

**SCHOOL ASSOCIATION
FOR SPECIAL
EDUCATION IN DUPAGE
COUNTY Naperville,
Illinois**

Audited Financial Report

June 30, 2017

SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY
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Independent Auditor's Report

Board of Control
School Association for Special Education in DuPage County
Lisle, Illinois

We have audited the accompanying financial statements of the governmental activities and each major fund of the School Association for Special Education in DuPage County as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School Association for Special Education in DuPage County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School Association for Special Education in DuPage County as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information 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 the School Association for Special Education in DuPage County's basic financial statements. The individual fund financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial schedules 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 individual fund financial schedules 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 November 21, 2017 on our consideration of the School Association for Special Education in DuPage County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School Association for Special Education in DuPage County's internal control over financial reporting and compliance.



Klein Hall CPAs
Aurora, Illinois
November 21, 2017

SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY

Management's Discussion and Analysis
For the Year Ended June 30, 2017

This discussion and analysis of the School Association for Special Education in DuPage County (SASED) financial performance provides an overview of SASED's activities for the year ended June 30, 2017. The intent of this discussion and analysis is to look at SASED's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the SASED's financial performance.

The Management Discussion and Analysis (MD&A) is an element of Governmental Account Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, issued June 1999.

Overview of the Structure of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and supplementary information. The basic financial statements include two kinds of statements that present different views of SASED:

The Statement of Net Position summarizes SASED's assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting similar to the accounting used by private sector companies. The Statements of Activities summarizes revenues and expenses when they are earned or incurred regardless of when cash is received or paid. These two statements report SASED's net position and changes in them.

The second group of financial statements reports financial activities by major funds. The funds are either Governmental Funds or Fiduciary Funds. The Governmental funds show how basic services of special education were financed during the year and the balances remaining for future spending. Fiduciary Fund statements provide information about financial relationships where SASED acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Financial Analysis- Statement of Net Position

This portion of the analysis of the financial statements develops the statements as reported under the full accrual method of accounting. Under the full accrual method of accounting net capital assets and net pension liabilities are included in the financial reports. A summarized statement of net position is reported below.

SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Summarized Statement of Net Position			
	2017	2016	\$ Change
Current and other assets	\$ 17,853,119	\$ 22,660,323	\$ (4,807,204)
Capital assets & land	3,373,679	3,424,256	(50,577)
Total assets	21,226,798	26,084,579	(4,857,781)
Deferred outflows related to pensions	5,342,324	5,727,800	(385,476)
Total deferred outflows	5,342,324	5,727,800	(385,476)
Current liabilities	8,749,331	11,311,258	(2,561,927)
Non-current liabilities	16,582,497	15,748,139	834,358
Total liabilities	25,331,828	27,059,397	(1,727,569)
Deferred inflows related to pensions	1,617,452	1,347,909	269,543
Total deferred inflows	1,617,452	1,347,909	269,543
Net position			
Investment in capital assets	3,373,679	3,424,256	(50,577)
Unrestricted	(3,753,837)	(19,183)	(3,734,654)
Total net position	\$ (380,158)	\$ 3,405,073	\$ (3,785,231)

At June 30, 2017, SASED had a cash balance representing approximately two months of average cash flow. Maintaining an adequate cash balance eliminates the need to borrow to meet cash flow needs. The cash balance decreased by \$3,386,604, reflecting a decrease in accounts payable from the prior year. Also impacting the cash balance is the change in the timing of collecting invoicing and a change in the timing of releasing year-end payments.

The receivable balance decreased by \$1,748,920 from the previous year. This decrease is primarily the result of a change in the State's system of funding school districts. Beginning in 2018, the State combined several of its funding streams, including special education personnel reimbursement, into a new formula based system, Evidence Based Funding (EBF). With this change, the 2017 claim for special education personnel reimbursement will not be funded in FY18. As a result of this change, the receivable that has been required to be recorded at previous year-ends will not be recorded at the end of 2017. This decrease is also the result of the timing of billings to districts and the timing of the related cash receipts related to these billings. Finally, there are several components in receivables, including the State categorical reimbursement for transportation expenditures that occurred in the current fiscal year but are not paid by the State until next fiscal year, Federal IDEA and Medicaid funding earned in the current fiscal year but not received until next fiscal year and final tuition and fee billings sent to school districts at the end of this fiscal year-end but not collected until next fiscal year.

Capital assets are recorded at cost and depreciated based upon their estimated useful lives. The \$50,577 decrease from the prior year represents current year purchases less the annual allowance for depreciation and the write off of asset disposals. See Note 3 of the financial statements for additional details.

Accounts Payable consists of several components. These components include payments owed to vendors for purchases made in the current year, end of year tuition refunds payable to member districts and federal IDEA grant distributions to member districts made after year-end. Refunds to member districts occur when pre-billings exceed final billings for tuition and fees. The decrease of \$1,712,288 in Accounts Payable reflects the timing of the receipt of release of payments at year-end.

SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY

Management's Discussion and Analysis For the Year Ended June 30, 2017

Accrued Payroll represents payments to employees who work from September through June but have their wages paid during the twelve month period from September through August. The increase of \$329,089 reflects an increase in the number of staff requesting to be paid in August and September for wages earned as of June 30, 2017.

Accrued Self Insurance Liability represents the accrual for medical claims incurred but not paid at year-end. The \$1,178,728 decrease in the year-end accrual reflects a decrease in the reserve amount caused by actual claims being higher than expected. The estimated funding amount developed at the beginning of the plan was inadequate to meet actual claims activity occurring during the year.

Noncurrent liabilities represent the unfunded Other Post Employment Benefit Obligation and the Net Pension Liabilities for TRS and IMRF. The \$834,358 increase in noncurrent liabilities is primarily the result of the impact of GASB No. 68 that requires that the TRS and IMRF pension liabilities be reflected on the statement of net position. See note 4 of the financial statements for more detail.

SASED's net position has been significantly reduced on an accrual basis of reporting by the requirements of GASB #68. SASED has a solid net asset position on a cash basis.

SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Financial Analysis - Statement of Activities

A summarized statement of activities is reported below.

Summarized Statement of Activities						
	2016-2017	% Total	2015-2016	Increase (Decrease)	% Change	
Revenues						
Program Revenues:						
Charges for services	\$ 31,148,435	58%	\$ 30,640,341	\$ 508,094	2%	
Operating grants and contributions	22,319,189	42%	25,738,911	(3,419,722)	-13%	
Earnings on investments	22,279	0%	27,379	(5,100)	-19%	
Miscellaneous	(135,748)	0%	(11,999)	(123,749)	1031%	
Total Revenues	53,354,155	100%	56,394,632	\$ (3,040,477)	-5%	
Expenses						
Instructional services:						
Special programs	57,545,415	100%	58,353,446	(808,031)	-1%	
Total Expenses	\$ 57,545,415	100%	\$ 58,353,446	\$ (808,031)	-1%	
Change in net position	(4,191,260)		(1,958,814)			
Net position, beginning	3,405,073		5,363,887			
Prior period adjustment	406,029		-			
Net position, beginning restated	3,811,102		5,363,887			
Net position, ending	(380,158)		3,405,073			

The Statement of Activities shows expenses in excess of revenues of (\$4,191,260) for the current year. This reduction in net equity is accumulated from the net revenue amount from the Statement of Revenues, Expenditures and Changes Fund Balance of (\$2,628,423). It is then adjusted by (\$50,577) for the requirement to record changes in capital assets and by the decrease in net revenues of (\$1,512,260) for the requirement to record this year's activity in the pension funds. A detailed analysis of the (\$2,628,423) net revenue amount is developed of the Statement of Revenues, Expenditures and Changes in Fund Balance in the next section of this report.

SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Financial Analysis - Statement of Revenues, Expenses and Changes in Fund Balance

The Statement of Revenues, Expenditures and Changes in Fund Balance itemizes revenues and expenditures by function. This is useful to obtain an overview of the major programs within SASSED.

Revenues

	Budget	Actual	Over (Under)
Local Sources	\$ 30,717,408	\$ 31,186,891	1.5%
Flow-Through Sources	8,999,369	9,263,036	2.9%
State Sources	3,111,608	487,537	-84.3%
On Behalf Contributions	5,308,000	4,395,722	-17.2%
Federal Sources	13,326,407	8,172,894	-38.7%
	<u>\$ 61,462,792</u>	<u>\$ 53,506,080</u>	<u>-12.9%</u>

Local Sources of revenues were 1.5% over budget. Local Sources of Revenue include tuition and fee revenues. Total revenues for these classroom and student programs and the related enrollment levels in these programs closely matched the budget.

Flow-Through Sources of revenues were 2.9% over budget. This revenue represents Federal IDEA grant funds collected by SASSED and distributed to SASSED's member districts for use in member district programs. IDEA Flow-Through funds closely matched the budget but were 2.9% over budget because the actual State's allocation of these funds to SASSED's member districts increased from last year. The amount budgeted was based upon the prior year's actual allocation.

State Sources of Revenues were 84.3% under budget. This was caused by the State not funding the 2017 personnel reimbursement claim and replacing this revenue stream with the new EBF model for distributing State funds. By not funding the 2017 special education personnel reimbursement claim in 2018, the receivable, which in past years was recorded at year-end, was not recorded at the end of 2017. This eliminated approximately \$2.8 million of accrued revenue.

On-Behalf Contributions represent SASSED's portion of the State's required contributions to the Teachers' Retirement System. These revenues have matching expenditures and are not received or paid for by SASSED. They are required to be included in budgeting and financial reporting. The under-budgeting of this line item of 17.2% reflects a reduction in expenditures for teachers' salaries due to reduced funding for discretionary Statewide staff development grants operated by SASSED on behalf of the Illinois State Board of Education (ISBE).

Federal Sources of Revenues were 38.7% under budget. This is primarily the result of ISBE reducing its funding of the discretionary Statewide staff development grants operated by SASSED on behalf of ISBE. The corresponding expenditures for these programs were also reduced, but the budget reflected a higher level of anticipated funding which was comparable to the previous year.

SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Expenditures

	Budget	Actual	Over (Under)
Instruction and Support	\$ 35,028,481	\$ 34,218,320	-2.3%
Improvement of Instruction	11,559,036	6,952,974	-39.8%
Transportation and Food Service	845,949	869,229	2.8%
Central Administration	4,126,949	4,201,107	1.8%
Grant Administration	917,475	597,762	-34.8%
IDEA Distributions	9,337,902	9,295,111	-0.5%
	<u>\$ 61,815,792</u>	<u>\$ 56,134,503</u>	<u>-9.2%</u>

Instruction and Support- In the current fiscal year SASSED provided direct classroom instruction to 431 students with individualized education plans. This is a decrease of 47 students from last year. This decrease in enrollment was spread across all programs. A breakdown of student enrollment by program is as follows:

Southeast Alternative School	91
Autism Program	57
Multi-Needs Student Programming	103
Visually Impaired Student Programming	72
Hearing Impaired Student Programming	66
Transition Program	17
Connections	4
Directions	11
Project Search	<u>10</u>
Total	<u>431</u>

Expenditures for Instructional and Support Services closely matched the budget; these expenditures were 2.3% under budget. Tuition billings for direct classroom instruction represents approximately 85% of the revenues for instructional programming and the remaining 15% is received from State categorical funding and grants. Salaries and benefits account for approximately 80% of the direct classroom instruction expenses. The remaining 20% of expenses include the classroom rental costs and other supplies and equipment required to educate these students. Included in Instruction and Support Services are SASSED's extended school year programs, one to one staff integrated into classroom programs and itinerant teachers serving students in member district programs. This year the extended school year program had an enrollment of 382 students, which was 61 students less than last year. SASSED employed 100 one-to-one assistants, 10 one-to-one health aides, 5 one-to-one interpreters, and 7 itinerant teachers during the regular school term.

SASSED provides "user fee" staff to its member districts. During the current fiscal year, approximately 65 full time equivalent staff (FTE's) of various disciplines, including Occupational and Physical Therapists, Social Workers, Psychologists, and Audiologists were employed by SASSED to provide services to our member school districts. Approximately 90% of the revenues for User Fee staff are generated from billings to member districts. The remaining 10% of these revenues are received from State Personnel Reimbursement. Of the expenses, 85% are for salary and benefits and the remaining 15% are for purchased services (staff travel, office space rental etc.) and supplies. Also included in Instruction and support services are revenues and expenditures of Medicaid funds. This year the use of Medicaid funds

SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY

Management's Discussion and Analysis
For the Year Ended June 30, 2017

were used primarily spent for general administrative costs including classroom technology and classroom curriculum which are centralized in the administrative budget.

Improvement of Instruction – Expenditures for Improvement of Instruction were under budget by 40% due to reduced funding for these programs from ISBE. The expenditures closely match the revenues for these Statewide grant projects. SASSED provides several Statewide Improvement of Instruction services. This year these programs included the Statewide Federal IDEA Discretionary ISTAC grant, the Midwest PBIS Network program, Project Early Choices and the Surrogate Parent grant. These grant programs are operated statewide and support special education programming for Illinois school districts. Revenues are received from ISBE.

SASSED also provides Improvement of Instruction services for its member districts. These programs include the Instructional Support Team (IST), the Assistive Technology Team (AT), the PBIS coaching service, the School Improvement (SI) coaching service and Spring Institute presentations. The revenues for these programs, are provided 75% from billings to school districts and provided 25% from federal and state funding. Expenses for these programs are 70% for salary and benefits and the remaining 30% are spent on purchased services and supplies.

Central Administration – Expenditures for Central Administration, including all technology needs of the organization, closely matched the budget. Expenditures in this category were 2% over budget. SASSED employs administrative staff within its central office and within its programs. Coordinators of programs and principals are not included in this category but included in Instruction and Support. Of the revenues, 43% are derived from allocations to tuition and fee programs, 26% are derived from Medicaid revenues and 31% are derived from federal grants. Of the expenses for these programs, 80% are for salary and benefits and 20% are for supplies and purchased services. Purchased services include general liability insurance, legal fees, printing costs, machine maintenance, building maintenance etc.

Grant Administration – Expenditures for Grant Administration were 35% under budget, reflecting the reduction in funding from ISBE for Statewide grant projects.

On Behalf Payments – The State makes payments to the Teachers' Retirement System (TRS) on behalf of all certified employees working at SASSED. For financial reporting purposes SASSED is required to record these payments as both a revenue and as an expenditure even though these funds are never actually received nor disbursed by SASSED. The State annually chooses if it will actually fund this obligation.

Non Programmed Charges – SASSED administers the federally funded IDEA Special Education Grant on behalf of its member districts. SASSED annually develops a "Menu of Service" to provide its member districts a choice in spending these funds. Districts can choose to spend IDEA funds on SASSED programs or have these funds "flow through" to the district to spend on district operated programs and services. When the funds are "flowed through" to SASSED member districts, this distribution of funds is recorded as Non Programmed Charges.

Capital Assets

Detailed information on the changes in capital assets can be found in Note 3 to the Financial Statements. The valuation of the assets is based upon cost.

