



815.344.1300 mchenry
847.382.3366 barrington
847.336.6455 gurnee
www.edercasella.com

**LEYDEN AREA SPECIAL EDUCATION COOPERATIVE
STATE OF ILLINOIS**

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

eder, casella & co.

LEYDEN AREA SPECIAL EDUCATION COOPERATIVE

TABLE OF CONTENTS

JUNE 30, 2017

	PAGE
INDEPENDENT AUDITOR'S OPINION	1
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 <i>GOVERNMENT AUDITING STANDARDS</i>	4
REQUIRED SUPPLEMENTARY INFORMATION	
Management's Discussion and Analysis	6
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements	
Balance Sheet – Governmental Funds	12
Reconciliation of the Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	15
Notes to Financial Statements	16
REQUIRED SUPPLEMENTARY INFORMATION	
Illinois Municipal Retirement Fund – Schedule of Changes in the Employer's Net Pension Liability and Related Ratios	32
Illinois Municipal Retirement Fund – Schedule of Employer Contribution	33
Teachers' Retirement System of the State of Illinois – Schedule of the Employer's Proportionate Share of the Net Pension Liability	34
Teachers' Retirement System of the State of Illinois – Schedule of Employer Contribution	35

LEYDEN AREA SPECIAL EDUCATION COOPERATIVE

TABLE OF CONTENTS

JUNE 30, 2017

	PAGE
REQUIRED SUPPLEMENTARY INFORMATION (Continued)	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund – Educational Fund	36
Notes to Required Supplementary Information	39
ANNUAL FEDERAL FINANCIAL COMPLIANCE SECTION	
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	40
Schedule of Expenditures of Federal Awards	42
Notes to the Schedule of Expenditures of Federal Awards	43
Schedule of Findings and Questioned Costs	44
Summary Schedule of Prior Audit Findings	47
Corrective Action Plan for Current Year Audit Findings	48



815.344.1300 mchenry
847.382.3366 barrington
847.336.6455 gurnee
www.edercasella.com

INDEPENDENT AUDITOR'S OPINION

To the Executive Board
Leyden Area Special Education Cooperative
Franklin Park, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of

Leyden Area Special Education Cooperative

as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Leyden Area Special Education Cooperative's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Leyden Area Special Education Cooperative'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 Leyden Area Special Education Cooperative'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.

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 6 through 9 and 32 through 39 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 Leyden Area Special Education Cooperative's basic financial statements. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplemental information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplemental information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2017 on our consideration of Leyden Area Special Education Cooperative'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 Leyden Area Special Education Cooperative's internal control over financial reporting and compliance.

Eder, Casella & Co.

EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
December 11, 2017



815.344.1300 mchenry
847.382.3366 barrington
847.336.6455 gurnee
www.edercasella.com

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

To the Executive Board
Leyden Area Special Education Cooperative
Franklin Park, 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 and the major fund of

Leyden Area Special Education Cooperative

as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Leyden Area Special Education Cooperative's basic financial statements, and have issued our report thereon dated December 11, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Leyden Area Special Education Cooperative'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 Leyden Area Special Education Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of Leyden Area Special Education Cooperative'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 Leyden Area Special Education Cooperative's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements,

noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Eder, Casella & Co.

EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
December 11, 2017

REQUIRED SUPPLEMENTARY INFORMATION

LEYDEN AREA SPECIAL EDUCATION COOPERATIVE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

As management of Leyden Area Special Education Cooperative (LASEC), we offer readers of LASEC's statements this narrative overview and analysis of the financial activities of LASEC for the fiscal year ended June 30, 2017.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of LASEC exceeded liabilities and deferred inflows of resources at June 30, 2017 by \$263,691. Of this amount, \$161,593 is unrestricted net position.
- LASEC's net position decreased by \$10,016 .
- At June 30, 2017, LASEC reported combined ending fund balances of \$1,681,465 , an increase of \$210,985 in comparison with the prior year.
- LASEC's capital assets, net of depreciation, decreased by \$10,568 during the year ended June 30, 2017. The key factor in the decrease was current year depreciation.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to LASEC's basic financial statements. LASEC's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

This Management's Discussion and Analysis is intended to explain the significant changes in financial position and differences in operation between the current and prior years.

