

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

**Audited Financial Report**

**June 30, 2018**



**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, 2018, 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, 2018, 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.

## **Emphasis of Matter**

The Association adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the year ended June 30, 2018. Statement No. 75 expands disclosures related to postemployment benefits other than pensions and requires the Association to report the net other postemployment benefit liability in the statement of net position. The adoption of this statement had no effect on any of the Association's fund balances but reduced the Association's governmental activities net position by \$14,804,932 as of July 1, 2017 as disclosed in note 11. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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 December 12, 2018 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  
December 12, 2018

## **SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY**

Management's Discussion and Analysis  
For the Year Ended June 30, 2018

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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, 2018. 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, 2018

<b>Summarized Statement of Net Position</b>			
	<b>2018</b>	<b>2017</b>	<b>\$ Change</b>
Current and other assets	\$ 19,872,762	\$ 17,853,119	\$ 2,019,643
Capital assets & land	3,556,563	3,373,679	182,884
<b>Total assets</b>	<b>23,429,325</b>	<b>21,226,798</b>	<b>2,202,527</b>
Deferred outflows related to pensions & other postemployment benefits	3,567,687	5,342,324	(1,774,637)
<b>Total deferred outflows</b>	<b>3,567,687</b>	<b>5,342,324</b>	<b>(1,774,637)</b>
Current liabilities	10,287,592	8,749,331	1,538,261
Non-current liabilities	22,790,375	16,582,497	6,207,878
<b>Total liabilities</b>	<b>33,077,967</b>	<b>25,331,828</b>	<b>7,746,139</b>
Deferred inflows related to pensions & other postemployment benefits	8,995,208	1,617,452	7,377,756
<b>Total deferred inflows</b>	<b>8,995,208</b>	<b>1,617,452</b>	<b>7,377,756</b>
Net position			
Investment in capital assets	3,556,563	3,373,679	182,884
Unrestricted	(18,632,726)	(3,753,837)	(14,878,889)
<b>Total net position</b>	<b>\$ (15,076,163)</b>	<b>\$ (380,158)</b>	<b>\$ (14,696,005)</b>

At June 30, 2018, SASSED had a cash balance representing approximately three months of average cash flow. Maintaining an adequate cash balance eliminates the need to borrow to meet cash flow needs. The cash balance increased by \$5,441,847, which is primarily a result in the change in State funding. The State previously reimbursed SASSED for a portion of special education staff salaries in a system known as Personnel Reimbursement. The new State funding model is the Evidenced Based Funding model. It provides SASSED with a hold harmless payment based upon the FY2016 claim for personnel reimbursement. The former funding model delayed funds until the year following the payment of salaries by SASSED. The new model distributes funding in the year that it is earned. Also impacting the cash balance each year is the change in the timing of collecting invoicing for grants and collecting invoicing for tuition billings and a change in the timing of releasing year-end payments to vendors.

The receivable balance decreased by \$3,161,899 from the previous year. This reduction in receivables is partially the result of the change in the State's funding to the new Evidenced Based Funding model and partially the result of less receivables at year end associated with the timing of invoicing and the timing of the related collections for billings to school districts and billings for grants.

Capital assets are recorded at cost and depreciated based upon their estimated useful lives. The \$182,884 increase from the prior year represents current year purchases less the annual allowance for depreciation, net of the write off for asset disposals. See Note 3 of the financial statements for additional details.



**SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018

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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 payable to member districts at year-end. Refunds to member districts occur when pre-billings exceed final billings for tuition and fees. The increase of \$2,006,893 in Accounts Payable reflects the timing of the receipt of invoicing from vendors and the related timing of the release of payments at year-end.

Accrued Payroll represents payments to employees who work from September through June but have their wages paid during the twelve months from September through August. The decrease of \$585,249 reflects a decrease in staff requesting to be paid in August and September for wages earned as of June 30, 2018.

Accrued Self Insurance Liability represents the accrual for medical claims incurred but not paid at year-end. There is also a corresponding cash reserve for this same amount. The \$113,984 increase in the year-end accrual reflects an increase in the cash reserve amount caused by actual claims being lower than expected for the fiscal year. The estimated funding amount developed at the beginning of the plan exceeded actual claims activity occurring during the fiscal year.

Noncurrent liabilities represent the net pension liabilities for TRS and IMRF, and the net other postemployment benefit liabilities of THIS and the Association. The \$6,207,878 increase in noncurrent liabilities is primarily the result of the impact of GASB No. 75 that requires that the other postemployment benefit 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 No. 75. 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, 2018

**Financial Analysis - Statement of Activities**

A summarized statement of activities is reported below.

<b>Summarized Statement of Activities</b>					
	<b>2017-2018</b>	<b>% Total</b>	<b>2016-2017</b>	<b>Increase (Decrease)</b>	<b>% Change</b>
<b>Revenues</b>					
Program Revenues:					
Charges for services	\$29,653,032	54%	\$31,148,435	\$ (1,495,403)	-5%
Operating grants and contributions	24,984,590	46%	22,319,189	2,665,401	12%
Earnings on investments	162,284	0%	22,279	140,005	628%
Miscellaneous	34,452	0%	(135,748)	170,200	-125%
<b>Total Revenues</b>	<b>54,834,358</b>	<b>100%</b>	<b>53,354,155</b>	<b>\$ 1,480,203</b>	<b>3%</b>
<b>Expenses</b>					
Instructional services:					
Special programs	54,725,431	100%	57,545,415	(2,819,984)	-5%
<b>Total Expenses</b>	<b>\$ 54,725,431</b>	<b>100%</b>	<b>\$ 57,545,415</b>	<b>\$ (2,819,984)</b>	<b>-5%</b>
<b>Change in net position</b>	<b>108,927</b>		<b>(4,191,260)</b>		
<b>Net position, beginning</b>	<b>(380,158)</b>		<b>3,405,073</b>		
<b>Prior period adjustment</b>	<b>(14,804,932)</b>		<b>406,029</b>		
<b>Net position, beginning restated</b>	<b>(15,185,090)</b>		<b>3,811,102</b>		
<b>Net position, ending</b>	<b><u>(15,076,163)</u></b>		<b><u>(380,158)</u></b>		

The Statement of Activities shows expenses in excess of revenues of \$108,927 for the current year. This increase in net equity is derived from the net revenue amount from the Statement of Revenues, Expenditures and Changes Fund Balance of \$484,015. The \$484,015 is adjusted by \$182,884 for the requirement to record changes in capital assets and then adjusted for net revenues of (\$557,972) for the requirement to record this year's activity in the pension funds, other postemployment benefits, and compensated absences. A detailed analysis of the \$484,015 net revenue amount is developed of the Statement of Revenues, Expenditures and Changes in Fund Balance in the next section of this report.

