MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT

Audited Financial Statements

June 30, 2018

MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT
Table of Contents

KLEIN HALL CPAs

3957 75th Street, Aurora, IL 60504
Phone 630.898.5578 | Fax 630.225.5128
KleinHallcpa.com

Independent Auditor's Report

Board of Directors
Mid-Valley Special Education Joint Agreement
St. Charles, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mid-Valley Special Education Joint Agreement, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Mid-Valley Special Education Joint Agreement'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, each major fund, and the aggregate remaining fund information of Mid-Valley Special Education Joint Agreement, 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 Joint Agreement 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 Joint Agreement 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 Joint Agreement's fund balances but reduced the Joint Agreement's governmental activities net position by $5,237,306 as of July 1, 2017 as disclosed in note 12. 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 other required supplementary information as listed in the table of contents 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 Mid-Valley Special Education Joint Agreement's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and 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 combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We have also audited, in accordance with auditing standards generally accepted in the United States of America, the Mid-Valley Special Education Joint Agreement's basic financial statements for the year ended June 30, 2017, which are not presented with the accompanying financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mid-Valley Special Education Joint Agreement's basic financial statements as a whole. The schedules of revenues, expenditures and changes in fund balances - budget and actual, related to the 2017 financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 2017 schedules of revenues, expenditures and changes in fund balances - budget and actual are fairly stated in material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2018 on our consideration of Mid-Valley Special Education Joint Agreement'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 Mid-Valley Special Education Joint Agreement's internal control over financial reporting and compliance.

Klein Hall CPAs

Klein Hall CPAs
Aurora, Illinois
October 2, 2018

THIS PAGE INTENTIONALLY LEFT BLANK

The discussion and analysis of Mid-Valley Special Education Joint Agreement's (the Agreement) financial performance provides an overall review of the Agreement's financial activities for the year ended June 30, 2018. Certain comparative information between the current year and the prior is required to be presented in the Management's Discussion and Analysis (the "MD&A").

Financial Highlights

- The liabilities and deferred inflows of the Agreement exceeded its assets plus deferred outflows at the close of the most recent fiscal year by $4,109,649 (net position). The Agreement implemented GASB statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2018. This resulted in a prior period adjustment of ($5,237,306) as of July 1, 2017.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Agreement's basic financial statements. The basic financial statements are comprised of three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

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

The statement of net position presents information on all of the Agreement's assets plus deferred outflows and liabilities plus deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agreement is improving or deteriorating.

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

The government-wide financial statements present the functions of the Agreement that are principally supported by member payments and intergovernmental revenues (governmental activities). The Agreement has no business-type activities; that is, functions that are intended to recover all or a significant portion of their costs through user fees and charges. The Agreement's governmental activities include instructional services, related services, administrative, and operation and maintenance of one facility.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agreement uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the Agreement can be categorized as governmental funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Agreement maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and Operations and Maintenance Fund, both of which are considered to be major funds.

The Agreement adopts an annual budget for each of the funds listed above. A budgetary comparison statement has been provided for each fund to demonstrate compliance with this budget.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statement and accompanying notes, this report also presents certain supplementary information concerning the Agreement's progress in funding its obligation to provide pension benefits to its non-certified employees.

The Agreement is funded by three main sources – payments from member and non-member school cooperatives, state funds, and federal funds. Five (5) member School Districts comprise the Agreement. These Districts are responsible for all costs that are not reimbursable through state, federal and other local funds. As such, revenues should approximate expenses each year.

Government-Wide Financial Analysis

The Agreement's net position decreased by $5,902,808 to ($4,109,649). Of this amount, ($5,664,427) was unrestricted and $1,554,778 was invested in capital assets. The Agreement had $20,423,305 in expenses, of which $10,207,096 was funded by Charges for Services and $8,029,116 was funded by Operating Grants and Contributions.

Table 1
Condensed Statement of Net Position
(in thousands of dollars)

	2018	2017	Percentage Change
ASSETS			
Current and other assets	$ 2,227	$ 3,198	-30%
Capital assets	1,555	1,582	-2%
Total assets	3,782	4,780	-21%
DEFERRED OUTFLOWS			
Deferred outflows related to pensions and OPEB	613	442	39%
Total deferred outflows	613	442	39%
LIABILITIES			
Current liabilities	1,332	1,946	-32%
Long-term debt outstanding	6,162	1,255	391%
Total liabilities	7,494	3,201	134%
DEFERRED INFLOWS			
Deferred inflows related to pensions and OPEB	1,010	228	343%
Total deferred outflows	1,010	228	343%
NET POSITION			
Net investment in capital assets	1,555	1,582	-2%
Unrestricted	(5,664)	211	-2784%
Total net position	$ (4,109)	$ 1,793	-329%

Table 2
Changes in Net Position
(in thousands of dollars)

	2018	2017	Percentage of Total
Revenues			
Program revenues			
Charges for services	$ 10,207	$ 9,262	51.7%
Operating grants and contributions	8,029	8,987	40.6%
General revenues			
Other	1,522	490	7.7%
Total revenues	19,758	18,739	100.0%
Expenses			
Instruction	16,899	14,939	82.7%
Pupil and Instructional Services	1,864	1,842	9.1%
Administration and Business	1,444	1,240	7.1%
Operations and Maintenance	216	332	1.1%
Total expenses	20,423	18,353	100.0%
Increase in Net Position	(665)	386	
Net Position Beginning, as originnal reported	1,793	1,407	
Prior period adjustment	(5,237)	-	
Net Position Beginning, as restated	(3,444)	1,407	
Net Position Ending	$ (4,109)	$ 1,793	

Financial Analysis of the Agreement's Funds

As the Agreement completed the year, its governmental funds reported combined fund balances of $893,559. This represents a decrease of $115,774 from the prior year. The instructional costs are directly related to the number of students attending the Agreement's programs during the fiscal year. Expenditures in the General Fund increased due to student enrollment and the need for special programs.

