



## ***Mid-Valley Special Education Cooperative***

Dr. Carla Cumblad, Executive Director  
1304 Ronzheimer Avenue  
St. Charles, IL 60174  
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MEMO TO: MV Executive Advisory Board

FROM: Nancy Sporer  
Director of Business & Human Resources

DATE: November 2, 2016

RE: **FY16 AUDIT REPORT**

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The 2016 audit report of Mid Valley is complete and a copy of the AFR has been filed electronically with the State. A copy of the audit report is included with this memo. A hard copy of the audit report will be available at the Board meeting on November 2, 2016.

The auditors completed their audit report on October 25, 2016. As noted in the management discussion letter, no material weaknesses were identified. Recommendations were made to improve the procurement card approval and documentation process and also to improve the internal controls of the bank reconciliation process. These recommendations will be implemented.

The audited fund balances are as follows:

### **Fund Balance Reconciliation FY16**

	<u>Ed Fund</u>	<u>O &amp; M Fund</u>	<u>Total</u>
Audited Fund Balance	364,201	427,149	791,350
Tuition Overpayments	(207,910)	(20,563)	(228,473)
Tuition Due FY16	228,538	22,603	251,141
Adjusted Fund Balance	384,829	429,189	814,018

Please feel free to call me if you have any questions.

### **Recommendation**

It is recommended that the MVSEC Executive Advisory Board approve and accept the audit report for fiscal year ended 2016.

**Mid-Valley Special Education  
Joint Agreement  
Required Communication Letters  
Year Ended June 30, 2016**

## Table of Contents

1. Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards*
2. Management Comments
3. Communication with Those Charged with Governance



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2016, and the related notes to the financial statements, which collectively comprise Mid-Valley Special Education Joint Agreement's basic financial statements, and have issued our report thereon dated October 7, 2016.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Mid-Valley Special Education Joint Agreement's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mid-Valley Special Education Joint Agreement's internal control. Accordingly, we do not express an opinion on the effectiveness of Mid-Valley Special Education Joint Agreement's internal control.

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

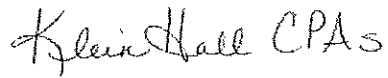
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

***Compliance and Other Matters***

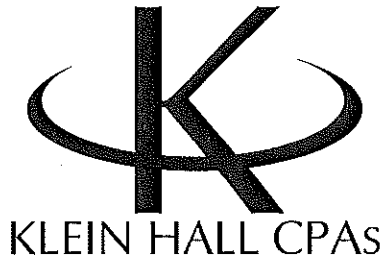
As part of obtaining reasonable assurance about whether Mid-Valley Special Education Joint Agreement's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which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

**Purpose of this Report**

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

A handwritten signature in cursive script that reads "Klein Hall CPAs".

Klein Hall CPAs  
Aurora, Illinois  
October 7, 2016



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### **Management Letter**

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

In planning and performing our audit of the 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, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered Mid-Valley Special Education Joint Agreement's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mid-Valley Special Education Joint Agreement's internal control. Accordingly, we do not express an opinion on the effectiveness of Mid-Valley Special Education Joint Agreement's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

Additionally, we wish to make the following recommendations for improvement:

#### Procurement Cards

During our testing, we noted that there were instances in our sample which did not include the proper approval or documentation. We recommend that the Agreement ensure compliance with procedures in place regarding procurement cards approval and documentation.

#### Bank Reconciliations

We noted during our review of the internal controls, that bank reconciliations were not being reviewed by someone other than the preparer of the reconciliation. We believe this is an essential control to mitigate the inherent risk associated with cash. We recommend that someone other than the preparer of the bank reconciliation review both the bank reconciliation and statements on a monthly basis to verify the existence of the reported cash.

Board of Directors  
Mid-Valley Special Education Joint Agreement

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Positive Attributes

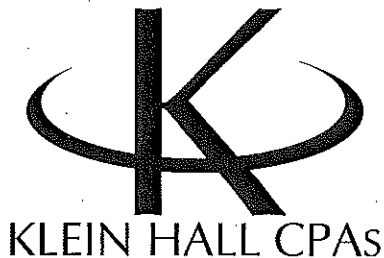
Although the general purpose of this letter is to cover only matters needing consideration, we believe it is also important to point out that there are many positive attributes of the Mid-Valley Special Education Joint Agreement's financial management systems, which are not specifically covered herein.

We would like to take this opportunity to thank the Mid-Valley Special Education Joint Agreement and their personnel for the cooperation and courtesies extended to us during our audit.

This communication is intended solely for the information and use of management, the Board of Directors, and others within Mid-Valley Special Education Joint Agreement, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Klein Hall CPAs*

Klein, Hall CPAs  
Aurora, Illinois  
October 7, 2016



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## **Communication with Those Charged with Governance**

October 7, 2016

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mid-Valley Special Education Joint Agreement for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, Government Auditing Standards and Uniform Grant Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 28, 2015. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Mid-Valley Special Education Joint Agreement are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by Mid-Valley Special Education Joint Agreement during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Mid-Valley Special Education Joint Agreement's financial statements was (were):

Management's estimate of the TRS and IMRF net pension liability is based on an actuarial study. We evaluated the key factors and assumptions used to develop the TRS and IMRF net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management: Year-end accrual adjustments and account reclassifications.