The (\$14,804,932) prior period adjustment negatively impacts SASSED's equity position. This prior period adjustment is the direct result of the implementation of GASB No. 75, which records SASSED's portion of the Teachers Health Insurance Liability (THIS). The result of recording both pension and postemployment liabilities is to severely impact the net equity position of SASSED. However, the daily operations of SASSED are not impacted by the accounting requirement to record these liabilities on SASSED's financial statements.

## SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY

### Management's Discussion and Analysis

For the Year Ended June 30, 2018

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#### 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 SASED.

##### Revenues

	Budget	Actual	Over (Under)
Local Sources	\$ 29,457,288	\$ 29,860,908	1.4%
Flow-Through Sources	9,626,175	9,488,001	-1.4%
State Sources	2,768,708	3,254,397	17.5%
On Behalf Contributions	5,025,000	4,994,017	-0.6%
Federal Sources	3,640,700	7,248,175	99.1%
	<u>\$ 50,517,871</u>	<u>\$ 54,845,498</u>	<u>8.6%</u>

Local Sources of revenues were 1.4% over budget. Local Sources of Revenue include tuition and fee revenues for students placed in SASED programs and revenues for special education services delivered to member districts in classrooms operated by member districts. Total revenues for these classroom and student service programs closely matched the amount budgeted.

Flow-Through Sources of revenues were 1.4% under budget closely matching the amount budgeted. This revenue represents Federal IDEA grant funds collected by SASED through ISBE and distributed to SASED's member districts for use in member district programs. IDEA Flow-Through funds were 1.4% under budget because the amount of IDEA funds requested by member districts was 1.4% less than anticipated in the budget. The amount included in the budget is also dependent upon the projected allocation of Federal IDEA revenue funds made available to SASED member districts by the federal government through ISBE. This revenue source has been flat for several years.

State Sources of Revenues were 17.5% over budget. This was the result in the change in State funding to the Evidenced Based Funding model.

On-Behalf Contributions represent SASED's portion of the State's required contributions to the Teachers' Retirement System. These revenues have matching expenditures and are not ever received or paid for by SASED. On-Behalf Contributions are required to be included for both budget and financial reporting. This line item is under budget by 0.6% showing that the budget closely matched the estimated actual expenditures to be made by the State on Behalf of SASED.

Federal Sources of Revenues were 99.1% over budget. This is primarily the result of ISBE continuing its funding for the discretionary Statewide staff development grants operated by SASED on behalf of ISBE. SASED had anticipated that the State would not continue funding this program in the current fiscal year so funds were not budgeted for this program. Other federal programs that exceeded the budget included Medicaid funding exceeding the amount budgeted and the receipt of more federal grant funding for the Midwest PBIS project than anticipated in the budget.

**SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY****Management's Discussion and Analysis****For the Year Ended June 30, 2018**

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**Expenditures**

	Budget	Actual	Over (Under)
Instruction and Support	\$ 35,291,472	\$ 36,269,777	2.8%
Improvement of Instruction	3,064,207	5,519,147	80.1%
Transportation and Food Service	963,220	936,230	-2.8%
Central Administration	1,407,293	1,542,695	9.6%
Grant Administration	165,504	605,633	265.9%
IDEA Distributions	9,626,175	9,488,001	-1.4%
	<u>\$ 50,517,871</u>	<u>\$ 54,361,483</u>	<u>7.6%</u>

Instruction and Support – In the current fiscal year SASSED provided direct classroom instruction to 434 students with individualized education plans. Enrollment was consistent with last year increasing by only 3 students. Expenditures for Instructional and Support Services closely matched the budget being 2.8% over budget.

Improvement of Instruction – Expenditures for Improvement of Instruction were over budget by 80.1% due to budgeting for the discontinuation of the discretionary statewide staff development programs operated by SASSED on-behalf of ISBE. These programs were continued for one additional year by ISBE so expenditures were incurred even though these expenditures were not included in the budget.

Central Administration – Expenditures for Central Administration, including all technology needs of the organization were 9.6% over budget. This reflected additional spending for technology needs of SASSED in excess of the budget. SASSED employs administrative staff within its central office and within its programs. Coordinators of programs and principals are not included in central administration but included in Instruction and Support.

Grant Administration – Expenditures for Grant Administration were 265.9% over budget due to the anticipation of the elimination of the discretionary statewide staff development programs operated by SASSED for ISBE. These programs were not eliminated so expenditures were incurred during the year.

IDEA Distributions were 1.4% under budget reflecting a minor reduction in district requests for reimbursements from SASSED.

**SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018

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**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**

SASED continues to be a financially sound and a fiscally responsible agency. Each year SASED continues to adjust its programs and services to meet the needs of its member districts. This year SASED continued in its role to serve as the administrative agent for the statewide grant projects but this is the final year of this arrangement. The complexity of disabilities exhibited in students served by SASED and the increased demands from Federal and State regulations continue to challenge SASED to contain costs while providing 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 SASED's finances and to show SASED's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sam Cannata, Director for Business Operations at School Association for Special Education in DuPage County, 2900 Ogden Avenue, Lisle, IL 60532.

**SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY**  
Statement of Net Position  
June 30, 2018

	Governmental Activities
<b>Assets</b>	
Cash and investments	\$ 13,470,367
Receivables	
Grants	4,182,157
Tuition	1,559,292
Other	502,086
Other assets	158,860
Capital assets	
Land	137,628
Other capital assets, net of depreciation	3,418,935
<b>Total Assets</b>	<b>23,429,325</b>
<b>Deferred Outflows</b>	
Deferred outflows related to pensions	3,210,293
Deferred outflows related to other postemployment benefits	357,394
<b>Total Deferred Outflows</b>	<b>3,567,687</b>
<b>Liabilities</b>	
Accounts payable	5,989,351
Accrued salaries and related expenses	2,009,181
Accrued self insurance claims	2,176,014
Accrued vacation and sick pay	113,046
Noncurrent liabilities	
Net pension liability - TRS	8,567,617
Net pension liability - IMRF	63,529
Net OPEB liability - THIS	13,601,220
Net OPEB liability - Association	558,009
<b>Total Liabilities</b>	<b>33,077,967</b>
<b>Deferred Inflows</b>	
Deferred inflows related to pensions	7,199,913
Deferred inflows related to other postemployment benefits	1,795,295
<b>Total Deferred Inflows</b>	<b>8,995,208</b>
<b>Net Position</b>	
Investment in capital assets	3,556,563
Unrestricted	(18,632,726)
<b>Total Net Position</b>	<b>\$ (15,076,163)</b>

*See accompanying notes to basic financial statements*

## Year Ended June 30, 2018

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**SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY**  
Balance Sheet  
Governmental Funds  
June 30, 2018

	General (Educational) Fund
<b>Assets</b>	
Cash and investments	\$ 13,470,367
Receivables	
Grants	4,182,157
Tuition	1,559,292
Other	502,086
Prepaid expenditures	158,860
<b>Total Assets</b>	<b>\$ 19,872,762</b>
<b>Liabilities and Fund Balances</b>	
<b>Liabilities</b>	
Accounts payable	\$ 5,989,351
Accrued salaries and related expenditures	2,009,181
Accrued self insurance claims	2,176,014
<b>Total Liabilities</b>	<b>10,174,546</b>
<b>Fund Balances</b>	
Nonspendable-prepaid expenditures	158,860
Unassigned	9,539,356
<b>Total Fund Balances</b>	<b>9,698,216</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 19,872,762</b>

*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, 2018

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**Total fund balances - governmental funds** **\$ 9,698,216**

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 \$6,767,072 and the accumulated depreciation is \$3,210,509. 3,556,563

Deferred inflows and outflows of resources related to pensions and other postemployment benefits are not reported in governmental funds.