General Fund Budgetary Highlights

The General Fund's overall revenues were more than the budget by $2,453,300 or 14.2% of the budget.

The General Fund's overall expenditures were more than budget by $2,532,746, or 14.6% of the budget.

Capital Assets

During the year, the agreement purchased $83,921 in capital assets. Depreciation expense was $110,837 for the year. Detailed information regarding capital assets can be found in Note 3 of the notes to financial statements.

Requests for Information

This financial report is designed to provide the Agreement's citizens, taxpayers, and creditors with a general overview of the Agreement's finances and to demonstrate the Agreement's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Executive Director's Office, 1304 Ronzheimer Avenue, Saint Charles, Illinois 60174.

MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Cash and investments	$ 1,839,519
Receivables	
Due from other governments	387,456
Capital assets	
Land	49,875
Other capital assets, net of depreciation	1,504,903
Total Assets	3,781,753
Deferred Outflows	
Deferred outflows related to pensions	324,020
Deferred outflows related to OPEB	289,238
Total deferred outflows	613,258
Liabilities	
Accounts payable	31,907
Accrued salaries and related expenditures	954,153
Due to other governmental agencies	346,070
Non current liabilities:	
Net pension liability	922,612
Net OPEB liability	5,239,583
Total Liabilities	7,494,325
Deferred Inflows	
Deferred inflows related to pensions	383,467
Deferred inflows related to OPEB	626,868
Total deferred inflows	1,010,335
Net Position	
Investment in capital assets	1,554,778
Unrestricted	(5,664,427)
Total net position	$(4,109,649)

See accompanying notes to basic financial statements

MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT
Statement of Activities
Year Ended June 30, 2018

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Total Governmental Activities
Governmental Activities				
Instructional services				
Special programs	$ 16,599,552	$ 7,112,212	$ 8,029,116	$ (1,458,224)
Other programs	299,196	236,644	-	(62,552)
Support services				
Pupils	1,413,516	1,106,600	-	(306,916)
Instructional staff	450,418	355,900	-	(94,518)
General administration	1,048,036	824,193	-	(223,843)
School administration	170,703	135,015	-	(35,688)
Business administration	208,066	164,566	-	(43,500)
Central administration	17,467	13,815	-	(3,652)
Operations and maintenance of facilities	216,351	258,151	-	41,800
Total	$ 20,423,305	$ 10,207,096	$ 8,029,116	(2,187,093)

General revenues	
Earnings on Investments	18,271
Other revenues	534,149
Total general revenues	552,420
Change in net position	(1,634,673)
Net position - beginning as originally reported	1,793,159
Prior period adjustment	(5,237,306)
Net position - beginning, as restated	(3,444,147)
Net position - ending	$ (5,078,820)

See accompanying notes to basic financial statements

MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT
Governmental Funds
Balance Sheet
June 30, 2018

	General (Educational)	Operations and Maintenance	Total
ASSETS			
Cash and investments	$ 1,366,754	$ 472,765	$ 1,839,519
Receivables			
Other receivables	387,456	-	387,456
TOTAL ASSETS	$ 1,754,210	$ 472,765	$ 2,226,975
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities			
Accounts payable	$ 30,211	$ 1,696	$ 31,907
Accrued salaries and related expenditures	954,153	-	954,153
Due to other governmental agencies	346,070	-	346,070
Total Liabilities	1,330,434	1,696	1,332,130
Deferred Inflows			
Deferred state grants	1,286	-	1,286
Total Deferred Inflows	1,286	-	1,286
Fund Balances			
Unassigned	422,490	471,069	893,559
Total Fund Balances	422,490	471,069	893,559
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 1,754,210	$ 472,765	$ 2,226,975

See accompanying notes to basic financial statements

MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2018

Total fund balances - governmental funds	$ 893,559
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 $3,603,665 and the accumulated depreciation is $2,048,887.	1,554,778
Some of the School District's governmental revenues will be collected after fiscal year-end but are not available soon enough to pay for the current period's expenditures and are therefore not accrued in the governmental funds.	1,286
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:	
Net pension liability - TRS	(534,325)
Net pension liability - IMRF	(388,287)
Net OPEB liability - THIS	(5,239,583)
Deferred inflows and outflows of resources related to pension and OPEB are not reported reported in governmental funds.	
Deferred outflows	613,258
Deferred inflows	(1,010,335)
Net position of governmental activities	$ (4,109,649)