### **Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated October 7, 2016.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Mid-Valley Special Education Joint Agreement's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Mid-Valley Special Education Joint Agreement's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

We applied certain limited procedures to the supplementary information listed in the table of contents, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic

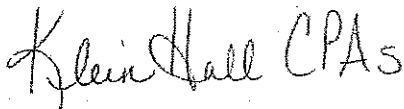
financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual fund financial statements and schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

#### **Restriction on Use**

This information is intended solely for the use of the Board of Directors and management of Mid-Valley Special Education Joint Agreement and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Klein Hall CPAs".

Klein, Hall CPAs  
Aurora, Illinois

# MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT

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June 30, 2016

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# MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT

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### *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, 2016, 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***

Mid-Valley Special Education Joint Agreement's 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 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.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2016 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 7, 2016

# **Mid-Valley Special Education Joint Agreement**

## **Management's Discussion and Analysis**

### **For the Year Ended June 20, 2016**

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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, 2016. 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 assets plus deferred outflows of the Agreement exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$1,407,348 (net position).

### **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.

# **Mid-Valley Special Education Joint Agreement**

## **Management's Discussion and Analysis**

### **For the Year Ended June 30, 2016**

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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.

**Mid-Valley Special Education Joint Agreement**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

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**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.

**Mid-Valley Special Education Joint Agreement**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

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**Cooperative-Wide Financial Analysis**

The Agreement increased its net position by \$159,799 to \$1,407,348. Of this amount, (\$285,183) was unrestricted and \$1,692,531 was invested in capital assets. The Agreement had \$18,413,413 in expenses, of which \$9,779,881 was funded by Charges for Services and \$8,238,928 was funded by Operating Grants and Contributions.

Table 1 Condensed Statement of Net Position (in thousands of dollars)			
	2016	2015	Percentage Change
<b>ASSETS:</b>			
Current and other assets	\$ 2,071	\$ 2,223	-7%
Capital assets	1,693	1,447	17%
Total assets	3,764	3,670	3%
<b>DEFERRED OUTFLOWS:</b>			
Deferred outflows related to pensions	469	346	36%
Total deferred outflows	469	346	36%
<b>LIABILITIES:</b>			
Current liabilities	1,280	1,373	-7%
Long-term debt outstanding	1,234	984	25%
Total liabilities	2,514	2,357	7%
<b>DEFERRED INFLOWS:</b>			
Deferred inflows related to pensions	312	411	-24%
Total deferred outflows	312	411	-24%
<b>NET POSITION:</b>			
Net investment in capital assets	1,692	1,447	17%
Unrestricted	(285)	(199)	43%
Total net position	\$ 1,407	\$ 1,248	13%

**Mid-Valley Special Education Joint Agreement**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

Table 2 Changes in Net Position (in thousands of dollars)			
	2016	2015	Percentage of Total
Revenues:			
Program revenues:			
Charges for services	\$ 9,780	\$ 9,524	52.7%
Operating grants and contributions	8,239	8,787	44.4%
General revenues:			
Other	553	9	3.0%
Total revenues	<u>18,572</u>	<u>18,320</u>	<u>100.0%</u>
Expenses:			
Instruction	14,821	14,301	80.5%
Pupil and Instructional Services	1,870	1,820	10.2%
Administration and Business	1,534	1,307	8.3%
Operations and Maintenance	188	233	1.0%
Other	-	10	0.0%
Total expenses	<u>18,413</u>	<u>17,671</u>	<u>100.0%</u>
Increase in Net Position	159	649	
Net Position Beginning	1,248	1,650	
Prior Period Adjustment	-	(1,051)	
Net Position Ending	<u>\$ 1,407</u>	<u>\$ 1,248</u>	

# **Mid-Valley Special Education Joint Agreement Management's Discussion and Analysis For the Year Ended June 30, 2016**

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## **Financial Analysis of the Agreement's Funds**

As the Agreement completed the year, its governmental funds reported combined fund balances of \$791,350. This represents a decrease of \$58,027 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 \$127,612, or 0.7% of the budget.

The General Fund's overall expenditures were more than budget by \$174,067, or 1.0% of the budget.

## **Capital Assets**

During the year, \$591,276 of additions were made to capital assets. Depreciation expense was \$345,664 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, 2016**

	<u>Governmental Activities</u>
<b>Assets:</b>	
Cash and investments	\$ 1,746,457
Receivables:	
Due from other governments	324,902
Capital assets:	
Land	49,875
Other capital assets, net of depreciation	<u>1,642,656</u>
Total Assets	<u>3,763,890</u>
<b>Deferred Outflows:</b>	
Deferred outflows related to pensions	<u>468,762</u>
Total deferred outflows	<u>468,762</u>
<b>Liabilities:</b>	
Accounts payable	40,241
Accrued salaries and related expenditures	846,083
Due to other governmental agencies	393,685
Non current liabilities:	
Net pension liability	<u>1,233,447</u>
Total Liabilities	<u>2,513,456</u>
<b>Deferred Inflows:</b>	
Deferred inflows related to pensions	<u>311,848</u>
Total deferred inflows	<u>311,848</u>
<b>Net Position:</b>	
Investment in capital assets	1,692,531
Unrestricted	<u>(285,183)</u>
Total net position	<u>\$ 1,407,348</u>

