9,262
Non-Capitalized Equipment	-	3,498
	<u>\$ 735,500</u>	<u>\$ 682,077</u>
Private Tuition - Other Objects		
Special Education Programs K-12	\$ 900,000	\$ 1,069,832
	<u>\$ 900,000</u>	<u>\$ 1,069,832</u>
 Total Instruction	 <u>\$ 25,923,700</u>	 <u>\$ 24,592,750</u>
 Support Services		
Pupils		
Attendance and Social Work Services		
Salaries	\$ 2,700,000	\$ 2,588,777
Employee Benefits	410,000	379,692
Purchased Services	20,000	77,224
Supplies and Materials	10,000	14,073
Other Objects	-	1,090
	<u>\$ 3,140,000</u>	<u>\$ 3,060,856</u>
Health Services		
Salaries	\$ 4,460,500	\$ 4,375,529
Employee Benefits	900,000	851,930
Purchased Services	170,600	62,698
Supplies and Materials	30,000	28,357
Other Objects	500	145
	<u>\$ 5,561,600</u>	<u>\$ 5,318,659</u>
Psychological Services		
Salaries	\$ 1,403,000	\$ 1,536,089
Employee Benefits	200,000	203,198
Purchased Services	107,500	112,463
Supplies and Materials	10,000	10,961
Other Objects	500	199
	<u>\$ 1,721,000</u>	<u>\$ 1,862,910</u>
Speech Pathology and Audiology Services		
Salaries	\$ 2,803,150	\$ 2,539,881
Employee Benefits	480,000	430,884
Purchased Services	162,000	381,663
Supplies and Materials	20,000	19,607
Other Objects	7,000	6,049
Non-Capitalized Equipment	-	7,125
	<u>\$ 3,472,150</u>	<u>\$ 3,385,209</u>
 Total Support Services - Pupils	 <u>\$ 13,894,750</u>	 <u>\$ 13,627,634</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, 2016

	Budgeted Amounts Original and Final	Actual Amounts
EXPENDITURES (Continued)		
Current (Continued)		
Support Services (Continued)		
Instructional Staff		
Improvement of Instruction Services		
Salaries	\$ 64,500	\$ 172,875
Employee Benefits	168,500	82,377
Purchased Services	250,000	241,089
Supplies and Materials	130,000	78,013
	\$ 613,000	\$ 574,354
Educational Media Services		
Salaries	\$ 90,250	\$ 99,631
Employee Benefits	27,000	27,465
	\$ 117,250	\$ 127,096
Total Support Services - Instructional Staff	\$ 730,250	\$ 701,450
General Administration		
Board of Education Services		
Salaries	\$ -	\$ 22,500
Employee Benefits	100,000	84,862
Purchased Services	684,000	622,848
Supplies and Materials	5,000	3,822
	\$ 789,000	\$ 734,032
Executive Administration Services		
Salaries	\$ 930,450	\$ 760,300
Employee Benefits	262,000	224,548
Purchased Services	37,500	61,443
Supplies and Materials	15,000	14,807
Other Objects	5,500	4,607
Non-Capitalized Equipment	5,000	-
	\$ 1,255,450	\$ 1,065,705
Total Support Services - General Administration	\$ 2,044,450	\$ 1,799,737
School Administration		
Office of the Principal Services		
Salaries	\$ 1,937,200	\$ 1,960,480
Employee Benefits	590,500	579,153
Purchased Services	12,500	16,665
Supplies and Materials	6,000	3,699
Other Objects	3,000	1,861
Non-Capitalized Equipment	20,000	2,380
	\$ 2,569,200	\$ 2,564,238
Other Support Services - School Administration		
Salaries	\$ 49,750	\$ 48,331
Employee Benefits	11,000	10,749
Purchased Services	-	1,200
	\$ 60,750	\$ 60,280
Total Support Services - School Administration	\$ 2,629,950	\$ 2,624,518