See accompanying notes to basic financial statements

MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

	General (Educational)	Operations and Maintenance	Total
REVENUES			
Local sources	$ 9,980,426	$ 272,538	$ 10,252,964
Flow through sources	5,395,818	-	5,395,818
State sources	4,128,474	-	4,128,474
Federal sources	222,439	-	222,439
Total Revenues	19,727,157	272,538	19,999,695
EXPENDITURES			
Current operating			
Instruction	9,291,371	-	9,291,371
Support services	3,287,369	256,810	3,544,179
Non-programmed charges	7,279,919	-	7,279,919
Total Expenditures	19,858,659	256,810	20,115,469
Net change in fund balance	(131,502)	15,728	(115,774)
Fund balances at beginning of year	553,992	455,341	1,009,333
FUND BALANCES AT END OF YEAR	$ 422,490	$ 471,069	$ 893,559

See accompanying notes to basic financial statements

MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT
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

Net change in fund balances - total governmental funds			$ (115,774)
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 $5,000 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 in the current period.			
Capital Outlays	$	83,921	
Depreciation expense		(110,837)	(26,916)
Because some of the governmental revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are not accrued in the governmental funds.			(241,892)
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 deferred inflows/outflows related to pensions	$	(273,563)	
Change in deferred inflows/outflows related to OPEB		(337,630)	
Change in net pension liability - TRS		39,726	
Change in net pension liability - IMRF		292,824	
Change in net OPEB liability - THIS		(2,277)	(280,920)
Change in net position of governmental activities			$ (665,502)

See accompanying notes to basic financial statements

MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT
Statement of Fiduciary Assets and Liabilities
Agency Funds - Activity Funds
June 30, 2018

Assets		
Cash	$	9,251
Liabilities		
Due to organizations	$	9,251

See accompanying notes to basic financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mid-Valley Special Education Joint Agreement (the Agreement) operates as a public school system governed by a seven-member board. The Agreement is organized under the School Code of the State of Illinois as amended. The accounting policies of the Agreement conform to accounting principles generally accepted in the United States of America, as applicable to local governmental units of this type. The following is a summary of the more significant accounting policies of the Agreement.

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. 14 have been considered and there are no agencies or entities which should be presented with the Agreement. Using the same criteria, the Agreement 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 the Agreement 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 types used by the Agreement:

Governmental funds include the following fund types:

General (Educational) Fund - The General (Educational) Fund is used to account for the revenues and expenditures, which are used in providing education in the Agreement. It is used to account for all financial resources except those accounted for in other funds.

Operations and Maintenance Fund – These accounts are used for expenditures made for operation, repair and maintenance of Agreement property. Revenue consists primarily of local property taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Fund Type

Agency Funds - The Agency Funds (Activity Funds) account for assets held by the Agreement in trustee capacity or as an agent for student organizations. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide financial statements.

The Agreement reports the following funds as major governmental funds:

General Educational Fund
Operations and Maintenance Fund

Private-sector standards of accounting, and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. When both restricted and unrestricted resources are available for use, it is the Agreement's policy to use restricted resources first, then unrestricted resources as they are needed.

The Agreement has adopted a policy consistent with GASB Statement No. 34 to net the interfund receivables and payables for combined totals used to determine the major funds. Consequently, the interfund loan balances, which net to zero, are not utilized to determine major funds.

c. Basis of Presentation

i. 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 the Agreement. For the most part, the effect of interfund activity has been removed from these statements. All of the Agreement's operating activities are considered "governmental activities", that is, activities that are normally supported by taxes and intergovernmental revenues. The Agreement has no operating activities that would be considered "business activities".

The statement of activities demonstrates the degree to which the direct expense 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ii. 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, as are the fiduciary fund financial statements. 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, the Agreement 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, debt service expenditures, as well as 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 so has been recognized as a 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 the Agreement receives the cash.

d. 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/expenditures during the reporting period. Actual results could differ from those estimates.

e. 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 the Agreement as assets with an initial cost of more than $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 acquisition value at the date of donation. In fiscal year 2016, the Agreement engaged an appraisal company to perform an onsite inspection to develop detailed capital asset records.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Assets	Years
Buildings	40
Land Improvement	15
Equipment	5-15

f. Compensated Absences

Employees who work a twelve-month year are entitled to be compensated for vacation time. Vacations are usually taken within a calendar year. Accrued but unpaid vacation leave at June 30, 2018, was insignificant and has not been reflected as a liability.

g. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statements of net position. Bond premiums and discounts are deferred and amortized over the life of the applicable bond issue. Bond issuance costs are expensed in the year incurred.

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

h. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. 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.

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

j. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position/balance sheet 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 net position/balance sheet 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.

k. Comparative Data

The financial statements include summarized prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Agreement's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

l. Eliminations and Reclassifications

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances were eliminated or reclassified.

2. DEPOSITS AND INVESTMENTS

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

The Agreement does not report any investments subject to fair value measurement as of June 30, 2018.

At June 30, 2018 the carrying amount of the Agreement's deposits, (excluding activity accounts of $9,251) totaled $1,839,519 and the bank balances totaled $2,549,415. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2018 these amounts were entirely insured or collateralized.

Concentration of Credit Risk. The Agreement places no limit on the amount the Agreement may invest any one issuer. More than 5 percent of the Agreement's investments are concentrated in specific individual investments.