See accompanying notes to basic financial statements

**MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2016**

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities
<b>Governmental Activities:</b>				
Instructional services:				
Special programs	\$ 14,512,449	\$ 6,614,992	\$ 8,238,928	\$ 341,471
Other programs	308,727	250,901	-	(57,826)
Support services:				
Pupils	1,463,260	1,152,664	-	(310,596)
Instructional staff	406,717	329,413	-	(77,304)
General administration	1,101,293	879,845	-	(221,448)
School administration	167,153	135,844	-	(31,309)
Business administration	240,981	195,844	-	(45,137)
Central administration	24,384	19,817	-	(4,567)
Operations and maintenance of facilities	188,449	200,561	-	12,112
Total	<u>\$ 18,413,413</u>	<u>\$ 9,779,881</u>	<u>\$ 8,238,928</u>	<u>(394,604)</u>
<b>General revenues:</b>				
Earnings on Investments				5,649
Other revenues				<u>548,754</u>
Total general revenues				<u>554,403</u>
Change in net position				159,799
Net position - beginning				<u>1,247,549</u>
Net position - ending				<u>\$ 1,407,348</u>

See accompanying notes to basic financial statements

**MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2016**

	General (Educational)	Operations and Maintenance	Total
<b><u>ASSETS</u></b>			
Cash and investments	\$ 1,319,308	\$ 427,149	\$ 1,746,457
Receivables:			
Other receivables	324,902	-	324,902
<b>TOTAL ASSETS</b>	<b><u>\$ 1,644,210</u></b>	<b><u>\$ 427,149</u></b>	<b><u>\$ 2,071,359</u></b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
<b>Liabilities:</b>			
Accounts payable	\$ 40,241	\$ -	\$ 40,241
Accrued salaries and related expenditures	846,083	-	846,083
Due to other governmental agencies	393,685	-	393,685
<b>Total Liabilities</b>	<b><u>1,280,009</u></b>	<b><u>-</u></b>	<b><u>1,280,009</u></b>
<b>Fund Balances:</b>			
Unassigned	364,201	427,149	791,350
<b>Total Fund Balances</b>	<b><u>364,201</u></b>	<b><u>427,149</u></b>	<b><u>791,350</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 1,644,210</u></b>	<b><u>\$ 427,149</u></b>	<b><u>\$ 2,071,359</u></b>

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, 2016**

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**Total fund balances - governmental funds** **\$ 791,350**

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 \$3,519,744 and the accumulated depreciation is \$1,827,213. 1,692,531

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	(486,125)
Net pension liability - IMRF	(747,322)

Deferred inflows and outflows of resources related to pension are not reported in governmental funds.

Deferred outflows	468,762
Deferred inflows	<u>(311,848)</u>

**Net position of governmental activities** **\$ 1,407,348**

**MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	General (Educational)	Operations and Maintenance	Total
<b>REVENUES</b>			
Local sources	\$ 9,609,029	\$ 235,213	\$ 9,844,242
Flow through sources	5,504,030	-	5,504,030
State sources	3,034,820	-	3,034,820
Federal sources	190,120	-	190,120
 Total Revenues	 18,337,999	 235,213	 18,573,212
<b>EXPENDITURES</b>			
Current operating:			
Instruction	8,448,310	-	8,448,310
Support services	3,338,803	246,785	3,585,588
Non-programmed charges	6,597,341	-	6,597,341
 Total Expenditures	 18,384,454	 246,785	 18,631,239
 Net change in fund balance	 (46,455)	 (11,572)	 (58,027)
 Fund balances at beginning of year	 410,656	 438,721	 849,377
 FUND BALANCES AT END OF YEAR	 \$ 364,201	 \$ 427,149	 \$ 791,350

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, 2016**

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**Net change in fund balances - total governmental funds** **\$ (58,027)**

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	\$ 591,276	
Depreciation expense	<u>(345,664)</u>	245,612

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:

Decrease in deferred inflows/outflows related to pensions	221,648	
Increase in net pension liability - TRS	(51,831)	
Increase in net pension liability - IMRF	<u>(197,603)</u>	<u>(27,786)</u>

<b>Change in net position of governmental activities</b>	<b>\$ <u>159,799</u></b>
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**MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS - ACTIVITY FUNDS**  
**JUNE 30, 2016**

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**Assets:**

Cash	<u>\$ 8,188</u>
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**Liabilities:**

Due to organizations	<u>\$ 8,188</u>
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See accompanying notes to basic financial statements

# MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT

## Notes to Financial Statements

June 30, 2016

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### **NOTE 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:

## MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT

### Notes to Financial Statements (Continued)

June 30, 2016

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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.

#### **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**

##### **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".

## MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT

### Notes to Financial Statements (Continued)

June 30, 2016

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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.