Deferred outflows	3,567,687
Deferred inflows	(8,995,208)

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

Net pension liability - TRS	(8,567,617)
Net pension liability - IMRF	(63,529)
Net OPEB liability - THIS	(13,601,220)
Net OPEB liability - Association	(558,009)
Compensated absences	<u>(113,046)</u>

**Net position of governmental activities** **\$ (15,076,163)**

*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, 2018

	General (Educational) Fund
<b>Revenues</b>	
Local sources	\$ 29,860,887
Flow through sources	9,488,001
State sources	8,248,414
Federal sources	7,248,196
	<u>54,845,498</u>
<b>Total Revenues</b>	
<b>Expenditures</b>	
Current operating	
Instruction	25,871,628
Support services	19,001,854
Non-programmed charges	9,488,001
	<u>54,361,483</u>
<b>Total Expenditures</b>	
	<u>484,015</u>
<b>Net change in fund balance</b>	
	<u>9,214,201</u>
<b>Fund balance at beginning of year</b>	
	<u>\$ 9,698,216</u>
<b>Fund Balances at the End of Year</b>	

*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, 2018

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**Net change in fund balances - total governmental funds** **\$ 484,015**

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	595,371
Depreciation expense	(401,347)

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	(11,140)
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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 net pension liability - TRS	3,180,104
Change in net pension liability - IMRF	4,449,715
Change in net OPEB liability - THIS	911,401
Change in net OPEB liability - Association	55,834
Change in deferred outflows/inflows related to pensions	(7,714,492)
Change in deferred outflows/inflows related to other postemployment benefits	(1,437,901)
Change in compensated absences	(2,633)

<b>Change in net position of governmental activities</b>	<b>\$ 108,927</b>
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## **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 Fund** – 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.

## **SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY**

Notes to Financial Statements (Continued)

June 30, 2018

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### **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 31<sup>st</sup>, the budget is legally adopted through passage of a resolution.
- Management can transfer up to 10 percent 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, 2017.

**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:

<u>Assets</u>	<u>Years</u>
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 1<sup>st</sup> 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 \$113,046 and \$110,413 at June 30, 2018 and 2017, respectively. The increase during the year ended June 30, 2018 was \$2,633.

## **SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY**

### **Notes to Financial Statements (Continued)**

June 30, 2018

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#### **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, 2018 the carrying amount of SASSED's deposits (excluding \$4,500 of petty cash and imprest funds) totaled \$13,460,837 and bank balances totaled \$14,049,118. 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, 2018, these amounts were entirely insured or collateralized.



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

**b. Investments**

The Association 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, 2018, SASSED has the following investments and maturities:

<b>Investment Type</b>	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Maturities (in years) Less than 1</b>	<b>Percent of Portfolio</b>	<b>Applicable Rating Agency</b>
<b>Other Investments:</b>					
Illinois School District					
Liquid Asset Fund	\$ 5,030	\$ 5,030	\$ 5,030	100%	AAAm
<b>Total Investments</b>	<b>\$ 5,030</b>	<b>\$ 5,030</b>	<b>\$ 5,030</b>		

*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 Association'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 Association's investments as of June 30, 2018.

**SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY**  
Notes to Financial Statements (Continued)  
June 30, 2018

**3. CAPITAL ASSETS**

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

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
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	1,484,906	414,201	317,525	1,581,582
Equipment	1,667,710	181,170	37,473	1,811,407
Total capital assets being depreciated	6,389,071	595,371	354,998	6,629,444
Accumulated depreciation for:				
Buildings	1,234,918	66,997	-	1,301,915
Improvements	1,013,245	99,794	310,406	802,633
Equipment	904,857	234,556	33,452	1,105,961
Total accumulated depreciation	3,153,020	401,347	343,858	3,210,509
Total capital assets being depreciated, net	3,236,051	194,024	11,140	3,418,935
Total capital assets, net	\$ 3,373,679	\$ 194,024	\$ 11,140	\$ 3,556,563

Depreciation expense for the year ended June 30, 2018 was \$401,347.

**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, 2018:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amount due in one year
Net Pension Liability - TRS	\$ 11,747,721	\$ -	\$ 3,180,104	\$ 8,567,617	\$ -
Net Pension Liability - IMRF	4,513,244	-	4,449,715	63,529	-
Net OPEB Liability - THIS	14,512,621	-	911,401	13,601,220	-
Net OPEB Liability - Association	613,843	-	55,834	558,009	-
Compensated Absences	110,413	113,046	110,413	113,046	113,046
Total Long Term Debt	\$ 31,497,842	\$ 113,046	\$ 8,707,467	\$ 22,903,421	\$ 113,046

**5. EMPLOYEE RETIREMENT SYSTEMS**

The retirement plans of SASSED 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 Association. IMRF is funded through property taxes and a perpetual lien of the Association's corporate personal property replacement tax. Each retirement system is discussed below.

## SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY

Notes to Financial Statements (Continued)

June 30, 2018

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### 5. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

##### *Plan Description*

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

##### *Benefits Provided*

TRS provides retirement, disability, and death benefits. Tier I members have TRS or reciprocal system service prior to January 1, 2011. Tier I members qualify for retirement benefits at age 62 with five years of service, at age 60 with 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 3 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.

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

##### *Contributions*

The state of Illinois maintains the primary responsibility for funding TRS. The Illinois Pension Code, as amended by Public Act 88-0593 and subsequent acts, provides that for years 2010 through 2045, the minimum contribution to the System for each fiscal year shall be an amount determined to be sufficient to bring the total assets of the System up to 90 percent 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, 2018

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### 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, 2018, was 9.0 percent of creditable earnings. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the employer.

**On-behalf contributions to TRS.** The State of Illinois makes employer pension contributions on-behalf of SASED. For the year ended June 30, 2018, 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 \$4,854,730 in pension contributions from the State of Illinois.

**2.2 formula contributions.** SASED contributes 0.58 percent of total creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ended June 30, 2018 were \$68,463, and are deferred because they were paid after the June 30, 2018 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 Public Act 100-0340, the federal and special trust fund contribution rate is the total employer normal cost beginning with the year ended June 30, 2018.