3. CAPITAL ASSETS

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

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets, not being depreciated				
Land	$ 49,875	$ -	$ -	$ 49,875
Total capital assets not being depreciated	49,875	-	-	49,875
Capital assets, being depreciated				
Buildings	3,090,876	30,382	-	3,121,258
Improvements	65,924	22,823	-	88,747
Equipment	313,069	30,716	-	343,785
Total capital assets being depreciated	3,469,869	83,921	-	3,553,790
Accumulated depreciation for				
Buildings	1,681,957	65,080	-	1,747,037
Improvements	15,566	1,987	-	17,553
Equipment	240,527	43,770	-	284,297
Total accumulated depreciation	1,938,050	110,837	-	2,048,887
Total capital assets being depreciated, net	1,531,819	(26,916)	-	1,504,903
Total capital assets, net	$ 1,581,694	$ (26,916)	$ -	$ 1,554,778

Depreciation expense was charged to functions of the Agreements is as follows:

Instructional Services	
Special programs	$ 77,254
Supporting Services	
Pupils	14,409
Instructional Staff	443
General administration	5,985
Operations and maintenance of facilities	12,746
	$ 110,837

4. LONG TERM DEBT

The following is a summary of the components of long-term debt and related transactions of the Agreement for the year ended June 30, 2018:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2018	Amount due in one year
Net Pension Liability - TRS	$ 574,051	$ -	$ 39,726	$ 534,325	$ -
Net Pension Liability - IMRF	681,111	-	292,824	388,287	-
OPEB Liability	5,237,306	2,277	-	5,239,583	-
Total Long-Term Debt	$ 6,492,468	$ 2,277	$ 332,550	$ 6,162,195	$ -

5. OTHER POST-EMPLOYMENT BENEFITS

The Agreement provides a $2,450 stipend to certified employees retiring between the ages of 55 and 65 to be used toward a health insurance program. The stipend is payable through age 65. The Agreement finances the plan on a pay-as-you-go basis. For the year ended June 30, 2018, the Agreement incurred $7,350 of expenditures for 3 (three) retirees receiving stipends under this program.

6. EMPLOYEE RETIREMENT SYSTEMS

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

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

Plan Description

The Agreement 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.

6. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

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

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

Contributions

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

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

On-behalf contributions to TRS. The State of Illinois makes employer pension contributions on-behalf of the Agreement. For the year ended June 30, 2018, State of Illinois contributions recognized by the Agreement were based on the State's proportionate share of the collective net pension liability associated with the Agreement, and the Agreement recognized revenue and expenditures of $2,262,840 in pension contributions from the State of Illinois.

2.2 formula contributions. The Agreement contributes 0.58% of total creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ended June 30, 2018 were $29,420, and are deferred because they were paid after the June 30, 2017 measurement date.

6. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Federal and special trust fund contributions. When TRS members are paid from federal and special trust funds administered by the Agreement, there is a statutory requirement for the Agreement 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% of salaries paid from federal and special trust funds. For the year ended June 30, 2018, there were no salaries paid from the federal and special trust funds and no employer contribution was required.

Employer retirement cost contributions. Under GASB Statement No. 68, contributions that an employer is required to pay because of a TRS member retiring are categorized as specific liability payments. The Agreement 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 ended June 30, 2016 is 146.5% 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% if those salaries are used to calculate a retiree's final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2018, the Agreement paid $60 to TRS for employer contributions due on salary increases in excess of 6% or and made no payments for sick leave days granted in excess of the normal annual allotment.

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

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

Agreement's proportionate share of the net pension liability	$ 534,325
State's proportionate share of the net pension liability associated with the Agreement	36,784,036
Total	$ 37,318,361

6. EMPLOYEE RETIREMENT SYSTEMS (Continued)

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 and rolled forward to June 30, 2017. The Agreement's proportion of the net pension liability was based on the Agreement'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 Agreement's proportion was 0.000699%, which was a decrease of 0.000028% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Agreement recognized pension expense of $2,262,840 and revenue of $2,262,840 for support provided by the state. At June 30, 2018, the Agreement 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
ifference between expected and actual experience	$ 5,803	$ 247
hanges in assumptions	35,662	15,354
et difference between projected and actual earnings on pension plan investments	367	-
hanges in proportion and differences between Agreement contributions and proportionate share of contributions	7,114	127,202
ontributions subsequent to the measurement date	29,300	-
Total	$ 78,246	$ 142,803

$29,300 reported as deferred outflows of resources related to pensions resulting from Agreement 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:

6. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Year Ending June 30		Net Deferred Ouflows of Resources
2018	$	(88,263)
2019		(320)
2020		3,916
2021		(8,235)
2022		(955)
Total	$	(93,857)

Actuarial Assumptions

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

Inflation	2.50 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 rates were based on the RP-2014 White Collar Table with adjustments as appropriate for TRS experience. The rates are used on a fully-generational basis using projection table MP-2014. The same assumptions were used in the June 30, 2016 actuarial valuation.

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

6. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equities large cap	14.4%	6.94%
U.S. equities small/mid cap	3.6%	8.09%
International equities	14.4%	7.46%
Emerging market equities	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%
	100.0%	

Discount rate

At June 30, 2017, the discount rate used to measure the total pension liability was 7.0 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.

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

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

6. EMPLOYEE RETIREMENT SYSTEMS (Continued)

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Agreement's proportionate share of the net pension liability	$ 656,488	$ 534,325	$ 434,263

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

The Agreement'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 Agreement's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained online at www.imrf.org.

All employees (other than those covered by TRS) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service.

Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter. Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after 10 years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

Plan Membership

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

Inactive employees or beneficiaries currently receiving benefits	31
Inactive employees entitled to but not yet receiving benefits	74
Active employees	87
Total	192

6. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Contributions

As set by statute, Regular plan members are required to contribute 4.50% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Agreement's actual contribution rate for calendar year 2017 was 11.58% of covered payroll. The Agreement 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

The Agreement'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.

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%, 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 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.

6. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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
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%
	100.0%	

Single Discount Rate

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

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

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.31%, and the resulting single discount rate is 7.50%.

6. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Changes in Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2016	$ 2,855,537	$ 2,174,426	$ 681,111
Changes for the year:			
Service Cost	213,918	-	213,918
Interest on the Total Pension Liability	219,327	-	219,327
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual			-
Experience of the Total Pension Liability	14,923	-	14,923
Changes of Assumptions	(93,333)	-	(93,333)
Contributions - Employer	-	226,258	(226,258)
Contributions - Employees	-	87,924	(87,924)
Net Investment Income	-	363,681	(363,681)
Benefit Payments, including Refunds			-
of Employee Contributions	(76,260)	(76,260)	-
Other (Net Transfer)	-	(30,204)	30,204
Net Changes	278,575	571,399	(292,824)
Balances at December 31, 2017	$ 3,134,112	$ 2,745,825	$ 388,287

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

The following presents the Agreement's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Agreement's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability (asset)	$ 845,793	$ 388,287	$ 13,185

6. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

For the year ended June 30, 2018, the Agreement recognized pension expense of $239,767. At June 30, 2018, the Agreement 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	$ 51,485	$ 14,484
Changes in assumptions	19,876	71,932
Net difference between projected and actual earnings on pension plan investments	63,177	154,248
Contributions subsequent to the measurement date	111,236	-
Total	$ 245,774	$ 240,664

$111,236 reported as deferred outflows of resources related to pensions resulting from Agreement contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Net Deferred Outflows of Resources
2018	$ 20,243
2019	(25,713)
2020	(55,600)
2021	(45,056)
2022	-
Thereafter	-
Total	$ (106,126)

7. OTHER POST-EMPLOYMENT BENEFITS

a. Teachers Health Insurance Security Fund (THIS)

Plan Description

The District 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.

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.

7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

On-behalf contributions to THIS. The state of Illinois makes employer retiree health insurance contributions on behalf of the District. 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 $59,855, and the district recognized revenue and expenditures of this amount during the year.

Employer contributions to THIS Fund. The District also makes contributions to THIS Fund. The District THIS Fund contribution was 0.88% during the year ended June 30, 2018. For the year ended June 30, 2018, the District paid $44,638 to the THIS Fund, which was 100 percent of the required contribution.

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

At June 30, 2018, the District 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 District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	$	5,239,583
State's proportionate share of the net OPEB liability associated with the District		5,705,694
Total	$	10,945,277

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016 and rolled forward to June 30, 2017. The District's proportion of the net OPEB liability was based on the District's share of contributions to 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 District's proportion was 0.020191%, which was an increase of 0.001032% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of $427,036.

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

7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 2,968
Changes in assumptions	-	623,842
Net difference between projected and actual earnings on OPEB plan investments	-	58
Changes in proportion and differences between District contributions and proportionate share of contributions	244,600	-
District contributions subsequent to the measurement date	44,638	-
Total	$ 289,238	$ 626,868

$44,638 reported as deferred outflows of resources related to OPEB resulting from District 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	$ (63,727)
2019	(63,727)
2020	(63,727)
2021	(63,727)
2022	(63,712)
Thereafter	(63,648)
Total	$ (382,268)

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.

7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

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.

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

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
District's proportionate share of the net OPEB liability	$ 6,287,345	$ 5,239,583	$ 4,401,017

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

	1% Decrease (a)	Healthcare Cost Trend Rate Assumptions	1% Increase (b)
District's proportionate share of the net OPEB liability	$ 4,228,795	$ 5,239,583	$ 6,690,141

(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.

8. POSTEMPLOYMENT HEALTHCARE PLAN

The Agreement's postemployment healthcare plan is administered by Community Unit School District 303 and is maintained on a combined basis. This combined data has been reported in Community Unit School District 303's Annual Audited Financial Statements. Separate data for District 303 and the Agreement is not available.

9. RISK MANAGEMENT

The Agreement has purchased insurance through risk pools (see Note 9) and from private insurance companies. Risks covered include general liability, workers' compensation and other. Premiums have been displayed as expenditures in appropriate funds. No material decreases in insurance coverages have occurred nor have any insurance claims in excess of insurance coverages been paid or reported. The Agreement also participates in a self-insurance program for medical coverage for employees through its administrative District, Community Unit School District 303. The cost of this insurance is paid to the Administrative District.

10. COLLECTIVE LIABILITY INSURANCE COOPERATIVE (CLIC)

The Agreement is a member of CLIC, which has been formed to provide casualty, workman's compensation, property and liability protections and to administer some or all insurance coverages and protection other than health, life and accident coverages procured by the member Agreements. It is intended, by the creation of CLIC to allow a member District to equalize annual fluctuations in insurance costs by establishing a program whereby reserves may be created and temporary deficits of individual Districts covered and to ultimately equalize the risks and stabilize the costs of providing casualty, property and liability protections. If, during any fiscal year, the funds on hand in the account of CLIC are not sufficient to pay expenses of administration, the Board of Directors shall require supplementary payment from all members. Such payment shall be made in the same proportion as prior payments during that year to CLIC. Complete financial statements for CLIC can be obtained from its administrator, 1441 Lake Street, Libertyville, IL 60048.