#### **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.

## MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT

### Notes to Financial Statements (Continued)

June 30, 2016

#### 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 estimated fair value at the date of donation. In 2016, the Agreement engaged an appraisal company to perform an onsite inspection to develop detailed capital asset records.

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, 2016, 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 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

## MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT

### Notes to Financial Statements (Continued)

June 30, 2016

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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.

#### **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.

## MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT

### Notes to Financial Statements (Continued)

June 30, 2016

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#### 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, 2015, 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.

#### NOTE 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, 2016.

At June 30, 2016 the carrying amount of the Agreement's deposits, (excluding activity accounts of \$8,188) totaled \$1,746,457 and the bank balances totaled \$1,931,235. 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, 2016 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.

**MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT**  
Notes to Financial Statements (Continued)  
June 30, 2016

**NOTE 3. CAPITAL ASSETS**

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

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
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	2,834,318	256,558	-	3,090,876
Improvements	-	65,924	-	65,924
Equipment	44,275	268,794	-	313,069
Total capital assets being depreciated	2,878,593	591,276	-	3,469,869
Accumulated depreciation for:				
Buildings	1,437,274	179,603	-	1,616,877
Improvements	-	13,579	-	13,579
Equipment	44,275	152,482	-	196,757
Total accumulated depreciation	1,481,549	345,664	-	1,827,213
Total capital assets being depreciated, net	1,397,044	245,612	-	1,642,656
Total capital assets, net	\$ 1,446,919	\$ 245,612	\$ -	\$ 1,692,531

## MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT

### Notes to Financial Statements (Continued)

June 30, 2016

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

#### *Instructional Services:*

Special programs \$ 240,928

#### *Supporting Services*

Pupils 44,936

Instructional Staff 1,383

General administration 18,666

Operations and maintenance of facilities 39,751

\$ 345,664

#### **NOTE 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, 2016:

	Balance			Balance	Amount due
	July 1, 2015	Additions	Reductions	June 30, 2016	in one year
Net Pension Liability - TRS	\$ 434,294	\$ 51,831	\$ -	\$ 486,125	\$ -
Net Pension Liability - IMRF	549,719	197,603	-	747,322	-
Total Long-Term Debt	\$ 984,013	\$ 249,434	\$ -	\$ 1,233,447	\$ -

#### **NOTE 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, 2016, the Agreement incurred \$9,800 of expenditures for 4 (four) retirees receiving stipends under this program.

#### **NOTE 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.

## MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT

### Notes to Financial Statements (Continued)

June 30, 2016

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

##### **Benefits Provided**

TRS provides retirement, disability, and death benefits. Tier I members have TRS or reciprocal system service prior to January 1, 2011. Tier I members qualify for retirement benefits at age 62 with five years of service, at age 60 with 10 years, or age 55 with 20 years. The benefit is determined by the average of the four highest years of creditable earnings within the last 10 years of creditable service and the percentage of average salary to which the member is entitled. Most members retire under a formula that provides 2.2 percent of final average salary up to a maximum of 75 percent with 34 years of service. Disability and death benefits are also provided.

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

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

##### **Contributions**

The state of Illinois maintains the primary responsibility for funding TRS. The Illinois Pension Code, as amended by Public Act 88-0593 and subsequent acts, provides that for years 2010 through 2045,

## MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT

### Notes to Financial Statements (Continued)

June 30, 2016

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the minimum contribution to the System for each fiscal year shall be an amount determined to be sufficient to bring the total assets of the System up to 90% of the total actuarial liabilities of the System by the end of fiscal year 2045.

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2016, was 9.4% of creditable earnings. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the employer.

**On-behalf contributions to TRS.** The State of Illinois makes employer pension contributions on-behalf of the Agreement. For the year ended June 30, 2016, 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 \$1,741,259 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, 2016 were \$28,007, and are deferred because they were paid after the June 30, 2015 measurement date.

**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 a policy adopted by the TRS Board of Trustees that has been in effect since the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the state contribution rate to TRS. Public Act 98-0674 now requires the two rates to be the same.

For the year ended June 30, 2016, the employer pension contribution was 36.06% of salaries paid from federal and special trust funds. For the year ended June 30, 2016, 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 current program is 146.5% and applies when the member is age 55 at retirement. For the year ended June 30, 2016, the employer made no payments to TRS for employer ERO contributions.

The employer is also required to make a one-time contribution to TRS for members granted salary increases over 6% if those salaries are used to calculate a retiree's final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2016, the

## MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT

### Notes to Financial Statements (Continued)

June 30, 2016

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Agreement made no payments to TRS for employer contributions due on salary increases in excess of 6% or for sick leave days granted in excess of the normal annual allotment.