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

The Statement of Net Position presents information on all of LASEC's assets and deferred outflows of resources less its liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of LASEC is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of LASEC that are principally supported by tuition and intergovernmental revenues (governmental activities). The governmental activities of LASEC include instructional support, transportation, administration, and certain other activities and expenses such as payments to other districts and governmental units and interest and fees.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. LASEC, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of LASEC are governmental funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of LASEC'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.

LASEC maintains one individual governmental fund. Information is presented in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, which is considered to be a major fund.

LASEC adopts an annual budget for the fund listed above. A budgetary comparison schedule, which is Required Supplementary Information, has been provided for the fund to demonstrate compliance with this budget.

The basic fund financial statements can be found on pages 12 through 15 and the Required Supplementary Information can be found on pages 32 through 39 of this report

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

The notes to the financial statements can be found on pages 16 through 31 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of LASEC, assets and deferred outflows of resources were more than liabilities and deferred inflows of resources by \$263,691 at June 30, 2017.

A portion of LASEC's net position reflects its investment in capital assets (e.g., buildings, land improvements, improvements other than buildings, and equipment other than transportation/food service). LASEC uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

Leyden Area Special Education Cooperative's Net Position at Year-End

	Governmental Activities	
	6/30/2017	6/30/2016
Assets		
Current and Other Assets	\$ 1,958,036	\$ 1,762,409
Capital Assets	102,098	112,666
Total Assets	\$ 2,060,134	\$ 1,875,075
Deferred Outflows of Resources	\$ 660,104	\$ 832,677
Liabilities		
Current and Other Liabilities	\$ 264,270	\$ 28,926
Long-Term Liabilities Outstanding	1,792,893	1,779,216
Total Liabilities	\$ 2,057,163	\$ 1,808,142
Deferred Inflows of Resources	\$ 399,384	\$ 625,903
Net Position		
Net Investment in Capital Assets	\$ 102,098	\$ 112,666
Unrestricted	161,593	161,041
Total Net Position	\$ 263,691	\$ 273,707

Governmental activities - Governmental activities decreased net position by \$10,016 . Key elements of this decrease are as follows:

Leyden Area Special Education Cooperative's Change in Net Position

	Governmental Activities	
	FY 2017	FY 2016
Revenues		
Program Revenues		
Charges for Services	\$ 3,319,895	\$ 3,021,171
Operating Grants and Contributions	5,549,128	4,978,365
General Revenues		
Unrestricted Investment Earnings	6,272	1,700
Other	4,527	10,824
Total Revenues	\$ 8,879,822	\$ 8,012,060
Expenses		
Instructional Support	\$ 4,975,013	\$ 4,841,135
Transportation	70,591	68,559
Administration	2,359,855	2,252,745
On-Behalf Retirement Contributions	1,484,379	992,846
Total Expenses	\$ 8,889,838	\$ 8,155,285
Increase/(Decrease) in Net Position	\$ (10,016)	\$ (143,225)
Net Position - Beginning	273,707	(1,334,917)
Net Position Adjustment	-	1,751,849
Net Position - Ending	\$ 263,691	\$ 273,707

FINANCIAL ANALYSIS OF LASEC'S FUNDS

As noted earlier, LASEC uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds - The focus of LASEC's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing LASEC's financing requirements. In particular, unassigned fund balance may serve as a useful measure of LASEC's net resources available for spending at the end of the fiscal year.

The General Fund's fund balance increased \$210,985 . This was mainly due to increased billings to the school Districts.