11. 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 creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Special Revenue Funds are by definition restricted for those specified purposes. The agreement has several revenue sources received within different funds that also fall into these categories –

1. State and Federal Grants

Proceeds from state and federal grants and the related expenditures disbursed have been included in the General Fund and various Special Revenue Funds. At June 30, 2018, expenditures exceeded revenue from state and federal grants, resulting in no restricted balances.

11. 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 School Board). 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 act to reduce restricted balances first, then committed balances, next assigned balances, and finally act to reduce unassigned balances,

Expenditures for a specifically identified purpose will act to reduce the specific classification of fund balance that is identified.

12. CHANGE IN ACCOUNTING PRINCIPLE

The District 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 District 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 District's fund balances but reduced the District's governmental activities net position by $5,237,306 as of July 1, 2017.

MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT
Schedule of Changes in the Employer's Net Pension Liability
and Related Ratios
Illinois Municipal Retirement Fund
Last Four Calendar Years

	2017	2016	2015	2014
TOTAL PENSION LIABILITY				
Service Cost	$ 213,918	$ 214,934	$ 219,173	$ 235,023
Interest	219,327	195,739	166,722	125,096
Changes of Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience	14,923	(25,822)	65,030	113,001
Changes of Assumptions	(93,333)	-	-	131,360
Benefit Payments, Including Refunds of Member Contributions	(76,260)	(63,403)	(60,408)	(22,687)
Net Change in Total Pension Liability	278,575	321,448	390,517	581,793
Total Pension Liability - Beginning	2,855,537	2,534,089	2,143,572	1,561,779
TOTAL PENSION LIABILITY - ENDING	$ 3,134,112	$ 2,855,537	$ 2,534,089	$ 2,143,572
PLAN FIDUCIARY NET POSITION				
Contributions - Employer	$ 226,258	$ 247,849	$ 208,972	$ 216,895
Contributions - Member	87,924	84,211	87,152	88,328
Net Investment Income	363,681	123,483	8,559	84,349
Benefit Payments, Including Refunds of Member Contributions	(76,260)	(63,403)	(60,408)	(22,687)
Administrative Expense	(30,204)	(4,481)	(51,361)	(14,535)
Net Change in Plan Fiduciary Net Position	571,399	387,659	192,914	352,350
Plan Net Position - Beginning	2,174,426	1,786,767	1,593,853	1,241,503
PLAN NET POSITION - ENDING	$ 2,745,825	$ 2,174,426	$ 1,786,767	$ 1,593,853
EMPLOYER'S NET PENSION LIABILITY (ASSET)	$ 388,287	$ 681,111	$ 747,322	$ 549,719
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.61%	76.15%	70.51%	74.36%
Covered-Employee Payroll	$ 1,953,863	$ 1,871,354	$ 1,936,722	$ 1,883,235
Employer's Net Pension Liability as a Percentage of Covered - Employee Payroll	19.87%	36.40%	38.59%	29.19%

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

MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT
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	$ 221,736	$ 221,736	$ -	$ 1,972,878	11.24%
2017	226,525	226,525	-	1,928,109	11.75%
2016	209,514	209,514	-	1,842,122	11.37%
2015	221,534	221,534	-	1,976,751	11.21%

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 percent of payroll, closed
Remaining amortization period	26-year closed period
Asset valuation method	5-year smoothed market; 20% corridor
Wage growth	3.50%
Price inflation	2.75%
Salary increases	3.75% to 14.50%
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.

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

MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT
Schedule of the District's Proportionate Share of the
Net Pension Liability
Teachers' Retirement System
Last Four Fiscal Years

	2018	2017	2016	2015
District's proportion of the net pension liability	0.000699%	0.000727%	0.000742%	0.000714%
District's proportionate share of the net pension liability	$ 534,325	$ 574,051	$ 486,125	$ 434,294
State's proportionate share of the net pension liability associated with the District	36,784,036	38,542,782	29,028,059	27,083,030
Total	$ 37,318,361	$ 39,116,833	$ 29,514,184	$ 27,517,324
District's covered-employee payroll	$ 5,072,495	$ 5,058,143	$ 4,828,782	$ 4,428,597
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	10.53%	11.35%	10.07%	9.81%
Plan fiduciary net position as a percentage of the total pension liability	39.30%	36.40%	41.50%	43.00%

Notes to Schedule

Changes of assumptions
For the 2017 and 2016 measurement years, the assumed investment rate of return was of 7.0 percent, including an inflation rate of 2.5 percent and real return of 4.5 percent. Salary increasės were assumed to vary by service credit.

For the 2015 measurement year, the assumed investment rate of return was of 7.5 percent, including an inflation rate of 3.0 percent and 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 experiance analysis for the thre-year period ending June 30, 2014.