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

For the year ended June 30, 2018, the employer pension contribution was 10.10 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2018, salaries totaling \$921,372 were paid from the federal and special trust funds that required employer contributions of \$93,059. These contributions are deferred because they were paid after the June 30, 2018 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 program that ended on June 30, 2016 is 146.5 percent and applies when the member is age 55 at retirement. For the year ended June 30, 2018, the employer made no payments to TRS for employer ERO contributions for retirements that occurred before July 1, 2016.

The employer is also required to make a one-time contribution to TRS for members granted salary increases over 6 percent if those salaries are used to calculate a retiree's final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2018, SASED paid \$3,200 to TRS for employer contributions due on salary increases in excess of 6 percent and did not make a payment for sick leave days granted in excess of the normal annual allotment.

**SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY**

Notes to Financial Statements (Continued)

June 30, 2018

**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, 2018, 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:

Association's proportionate share of the net pension liability	\$	8,567,617
State's proportionate share of the net pension liability associated with the Association		89,012,284
Total	\$	<u>97,579,901</u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 and rolled forward to June 30, 2017. SASSED's proportion of the net pension liability was based on the Association's share of contributions to TRS for the measurement year ended June 30, 2017, relative to the projected contributions of all participating TRS employers and the state during that period. At June 30, 2017, SASSED's proportion was 0.0112 percent, which was a decrease of .0037 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, SASSED recognized pension expense of \$4,854,730 and revenue of \$4,854,730 for support provided by the state. At June 30, 2018, 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	\$ 93,054	\$ 3,955
Changes in assumptions	571,827	246,193
Net difference between projected and actual earnings on pension plan investments	5,877	-
Changes in proportion and differences between Association contributions and proportionate share of contributions	<u>430,988</u>	<u>3,039,946</u>
Total deferred amounts to be recognized in pension expense in future periods	1,101,746	3,290,094
Association contributions subsequent to the measurement date	<u>164,722</u>	<u>-</u>
Total	<u>\$ 1,266,468</u>	<u>\$ 3,290,094</u>

**SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY**  
Notes to Financial Statements (Continued)  
June 30, 2018

**5. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

\$164,722 reported as deferred outflows of resources related to pensions resulting from SASED contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Net Deferred Inflows of Resources
2018	\$ (384,083)
2019	(622,959)
2020	(509,299)
2021	(595,821)
2022	(76,186)
Total	<u>\$ (2,188,348)</u>

*Actuarial Assumptions*

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

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	7.00 percent, net of pension plan investment expense, including inflation
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.

The same assumptions were used in the June 30, 2016 actuarial valuation.

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

**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, 2017, the discount rate used to measure the total pension liability was 7.00 percent, which was a change from the June 30, 2016 rate of 6.83 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, 2017 was 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. All projected future payments were covered, so the long-term expected rate of return on TRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

At June 30, 2016, the discount rate used to measure the total pension liability was 6.83 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 SASSED's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Association's proportionate share of the net pension liability	\$ 10,526,436	\$ 8,567,617	\$ 6,963,181

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

**b. Illinois Municipal Retirement Fund (IMRF)**

*Plan Description and Benefits*

SASSED'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 Association'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](http://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 percent of their final rate of earnings, for each year of credited service up to 15 years, and 2 percent 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 percent of their final rate of earnings, for each year of credited service up to 15 years, and 2 percent for each year thereafter.



**SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY**  
Notes to Financial Statements (Continued)  
June 30, 2018

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**5. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

*Plan Membership*

As of June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	233
Inactive employees entitled to but not yet receiving benefits	614
Active employees	283
Total	<u>1,130</u>

*Contributions*

As set by statute, Regular plan members are required to contribute 4.50 percent 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 2017 and 2018 were 11.18 percent and 11.04 percent, 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, 2017, 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	\$ 42,873,554
Plan fiduciary net position	<u>(42,810,025)</u>
Net pension liability/(asset)	<u>\$ 63,529</u>

## 5. EMPLOYEE RETIREMENT SYSTEMS (Continued)

### *Actuarial Assumptions*

The total pension liability in the December 31, 2017 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
Price inflation	2.50%
Salary increases	3.39% to 14.25%
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 2017 valuation pursuant to an experience study of the period 2014 - 2016.
Mortality	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

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	37.0%	6.85%
International equities	18.0%	6.75%
Fixed income	28.0%	3.00%
Real estate	9.0%	5.75%
Alternatives	7.0%	2.65-7.35%
Cash	1.0%	2.25%
	<u>100.0%</u>	

**SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY**

Notes to Financial Statements (Continued)

June 30, 2018

**5. EMPLOYEE RETIREMENT SYSTEMS (Continued)***Single Discount Rate*

The Single Discount Rate used to measure the total pension liability for IMRF was 7.50 percent. 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 percent, the municipal bond rate is 3.78 percent, and the resulting single discount rate is 7.50 percent.

*Changes in Net Pension Liability*

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2016	\$ 41,441,649	\$ 36,928,405	\$ 4,843,191
Changes for the year:			
Service Cost	1,269,053	-	1,269,053
Interest on the Total Pension Liability	3,106,172	-	3,106,172
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(469,428)	-	(469,428)
Changes of Assumptions	(1,152,801)	-	(1,152,801)
Contributions - Employer	-	1,283,059	(1,283,059)
Contributions - Employees	-	528,577	(528,577)
Net Investment Income	-	6,263,367	(6,263,367)
Benefit Payments, including Refunds of Employee Contributions	(1,321,091)	(1,321,091)	-
Other (Net Transfer)	-	(872,292)	872,292
Net Changes	1,431,905	5,881,620	(4,449,715)
Balances at December 31, 2017	\$ 42,873,554	\$ 42,810,025	\$ 63,529

**SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY**

Notes to Financial Statements (Continued)

June 30, 2018

**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 percent, 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 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability (asset)	\$ 5,824,458	\$ 63,529	\$ (4,663,681)

*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	\$ -	\$ 381,691
Changes in assumptions	-	721,686
Net difference between projected and actual earnings on pension plan investments	1,180,829	2,806,442
Total deferred amounts to be recognized in pension expense in future periods	1,180,829	3,909,819
Contributions subsequent to the measurement date	762,996	-
Total	\$ 1,943,825	\$ 3,909,819

\$762,996 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 Inflows of Resources
2018	\$ (786,881)
2019	(588,985)
2020	(651,512)
2021	(701,612)
2022	-
Thereafter	-
Total	<u>\$ (2,728,990)</u>

**6. OTHER POSTEMPLOYMENT BENEFITS**

**a. Teacher Health Insurance Security (THIS)**

*Plan Description*

The Association participates in the THIS. The THIS is a cost-sharing, multiple-employer defined benefit post-employment healthcare plan (OPEB) that was established by the Illinois legislature for the benefit of Illinois public school teachers employed outside the City of Chicago. The THIS members are retirees of public schools who were certified educators or administrators. Eligibility is currently limited to former full-time employees, and others who were not full-time employees that meet certain requirements, and their dependents. The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.5) (SEGIA) establishes the eligibility and benefit provisions of the plan.