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, 2016

	<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	\$ 146,500	\$ 142,599
Employee Benefits	32,000	28,964
Purchased Services	50,500	67,373
Supplies and Materials	2,500	865
Other Objects	3,000	1,135
	<u>\$ 234,500</u>	<u>\$ 240,936</u>
Fiscal Services		
Salaries	\$ 315,500	\$ 318,777
Employee Benefits	75,000	71,684
Purchased Services	20,200	27,620
Supplies and Materials	5,000	5,048
Other Objects	5,000	150
Non-Capitalized Equipment	-	2,675
	<u>\$ 420,700</u>	<u>\$ 425,954</u>
Total Support Services - Business	<u>\$ 655,200</u>	<u>\$ 666,890</u>
Operations and Maintenance		
Purchased Services	\$ 150,000	\$ 60,123
Total Support Services - Operations and Maintenance	<u>\$ 150,000</u>	<u>\$ 60,123</u>
Food Services		
Purchased Services	\$ 200,000	\$ 181,199
Supplies and Materials	1,000	856
Total Support Services - Food Services	<u>\$ 201,000</u>	<u>\$ 182,055</u>
Central		
Data Processing Services		
Salaries	\$ 158,200	\$ 136,473
Employee Benefits	41,000	36,016
Purchased Services	351,000	412,034
Supplies and Materials	110,000	93,677
Other Objects	500	-
Non-Capitalized Equipment	70,000	112,316
	<u>\$ 730,700</u>	<u>\$ 790,516</u>
Total Support Services - Central	<u>\$ 730,700</u>	<u>\$ 790,516</u>
Other Support Services		
Employee Benefits	\$ -	\$ 414
Total Other Support Services	<u>\$ -</u>	<u>\$ 414</u>
Total Support Services	<u>\$ 21,036,300</u>	<u>\$ 20,453,337</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, 2016

	Budgeted Amounts Original and Final	Actual Amounts
EXPENDITURES (Continued)		
Current (Continued)		
Community Services		
Purchased Services	\$ 40,000	\$ -
Supplies and Materials	20,000	-
Total Community Services	\$ 60,000	\$ -
Payments to Other Districts and Governmental Units		
Payments to Other Districts and Governmental Units (In-State)		
Payments for Special Education Programs		
Purchased Services	\$ 150,000	\$ 217,324
Other Objects	9,275,000	8,145,298
	\$ 9,425,000	\$ 8,362,622
Total Payments to Other Districts and Governmental Units (In-State)	\$ 9,425,000	\$ 8,362,622
Total Payments to Other Districts and Governmental Units	\$ 9,425,000	\$ 8,362,622
Debt Services		
Interest		
Other Interest on Short-Term Debt		
Other Objects	\$ 100,000	\$ -
Total Debt Services	\$ 100,000	\$ -
Capital Outlay		
Instruction		
Special Education Programs	\$ 50,000	\$ 23,428
Other Instructional Programs	25,000	13,076
Support Services		
Pupils	-	11,433
General Administration	-	8,000
School Administration	25,000	-
Central	150,000	16,136
Total Capital Outlay	\$ 250,000	\$ 72,073
On-Behalf Payments	\$ 7,050,000	\$ 13,002,192
Total Expenditures	\$ 63,845,000	\$ 66,482,974
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 782,000	\$ 3,205,317
OTHER FINANCING SOURCES (USES)		
Interfund Transfers	(2,400,000)	(2,400,000)
NET CHANGE IN FUND BALANCE	\$ (1,618,000)	\$ 805,317
FUND BALANCE - JULY 1, 2015	9,954,493	9,606,857
FUND BALANCE - JUNE 30, 2016	\$ 8,336,493	\$ 10,412,174

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, 2016

	Budgeted Amounts Original and Final	Actual Amounts
REVENUES		
Earnings on Investments	\$ 1,500	\$ 3,686
Other Local Sources	2,438,700	2,593,196
Total Revenues	\$ 2,440,200	\$ 2,596,882
EXPENDITURES		
Current		
Support Services		
Operations and Maintenance		
Salaries	\$ 965,000	\$ 889,537
Employee Benefits	250,000	227,426
Purchased Services	870,000	633,216
Supplies and Materials	615,000	520,820
Other Objects	1,000	875
Non-Capitalized Equipment	5,000	27
Total Support Services - Operations and Maintenance	\$ 2,706,000	\$ 2,271,901
Total Support Services	\$ 2,706,000	\$ 2,271,901
Capital Outlay		
Support Services		
Operations and Maintenance	\$ 1,150,000	\$ 500,289
Total Capital Outlay	\$ 1,150,000	\$ 500,289
Total Expenditures	\$ 3,856,000	\$ 2,772,190
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (1,415,800)	\$ (175,308)
OTHER FINANCING SOURCES (USES)		
Interfund Transfers	2,000,000	2,000,000
NET CHANGE IN FUND BALANCE	\$ 584,200	\$ 1,824,692
FUND BALANCE - JULY 1, 2015	1,447,962	1,445,673
FUND BALANCE - JUNE 30, 2016	\$ 2,032,162	\$ 3,270,365