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

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

MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT
Schedule of Employer Contributions
Teachers' Retirement System
Last Four Fiscal Years

Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	$ 29,300	$ 29,300	$ -	$ 5,072,495	0.58%
2017	29,337	29,337	-	5,058,143	0.58%
2016	28,007	28,007	-	4,828,782	0.58%
2015	36,008	36,008	-	4,428,597	0.81%

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

MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT
Schedule of the District's Proportionate Share of the Net OPEB Liability
Teachers' Health Insurance Security Fund
June 30, 2018

	2018
District's proportion of the net OPEB liability	0.020191%
District's proportionate share of the net OPEB liability	$ 5,239,583
State's proportionate share of the net OPEB liability associated with the District	5,705,694
	$ 10,945,277
District's covered-employee payroll	5,072,495
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	103.29%
Plan fiduciary net position as a percentage of the total pension liability	0.00%

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

MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT
Schedule of Employer Contributions
Teachers' Health Insurance Security Fund
Year Ended June 30, 2018

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	$ 44,638	$ 44,638	$ -	$ 5,072,495	0.88%

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

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

MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT
Schedule of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual - General Fund and
Major Special Revenue Fund
Year Ended June 30, 2018

	General (Educational) Fund		
	Original and Final Budget	Actual	Variance Over/Under
REVENUES			
Local sources	$ 9,804,934	$ 9,980,426	$ 175,492
Flow-through sources	5,794,273	5,395,818	(398,455)
State sources	1,486,000	4,128,474	2,642,474
Federal sources	188,650	222,439	33,789
Total Revenues	17,273,857	19,727,157	2,453,300
EXPENDITURES			
Current operating			
Instruction	7,294,750	9,291,371	(1,996,621)
Support services	3,320,055	3,287,369	32,686
Non-programmed charges	6,691,108	7,279,919	(588,811)
Provision for contingencies	20,000	-	20,000
Total Expenditures	17,325,913	19,858,659	(2,532,746)
Net change in fund balance	$ (52,056)	(131,502)	$ (79,446)
Fund Balances at beginning of year		553,992	
FUND BALANCES AT END OF YEAR		$ 422,490	

Operations & Maintenance Fund		
Original and Final Budget	Actual	Variance Over/Under
$ 252,431	$ 272,538	$ 20,107
-	-	-
-	-	-
-	-	-
252,431	272,538	20,107
-	-	-
251,231	256,810	(5,579)
-	-	-
-	-	-
251,231	256,810	(5,579)
$ 1,200	15,728	$ 14,528
	455,341	
	$ 471,069	

BUDGETS AND BUDGETARY ACCOUNTING

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

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

- The Administration submits to the Board of Directors 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 September 1st, the budget is legally adopted through passage of a resolution.
- The Executive Director is authorized to transfer up to 10% of the total budget between departments within any fund without the Board of Director approval. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors 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 September 11, 2017.
- Formal budgetary integration is employed as a management control device during the year for all its Governmental Funds.
- The Agreement 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).

The Agreement had the following over expenditure of budget for the year ended June 30, 2018

	Budget	Actual	Excess
General (Educational) Fund	$ 17,325,913	$ 19,858,659	$ 2,532,746

MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT
General (Educational) Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended June 30, 2018, with Comparative Totals For 2017

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
REVENUES				
Local Sources				
Tuition	$ 9,769,434	$ 9,948,945	$ 179,511	$ 8,915,421
Earnings on investments	10,000	18,271	8,271	12,748
Refund of prior years' expenditure	15,000	9,347	(5,653)	16,020
Other	10,500	3,863	(6,637)	2,262
Total Local Sources	9,804,934	9,980,426	175,492	8,946,451
Flow Through Sources				
Flow through from federal sources	5,794,273	5,395,818	(398,455)	5,443,794
Total Flow Through Sources	5,794,273	5,395,818	(398,455)	5,443,794
State Sources				
Alternative learning opportunities program	500,000	506,552	6,552	457,836
Evidence based funding formula	-	969,171	969,171	-
Special education	900,000	242,292	(657,708)	952,096
State of Illinois on-behalf payments	-	2,322,695	2,322,695	2,006,059
Transportation	6,000	4,702	(1,298)	4,576
Other grants-in-aid (safe schools)	80,000	83,062	3,062	59,739
Other grants-in-aid (juvenile justice)	-	-	-	93,250
Total State Sources	1,486,000	4,128,474	2,642,474	3,573,556
Federal Sources				
IDEA - Flow through	105,650	96,179	(9,471)	47,649
DORS	28,000	67,474	39,474	67,313
Medicaid matching/administrative outreach	55,000	58,786	3,786	69,490
Total Federal Sources	188,650	222,439	33,789	184,452
Total Revenues	17,273,857	19,727,157	2,453,300	18,148,253

(Continued)

MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT
General (Educational) Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended June 30, 2018, with Comparative Totals For 2017

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
EXPENDITURES				
Special programs				
Salaries	$ 4,688,133	$ 4,607,783	$ 80,350	$ 4,563,840
Employee benefits	1,927,070	1,746,260	180,810	1,728,541
State of Illinois on-behalf payments	-	2,322,695	(2,322,695)	2,006,059
Purchased services	228,657	224,036	4,621	388,343
Supplies and materials	78,573	71,286	7,287	69,996
Capital outlay	66,467	17,394	49,073	42,408
Other	2,400	1,826	574	2,000
Non-capitalized equipment	3,000	895	2,105	1,107
Total	6,994,300	8,992,175	(1,997,875)	8,802,294
Summer school				
Salaries	266,950	267,243	(293)	255,111
Employee benefits	30,000	30,455	(455)	28,538
Purchased services	1,500	-	1,500	500
Supplies and materials	2,000	1,498	502	1,366
Total	300,450	299,196	1,254	285,515
Total Instruction	7,294,750	9,291,371	(1,996,621)	9,087,809
Support Services				
Pupils				
Attendance and social work				
Salaries	358,843	355,378	3,465	339,639
Employee benefits	73,842	72,134	1,708	81,122
Purchased services	2,000	1,890	110	1,610
Supplies and materials	4,910	4,044	866	2,014
Total	439,595	433,446	6,149	424,385
Health services				
Salaries	325,284	329,285	(4,001)	312,925
Employee benefits	101,304	101,818	(514)	98,680
Purchased services	62,350	81,527	(19,177)	66,791
Supplies and materials	5,900	4,430	1,470	3,884
Other	905	952	(47)	387
Total	495,743	518,012	(22,269)	482,667