The THIS issues a publicly available financial report that can be obtained at the website of the Illinois Auditor General: <https://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".

*Benefits Provided*

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.

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.

**6. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

*Contributions*

The SEGIA requires that all active contributors to the TRS, who are not employees of a department, make contributions to the plan at a rate of 1.18% of salary and for every employer of a teacher to contribute an amount equal to 0.88% of each teacher's salary. Additionally, the SEGIA requires the State to match the employees' contribution on-behalf of the employer. The Department determines, by rule, the percentage required, which each year shall not exceed 105% of the percentage of salary actually required to be paid in the previous fiscal year. In addition, under the State Pension Funds Continuing Appropriations Act (40 ILCS 15/1.3), there is appropriated, on a continuing annual basis, from the General Revenue Fund, an account of the General Fund, to the State Comptroller for deposit in the THIS, an amount equal to the amount certified by the Board of Trustees of TRS as the estimated total amount of contributions to be paid under 5 ILCS 376/6.6(a) in that fiscal year.

The SEGIA requires that the Department's Director determine the rates and premiums of annuitants and dependent beneficiaries and establish the cost-sharing parameters, as well as funding. Member premiums are set by this statute, which provides for a subsidy of either 50% or 75%, depending upon member benefit choices. Dependents are eligible for coverage, at a rate of 100% of the cost of coverage.

**On-behalf contributions to THIS.** The state of Illinois makes employer retiree health insurance contributions on behalf of the Association. State contributions are intended to match contributions to THIS Fund from active members which were 1.18% of pay during the year ended June 30, 2018. State of Illinois contributions were \$139,287, and the Association recognized revenue and expenditures of this amount during the year.

**Employer contributions to THIS Fund.** The Association also makes contributions to THIS Fund. The Association THIS Fund contribution was 0.88% during the year ended June 30, 2018. For the year ended June 30, 2018, the Association paid \$103,875 to the THIS Fund, which was 100 percent of the required contribution. These contributions are deferred because they were paid after the June 30, 2017 measurement date.

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

At June 30, 2018, the Association reported a liability for its proportionate share of the net OPEB liability. The State's support and total are for disclosure purposes only. The amount recognized by the Association as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the Association were as follows:

Association's proportionate share of the net OPEB liability	\$	13,601,220
State's proportionate share of the net OPEB liability associated with the Association		17,861,782
Total	\$	<u>31,463,002</u>

**SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY**  
Notes to Financial Statements (Continued)  
June 30, 2018

**6. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016 and rolled forward to June 30, 2017. The Association's proportion of the net OPEB liability was based on the Association's share of contributions to TRS for the measurement year ended June 30, 2017, relative to the projected contributions of all participating TRS employers and the state during that period. At June 30, 2017, the Association's proportion was 0.052414%, which was a decrease of 0.000676% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Association recognized OPEB expense of \$985,178.

At June 30, 2018, the Association reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 7,704
Changes in assumptions	-	1,619,405
Net difference between projected and actual earnings on OPEB plan investments	-	150
Changes in proportion and differences between Association contributions and proportionate share of contributions	-	168,036
Total deferred amounts to be recognized in OPEB expense in future periods	-	1,795,295
Association contributions subsequent to the measurement date	103,875	-
Total	\$ 103,875	\$ 1,795,295

\$103,875 reported as deferred outflows of resources related to OPEB resulting from Association contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	Net Deferred Inflows of Resources
2018	\$ (275,789)
2019	(275,789)
2020	(275,789)
2021	(275,789)
2022	(275,752)
Thereafter	(416,387)
Total	\$ (1,795,295)

**6. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

*Actuarial Valuation Method*

The actuarial valuation was based on the Entry Age Normal cost method. Under this method, the normal cost and actuarial accrued liability are directly proportional to the employee's salary. The normal cost rate equals the present value of future benefits at entry age divided by the present value of future salary at entry age. The normal cost at the member's attained age equals the normal cost rate at entry age multiplied by the salary at attained age. The actuarial accrued liability equals the present value of benefits at attained age less present value of future salaries at attained age multiplied by normal cost rate at entry age.

*Actuarial Assumptions*

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

Inflation	2.75%
Salary increases	Depends on service and ranges from 9.25% at 1 year of service to 3.25% at 20 or more years of service. Salary increase includes a 3.25% wage inflation assumption,
Investment rate of return	0.00%, net of OPEB plan investment expense, including inflation.
Healthcare cost trend rates	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.00% and 9.00% for non-Medicare costs and post-Medicare costs, respectively, and gradually decreases to an ultimate trend of 4.50%. Additional trend rate of 0.59% is added to non-Medicare costs on and after 2020 to account for Excise Tax.

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

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

*Discount Rate*

Projected benefit payments were discounted to their actuarial present value using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bond with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met). Since the THIS is financed on a pay-as-you-go basis, a discount rate consistent with the 20-year general obligation bond index has been selected. The discount rates are 2.85% as of June 30, 2016, and 3.56% as of June 30, 2017. The increase in the single discount rate from 2.85% to 3.56% caused the total OPEB liability to decrease by approximately \$3.564 billion from 2016 to 2017.



**SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY**

Notes to Financial Statements (Continued)

June 30, 2018

**6. OTHER POSTEMPLOYMENT BENEFITS (Continued)***Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rate*

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

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Association's proportionate share of the net OPEB liability	\$ 16,321,393	\$ 13,601,220	\$ 11,424,651

The following presents the Association's proportionate share of the net OPEB liability calculated using the healthcare cost trend rate, as well as what the Association's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (a)	Healthcare Cost Trend Rate Assumptions	1% Increase (b)
Association's proportionate share of the net OPEB liability	\$ 10,977,578	\$ 13,601,220	\$ 17,367,015

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

**b. Other Postemployment Benefits (OPEB)***Plan Description*

The Association administers a single-employer defined benefit healthcare plan, the "Retiree Healthcare Benefit Program" or "the Plan." The plan provides healthcare insurance for eligible retirees and their dependents through the Association's group health insurance plan, which covers both active and retired members. Benefit provisions are established by state law and through negotiations between the Association and the unions representing Association's employees, which are renegotiated each bargaining period. As of June 30, 2017, all retirees are eligible for benefits pre and post-Medicare. The Plan does not issue a stand-alone financial report.

## **6. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

### *Funding Policy*

All plan funding is done on a pay-as-you go basis. Eligibility – Educational support employees who contribute to the Illinois Municipal Retirement Fund (IMRF) are eligible for postemployment 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.

### *Employees Covered by Benefit Terms*

The census used was prepared as of June 30, 2018. Counting only employees who could retire with a benefit payable from the Plan, there were 196 active participants from non-certified staff, 53 of whom were eligible to retire. An additional 111 active certified teachers will be eligible to receive reimbursement under the terms of their contract, 8 of whom are currently eligible to retire. There were 13 non-certified retirees and 6 certified retirees.