Factors Bearing on the Cooperative's Future

SASSED continues to be a financially sound and a fiscally responsible agency. In the current year we have continued to change our programs and services to meet the needs of our member districts. SASSED has also continued in our role in serving as the administrative agent for the statewide grant projects. The complexity of disabilities exhibited in students that SASSED serve and the increased demands from

SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Federal and State regulations create a challenge for SASSED to contain its costs while continuing to provide an appropriate level of service for students with disabilities.

Contacting the Cooperative's Financial Management

This financial report is designed to provide our members with a general overview of SASSED's finances and to show SASSED's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sam Cannata, Assistant Director for Business Services at School Association for Special Education in DuPage County, 6S331 Cornwall Road, Naperville, IL 60540.

SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY

Statement of Net Position

June 30, 2017

	Governmental Activities
Assets	
Cash and investments	\$ 8,028,520
Receivables	
Grants	7,061,533
Tuition	2,342,206
Other	1,695
Other assets	419,165
Capital assets	
Land	137,628
Other capital assets, net of depreciation	3,236,051
Total Assets	21,226,798
Deferred Outflows	
Deferred outflows related to pensions	5,342,324
Liabilities	
Accounts payable	3,982,458
Accrued salaries and related expenses	2,594,430
Accrued self insurance claims	2,062,030
Accrued vacation and sick pay	110,413
Noncurrent liabilities	
Other post employment benefits	321,532
Net pension liability - TRS	11,747,721
Net pension liability - IMRF	4,513,244
Total Liabilities	25,331,828
Deferred Inflows	
Deferred inflows related to pensions	1,617,452
Net Position	
Investment in capital assets	3,373,679
Unrestricted	(3,753,837)
Total net position	\$ (380,158)

See accompanying notes to basic financial statements

Year Ended June 30, 2017

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SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY
Balance Sheet
Governmental Funds
June 30, 2017

	General (Educational) Fund
ASSETS	
Cash and investments	\$ 8,028,520
Receivables	
Grants	7,061,533
Tuition	2,342,206
Other	1,695
Prepaid expenditures	419,165
TOTAL ASSETS	\$ 17,853,119
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 3,982,458
Accrued salaries and related expenditures	2,594,430
Accrued self insurance claims	2,062,030
Total Liabilities	8,638,918
Fund Balances	
Nonspendable-prepaid expenditures	419,165
Unassigned	8,795,036
Total Fund Balances	9,214,201
TOTAL LIABILITIES AND FUND BALANCES	\$ 17,853,119

See accompanying notes to basic financial statements

SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY

Reconciliation of the Balance Sheet of Governmental Funds

To the Statement of Net Position

June 30, 2017

Total fund balances - governmental funds	\$	9,214,201
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Amounts reported for governmental activities in the statement of net position are different because

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. The cost of the assets is \$6,526,699 and the accumulated depreciation is \$3,153,020.	3,373,679
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Deferred inflows and outflows of resources related to pensions are not reported in governmental funds.

Deferred outflows	5,342,324
Deferred inflows	(1,617,452)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Other post employment benefits	(321,532)
Net pension liability - TRS	(11,747,721)
Net pension liability - IMRF	(4,513,244)
Compensated absences	(110,413)

Net position of governmental activities	\$	(380,158)
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See accompanying notes to basic financial statements

SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2017

	General (Educational) Fund
REVENUES	
Local sources	\$ 31,186,891
Flow through sources	9,263,036
State sources	4,883,259
Federal sources	<u>8,172,894</u>
Total Revenues	<u>53,506,080</u>
EXPENDITURES	
Current operating	
Instruction	26,422,667
Support services	20,416,725
Non-programmed charges	<u>9,295,111</u>
Total Expenditures	<u>56,134,503</u>
Net change in fund balance	<u>(2,628,423)</u>
Fund balance at beginning of year	11,436,595
Prior period adjustment	406,029
Fund balance at beginning of year, as restated	<u>11,842,624</u>
FUND BALANCES AT END OF YEAR	<u><u>\$ 9,214,201</u></u>

See accompanying notes to basic financial statements

SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2017

Net change in fund balances - total governmental funds **\$ (2,628,423)**

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, assets with an initial, individual cost of more than \$2,500 are capitalized and the cost is allocated over their estimated lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital outlays	471,843
Depreciation expense	(370,495)

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the capital assets are removed from the capital asset account in the statement of net position and offset against the proceeds from the sale of capital assets resulting in a gain on the sale of capital assets in the statement of activities.

Cost of capital assets disposed, less accumulated depreciation	(151,925)
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of:

Change in other post employment benefits	(34,754)
Change in net pension liability - TRS	(1,129,551)
Change in net pension liability - IMRF	329,947
Change in deferred outflows/inflows related to pensions	(655,019)
Change in compensated absences	(22,883)

Change in net position of governmental activities	<u><u>\$ (4,191,260)</u></u>
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See accompanying notes to basic financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

School Association for Special Education in DuPage County (SASED), is a joint agreement special education cooperative formed by 18 school districts in DuPage County. It was organized to provide special education for children residing in these districts. The accounting policies of SASED conform to accounting principles generally accepted in the United States of America, as applicable to local governmental units of this type. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies of SASED.

a. The Reporting Entity

Accounting principles generally accepted in the United States of America require that the financial statements of the reporting entity include: (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary governmental are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Statement No. 61 have been considered and there are no agencies or entities which should be presented with SASED. Using the same criteria, SASED is not included as a component unit of any other governmental entity.

A legal separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organizations; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government. This report does not contain any component units.

b. Fund Accounting

The accounts of SASED are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The following summarizes the fund type used by SASED:

GASB statement No. 54 refined the definitions of various governmental funds. These updated definitions are incorporated into the following fund descriptions:

The governmental funds of SASED include the following fund type:

General Fund - The General Fund, which consists of the legally mandated Educational Account, is used to account for the revenues and expenditures, which are used in providing education services by SASED. It is used to account for all financial resources except those accounted for in other funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Educational Account – These accounts are used for most of the instructional and administrative aspects of SASSED's operations, as well as providing school lunch services to students. The revenue consists primarily of local tuition, state and federal government aid and lunch receipts from the food service program.

SASSED reports the General Fund as a major governmental fund.

When both restricted and unrestricted resources are available for use, it is SASSED's policy to use restricted resources first, then unrestricted resources as they are needed.

c. Basis of Presentation

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of SASSED. All of SASSED's operating activities are considered "governmental activities", that is, activities that are normally supported by intergovernmental or grant revenue. SASSED has no operating activities that would be considered "business activities".

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function.

Program revenues include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other income items that are not properly included among program revenues are reported instead as general revenues.

Net Position

Government-Wide Statements

Net position is classified and displayed in three components:

1. **Net investment in capital assets.** Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. **Restricted.** Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by external groups, such as creditors, grantors, contributors, or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.
3. **Unrestricted.** Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

It is the SASED's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

Measurement focus, basis of accounting, and financial statement presentation

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

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities in the current period. For this purpose, SASED considers revenues to be available if they are collected within 60 days of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences, are recorded only when payment is due.

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenue of the current period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenue items are considered to be measurable and available only when SASED receives the cash.

d. Budgetary Data

Annual budgets for all Governmental Funds are adopted on a modified accrual basis by the Board of Control.