(Continued)

MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT
General (Educational) Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended June 30, 2018, with Comparative Totals For 2017

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
Psychological services				
Salaries	$ 35,887	$ 35,887	$ -	$ 46,457
Employee benefits	15,285	4,202	11,083	15,580
Purchased services	600	282	318	434
Supplies and materials	800	650	150	1,507
Total	52,572	41,021	11,551	63,978
Speech pathology and audiology services				
Salaries	326,703	324,870	1,833	335,098
Employee benefits	79,369	79,882	(513)	72,614
Purchased services	6,000	1,016	4,984	4,597
Supplies and materials	1,200	860	340	852
Total	413,272	406,628	6,644	413,161
Instructional staff				
Improvement of instruction services				
Salaries	247,543	248,743	(1,200)	238,468
Employee benefits	90,801	81,010	9,791	79,388
Purchased services	120,807	109,806	11,001	122,976
Supplies and materials	9,887	6,005	3,882	1,788
Capital outlay	2,000	-	2,000	-
Other	200	175	25	-
Non-capitalized equipment	-	4,236	(4,236)	-
Total	471,238	449,975	21,263	442,620
General administration				
Board of education				
Employee benefits	128,781	127,422	1,359	2,656
Purchased services	127,331	120,866	6,465	94,783
Total	256,112	248,288	7,824	97,439
Executive administration				
Salaries	475,934	526,078	(50,144)	493,101
Employee benefits	122,596	122,742	(146)	127,884
Purchased services	138,327	133,771	4,556	89,858
Supplies and materials	13,500	7,504	5,996	11,780
Other	2,500	3,399	(899)	1,823
Non-capitalized equipment	2,500	269	2,231	3,439
Total	$ 755,357	$ 793,763	$ (38,406)	$ 727,885

(Continued)

MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT
General (Educational) Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended June 30, 2018, with Comparative Totals For 2017

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
School administration				
Office of the principal				
Salaries	$ 128,360	$ 128,193	$ 167	$ 125,072
Employee benefits	42,521	41,039	1,482	41,417
Purchased services	3,025	1,471	1,554	3,741
Total	173,906	170,703	3,203	170,230
Business administration				
Fiscal services				
Salaries	169,660	135,438	34,222	157,651
Employee benefits	72,725	52,927	19,798	60,300
Purchased services	2,500	1,995	505	2,215
Other	1,750	795	955	2,073
Total	246,635	191,155	55,480	222,239
Food services				
Purchased services	-	16,911	(16,911)	-
Total	-	16,911	(16,911)	-
Central administration				
Staff services				
Purchased services	$ 10,125	$ 12,296	$ (2,171)	$ 10,660
Supplies and materials	5,500	5,171	329	5,602
Total	15,625	17,467	(1,842)	16,262
Total Support Services	3,320,055	3,287,369	32,686	3,060,866
Non-programmed charges	6,691,108	7,279,919	(588,811)	5,809,787
Provision for contingencies	20,000	-	20,000	-
Total Expenditures	17,325,913	19,858,659	(2,532,746)	17,958,462
Net change in fund balance	$ (52,056)	(131,502)	$ (79,446)	189,791
Fund balance at beginning of year		553,992		364,201
FUND BALANCE AT END OF YEAR		$ 422,490		$ 553,992

(Concluded)

MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT
Operations And Maintenance Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended June 30, 2018, with Comparative Totals For 2017

	2018			2017
	Final Budget	Actual	Variance Over/Under	Actual
REVENUES				
Local Sources				
Other	$ 1,200	$ 14,387	$ 13,187	$ 600
Payment from other LEA's	251,231	258,151	6,920	346,860
Total Local Sources	252,431	272,538	20,107	347,460
Total Revenues	252,431	272,538	20,107	347,460
EXPENDITURES				
Current operating				
Support services				
Operation and Maintenance of Plant Services:				
Purchased services	97,036	109,586	(12,550)	90,383
Supplies and materials	83,000	74,324	8,676	65,244
Capital outlay	71,195	72,900	(1,705)	163,641
Total Support services	251,231	256,810	(5,579)	319,268
Total Expenditures	251,231	256,810	(5,579)	319,268
Net change in fund balance	$ 1,200	15,728	$ 14,528	28,192
Fund balance at beginning of year		455,341		427,149
FUND BALANCE AT END OF YEAR		$ 471,069		$ 455,341

MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT
Statement of Changes in Assets and Liabilities
Fiduciary Funds - Agency Funds - Activity Funds
Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Assets				
Cash	$ 5,365	$ 21,846	$ 17,960	$ 9,251
Liabilities				
Due to organizations	$ 5,365	$ 21,846	$ 17,960	$ 9,251