### *Net OPEB Liability*

The Association's net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

### *Actuarial Assumptions*

The following are the methods and assumptions used to determine the total OPEB liability at June 30, 2018:

Actuarial cost method	Entry Age Normal Level % of Salary
Asset valuation method	Market Value
Inflation	2.0%
Salary increases	2.0%
Investment rate of return	3.90%, compounded annually
Retirement age	Retirement rates are specific to SASED
Mortality	RP-2014 Total Dataset Headcount-weighted mortality base rates from 2006 projected to 2018 with scale MP-2017.
Healthcare cost trend rates	For the PPO, the trend starts at 5.0%, and gradually decreases to an ultimate trend of 3.0%. Dental costs are assumed to increase at 3% per annum.

**SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY**  
Notes to Financial Statements (Continued)  
June 30, 2018

**6. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

*Discount Rate*

The Association does not have a dedicated Trust to pay the benefits of the Plan. Per GASB No. 75, this discount rate is a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). The discount rate used is 3.90%, which is the General Obligation Bond rate for 20-year bonds as of June 30, 2018.

*Changes in the Net OPEB Liability*

	Total OPEB Liability (A)	Plan Fiduciary Net Position (B)	Net OPEB Liability (A) - (B)
Balances at June 30, 2017	\$ 613,843	\$ -	\$ 613,843
Changes for the year:			
Service Cost	15,766	-	15,766
Interest on the Total OPEB Liability	24,366	-	24,366
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total OPEB Liability	3,999	-	3,999
Changes of Assumptions	-	-	-
Contributions - Employer	-	99,965	(99,965)
Contributions - Employees	-	-	-
Net Investment Income	-	-	-
Benefit Payments, including Refunds of Employee Contributions	(99,965)	(99,965)	-
Other (Net Transfer)	-	-	-
Net Changes	(55,834)	-	(55,834)
Balances at June 30, 2018	\$ 558,009	\$ -	\$ 558,009

**SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY**

Notes to Financial Statements (Continued)

June 30, 2018

**6. OTHER POSTEMPLOYMENT BENEFITS (Continued)***Sensitivity of the Employer's Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rate*

The following presents the Association's net OPEB liability calculated using the discount rate of 3.90%, as well as what the Association's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (2.90%)	Current Discount Rate (3.90%)	1% Increase (4.90%)
Net OPEB liability	\$ 590,370	\$ 558,009	\$ 528,879

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

	1% Decrease (3.50%)	Healthcare Cost Trend Rate Assumptions (4.50%)	1% Increase (5.50%)
Net OPEB liability	\$ 546,050	\$ 558,009	\$ 571,542

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

For the year ended June 30, 2018, the Association recognized OPEB expense of \$73,014. At June 30, 2018, the Association reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	253,519	-
Total deferred amounts to be recognized in OPEB expense in future periods	253,519	-
Contributions subsequent to the measurement date	-	-
Total	\$ 253,519	\$ -

**SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY**  
Notes to Financial Statements (Continued)  
June 30, 2018

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**6. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in OPEB expense as follows:

Year Ending June 30	Net Deferred Outflows of Resources
2019	\$ 32,882
2020	32,882
2021	32,882
2022	32,882
2023	32,882
Thereafter	89,109
Total	<u>\$ 253,519</u>

**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 that 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 that provides a \$125,000 individual specific stop loss and a \$3,536,284 aggregate excess stop loss. A liability of \$2,176,014 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, 2018	Fiscal Year Ended June 30, 2017
Claims liability at July 1	\$ 2,062,030	\$ 3,240,758
Current year claims and changes in estimates	5,119,681	4,379,217
Claim payments	(5,005,697)	(5,557,945)
Claims liability at June 30	<u>\$ 2,176,014</u>	<u>\$ 2,062,030</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.

### **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.

**10. FUND BALANCE REPORTING (Continued)**

**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. CHANGE IN ACCOUNTING PRINCIPLE**

The Association adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the year ended June 30, 2018. Statement No. 75 expands disclosures related to postemployment benefits other than pensions and requires the Association to report the net other postemployment benefit liability in the statement of net position. The adoption of this statement had no effect on any of the Association's fund balances but reduced the Association's governmental activities net position by \$14,804,932 as of July 1, 2017.

**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 fiscal year total \$415,589. The lease calls for annual rent increases of 1.95 percent.

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

	2018*	2017*
Association's proportion of the net pension liability	0.0112%	0.0149%
Association's proportionate share of the net pension liability	\$ 8,567,617	\$ 11,747,721
State's proportionate share of the net pension liability associated with the Association	89,012,284	98,153,148
Total	<u>\$ 97,579,901</u>	<u>\$ 109,900,869</u>
Association's covered-employee payroll	\$ 12,050,115	\$ 12,365,810
Association's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	71.10%	95.00%
Plan fiduciary net position as a percentage of the total pension liability	39.30%	36.40%

**Notes to Schedule**  
**Changes of assumptions**

For the 2017 and 2016 measurement years, 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, salary increases were assumed to vary by age.

\*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.



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2016*	2015*
0.0162%	0.0180%
\$ 10,618,170	\$ 10,967,357
81,540,092	75,910,849
<u>\$ 92,158,262</u>	<u>\$ 86,878,206</u>
\$ 12,592,331	\$ 12,345,423
84.32%	88.84%
41.50%	43.00%

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

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Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 164,722	\$ 164,722	\$ -	\$ 11,803,976	1.40%
2017	455,036	455,036	-	12,050,115	3.78%
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 Changes in the Employer's Net Pension Liability  
and Related Ratios  
Illinois Municipal Retirement Fund  
Last Four Calendar Years

	2017	2016
<b>Total Pension Liability</b>		
Service Cost	\$ 1,269,053	\$ 1,339,836
Interest	3,106,172	2,909,811
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	(469,428)	(347,976)
Changes of Assumptions	(1,152,801)	-
Benefit Payments, Including Refunds of Member Contributions	(1,321,091)	(1,175,165)
Net Change in Total Pension Liability	1,431,905	2,726,506
Total Pension Liability - Beginning	41,441,649	38,715,143
<b>Total Pension Liability - Ending</b>	<b>\$ 42,873,554</b>	<b>\$ 41,441,649</b>
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 1,283,059	\$ 1,355,352
Contributions - Member	528,577	550,179
Net Investment Income	6,263,367	2,317,613
Benefit Payments, Including Refunds of Member Contributions	(1,321,091)	(1,175,165)
Administrative Expense	(872,292)	8,474
Net Change in Plan Fiduciary Net Position	5,881,620	3,056,453
Plan Net Position - Beginning	36,928,405	33,871,952
<b>Plan Net Position - Ending</b>	<b>\$ 42,810,025</b>	<b>\$ 36,928,405</b>
<b>Employer's Net Pension Liability (Asset)</b>	<b>\$ 63,529</b>	<b>\$ 4,513,244</b>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	99.85%	89.11%
Covered-Employee Payroll	\$ 11,476,369	\$ 12,079,571
Employer's Net Pension Liability as a Percentage of Covered - Employee Payroll	0.55%	37.36%