The Board of Control follows these procedures in establishing the budgetary data reflected in the financial statements:

- The Administration submits to the Board of Control a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted and the proposed budget is available for inspection to obtain taxpayer comments.
- Prior to August 31st, the budget is legally adopted through passage of a resolution.
- Management can transfer up to 10% of the total budget between departments within any fund without the Board of Control approval. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Control following the public hearing process mandated by law. The legal level of control remains at the fund level for each legally adopted operating budget since transfers are restricted entirely within each individual fund. The budget was adopted on August 10, 2016.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Formal budgetary integration is employed as a management control device during the year for all its Governmental Funds.
- SASED has adopted a legal budget for all its Governmental Funds. Total actual expenditures for the governmental funds may not legally exceed the total budgeted for such funds. However, under the State Budget Act, expenditures may exceed the budget if additional resources are available to finance such expenditures.
- The budget lapses at the end of each fiscal year. (All appropriations lapse at year-end).

e. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimated and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

f. Capital Assets

Capital assets, which include land, land improvements, buildings, and equipment are reported in the government-wide financial statements. Capital assets are defined by SASED as assets with an initial cost of more than \$2,500 and an estimated useful life of 1 year or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Depreciation of capital assets is provided using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	45
Improvements	10-20
Machinery & Equipment	5-15
Vehicles	5-10

g. Compensated Absences

All full-time employees are provided vacation benefits in accordance with the employee handbook. Certified Employees receive 15 days of vacation per year for the first five years. In years six through ten, they earn an additional day for each year of service. After 10 years of service, 20 vacation days are received. Classified Employees receive 1 day of vacation per every month worked for the first year. In years two through five, they earn 10 days per year, and an additional day per year for years six through 15, at which time they receive the maximum of 20 days per year. All vacation must be used by January 1st of the following fiscal year.

Upon leaving employment, employees are paid for any unused vacation days. Current compensated absences have been reported within the individual find, as salary related payments. The balance in accrued vacation and sick pay is \$110,413 and \$87,530 at June 30, 2017 and 2016, respectively. The increase during the year ended June 30, 2017 was \$22,883.

SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY

Notes to Financial Statements (Continued)

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Long-Term Obligations

In the government-wide financial statements, long-term debt payments are reported as decreases in the balance of the liability shown on the statement of net position. In the fund financial statements, however, long-term debt payments are recognized as expenses when paid.

i. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

j. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the Teachers' Retirement System of the State of Illinois (TRS) and the Illinois Municipal Retirement Fund (IMRF), together "the Plans," and additions to/deductions from the Plans' fiduciary net positions have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

k. Restricted Net Position

For the government-wide financial statements, net position is reported as restricted when constraints placed on net position are either: (1) Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is SASSED's policy to use restricted resources first, and then unrestricted resources as they are needed.

2. CASH AND INVESTMENTS

a. Custodial Credit Risk - Deposits

At June 30, 2017 the carrying amount of SASSED's deposits (excluding \$3,500 of petty cash and imprest funds) totaled \$8,020,045 and bank balances totaled \$9,880,215. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. SASSED's investment policy requires pledging of collateral of all bank balances in excess of federal depository insurance with collateral held by a third party in the Association's name. As of June 30, 2017, these amounts were entirely insured or collateralized.

SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY

Notes to Financial Statements (Continued)

June 30, 2017

2. CASH AND INVESTMENTS (Continued)**b. Investments**

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.

As of June 30, 2017, SASSED has the following investments and maturities:

Investment Type	Carrying Amount	Fair Value	Maturities (in years) Less than 1	Percent of Portfolio	Applicable Rating Agency
Other Investments:					
Illinois School District					
Liquid Asset Fund	\$ 4,975	\$ 4,975	\$ 4,975	100%	AAAm
Total Investments	\$ 4,975	\$ 4,975	\$ 4,975		

Credit Risk. SASSED's investments are rated, as shown above, by the applicable rating agency.

Concentration of Credit Risk. SASSED places no limit on the amount SASSED may invest in any one issuer. More than 5 percent of SASSED's investments are concentrated in specific individual investments. The above table indicates the percentage of each investment to the total investments of SASSED.

The Illinois School District Liquid Asset Fund Plus (ISDLAF+) is an investment pool created and regulated by the Illinois General Assembly. The fair value of the District's investment in ISDLAF+ has been determined using the net asset value (NAV) per share (or its equivalent) of the investments.

The NAV of the Liquid Class and MAX Class are determined as of the close of business on each Illinois banking day. The Multi-Class Series invests in high-quality short-term debt instruments (money market instruments), and shares may be redeemed on any Illinois banking day. The Term Series invest in high-quality debt instruments, which are generally money market instruments but may include instruments with a maturity over one year, and shares may be redeemed with seven days' advance notice. There were no known restrictions on redemption of the District's investments as of June 30, 2017.

SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY
Notes to Financial Statements (Continued)
June 30, 2017

3. CAPITAL ASSETS

Capital asset activity for SASED for the year ended June 30, 2017, was as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 137,628	\$ -	\$ -	\$ 137,628
Total capital assets not being depreciated	137,628	-	-	137,628
Capital assets, being depreciated:				
Buildings	3,236,455	-	-	3,236,455
Improvements	1,459,445	64,489	39,028	1,484,906
Equipment	1,629,928	407,354	369,572	1,667,710
Total capital assets being depreciated	6,325,828	471,843	408,600	6,389,071
Accumulated depreciation for:				
Buildings	1,167,921	66,997	-	1,234,918
Improvements	929,926	104,792	21,473	1,013,245
Equipment	941,353	198,706	235,202	904,857
Total accumulated depreciation	3,039,200	370,495	256,675	3,153,020
Total capital assets being depreciated, net	3,286,628	101,348	151,925	3,236,051
Total capital assets, net	\$ 3,424,256	\$ 101,348	\$ 151,925	\$ 3,373,679

Depreciation expense for the year ended June 30, 2017 was \$370,495.

4. LONG TERM DEBT

The following is a summary of the components of long-term debt and related transactions of the Association for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amount due in one year
Net Pension Liability - TRS	\$ 10,618,170	\$ 1,129,551	\$ -	\$ 11,747,721	\$ -
Net Pension Liability - IMRF	4,843,191	-	329,947	4,513,244	-
Other Post Employment Benefits	286,778	34,754	-	321,532	-
Compensated Absences	87,530	110,413	87,530	110,413	110,413
Total Long Term Debt	\$ 15,835,669	\$ 1,274,718	\$ 417,477	\$ 16,692,910	\$ 110,413

5. EMPLOYEE RETIREMENT SYSTEMS

The retirement plans of SASED include the Teachers' Retirement System of the State of Illinois (TRS) and the Illinois Municipal Retirement Fund (IMRF). Most funding for TRS is provided through payroll withholdings of certified employees and contributions made by the State of Illinois on-behalf of the District. IMRF is funded through property taxes and a perpetual lien of the District's corporate personal property replacement tax. Each retirement system is discussed below.

5. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Teachers' Retirement System of the State of Illinois (TRS)

Plan Description

SASED participates in the 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 10 years, or age 55 with 20 years. The benefit is determined by the average of the four highest years of creditable earnings within the last 10 years of creditable service and the percentage of average salary to which the member is entitled. Most members retire under a formula that provides 2.2 percent of final average salary up to a maximum of 75 percent with 34 years of service. Disability and death benefits are also provided.

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

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

Contributions

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

SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY

Notes to Financial Statements (Continued)

June 30, 2017

5. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2017, was 9.4% of creditable earnings. On July 1, 2016, the rate dropped to 9.0% of pay due to the expiration of the Early Retirement Option (ERO). The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the employer.

On-behalf contributions to TRS. The State of Illinois makes employer pension contributions on-behalf of SASED. For the year ended June 30, 2017, State of Illinois contributions recognized by SASED were based on the State's proportionate share of the collective net pension liability associated with SASED, and SASED recognized revenue and expenditures of \$4,260,761 in pension contributions from the State of Illinois.