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

At June 30, 2016, the 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:

District's proportionate share of the net pension liability	\$ 486,125
State's proportionate share of the net pension liability associated with the District	29,028,059
Total	<u>\$ 29,514,184</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 and rolled forward to June 30, 2015. The 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, 2015, relative to the projected contributions of all participating TRS employers and the state during that period. At June 30, 2015, the Agreement's proportion was 0.00072%, which was an increase of 0.00002 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Agreement recognized pension expense of \$1,741,259 and revenue of \$1,741,259 for support provided by the state. At June 30, 2016, the Agreement reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT**  
Notes to Financial Statements (Continued)  
June 30, 2016

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 181	\$ 533
Changes in assumptions	6,723	-
Net difference between projected and actual earnings on pension plan investments	9,627	17,022
Changes in proportion and differences between Agreement contributions and proportionate share of contributions	14,487	294,293
Agreement contributions subsequent to the measurement date	28,007	-
Total	<u>\$ 59,025</u>	<u>\$ 311,848</u>

\$28,007 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Net Deferred Outflows of Resources
2016	\$ (92,273)
2017	(92,273)
2018	(92,273)
2019	(4,011)
2020	-
Total	<u>\$ (280,830)</u>

## MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT

### Notes to Financial Statements (Continued)

June 30, 2016

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#### Actuarial Assumptions

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

<b>Inflation</b>	3.00 percent
<b>Salary increases</b>	varies by amount of service credit
<b>Investment rate of return</b>	7.50 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 actuarial assumptions for the years ended June 30, 2015 and 2014 were different. The actuarial assumptions used in the June 30, 2015 valuation were based on the 2015 actuarial experience analysis. The investment return assumption remained at 7.5 % salary increase assumptions were lowered, retirement rates were increased, mortality updates were made and other assumptions were revised. The actuarial assumptions used in the June 30, 2014 valuation were based on updates to economic assumptions adopted in 2014 which lowered the investment return assumption from 8.0 percent to 7.5 %. The salary increase and inflation assumptions were also lowered from their 2013 levels.

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

**MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT**  
Notes to Financial Statements (Continued)  
June 30, 2016

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. large cap	18%	7.53%
Global equity excluding U.S.	18%	7.88%
Aggregate bonds	16%	1.57%
U.S. TIPS	2%	2.82%
NCREIF	11%	5.11%
Opportunistic real estate	4%	9.09%
ARS	8%	2.57%
Risk parity	8%	4.87%
Diversified inflation strategy	1%	3.26%
Private equity	14%	12.33%
	<u>100%</u>	

**Discount rate**

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

At June 30, 2014, the discount rate used to measure the total pension liability was 7.50 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.

## MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT

### Notes to Financial Statements (Continued)

June 30, 2016

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#### 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 7.47%, 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 (6.47%) or 1-percentage-point higher (8.47%) than the current rate:

	1% Decrease (6.47%)	Current Discount Rate (7.47%)	1% Increase (8.47%)
Agreement's proportionate share of the net pension liability	\$ 600,732	\$ 486,125	\$ 392,145

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

#### 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](http://www.imrf.org).

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

## MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT

### Notes to Financial Statements (Continued)

June 30, 2016

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, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	18
Inactive employees entitled to but not yet receiving benefits	65
Active employees	84
Total	<u>167</u>

#### Contributions

As set by statute, Regular plan members are required to contribute 4.50% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Agreement's actual contribution rate for calendar year 2015 was 10.79% 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, 2015, 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, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value of Assets
Amortization method	Level Percent of Payroll
Remaining amortization period	30 year, open
Inflation	3.50%
Price inflation	2.75%
Salary increases	3.75% to 14.50%, including inflation
Investment rate of return	7.50%

## MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT

### Notes to Financial Statements (Continued)

June 30, 2016

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

Notes	There were no benefit changes during the year.
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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:

# MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT

## Notes to Financial Statements (Continued)

June 30, 2016

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equities	38.0%	7.60%
International equities	17.0%	7.80%
Fixed income	27.0%	3.00%
Real estate	8.0%	6.15%
Alternatives	9.0%	5.25-8.50%
Cash	1.0%	2.25%
	<u>100.0%</u>	

### 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 3.57%, and the resulting single discount rate is 7.50%.

**MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT**

## Notes to Financial Statements (Continued)

June 30, 2016

**Changes in Net Pension Liability**

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2014	\$ 2,143,572	\$ 1,593,853	\$ 549,719
Changes for the year:			
Service Cost	219,173	-	219,173
Interest on the Total Pension Liability	166,722	-	166,722
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	65,030	-	65,030
Changes of Assumptions	-	-	-
Contributions - Employer	-	208,972	(208,972)
Contributions - Employees	-	87,152	(87,152)
Net Investment Income	-	8,559	(8,559)
Benefit Payments, including Refunds of Employee Contributions	(60,408)	(60,408)	-
Other (Net Transfer)	-	(51,361)	51,361
Net Changes	390,517	192,914	197,603
Balances at December 31, 2015	\$ 2,534,089	\$ 1,786,767	\$ 747,322

**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:

# MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT

## Notes to Financial Statements (Continued)

June 30, 2016

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability (asset)	\$ 1,142,705	\$ 747,322	\$ 424,172

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

For the year ended June 30, 2016, the Agreement recognized pension expense of \$316,889. At June 30, 2016, 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	\$ 116,032	\$ -
Changes in assumptions	75,618	-
Net difference between projected and actual earnings on pension plan investments	105,602	-
Total deferred amounts to be recognized in pension expense in future periods	297,252	-
Contributions subsequent to the measurement date	112,485	-
Total	\$ 409,737	\$ -

\$112,485 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

# MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT

## Notes to Financial Statements (Continued)

June 30, 2016

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Year Ending December 31	Net Deferred Outflows of Resources
2016	\$ 93,237
2017	93,237
2018	78,367
2019	32,411
2020	-
Thereafter	-
Total	<u>\$ 297,252</u>

### **NOTE 6. OTHER POST-EMPLOYMENT BENEFITS**

#### **Teacher Health Insurance Security (THIS)**

The Agreement participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit post-employment healthcare plan that was established by the Illinois legislature for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants not enrolled in Medicare may participate in the state administered participating provider option plan or choose from several managed care options. Annuitants who were enrolled in Medicare Parts A and B may be eligible to enroll in Medicare Advantage Plans.