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

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2015	2014
\$ 1,300,518	\$ 1,393,434
2,674,446	2,368,719
-	-
213,406	(138,810)
-	1,423,935
(964,505)	(884,398)
3,223,865	4,162,880
35,491,278	31,328,398
<u>\$ 38,715,143</u>	<u>\$ 35,491,278</u>
\$ 1,303,492	\$ 1,340,525
543,624	549,289
170,748	1,908,335
(964,505)	(884,398)
(889,706)	13,073
163,653	2,926,824
33,708,299	30,781,475
<u>\$ 33,871,952</u>	<u>\$ 33,708,299</u>
<u>\$ 4,843,191</u>	<u>\$ 1,782,979</u>
87.49%	94.98%
\$ 12,080,555	\$ 11,628,516
40.09%	15.33%

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**SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY**  
Schedule of Employer Contributions  
Illinois Municipal Retirement Fund  
Last Four 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
2018	\$ 1,251,095	\$ 1,251,095	\$ -	\$ 11,277,020	11.09%
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	26 years
Asset valuation method	5-year smoothed market; 20% corridor
Inflation	2.75% - approximate; no explicit price assumption used in this valuation
Salary increases	3.75% to 14.50% including inflation
Investment rate of return	7.50%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011 - 2013.
Mortality	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

**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 OPEB Liability  
Teachers' Health Insurance Security Fund  
June 30, 2018

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	<u>2018*</u>
Association's proportion of the net OPEB liability	0.052414%
Association's proportionate share of the net OPEB liability	\$ 13,601,220
State's proportionate share of the net OPEB liability associated with the Association	<u>17,861,782</u>
	<u><u>\$ 31,463,002</u></u>
Association's covered-employee payroll	\$ 12,050,115
Association's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	112.87%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%

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

The Association implemented GASB Statement No. 75 in fiscal year 2018.  
Information prior to fiscal year 2018 is not available.



**SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY**  
Schedule of Employer Contributions  
Teachers' Health Insurance Security Fund  
Year Ended June 30, 2018

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Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 103,875	\$ 103,875	\$ -	\$ 11,803,976	0.88%

The Association implemented GASB Statement No. 75 in fiscal year 2018.  
Information prior to fiscal year 2018 is not available.

**SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY**  
Schedule of Changes in the Employer's Net OPEB Liability  
and Related Ratios  
Other Postemployment Benefit Plan  
Year Ended June 30, 2018

	2018
<b>Total OPEB Liability</b>	
Service Cost	\$ 15,766
Interest	24,366
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	3,999
Changes of Assumptions	-
Benefit Payments, Including Refunds of Member Contributions	(99,965)
Net Change in Total OPEB Liability	(55,834)
Total OPEB Liability - Beginning	613,843
<b>Total OPEB Liability - Ending</b>	<b>\$ 558,009</b>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 99,965
Contributions - Member	-
Net Investment Income	-
Benefit Payments, Including Refunds of Member Contributions	(99,965)
Administrative Expense	-
Net Change in Plan Fiduciary Net Position	-
Plan Net Position - Beginning	-
<b>Plan Net Position - Ending</b>	<b>\$ -</b>
<b>Employer's Net OPEB Liability (Asset)</b>	<b>\$ 558,009</b>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%
Covered-Employee Payroll	\$ 16,510,688
Employer's Net OPEB Liability as a Percentage of Covered - Employee Payroll	3.38%

The Association implemented GASB Statement No. 75 in fiscal year 2018.  
Information prior to fiscal year 2018 is not available.

**SCHOOL ASSOCIATION FOR SPECIAL EDUCATION IN DUPAGE COUNTY**  
**Schedule of Employer Contributions**  
**Other Postemployment Benefit Plan**  
**Year Ended June 30, 2018**

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Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 73,014	\$ 99,965	\$ (26,951)	\$ 16,510,688	0.61%

The Association implemented GASB Statement No. 75 in fiscal year 2018.  
Information prior to fiscal year 2018 is not available.

**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, 2018

	General (Educational) Fund		
	Original and Final Budget	Actual	Variance Over/Under
<b>Revenues</b>			
Local sources	\$ 29,457,288	\$ 29,860,887	\$ 403,599
Flow-through sources	9,626,175	9,488,001	(138,174)
State sources	7,793,708	8,248,414	454,706
Federal sources	3,640,700	7,248,196	3,607,496
<b>Total Revenues</b>	<b>50,517,871</b>	<b>54,845,498</b>	<b>4,327,627</b>
<b>Expenditures</b>			
Current operating			
Instruction	25,285,430	25,871,628	(586,198)
Support services	15,606,266	19,001,854	(3,395,588)
Non-programmed charges	9,626,175	9,488,001	138,174
<b>Total Expenditures</b>	<b>50,517,871</b>	<b>54,361,483</b>	<b>(3,843,612)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>484,015</b>	<b>\$ 484,015</b>
<b>Fund balance at beginning of year</b>		<b>9,214,201</b>	
<b>Fund Balances at End of Year</b>		<b>\$ 9,698,216</b>	

**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, 2018

	Original and Final Budget	Actual	Variance Over/Under
<b>Revenues</b>			
<b>Local sources</b>			
Tuition	\$ 15,288,205	\$ 15,043,339	\$ (244,866)
Earnings on investments	-	162,284	162,284
Food service	3,600	50,497	46,897
Services provided to other LEA's	14,140,483	14,419,177	278,694
Other local sources	25,000	185,590	160,590
<b>Total local sources</b>	<b>29,457,288</b>	<b>29,860,887</b>	<b>403,599</b>
<b>Flow through sources</b>			
Federal flow through	9,626,175	9,488,001	(138,174)
<b>Total flow through sources</b>	<b>9,626,175</b>	<b>9,488,001</b>	<b>(138,174)</b>
<b>State sources</b>			
Restricted grants-in-aid			
Evidence based funding formula	2,275,208	2,799,607	524,399
CTE - Technical education	1,500	-	(1,500)
State free lunch & breakfast	7,000	1,903	(5,097)
Transportation - special education	485,000	452,887	(32,113)
State of Illinois on-behalf contributions	5,025,000	4,994,017	(30,983)
<b>Total state sources</b>	<b>7,793,708</b>	<b>8,248,414</b>	<b>454,706</b>
<b>Federal sources</b>			
Restricted grants-in-aid received from federal government through the state			
National school lunch program	117,191	78,679	(38,512)
National school breakfast program	20,000	38,975	18,975
Preschool discretionary	309,000	345,214	36,214
IDEA flow-through	797,781	1,289,619	491,838
IDEA discretionary	115,000	2,369,649	2,254,649
Race to the top	-	1,933	1,933
Medicaid matching/administrative outreach	1,371,599	1,581,658	210,059
Other	910,129	1,542,469	632,340
<b>Total federal sources</b>	<b>3,640,700</b>	<b>7,248,196</b>	<b>3,607,496</b>
<b>Total revenues</b>	<b>\$ 50,517,871</b>	<b>\$ 54,845,498</b>	<b>\$ 4,327,627</b>