2.2 formula contributions. SASED contributes 0.58% of total creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ended June 30, 2017 were \$69,891, and are deferred because they were paid after the June 30, 2016 measurement date.

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

For the year ended June 30, 2017, the employer pension contribution was 38.54% of salaries paid from federal and special trust funds. For the year ended June 30, 2017, salaries totaling \$994,690 were paid from the federal and special trust funds that required employer contributions of \$383,354. These contributions are deferred because they were paid after the June 30, 2016 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. SASED 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, 2017, the employer made no payments 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, 2017, SASED paid \$1,791 to TRS for employer contributions due on salary increases in excess of 6% and did not make a payment for sick leave days granted in excess of the normal annual allotment.

5. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

At June 30, 2017, SASSED 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 SASSED. The State's support and total are for disclosure purposes only. The amount recognized by SASSED 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 SASSED were as follows:

SASSED's proportionate share of the net pension liability	\$	11,747,721
State's proportionate share of the net pension liability associated with SASSED		98,153,148
Total	\$	<u>109,900,869</u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 and rolled forward to June 30, 2016. SASSED's proportion of the net pension liability was based on the SASSED's share of contributions to TRS for the measurement year ended June 30, 2016, relative to the projected contributions of all participating TRS employers and the state during that period. At June 30, 2016, SASSED's proportion was 0.0149%, which was a decrease of .0013 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, SASSED recognized pension expense of \$4,260,761 and revenue of \$4,260,761 for support provided by the state. At June 30, 2017, SASSED 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
Difference between expected and actual experience	\$ 86,864	\$ 7,968
Changes in assumptions	1,008,954	-
Net difference between projected and actual earnings on pension plan investments	331,894	-
Changes in proportion and differences between SASSED contributions and proportionate share of contributions	815,798	1,391,588
Total deferred amounts to be recognized in pension expense in future periods	2,243,510	1,399,556
SASSED contributions subsequent to the measurement date	455,036	-
Total	\$ 2,698,546	\$ 1,399,556

5. EMPLOYEE RETIREMENT SYSTEMS (Continued)

\$455,036 reported as deferred outflows of resources related to pensions resulting from SASSED contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Net Deferred (Inflows)/Outflows of Resources
2017	\$ 289,569
2018	289,569
2019	77,945
2020	172,433
2021	14,438
Total	<u>\$ 843,954</u>

Actuarial Assumptions

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

Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value of Assets
Amortization method	Level Percent of Payroll
Remaining amortization period	30 year, open
Inflation	2.50 percent
Salary increases	Varies by amount of service credit
Investment rate of return	7.0 percent
Mortality	RP-2014 White Collar Table with adjustments as appropriate for TRS experience. The rates are used on a fully-generational basis using projection table MP-2014.

For the June 30, 2016 valuation, the investment return assumption was lowered from 7.50% to 7.00%. Salary increase assumptions were lowered from their 2015 levels. Other assumptions were based on the 2015 experience analysis which increased retirement rates, improved mortality assumptions, and made other changes.

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

5. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. large cap	14.4%	6.94%
U.S. small/mid cap	3.6%	8.09%
International equities	14.4%	7.46%
Emerging markets	3.6%	10.15%
U.S. Bonds core	10.7%	2.44%
International debt	5.3%	1.70%
Real estate	15.0%	5.44%
Commodities	11.0%	4.28%
Hedge funds	8.0%	4.16%
Private equity	14.0%	10.63%
	<u>100.0%</u>	

Discount rate

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

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

At June 30, 2015, the discount rate used to measure the total pension liability was 7.47 percent. The discount rate was 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.

5. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Sensitivity of the employer's proportionate share of the net pension liability to changes in the discount rate

The following presents SASED's proportionate share of the net pension liability calculated using the discount rate of 6.83%, as well as what the SASED's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.83%) or 1-percentage-point higher (7.83%) than the current rate:

	1% Decrease (5.83%)	Current Discount Rate (6.83%)	1% Increase (7.83%)
District's proportionate share of the net pension liability	\$ 14,367,940	\$ 11,747,721	\$ 9,607,698

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

b. Illinois Municipal Retirement Fund (IMRF)

Plan Description and Benefits

SASED'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 affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. 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 financial report that includes financial statements and required supplementary information. That report may be obtained online at www.imrf.org.

All employees (other than those covered by TRS) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter. Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after 10 years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

5. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Membership

As of June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	216
Inactive employees entitled to but not yet receiving benefits	611
Active employees	301
Total	<u>1,128</u>

Contributions

As set by statute, Regular plan members are required to contribute 4.50% 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. SASSED's actual contribution rates for calendar year 2016 and 2017 were 11.22% and 11.18%, respectively, of covered payroll. SASSED contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

SASSED's net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Total pension liability	\$ 41,441,649
Plan fiduciary net position	<u>(36,928,405)</u>
Net pension liability/(asset)	<u>\$ 4,513,244</u>

5. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value of Assets
Amortization method	Level Percent of Payroll
Remaining amortization period	30 year, open
Inflation	3.50%
Price inflation	2.75%
Salary increases	3.75% to 14.50%, including inflation
Investment rate of return	7.50%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.
Mortality	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

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 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	38.0%	6.85%
International equities	17.0%	6.75%
Fixed income	27.0%	3.00%
Real estate	8.0%	5.75%
Alternatives	9.0%	2.65-7.35%
Cash	1.0%	2.25%
	<u>100.0%</u>	

5. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Single Discount Rate

The Single Discount Rate used to measure the total pension liability for IMRF was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that SASSED contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.78%, and the resulting single discount rate is 7.50%.

Changes in Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2015	\$ 38,715,143	\$ 33,871,952	\$ 4,843,191
Changes for the year:			
Service Cost	1,339,836	-	1,339,836
Interest on the Total Pension Liability	2,909,811	-	2,909,811
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(347,976)	-	(347,976)
Changes of Assumptions	-	-	-
Contributions - Employer	-	1,355,352	(1,355,352)
Contributions - Employees	-	550,179	(550,179)
Net Investment Income	-	2,317,613	(2,317,613)
Benefit Payments, including Refunds of Employee Contributions	(1,175,165)	(1,175,165)	-
Other (Net Transfer)	-	8,474	(8,474)
Net Changes	2,726,506	3,056,453	(329,947)
Balances at December 31, 2016	\$ 41,441,649	\$ 36,928,405	\$ 4,513,244

5. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

The following presents the SASSED's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the SASSED's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) 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)	\$ 10,399,892	\$ 4,513,244	\$ (295,469)

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

For the year ended June 30, 2016, SASSED recognized pension expense of \$2,061,894. At June 30, 2016, SASSED 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
Difference between expected and actual experience	\$ 58,776	\$ 217,896
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,790,043	-
Total deferred amounts to be recognized in pension expense in future periods	1,848,819	217,896
Contributions subsequent to the measurement date	794,959	-
Total	\$ 2,643,778	\$ 217,896

\$794,959 reported as deferred outflows of resources related to pensions resulting from SASSED contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

5. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Year Ending December 31	Net Deferred Outflows of Resources
2017	\$ 537,910
2018	521,397
2019	521,518
2020	50,098
2021	-
Thereafter	-
Total	<u>\$ 1,630,923</u>

6. OTHER POST-EMPLOYMENT BENEFITS

a. Teacher Health Insurance Security (THIS)

SASED 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 were enrolled in Medicare Parts A and B may be eligible to enroll in Medicare Advantage Plans.

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

On Behalf Contributions to THIS Fund. The state of Illinois makes employer retiree health insurance contributions on behalf of SASED. State contributions are intended to match contributions to THIS Fund from active members which were 1.12% of pay during the year ended June 30, 2017. State of Illinois contributions were \$134,961, and the district recognized revenue and expenditures of this amount during the year.