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, 2016

	Budgeted Amounts Original and Final	Actual Amounts
REVENUES		
Earnings on Investments	\$ 400	\$ 539
State Aid		
Transportation	780,000	835,111
Total Revenues	\$ 780,400	\$ 835,650
EXPENDITURES		
Current		
Support Services		
Transportation		
Salaries	\$ 48,000	\$ 47,484
Employee Benefits	15,600	17,108
Purchased Services	995,000	967,364
Supplies and Materials	6,000	4,224
Total Support Services - Transportation	\$ 1,064,600	\$ 1,036,180
Total Support Services	\$ 1,064,600	\$ 1,036,180
Capital Outlay		
Support Services		
Transportation	\$ 40,000	\$ -
Total Capital Outlay	\$ 40,000	\$ -
Total Expenditures	\$ 1,104,600	\$ 1,036,180
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (324,200)	\$ (200,530)
OTHER FINANCING SOURCES (USES)		
Interfund Transfers	400,000	400,000
NET CHANGE IN FUND BALANCE	\$ 75,800	\$ 199,470
FUND BALANCE - JULY 1, 2015	414,736	385,695
FUND BALANCE - JUNE 30, 2016	\$ 490,536	\$ 585,165

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, 2016

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>
REVENUES		
Earnings on Investments	\$ 2,500	\$ 3,604
Other Local Sources	1,805,000	1,447,932
Total Revenues	<u>\$ 1,807,500</u>	<u>\$ 1,451,536</u>
EXPENDITURES		
Current		
Instruction		
Special Education Programs		
Employee Benefits	\$ 907,400	\$ 529,137
Special Education Programs - Pre-K		
Employee Benefits	76,900	59,965
CTE Programs		
Employee Benefits	198,565	102,455
Interscholastic Programs		
Employee Benefits	3,200	1,585
Summer School Programs		
Employee Benefits	55,425	22,186
Truant Alternative and Optional Programs		
Employee Benefits	33,310	1,506
Total Instruction	<u>\$ 1,274,800</u>	<u>\$ 716,834</u>
Support Services		
Pupils		
Attendance and Social Work Services		
Employee Benefits	\$ 35,150	\$ 16,772
Health Services		
Employee Benefits	840,000	532,372
Psychological Services		
Employee Benefits	-	7,004
Speech Pathology and Audiology Services		
Employee Benefits	127,700	89,531
Total Supports Services - Pupils	<u>\$ 1,002,850</u>	<u>\$ 645,679</u>
Instructional Staff		
Improvement of Instruction Services		
Employee Benefits	\$ -	\$ 8,738
Educational Media Services		
Employee Benefits	17,950	11,488
Total Support Services - Instructional Staff	<u>\$ 17,950</u>	<u>\$ 20,226</u>
General Administration		
Board of Education Services		
Employee Benefits	\$ -	\$ 619
Executive Administration Services		
Employee Benefits	85,000	31,805
Total Support Services - General Administration	<u>\$ 85,000</u>	<u>\$ 32,424</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
SPECIAL REVENUE FUND - ILLINOIS MUNICIPAL RETIREMENT/SOCIAL SECURITY FUND
YEAR ENDED JUNE 30, 2016

	<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	\$ 69,700	\$ 41,851
Other Support Services - School Administration		
Employee Benefits	9,900	6,139
Total Support Services - School Administration	\$ 79,600	\$ 47,990
Business		
Fiscal Services		
Employee Benefits	\$ 62,800	\$ 40,544
Total Support Services - Business	\$ 62,800	\$ 40,544
Operations and Maintenance		
Employee Benefits	\$ 194,700	\$ 111,682
Total Support Services - Operations and Maintenance	\$ 194,700	\$ 111,682
Transportation		
Employee Benefits	\$ 800	\$ 6,055
Total Support Services - Transportation	\$ 800	\$ 6,055
Central		
Data Processing Services		
Employee Benefits	\$ 31,500	\$ 16,969
Total Support Services - Central	\$ 31,500	\$ 16,969
Total Support Services	\$ 1,475,200	\$ 921,569
Total Expenditures	\$ 2,750,000	\$ 1,638,403
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (942,500)	\$ (186,867)
OTHER FINANCING SOURCES (USES)	-	-
NET CHANGE IN FUND BALANCE	\$ (942,500)	\$ (186,867)
FUND BALANCE - JULY 1, 2015	1,795,776	1,795,776
FUND BALANCE - JUNE 30, 2016	\$ 853,276	\$ 1,608,909