(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, 2018

	Original and Final Budget	Actual	Variance Over/Under
<b>Expenditures</b>			
Current operating			
Instruction			
Special education programs			
Salaries	\$ 12,201,093	\$ 12,712,734	\$ (511,641)
Employee benefits	2,852,530	3,062,243	(209,713)
Purchased services	4,124,118	4,012,685	111,433
Supplies and materials	306,085	261,918	44,167
Non-capitalized equipment	40,000	11,180	28,820
State of Illinois on-behalf payments	5,025,000	4,994,017	30,983
Total	24,548,826	25,054,777	(505,951)
Vocational programs			
Salaries	52,310	70,129	(17,819)
Employee benefits	20,201	19,369	832
Purchased services	102,200	176,929	(74,729)
Supplies and materials	31,046	29,555	1,491
Total	205,757	295,982	(90,225)
Summer school programs			
Salaries	415,000	418,236	(3,236)
Employee benefits	25,817	34,254	(8,437)
Purchased services	68,530	55,551	12,979
Supplies and materials	21,500	12,828	8,672
Total	530,847	520,869	9,978
Total instruction	25,285,430	25,871,628	(586,198)
Support services			
Pupils			
Health services			
Salaries	4,296,700	4,355,525	(58,825)
Employee benefits	1,377,036	1,390,598	(13,562)
Purchased services	1,962,453	1,688,384	274,069
Supplies and materials	18,000	18,285	(285)
Capital outlay	30,000	17,898	12,102
Other	-	640	(640)
Non-capitalized equipment	-	6,421	(6,421)
Total	\$ 7,684,189	\$ 7,477,751	\$ 206,438

(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, 2018

	Original and Final Budget	Actual	Variance Over/Under
Psychological services			
Salaries	\$ 14,347	\$ 15,000	\$ (653)
Employee benefits	412	1,203	(791)
Purchased services	235	107	128
Total	14,994	16,310	(1,316)
Speech pathology and audiology services			
Salaries	78,900	109,186	(30,286)
Employee benefits	30,688	35,768	(5,080)
Purchased services	42,084	39,715	2,369
Supplies and materials	3,000	1,390	1,610
Capital outlay	-	24,180	(24,180)
Non-capitalized equipment	10,000	1,388	8,612
Total	164,672	211,627	(46,955)
Total pupils	7,863,855	7,705,688	158,167
Instructional staff			
Improvement of instruction services			
Salaries	2,066,183	3,220,321	(1,154,138)
Employee benefits	448,112	714,965	(266,853)
Purchased services	474,214	1,507,267	(1,033,053)
Supplies and materials	73,698	68,535	5,163
Non-capitalized equipment	2,000	8,059	(6,059)
Total	3,064,207	5,519,147	(2,454,940)
Total instructional staff	3,064,207	5,519,147	(2,454,940)
General administration			
Board of education services			
Purchased services	11,000	5,503	5,497
Total	\$ 11,000	\$ 5,503	\$ 5,497

**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, 2018

	Original and Final Budget	Actual	Variance Over/Under
Executive administration services			
Salaries	\$ 650,751	\$ 601,847	\$ 48,904
Employee benefits	164,161	148,244	15,917
Purchased services	472,161	531,625	(59,464)
Supplies and materials	20,000	23,112	(3,112)
Total	1,307,073	1,304,828	2,245
Service area administrative services			
Salaries	113,062	446,828	(333,766)
Employee benefits	45,833	140,859	(95,026)
Purchased services	3,309	16,252	(12,943)
Supplies and materials	3,300	1,694	1,606
Total	165,504	605,633	(440,129)
Total general administration	1,483,577	1,915,964	(432,387)
Business			
Business office			
Direction of business services			
Salaries	184,759	184,404	355
Employee benefits	52,402	52,637	(235)
Purchased services	11,171	9,175	1,996
Total	248,332	246,216	2,116
Fiscal services			
Salaries	280,991	285,437	(4,446)
Employee benefits	86,159	100,836	(14,677)
Purchased services	105,623	111,497	(5,874)
Supplies and materials	2,500	25,912	(23,412)
Total	475,273	523,682	(48,409)
Operating & maintenance of plant services			
Salaries	77,160	63,508	13,652
Employee benefits	21,892	16,290	5,602
Purchased services	1,457	105,200	(103,743)
Supplies and materials	-	9,772	(9,772)
Capital outlay	-	414,201	(414,201)
Non-capitalized equipment	-	1,328	(1,328)
Total	\$ 100,509	\$ 610,299	\$ (509,790)

(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, 2018

	Original and Final Budget	Actual	Variance Over/Under
Transportation services			
Salaries	\$ 545,416	\$ 459,813	\$ 85,603
Employee benefits	158,559	144,594	13,965
Purchased services	106,954	177,769	(70,815)
Supplies and materials	4,500	1,426	3,074
Total	815,429	783,602	31,827
Food services			
Salaries	24,000	21,771	2,229
Employee benefits	10,731	9,006	1,725
Purchased services	112,060	121,184	(9,124)
Supplies and materials	1,000	667	333
Total	147,791	152,628	(4,837)
Total business	1,787,334	2,316,427	(529,093)
Central			
Staff services			
Salaries	267,217	276,813	(9,596)
Employee benefits	84,113	86,358	(2,245)
Purchased services	76,908	52,766	24,142
Supplies and materials	2,000	178	1,822
Total	430,238	416,115	14,123
Data processing services			
Salaries	282,152	290,425	(8,273)
Employee benefits	93,671	98,419	(4,748)
Purchased services	316,232	298,500	17,732
Supplies and materials	100,000	154,073	(54,073)
Capital outlay	20,000	139,092	(119,092)
Non-capitalized equipment	165,000	146,071	18,929
Total	977,055	1,126,580	(149,525)
Total central	\$ 1,407,293	\$ 1,542,695	\$ (135,402)

**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, 2018

	Original and Final Budget	Actual	Variance Over/Under
Other support services			
Purchased services	\$ -	\$ 973	\$ (973)
Supplies and materials	-	960	(960)
Total	-	1,933	(1,933)
Total support services	15,606,266	19,001,854	(3,395,588)
Non-programmed charges	9,626,175	9,488,001	138,174
Total expenditures	50,517,871	54,361,483	(3,843,612)
Net change in fund balance	<u>\$ -</u>	<u>484,015</u>	<u>\$ 484,015</u>
Fund balance at beginning of year		<u>9,214,201</u>	
Fund Balance at end of Year		<u>\$ 9,698,216</u>	