Employer contributions to THIS Fund. SASED also makes contributions to THIS Fund. The THIS Fund contribution was 0.84% during the year ended June 30, 2017. For the year ended June 30, 2017, SASED paid \$101,221 to the THIS Fund, which was 100 percent of the required contribution.

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

6. OTHER POST-EMPLOYMENT BENEFITS (Continued)

b. Other Postemployment Benefits (OPEB)

In accordance with GASB statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," SASED had an independent actuary determine the OPEB liability. From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of pension benefits generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid.

Plan Description. Educational support employees who contribute to the Illinois Municipal Retirement Fund (IMRF) are eligible for post-retirement medical coverage. For retirement benefits, the member must have worked at least 8 years and must be at least 55 years old. Certified employees who contribute to the Teachers' Retirement Service (TRS) are eligible for a subsidized benefit once they retire with 15 years and have attained 55 years of age. Both teachers and support staff may elect COBRA coverage for dental benefits.

SASED offers a flat reimbursement subsidy for certified employees who retire after age 55 with 15 years of service. The subsidy is that SASED will pay up to \$200 per month for the cost of the retiree's health insurance policy (presumably through TCHP). The subsidy for current retirees will extend for five years, irrespective of the age at retirement. Staff workers may retire after age 55 with 8 years of service, but no subsidy is provided in such case. They are, however, eligible to participate in SASED's plan. For the dental plan, benefits for staff retirees continue as long as COBRA premiums are paid, even past age 65. Effective July 2008, Group Life Insurance is provided by SASED after retirement, but retirees must pay the full premium. There is therefore no liability to SASED for this benefit.

Participation. The census used was prepared as of July 1, 2015 and brought forward to 2016, counting only employees who could retire with a benefit payable from the plan. At that time, there were 229 active participants from non-certified staff, 26 of whom were eligible to retire. An additional 123 active certified teachers will be eligible to receive reimbursement under the terms of their contract, 7 of whom are currently eligible to retire. There were 11 non-certified retirees and 7 certified retirees. For the determination of OPEB liability and expense, the discount rate was reduced to 4.00%.

Funding policy. The contribution requirement of SASED may be amended by the Board of Control. Current policy is to pay for post-retirement medical and insurance benefits or premiums as they occur.

Annual OPEB Cost and Net OPEB Obligation

The Annual OPEB Cost is calculated based on the Annual Required Contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of Annual OPEB Cost:

SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY
Notes to Financial Statements (Continued)
June 30, 2017

6. OTHER POST-EMPLOYMENT BENEFITS (Continued)

	FY 2017	FY 2016
Annual Required Contribution	\$ 40,776	\$ 37,626
Interest on net OPEB obligation	11,471	(18,240)
Adjustment to annual required contribution	(15,947)	14,824
Annual OPEB cost (expense)	36,300	34,210
Contributions made by SASSED	(1,546)	(57,064)
Increase in net OPEB obligations	34,754	(22,854)
Net OPEB obligation - Beginning of Year	286,778	309,632
Net OPEB obligation - End of Year	\$ 321,532	\$ 286,778

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the Net OPEB obligation at the end of the year is as follows:

	FY 2017	FY 2016	FY 2015
Annual OPEB cost (expense)	\$ 36,300	\$ 34,210	\$ 16,894
Estimated contributions made by District	1,546	57,064	56,368
Percentage of Annual OPEB Cost Contributed	4.26%	171.07%	134.28%
Net OPEB Obligation as of December 31	\$ 321,532	\$ 286,778	\$ 309,632

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial Assumptions

These are the actuarial assumptions used for this valuation.

Actuarial Cost Method:	Projected unit credit
Asset Valuation Method:	Market value
Discount Rate:	4.0%, compounded annually
Rate of Return on Assets:	4.0%, compounded annually
Health Care Trend Rate:	Variable 3.0%-5.0%
General Inflation Rate:	2.0%
Projected Salary Increases:	2.0%
Mortality:	RP-2014 Total Dataset Headcount-weighted Mortality table projected to 2016.
Turnover:	80% of the Vaughn ultimate table; 100% of the Vaughn select rates for the first three years of employment (50%, 30%, 20%, respectively).

7. SCHOOL EMPLOYEES LOSS FUND (SELF)

SASED is a member of SELF, which has been formed to reduce local Associations' workers' compensation costs. SELF is controlled by a Board of Directors, which is composed of representatives designated by each member. The day-to-day operations of SELF are managed through an Executive Board elected by the Board of Directors. Each member has a financial responsibility for annual membership contributions, which are calculated to provide for administrative expenses, specific and aggregate excess insurance coverage, and the funding of a portion of anticipated losses and loss adjustment expenses, which will be borne directly by the membership. The losses and loss adjustment expenses to be borne by the membership are those which must be incurred prior to the attachment of excess insurance coverage.

8. SELF-INSURANCE PLAN

SASED maintains a self-insurance plan to provide medical insurance to its employees. An outside administrator administers claims for a fixed fee per enrolled employee. SASED makes periodic payments to an escrow account established by the plan administrator. The administrator pays employee claims from this escrow account and requires SASED to cover any deficiencies. SASED's liability is limited by private insurance which provides a \$125,000 individual specific stop loss and a \$3,538,832 aggregate excess stop loss. A liability of \$2,062,030 has been recorded as estimated claims incurred but not yet reported. Claims incurred but not yet reported include known loss events that are expected to later be presented as claims, unknown loss events that are expected to become claims, and expected future development on claims already reported.

	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016
Claims liability at July 1	\$ 3,240,758	\$ 3,412,388
Current year claims and changes in estimates	4,379,217	4,207,526
Claim payments	(5,557,945)	(4,379,156)
Claims liability at June 30	<u>\$ 2,062,030</u>	<u>\$ 3,240,758</u>

9. RISK MANAGEMENT

SASED is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omission, injuries to employees and natural disasters. SASED has purchased commercial insurance to cover all risks of loss related to general liability, auto liability, property damage, theft and workers' compensation. Premiums have been displayed as expenditures in appropriate funds. No significant reductions in insurance coverage have occurred from the prior year, and no settlements have been made in the last three years which exceeded any insurance coverage.

10. FUND BALANCE REPORTING

According to Government Accounting Standards, fund balances are to be classified into five major classifications; Nonspendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance.

A. Nonspendable Fund Balance

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example inventories and prepaid amounts.

10. FUND BALANCE REPORTING (Continued)

B. Restricted Fund Balance

The restricted fund balance classification refers to amounts that are subject to outside restrictions, not controlled by the entity. Things such as restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

C. Committed Fund Balance

The committed fund balance classification refers to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority (the Board of Control). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of formal action it employed to previously commit those amounts.

D. Assigned Fund Balance

The assigned fund balance classification refers to the amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

E. Unassigned Fund Balance

The unassigned fund balance classification is the residual classification for amounts in the General Operating Funds for amounts that have not been restricted, committed, or assigned to specific purposes within the General Funds.

F. Expenditures of Fund Balance

Unless specifically identified, expenditures disbursed act to reduce restricted balances first, then committed balances, next assigned balances, and finally act to reduce unassigned balances. Expenditures disbursed for a specifically identified purpose will act to reduce the specific classification of fund balance that is identified. SASSED does not have a formal policy for fund balance.

11. PRIOR PERIOD ADJUSTMENT

SASSED has restated its beginning balance net position as of July 1, 2016 by \$406,029. This restatement resulted from an adjustment of the self-insurance incurred but not reported claim liability. The incurred but not reported liability was adjusted to better reflect actual claim experience.