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

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

**On Behalf Contributions to THIS Fund.** The state of Illinois makes employer retiree health insurance contributions on behalf of the Agreement. State contributions are intended to match

## MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT

### Notes to Financial Statements (Continued)

June 30, 2016

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contributions to THIS Fund from active members which were 1.07% of pay during the year ended June 30, 2016. State of Illinois contributions were \$51,668, and the Agreement recognized revenue and expenditures of this amount during the year.

**Employer contributions to THIS Fund.** The Agreement also makes contributions to THIS Fund. The Agreement THIS Fund contribution was 0.80% during the year ended June 30, 2016. For the year ended June 30, 2016, the Agreement paid \$38,630 to the THIS Fund, which was 100 percent of the required contribution.

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

#### **NOTE 7. 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.

#### **NOTE 8. 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.

#### **NOTE 9. 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

## MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT

### Notes to Financial Statements (Continued)

June 30, 2016

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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.

#### **NOTE 10. FUND BALANCE REPORTING**

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

##### **A. Nonspendable Fund Balance**

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

##### **B. Restricted Fund Balance**

The restricted fund balance classification refers to amounts that are subject to outside restrictions, not controlled by the entity. Things such as restrictions imposed 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, 2016, expenditures exceeded revenue from state and federal grants, resulting in no restricted balances.

##### **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.

## MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT

### Notes to Financial Statements (Continued)

June 30, 2016

#### 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.

### **NOTE 11. EXCESS OF EXPENDITURES OVER BUDGETS IN INDIVIDUAL FUNDS**

Expenditures exceeded the budgeted amount in the following Fund:

	Budget	Actual	Excess
General (Educational) Fund	\$ 18,210,387	\$ 18,384,454	\$ 174,067

The expenditure variances were sufficiently absorbed by surpluses that existed at the beginning of the fiscal year and were approved by the Board of Directors. Under the State Budget Act expenditures may exceed the budget if additional resources are available to finance such expenditures.

**MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT**  
**SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY**  
**AND RELATED RATIOS**  
**ILLINOIS MUNICIPAL RETIREMENT FUND**  
**LAST TWO CALENDAR YEARS**

	2015	2014
<b>TOTAL PENSION LIABILITY</b>		
Service Cost	\$ 219,173	\$ 235,023
Interest	166,722	125,096
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	65,030	113,001
Changes of Assumptions	-	131,360
Benefit Payments, Including Refunds of Member Contributions	(60,408)	(22,687)
Net Change in Total Pension Liability	390,517	581,793
Total Pension Liability - Beginning	2,143,572	1,561,779
<b>TOTAL PENSION LIABILITY - ENDING</b>	<b>\$ 2,534,089</b>	<b>\$ 2,143,572</b>
<b>PLAN FIDUCIARY NET POSITION</b>		
Contributions - Employer	\$ 208,972	\$ 216,895
Contributions - Member	87,152	88,328
Net Investment Income	8,559	84,349
Benefit Payments, Including Refunds of Member Contributions	(60,408)	(22,687)
Administrative Expense	(51,361)	(14,535)
Net Change in Plan Fiduciary Net Position	192,914	352,350
Plan Net Position - Beginning	1,593,853	1,241,503
<b>PLAN NET POSITION - ENDING</b>	<b>\$ 1,786,767</b>	<b>\$ 1,593,853</b>
<b>EMPLOYER'S NET PENSION LIABILITY (ASSET)</b>	<b>\$ 747,322</b>	<b>\$ 549,719</b>
Plan Fiduciary Net Position		
as a Percentage of the Total Pension Liability	70.51%	74.36%
Covered-Employee Payroll	\$ 1,936,722	\$ 1,883,235
Employer's Net Pension Liability		
as a Percentage of Covered - Employee Payroll	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 TWO CALENDAR YEARS**

Calendar Year	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 208,972	\$ 208,972	\$ -	\$ 1,936,722	10.79%
2014	208,097	216,895	(8,798)	1,883,235	11.52%

**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 pay, closed
Remaining amortization period	28 Years
Asset valuation method	5-year smoothed market; 20% corridor
Inflation	3.00%
Salary increases	4.40% to 16.00%
Investment rate of return	7.50%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2008 - 2010.
Mortality	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men 120% of the table rates were used. For women, 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