See Accompanying Independent Auditors' Opinion

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY, SEJA DISTRICT NO. 825
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

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 26, 2015 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, 2016, The Education Fund had expenditures that exceeded the budget by \$2,637,974. This is because the On-Behalf payment was significantly higher than the budgeted amount.

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, 2016

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>
REVENUES		
Earnings on Investments	\$ 250	\$ 409
Other Local Sources	841,300	841,316
Total Revenues	\$ 841,550	\$ 841,725
EXPENDITURES		
Debt Services		
Interest		
Other Interest on Long-Term Debt		
Other Objects	\$ 186,316	\$ 186,316
Total Debt Services - Interest	\$ 186,316	\$ 186,316
Debt Services - Payment of Principal on Long-Term Debt		
Other Objects	\$ 655,000	\$ 655,000
Total Debt Services - Payment of Principal on Long-Term Debt	\$ 655,000	\$ 655,000
Debt Services - Other		
Other Objects	\$ 3,000	\$ 825
Total Debt Services - Other	\$ 3,000	\$ 825
Total Debt Services	\$ 844,316	\$ 842,141
Total Expenditures	\$ 844,316	\$ 842,141
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (2,766)	\$ (416)
OTHER FINANCING SOURCES (USES)	-	-
NET CHANGE IN FUND BALANCE	\$ (2,766)	\$ (416)
FUND BALANCE - JULY 1, 2015	166,975	166,975
FUND BALANCE - JUNE 30, 2016	\$ 164,209	\$ 166,559

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, 2016

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>
REVENUES		
Earnings on Investments	\$ 100	\$ 208
State Aid		
Other State Aid	142,650	112,360
Total Revenues	\$ 142,750	\$ 112,568
EXPENDITURES		
Current		
Support Services		
Facilities Acquisition and Construction		
Purchased Services	\$ -	\$ 50,000
Total Support Services - Facilities Acquisition and Construction	\$ -	\$ 50,000
Total Support Services	\$ -	\$ 50,000
Capital Outlay		
Support Services		
Facilities Acquisition and Construction	\$ 307,128	\$ 190,570
Total Capital Outlay	\$ 307,128	\$ 190,570
Total Expenditures	\$ 307,128	\$ 240,570
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (164,378)	\$ (128,002)
OTHER FINANCING SOURCES (USES)	-	-
NET CHANGE IN FUND BALANCE	\$ (164,378)	\$ (128,002)
FUND BALANCE - JULY 1, 2015	164,378	182,277
FUND BALANCE - JUNE 30, 2016	\$ -	\$ 54,275

See Accompanying Independent Auditors' Opinion

ANNUAL FEDERAL FINANCIAL COMPLIANCE SECTION

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, 2016. 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 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, 2016.

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
October 11, 2016

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY
34-049-8250-60
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2016

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 (H)	Budget (I)
			Year 7/1/14-6/30/15 (C)	Year 7/1/15-6/30/16 (D)	Year 7/1/14-6/30/15 (E)	Year 7/1/15-6/30/16 (F)			
U.S. Department of Agriculture Passed Through									
Food Services Management Company:									
Food Donation Program	10.555			14,062		14,062		14,062	N/A
U.S. Department of Agriculture Passed Through Illinois									
State Board of Education:									
School Breakfast Program *	10.553	15-4220-00	54,212	13,894	54,212	13,894		68,106	N/A
School Breakfast Program *	10.553	16-4220-00		48,227		48,227		48,227	N/A
National School Lunch Program *	10.555	15-4210-00	100,403	18,652	100,403	18,652		119,055	N/A
National School Lunch Program *	10.555	16-4210-00		95,224		95,224		95,224	N/A
Subtotal - CFDA "10"			154,615	190,059	154,615	190,059		344,674	

• (M) Program was audited as a major program as defined by Title 2 CFR §200.518.