12. OPERATING LEASE

During fiscal year 2017, SASSED entered into an operating lease for approximately 27,039 square feet of office space located at 2900 Ogden Avenue, Lisle, Illinois. The ten year lease commenced on November 1, 2016 through October 31, 2026. Annual rent payments for the first year of the lease total \$259,574 including a \$150,000 furniture credit provided by the landlord. The lease calls for annual rent increases of 1.95%

SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY
Schedule of Changes in the Employer's Net Pension Liability
and Related Ratios
Illinois Municipal Retirement Fund
Last Three Calendar Years

	2016	2015	2014
TOTAL PENSION LIABILITY			
Service Cost	\$ 1,339,836	\$ 1,300,518	\$ 1,393,434
Interest	2,909,811	2,674,446	2,368,719
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	(347,976)	213,406	(138,810)
Changes of Assumptions	-	-	1,423,935
Benefit Payments, Including Refunds of Member Contributions	(1,175,165)	(964,505)	(884,398)
Net Change in Total Pension Liability	2,726,506	3,223,865	4,162,880
Total Pension Liability - Beginning	38,715,143	35,491,278	31,328,398
TOTAL PENSION LIABILITY - ENDING	\$ 41,441,649	\$ 38,715,143	\$ 35,491,278
PLAN FIDUCIARY NET POSITION			
Contributions - Employer	\$ 1,355,352	\$ 1,303,492	\$ 1,340,525
Contributions - Member	550,179	543,624	549,289
Net Investment Income	2,317,613	170,748	1,908,335
Benefit Payments, Including Refunds of Member Contributions	(1,175,165)	(964,505)	(884,398)
Administrative Expense	8,474	(889,706)	13,073
Net Change in Plan Fiduciary Net Position	3,056,453	163,653	2,926,824
Plan Net Position - Beginning	33,871,952	33,708,299	30,781,475
PLAN NET POSITION - ENDING	\$ 36,928,405	\$ 33,871,952	\$ 33,708,299
EMPLOYER'S NET PENSION LIABILITY (ASSET)	\$ 4,513,244	\$ 4,843,191	\$ 1,782,979
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.11%	87.49%	94.98%
Covered-Employee Payroll	\$ 12,079,571	\$ 12,080,555	\$ 11,628,516
Employer's Net Pension Liability as a Percentage of Covered - Employee Payroll	37.36%	40.09%	15.33%

The Association implemented GASB Statement No. 68 in fiscal year 2015.
Information prior to fiscal year 2015 is not available.

SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY
Schedule of Employer Contributions
Illinois Municipal Retirement Fund
Last Three Fiscal Years

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	\$ 1,309,652	\$ 1,309,652	\$ -	\$ 11,697,826	11.20%
2016	1,353,096	1,353,096	-	12,241,693	11.05%
2015	1,340,441	1,340,441	-	11,978,920	11.19%

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Aggregate entry age normal
Amortization method	Level percentage of pay, closed
Remaining amortization period	28 years
Asset valuation method	5-year smoothed market; 20% corridor
Inflation	3.00%
Salary increases	4.4% to 16%
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 - 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 10 years.

Other information:

Notes There were no benefit changes during the year.

The Association implemented GASB Statement No. 68 in fiscal year 2015.

Information prior to fiscal year 2015 is not available.

SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY
Schedule of the Association's Proportionate Share of the Net Pension Liability
Teachers' Retirement System
Last Three Fiscal Years

	2017*	2016*	2015*
Association's proportion of the net pension liability	0.0149%	0.0162%	0.0180%
Association's proportionate share of the net pension liability \$	11,747,721	\$ 10,618,170	\$ 10,967,357
State's proportionate share of the net pension liability associated with the Association	98,153,148	81,540,092	75,910,849
Total	<u>\$ 109,900,869</u>	<u>\$ 92,158,262</u>	<u>\$ 86,878,206</u>
Association's covered-employee payroll	\$ 12,365,810	\$ 12,592,331	\$ 12,345,423
Association's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	95.00%	84.32%	88.84%
Plan fiduciary net position as a percentage of the total pension liability	36.40%	41.50%	43.00%

Notes to Schedule
Changes of assumptions

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

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

For the 2014 measurement year, the assumed investment rate of return was also 7.5 percent, including an inflation rate of 3.0 percent and a real return of 4.5 percent. However,

* The amounts presented have a measurement date of the previous fiscal year end.

The Association implemented GASB Statement No. 68 in fiscal year 2015.
Information prior to fiscal year 2015 is not available.

SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY
Schedule of Employer Contributions
Teachers' Retirement System
Last Three Fiscal Years

Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	\$ 455,036	\$ 455,036	\$ -	\$ 12,365,810	3.68%
2016	616,753	616,753	-	12,365,810	4.99%
2015	567,940	567,940	-	12,592,331	4.51%

The Association implemented GASB Statement No. 68 in fiscal year 2015.
Information prior to fiscal year 2015 is not available.

SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY
Schedule of Funding Progress
Other Post-Employment Benefits
Last Three Fiscal Years

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
6/30/2017	-	\$ 346,921	\$ 346,921	0.00%	\$ 18,888,281	1.84%
6/30/2016	-	361,001	361,001	0.00%	18,219,059	1.98%
6/30/2015	-	363,470	363,470	0.00%	16,615,699	2.19%

SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY
Statement of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual - General Fund
Year Ended June 30, 2017

	General (Educational) Fund		
	Original and Final Budget	Actual	Variance Over/Under
REVENUES			
Local sources	\$ 30,717,408	\$ 31,186,891	\$ 469,483
Flow-through sources	8,999,369	9,263,036	263,667
State sources	8,419,608	4,883,259	(3,536,349)
Federal sources	13,326,407	8,172,894	(5,153,513)
Total Revenues	61,462,792	53,506,080	(7,956,712)
EXPENDITURES			
Current operating			
Instruction	27,144,527	26,422,667	721,860
Support services	25,333,363	20,416,725	4,916,638
Non-programmed charges	9,337,902	9,295,111	42,791
Total Expenditures	61,815,792	56,134,503	5,681,289
Net change in fund balance	\$ (353,000)	(2,628,423)	\$ (2,275,423)
Fund balance at beginning of year		11,436,595	
Prior period adjustment		406,029	
Fund balance at beginning of year, as restated		<u>11,842,624</u>	
FUND BALANCES AT END OF YEAR		<u>\$ 9,214,201</u>	

SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
General (Educational) Fund
Year Ended June 30, 2017

	Original and Final Budget	Actual	Variance Over/Under
REVENUES			
Local sources			
Tuition	\$ 16,155,567	\$ 15,785,508	\$ (370,059)
Earnings on investments	20,000	22,279	2,279
Food service	3,600	1,058	(2,542)
Other local sources			
Services provided to other LEA's	14,511,241	15,200,710	689,469
Other	27,000	177,336	150,336
Total local sources	30,717,408	31,186,891	469,483
Flow through sources			
Federal flow through	8,999,369	9,263,036	263,667
Total flow through sources	8,999,369	9,263,036	263,667
State sources			
Restricted grants-in-aid			
Special education	2,658,108	(757)	(2,658,865)
CTE - Technical education	1,500	-	(1,500)
State free lunch & breakfast	7,000	1,206	(5,794)
Transportation - special education	445,000	487,088	42,088
State of Illinois on-behalf contributions	5,308,000	4,395,722	(912,278)
Total state sources	8,419,608	4,883,259	(3,536,349)
Federal sources			
Restricted grants-in-aid received from federal government through the state			
Title VI	1,236,876	-	(1,236,876)
National school lunch program	69,392	69,687	295
National school breakfast program	16,649	44,690	28,041
Title IV	60,924	-	(60,924)
Preschool	269,104	62,859	(206,245)
Preschool discretionary	309,000	200,131	(108,869)
IDEA flow-through	752,590	700,583	(52,007)
IDEA discretionary	8,459,512	3,231,921	(5,227,591)
Race to the top	84,120	140,589	56,469
Medicaid matching/administrative outreach	1,231,179	1,244,126	12,947
Other	837,061	2,478,308	1,641,247
Total federal sources	13,326,407	8,172,894	(5,153,513)
Total revenues	\$ 61,462,792	\$ 53,506,080	\$ (7,956,712)