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 TWO FISCAL YEARS**

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.04597%	0.04618%
District's proportionate share of the net pension liability	\$ 486,125	\$ 434,294
State's proportionate share of the net pension liability associated with the District	<u>29,028,059</u>	<u>27,083,030</u>
Total	<u>\$ 29,514,184</u>	<u>\$ 27,517,324</u>
District's covered-employee payroll	4,828,782	4,428,597
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	10.07%	9.81%
Plan fiduciary net position as a percentage of the total pension liability	41.50%	43.00%

**Notes to Schedule**

**Changes of assumptions**

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

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 TWO FISCAL YEARS**

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Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
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 REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL - GENERAL FUND AND**  
**MAJOR SPECIAL REVENUE FUND**  
**YEAR ENDED JUNE 30, 2016**

	General (Educational) Fund		
	Original and Final Budget	Actual	Variance Over/Under
<b>REVENUES</b>			
Local sources	\$ 9,522,672	\$ 9,609,029	\$ 86,357
Flow-through sources	5,544,616	5,504,030	(40,586)
State sources	2,976,750	3,034,820	58,070
Federal sources	166,349	190,120	23,771
Total Revenues	18,210,387	18,337,999	127,612
<b>EXPENDITURES</b>			
Current operating:			
Instruction	8,552,146	8,448,310	103,836
Support services	3,293,625	3,338,803	(45,178)
Non-programmed charges	6,344,616	6,597,341	(252,725)
Provision for contingencies	20,000	-	20,000
Total Expenditures	18,210,387	18,384,454	(174,067)
Net change in fund balance	\$ -	(46,455)	\$ (46,455)
Fund Balances at beginning of year		410,656	
FUND BALANCES AT END OF YEAR		\$ 364,201	

Operations & Maintenance Fund		
Original and Final Budget	Actual	Variance Over/Under
\$ 261,359	\$ 235,213	\$ (26,146)
-	-	-
-	-	-
-	-	-
261,359	235,213	(26,146)
-	-	-
261,359	246,785	14,574
-	-	-
-	-	-
261,359	246,785	14,574
\$ -	(11,572)	\$ (11,572)
	438,721	
	\$ 427,149	

## **MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT**

### **Notes to Required Supplementary Information**

June 30, 2016

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#### **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 14, 2015.
- 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).

**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, 2016, WITH COMPARATIVE TOTALS FOR 2015**

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
<b>REVENUES</b>				
Local Sources:				
Tuition	\$ 9,519,672	\$ 9,544,768	\$ 25,096	\$ 8,905,201
Earnings on investments	1,500	5,649	4,149	1,965
Refund of prior years' expenditure	-	56,603	56,603	1,150
Other	1,500	2,009	509	928
Total Local Sources	9,522,672	9,609,029	86,357	8,909,244
Flow Through Sources:				
Flow through from federal sources	5,544,616	5,504,030	(40,586)	5,776,260
Total Flow Through Sources	5,544,616	5,504,030	(40,586)	5,776,260
State Sources:				
Alternative learning opportunities program (GSA)	418,000	490,042	72,042	411,385
Special education	800,000	674,191	(125,809)	866,303
State of Illinois on-behalf payments	1,678,750	1,792,927	114,177	1,506,609
Transportation	-	5,739	5,739	-
Other grants-in-aid (safe schools)	80,000	71,921	(8,079)	78,067
Total State Sources	2,976,750	3,034,820	58,070	2,862,364
Federal Sources:				
IDEA - Flow through	96,666	74,714	(21,952)	84,004
DORS	23,000	64,507	41,507	39,360
Medicaid matching/administrative outreach	46,683	50,899	4,216	25,335
Total Federal Sources	166,349	190,120	23,771	148,699
Total Revenues	18,210,387	18,337,999	127,612	17,696,567
<b>EXPENDITURES</b>				
Special programs:				
Salaries	4,314,210	4,296,835	17,375	4,102,642
Employee benefits	1,719,826	1,542,935	176,891	1,525,538
State of Illinois on-behalf payments	1,678,750	1,792,927	(114,177)	1,506,609
Purchased services	303,753	352,655	(48,902)	282,127
Supplies and materials	92,280	77,265	15,015	61,448
Capital outlay	123,344	67,924	55,420	146,468
Other	2,400	2,130	270	1,100
Non-capitalized equipment	5,000	6,912	(1,912)	-
Total	\$ 8,239,563	\$ 8,139,583	\$ 99,980	\$ 7,625,932

(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, 2016, WITH COMPARATIVE TOTALS FOR 2015**

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
Summer school:				
Salaries	\$ 271,922	\$ 273,882	\$ (1,960)	\$ 268,910
Employee benefits	37,161	32,465	4,696	30,036
Purchased services	900	1,443	(543)	135
Supplies and materials	2,600	937	1,663	1,927
Total	312,583	308,727	3,856	301,008
Total Instruction	8,552,146	8,448,310	103,836	7,926,940
Support Services:				
Pupils:				
Attendance and social work:				
Salaries	402,686	361,635	41,051	385,914
Employee benefits	99,067	79,488	19,579	88,104
Purchased services	2,000	33,363	(31,363)	2,926
Supplies and materials	3,550	2,585	965	1,854
Total	507,303	477,071	30,232	478,798
Health services:				
Salaries	334,314	345,610	(11,296)	396,529
Employee benefits	117,981	110,017	7,964	110,653
Purchased services	16,475	6,060	10,415	3,899
Supplies and materials	5,050	3,745	1,305	3,875
Other	400	306	94	468
Total	474,220	465,738	8,482	515,424
Psychological services:				
Salaries	56,379	45,103	11,276	41,371
Employee benefits	16,209	12,124	4,085	600
Purchased services	600	398	202	208
Supplies and materials	1,000	254	746	1,094
Total	\$ 74,188	\$ 57,879	\$ 16,309	\$ 43,273