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. Title 2 CFR §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 either the schedule or a note to the schedule. Although it is not required, the Uniform Guidance states that it is preferable to present this information in the schedule (versus the notes to the schedule). If the auditee presents non-cash assistance in the notes to the schedule, the auditor should be aware that such amounts must still be included in part III of the data collection form.

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY
34-049-8250-60
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2016

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 (H)	Budget (I)
			Year 7/1/14-6/30/15 (C)	Year 7/1/15-6/30/16 (D)	Year 7/1/14-6/30/15 (E)	Year 7/1/15-6/30/16 (F)			
U.S. Department of Education Passed Through Illinois									
State Board of Education:									
IDEA - Flow Through	84.027	15-4620-00	10,432,701	395,172	10,827,873		10,827,873	11,404,420	
IDEA - Flow Through Payments to Districts	84.027	15-2200-00	6,682,355		6,882,355		6,882,355	7,707,534	
Total 15-4620-00 Project (M)			17,115,056	395,172	17,710,228	0	17,710,228	19,111,954	
IDEA - Flow Through	84.027	16-4620-00		8,670,420		9,214,196	9,214,196	10,276,940	
IDEA - Flow Through Payments to Districts (1)	84.027	16-2200-00		6,704,469		6,704,469	6,704,469	7,450,114	
Total 16-4620-00 Project (M)			0	15,374,889	0	15,918,665	15,918,665	17,727,054	
IDEA - Preschool Flow Through	84.173	15-4600-00	14,800	33,046	47,846		47,846	49,717	
IDEA - Preschool Flow Through Payments to Districts	84.173	15-2200-00	506,440		506,440		506,440	635,157	
Total 15-4600-00 Project (M)			521,240	33,046	554,286	0	554,286	684,874	

• (M) Program was audited as a major program as defined by Title 2 CFR §200.518.

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. Title 2 CFR §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 either the schedule or a note to the schedule. Although it is not required, the Uniform Guidance states that it is preferable to present this information in the schedule (versus the notes to the schedule). If the auditee presents non-cash assistance in the notes to the schedule, the auditor should be aware that such amounts must still be included in part III of the data collection form.

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY
34-049-8250-60
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2016

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 (H)	Budget (I)
			Year 7/1/14-6/30/15 (C)	Year 7/1/15-6/30/16 (D)	Year 7/1/14-6/30/15 (E)	Year 7/1/15-6/30/16 (F)			
U.S. Department of Education Passed Through									
State Board of Education (Continued):									
IDEA - Preschool Flow Through	84.173	16-4600-00		57,242		69,189		69,189	72,385
IDEA - Preschool Flow Through Payments to Districts (1)	84.173	16-2200-00		439,626		439,626		439,626	544,441
Total 16-4600-00 Project (M)			0	496,868	0	508,815		508,815	616,826
U.S. Department of Education Passed Through									
Illinois Department of Human Services:									
Rehabilitation Services Vocational Rehabilitation Grants									
To State	84.126	46CUD00346		115,463		115,463		115,463	115,463
Secondary Transition Experience Program	84.126	46CUD00452		236,160		236,160		236,160	236,160
Subtotal - CFDA "84"			17,636,296	16,651,598	18,264,514	16,779,103		35,043,617	

• (M) Program was audited as a major program as defined by Title 2 CFR §200.518.

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. Title 2 CFR §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 either the schedule or a note to the schedule. Although it is not required, the Uniform Guidance states that it is preferable to present this information in the schedule (versus the notes to the schedule). If the auditee presents non-cash assistance in the notes to the schedule, the auditor should be aware that such amounts must still be included in part III of the data collection form.

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY
34-049-8250-60
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2016

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 (H)	Budget (I)
			Year 7/1/14-6/30/15 (C)	Year 7/1/15-6/30/16 (D)	Year 7/1/14-6/30/15 (E)	Year 7/1/15-6/30/16 (F)			
U.S. Department of Health and Human Services Passed									
Through State of Illinois Department of Healthcare and									
Family Services:									
Medicaid Administrative Outreach	93.778	16-4991-00		254,009		254,009		254,009	n/a
Total Federal Assistance			17,790,911	17,095,666	18,419,129	17,223,171		35,642,300	
* School Breakfast Program and National School Lunch									
Program have project year end date of 9/30									
(1) Detailed Schedule of Expenditures attached									

- (M) Program was audited as a major program as defined by Title 2 CFR §200.518.