(Continued)

SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
General (Educational) Fund
Year Ended June 30, 2017

	Original and Final Budget	Actual	Variance Over/Under
EXPENDITURES			
Current operating			
Instruction			
Special education programs			
Salaries	\$ 12,971,305	\$ 13,189,957	\$ (218,652)
Employee benefits	3,145,434	3,100,762	44,672
Purchased services	4,621,777	4,546,007	75,770
Supplies and materials	259,070	285,244	(26,174)
Capital outlay	-	4,594	(4,594)
Non-capitalized equipment	55,000	61,901	(6,901)
State of Illinois on-behalf payments	5,308,000	4,395,722	912,278
Total	26,360,586	25,584,187	776,399
Vocational programs			
Salaries	56,008	58,556	(2,548)
Employee benefits	16,282	16,037	245
Purchased services	102,395	156,912	(54,517)
Supplies and materials	31,070	32,326	(1,256)
Total	205,755	263,831	(58,076)
Summer school programs			
Salaries	435,610	453,438	(17,828)
Employee benefits	38,943	39,951	(1,008)
Purchased services	65,433	68,906	(3,473)
Supplies and materials	38,200	12,354	25,846
Total	578,186	574,649	3,537
Total instruction	27,144,527	26,422,667	721,860
Support services			
Health services			
Salaries	4,500,795	4,315,338	185,457
Employee benefits	1,446,912	1,357,502	89,410
Purchased services	1,541,459	1,715,044	(173,585)
Supplies and materials	18,000	20,797	(2,797)
Capital outlay	30,000	75,298	(45,298)
Non-capitalized equipment	-	7,245	(7,245)
Total	\$ 7,537,166	\$ 7,491,224	\$ 45,942

(Continued)

SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
General (Educational) Fund
Year Ended June 30, 2017

	Original and Final Budget	Actual	Variance Over/Under
Psychological services			
Salaries	\$ 15,000	\$ 15,000	\$ -
Employee benefits	8,805	1,147	7,658
Purchased services	325	100	225
Total	24,130	16,247	7,883
Speech pathology and audiology services			
Salaries	133,145	99,508	33,637
Employee benefits	48,194	33,632	14,562
Purchased services	138,319	133,026	5,293
Supplies and materials	3,000	1,311	1,689
Capital outlay	-	20,705	(20,705)
Total	322,658	288,182	34,476
Total pupils	7,883,954	7,795,653	88,301
Instructional staff			
Improvement of instruction services			
Salaries	5,430,530	3,501,544	1,928,986
Employee benefits	1,850,336	1,033,031	817,305
Purchased services	4,073,089	2,265,901	1,807,188
Supplies and materials	156,981	89,299	67,682
Non-capitalized equipment	44,600	63,199	(18,599)
Total	11,555,536	6,952,974	4,602,562
Educational media services			
Purchased services	3,500	-	3,500
Total	3,500	-	3,500
Total instructional staff	11,559,036	6,952,974	4,606,062
General administration			
Board of education services			
Purchased services	11,000	9,968	1,032
Total	\$ 11,000	\$ 9,968	\$ 1,032

SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
General (Educational) Fund
Year Ended June 30, 2017

	Original and Final Budget	Actual	Variance Over/Under
Executive administration services			
Salaries	\$ 621,968	\$ 549,677	\$ 72,291
Employee benefits	174,156	146,283	27,873
Purchased services	507,730	613,176	(105,446)
Supplies and materials	40,000	68,383	(28,383)
Capital outlay	15,000	-	15,000
Non-capitalized equipment	75,000	-	75,000
Total	1,433,854	1,377,519	56,335
Service area administrative services			
Salaries	584,309	423,643	160,666
Employee benefits	203,065	125,646	77,419
Purchased services	75,756	36,703	39,053
Supplies and materials	44,345	5,532	38,813
Non-capitalized equipment	10,000	6,238	3,762
Total	917,475	597,762	319,713
Total general administration	2,362,329	1,985,249	377,080
Business			
Direction of business services			
Salaries	174,301	174,129	172
Employee benefits	50,911	49,868	1,043
Purchased services	11,015	8,596	2,419
Total	236,227	232,593	3,634
Fiscal services			
Salaries	273,938	264,509	9,429
Employee benefits	84,598	83,225	1,373
Purchased services	105,455	96,572	8,883
Supplies and materials	2,500	4,641	(2,141)
Total	466,491	448,947	17,544
Operating & maintenance of plant services			
Salaries	75,647	114,142	(38,495)
Employee benefits	24,768	30,110	(5,342)
Purchased services	58,435	78,849	(20,414)
Supplies and materials	18,000	19,126	(1,126)
Capital outlay	103,000	-	103,000
Total	\$ 279,850	\$ 242,227	\$ 37,623

(Continued)

SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
General (Educational) Fund
Year Ended June 30, 2017

	Original and Final Budget	Actual	Variance Over/Under
Transportation services			
Salaries	\$ 487,812	\$ 445,528	\$ 42,284
Employee benefits	101,889	131,082	(29,193)
Purchased services	105,107	141,295	(36,188)
Supplies and materials	4,500	203	4,297
Total	699,308	718,108	(18,800)
Food services			
Salaries	24,000	32,955	(8,955)
Employee benefits	10,731	13,235	(2,504)
Purchased services	111,910	104,931	6,979
Total	146,641	151,121	(4,480)
Total business	1,828,517	1,792,996	35,521
Central			
Staff services			
Salaries	257,186	261,306	(4,120)
Employee benefits	82,840	82,075	765
Purchased services	76,487	48,713	27,774
Supplies and materials	2,000	1,970	30
Total	418,513	394,064	24,449
Data processing services			
Salaries	273,808	283,275	(9,467)
Employee benefits	93,033	93,492	(459)
Purchased services	356,107	382,164	(26,057)
Supplies and materials	60,000	62,317	(2,317)
Capital outlay	425,000	371,245	53,755
Non-capitalized equipment	-	162,707	(162,707)
Total	1,207,948	1,355,200	(147,252)
Total central	\$ 1,626,461	\$ 1,749,264	\$ (122,803)

(Continued)

SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
General (Educational) Fund
Year Ended June 30, 2017

	Original and Final Budget	Actual	Variance Over/Under
Other support services			
Salaries	\$ 34,307	\$ 53,061	\$ (18,754)
Employee benefits	12,636	16,130	(3,494)
Purchased services	25,690	58,737	(33,047)
Supplies and materials	433	12,661	(12,228)
Total	73,066	140,589	(67,523)
Total support services	25,333,363	20,416,725	4,916,638
Non-programmed charges	9,337,902	9,295,111	42,791
Total expenditures	61,815,792	56,134,503	5,681,289
Net change in fund balance	\$ (353,000)	(2,628,423)	\$ (2,275,423)
Fund balance at beginning of year		11,436,595	
Prior period adjustment		406,029	
Fund balance at beginning of year, as restated		11,842,624	
FUND BALANCE AT END OF YEAR		\$ 9,214,201	