(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, 2016, WITH COMPARATIVE TOTALS FOR 2015**

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
Speech pathology and audiology services:				
Salaries	\$ 343,697	\$ 325,812	\$ 17,885	\$ 229,818
Employee benefits	73,051	65,893	7,158	38,288
Purchased services	6,000	24,684	(18,684)	153,933
Supplies and materials	1,300	1,247	53	216
Total	424,048	417,636	6,412	422,255
Instructional staff:				
Improvement of instruction services:				
Salaries	229,285	216,545	12,740	234,039
Employee benefits	55,842	68,509	(12,667)	63,238
Purchased services	84,119	114,223	(30,104)	49,168
Supplies and materials	6,800	6,057	743	4,802
Total	376,046	405,334	(29,288)	351,247
General administration:				
Board of education:				
Employee benefits	123,800	163,494	(39,694)	111,331
Purchased services	166,996	148,139	18,857	104,705
Total	290,796	311,633	(20,837)	216,036
Executive administration:				
Salaries	420,845	425,778	(4,933)	406,553
Employee benefits	128,271	121,733	6,538	120,752
Purchased services	134,199	202,933	(68,734)	119,819
Supplies and materials	12,197	14,739	(2,542)	12,977
Other	3,000	3,019	(19)	1,443
Non-capitalized equipment	2,654	2,792	(138)	942
Total	701,166	770,994	(69,828)	662,486
School administration:				
Office of the principal:				
Salaries	121,100	121,509	(409)	119,643
Employee benefits	55,827	42,737	13,090	52,154
Purchased services	7,045	2,788	4,257	4,305
Supplies and materials	500	119	381	438
Total	\$ 184,472	\$ 167,153	\$ 17,319	\$ 176,540

(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, 2016, WITH COMPARATIVE TOTALS FOR 2015**

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
Business administration:				
Fiscal services:				
Salaries	\$ 165,862	\$ 166,107	\$ (245)	\$ 162,127
Employee benefits	77,524	68,918	8,606	68,643
Purchased services	2,200	3,381	(1,181)	2,882
Other	1,150	2,575	(1,425)	343
Total	246,736	240,981	5,755	233,995
Central administration:				
Staff services:				
Purchased services	9,650	18,384	(8,734)	10,558
Supplies and materials	5,000	6,000	(1,000)	3,223
Total	14,650	24,384	(9,734)	13,781
Total Support Services	3,293,625	3,338,803	(45,178)	3,113,835
Non-programmed charges	6,344,616	6,597,341	(252,725)	6,385,590
Provision for contingencies	20,000	-	20,000	-
Total Expenditures	18,210,387	18,384,454	(174,067)	17,426,365
Net change in fund balance	\$ -	(46,455)	\$ (46,455)	270,202
Fund balance at beginning of year		410,656		140,454
FUND BALANCE AT END OF YEAR		\$ 364,201		\$ 410,656

(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, 2016, WITH COMPARATIVE TOTALS FOR 2015**

	2016			2015
	Final Budget	Actual	Variance Over/Under	Actual
<b>REVENUES</b>				
Local Sources:				
Other	\$ -	\$ 100	\$ 100	\$ 4,455
Payment from other LEA's	261,359	235,113	(26,246)	619,102
Total Local Sources	261,359	235,213	(26,146)	623,557
Total Revenues	261,359	235,213	(26,146)	623,557
<b>EXPENDITURES</b>				
Current operating:				
Support services				
Operation and Maintenance of Plant Services:				
Purchased services	75,550	87,854	(12,304)	71,018
Supplies and materials	89,800	60,834	28,966	74,923
Capital outlay	96,009	98,097	(2,088)	78,646
Total Support services	261,359	246,785	14,574	224,587
Debt service	-	-	-	282,678
Total Expenditures	261,359	246,785	14,574	507,265
Net change in fund balance	\$ -	(11,572)	\$ (11,572)	116,292
Fund balance at beginning of year		438,721		322,429
FUND BALANCE AT END OF YEAR		\$ 427,149		\$ 438,721

**MID-VALLEY SPECIAL EDUCATION JOINT AGREEMENT**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS - AGENCY FUNDS - ACTIVITY FUNDS**  
**YEAR ENDED JUNE 30, 2016**

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	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>Assets:</b>				
Cash	<u>\$ 6,543</u>	<u>\$ 13,212</u>	<u>\$ 11,567</u>	<u>\$ 8,188</u>
<b>Liabilities:</b>				
Due to organizations	<u>\$ 6,543</u>	<u>\$ 13,212</u>	<u>\$ 11,567</u>	<u>\$ 8,188</u>