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. Title 2 CFR §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 either the schedule or a note to the schedule. Although it is not required, the Uniform Guidance states that it is preferable to present this information in the schedule (versus the notes to the schedule). If the auditee presents non-cash assistance in the notes to the schedule, the auditor should be aware that such amounts must still be included in part III of the data collection form.

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY, SEJA DISTRICT NO. 825
 DETAILED SCHEDULE OF EXPENDITURES
 JUNE 30, 2016

DISTRICT NO.	DISTRICT NAME	FLOW THROUGH	PRESCHOOL
		16-2200-00	FLOW THROUGH
		7/1/15 to	16-2200-00
		6/30/16 FINAL	7/1/15 to
			6/30/16 FINAL
1	Winthrop Harbor	\$ 59,723	\$ 2,823
3	Beach Park Community Consolidated	220,827	17,590
6	Zion Elementary	256,670	35,128
24	Millburn Community Consolidated	87,854	5,855
33	Emmons	23,156	-
34	Antioch Community Consolidated	209,315	29,059
36	Grass Lake	21,220	941
37	Gavin	87,340	5,018
38	Big Hollow	108,848	14,427
41	Lake Villa Community Consolidated	265,270	25,133
46	Grayslake Community Consolidated	381,605	17,006
50	Woodland Community Consolidated	471,002	38,991
56	Gurnee	196,481	21,620
68	Oak Grove	78,172	-
70	Libertyville Elementary	232,445	6,273
72	Rondout	30,194	1,001
73	Hawthorn	393,509	43,866
75	Mundelein	187,486	7,812
76	Diamond Lake	102,747	8,782
79	Fremont Center	159,658	20,073
102	Aptakistic-Tripp	198,788	19,411
114	Fox Lake Elementary	67,897	4,398
116	Round Lake Unit School District	624,383	62,051
117	Antioch Community High School/Allendale	171,419	-
118	Wauconda Community Unit School District	372,451	33,246
120	Mundelein Community High School	229,411	-
121	Warren Township High School	279,935	-
124	Grant Township High School	134,979	-
126	Zion-Benton Township High School	197,982	-
127	Grayslake High School	183,503	-
128	Libertyville Community High School	205,944	-
187	North Chicago School District	464,255	19,122
		<u>\$ 6,704,469</u>	<u>\$ 439,626</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, 2016

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, 2016. 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.

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

NOTE 3 - 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, 2016 fiscal year as follows:

Program Title	Federal CFDA Number	Amount Provided To Subrecipients
IDEA - Flow Through	84.027	\$ 6,704,469
IDEA - Preschool Flow Through	84.173	439,626

NOTE 4 - 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, 2016

- 1) Summary of auditor's results:
 - a) The auditor's report expresses an unmodified opinion on the financial statements of Special Education District of Lake County, SEJA District No. 825.
 - b) No significant deficiencies or material weaknesses in internal control were disclosed by the audit of the financial statements.
 - c) No noncompliance which is material to the financial statements was disclosed by the audit of the financial statements.
 - d) No significant deficiencies or material weaknesses in internal control over major programs were disclosed by the audit.
 - e) An unqualified opinion report on compliance for major programs was issued.
 - f) The audit disclosed no audit findings which the auditor is required to report.
 - g) The major programs identified were IDEA – Flow Through, CFDA #84.027 and IDEA – Preschool Flow Through, CFDA #84.173
 - h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
 - i) Special Education District of Lake County, SEJA District No. 825 does qualify as 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, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

1. FINDING NUMBER:¹¹ 2016- 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

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

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 2016 would be assigned a reference number of 2016-001, 2016-002, 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 Title 2 CFR §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, 2016

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

1. FINDING NUMBER:¹⁴ **2016- 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.
¹⁶ Identify questioned costs as required by Title 2 CFR §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, 2016

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

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status²⁰</u>
NONE		

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

¹⁹ Explanation of this schedule - Title 2 CFR §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.

SPECIAL EDUCATION DISTRICT OF LAKE COUNTY
34-049-8250-60
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS²¹
Year Ending June 30, 2016

Corrective Action Plan

Finding No.: **2016- N/A**

Condition:

Plan:

Anticipated Date of Completion:

Name of Contact Person: [Name and Title of person responsible for implementation]

Management Response: [If applicable, an explanation giving specific reasons if the district officials do not agree with the finding and believe that corrective action is unnecessary.]

²¹ Explanation of this schedule - Title 2 CFR §200.511 (c)