GENERAL FUND BUDGETARY HIGHLIGHTS

Significant differences between the budget and the actual revenues and expenditures are summarized as follows:

- The difference between the estimated revenues and the actual revenues was \$1,260,650 (favorable). This is due to LASEC not budgeting for On-Behalf Payments, which are not a direct expenditure of LASEC.
- The difference between the estimated expenditures and the actual expenditures was \$1,049,665 (unfavorable). This is due to LASEC not budgeting for On-Behalf Payments, which are not a direct expenditure of LASEC.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - LASEC's investment in capital assets for its governmental activities as of June 30, 2017 amounts to \$102,098 (net of accumulated depreciation). This investment in capital assets is made up entirely of equipment other than transportation/food service. The decrease in LASEC's investment in capital assets for the year ended June 30, 2017 was entirely due to current year depreciation expense.

Leyden Area Special Education Cooperative
Capital Assets (net of depreciation)

	Governmental Activities	
	6/30/2017	6/30/2016
Equipment Other than Transportation/Food Service	\$ 102,098	\$ 112,666

Additional information on LASEC's capital assets can be found in note 3 on page 21 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

LASEC's member districts are committed to using LASEC's services and, in turn, LASEC is focused on providing valuable programs and services to the districts in a monetarily efficient and responsible manner.

At the time these financial statements were prepared and audited there were no economic factors of major significance, or significant changes to next year's budget and rates.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of LASEC's finances for all those with an interest in LASEC's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Leyden Area Special Education Cooperative, 10401 West Grand Avenue, Franklin Park, Illinois 60131.

BASIC FINANCIAL STATEMENTS

LEYDEN AREA SPECIAL EDUCATION COOPERATIVE
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 365,872
Intergovernmental Receivables, net of allowance of \$0	1,039,330
Billings Receivable, net of allowance of \$0	552,834
Capital Assets (Note 3):	
Depreciable Buildings, Property, and Equipment, net of depreciation	102,098
Total Assets	\$ 2,060,134
DEFERRED OUTFLOWS OF RESOURCES	
Pension Expense/Revenue - TRS	\$ 459,871
Pension Expense/Revenue - IMRF	200,233
Total Deferred Outflows of Resources	\$ 660,104
LIABILITIES	
Accounts Payable and Accrued Expenses	\$ 27,886
Intergovernmental Accounts Payable	236,384
Long-Term Liabilities	
Due in More Than One Year	1,792,893
Total Liabilities	\$ 2,057,163
DEFERRED INFLOWS OF RESOURCES	
Pension Expense/Revenue - TRS	\$ 399,384
Total Deferred Inflows of Resources	\$ 399,384
NET POSITION	
Net Investment in Capital Assets	\$ 102,098
Unrestricted/(Deficit)	161,593
Total Net Position	\$ 263,691

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

LEYDEN AREA SPECIAL EDUCATION COOPERATIVE
 GOVERNMENT-WIDE FINANCIAL STATEMENTS
 STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities				
Instructional Support	\$ 4,975,013	\$ 3,319,895	\$ 4,064,749	\$ 2,409,631
Transportation	70,591	-	-	(70,591)
Administration	2,359,855	-	-	(2,359,855)
On-Behalf Retirement Contributions	1,484,379	-	1,484,379	-
Total Governmental Activities	<u>\$ 8,889,838</u>	<u>\$ 3,319,895</u>	<u>\$ 5,549,128</u>	<u>\$ (20,815)</u>
General Revenues				
Unrestricted Investment Earnings				\$ 6,272
Other Income				4,527
Total General Revenues				<u>\$ 10,799</u>
Change in Net Position				\$ (10,016)
Net Position - July 1, 2016				<u>273,707</u>
Net Position - June 30, 2017				<u>\$ 263,691</u>

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

LEYDEN AREA SPECIAL EDUCATION COOPERATIVE
 FUND FINANCIAL STATEMENTS
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2017

	<u>GENERAL FUND</u>
ASSETS	
Cash and Cash Equivalents	\$ 365,872
Intergovernmental Receivables, net of allowance of \$0	1,039,330
Billings Receivable, net of allowance of \$0	552,834
Total Assets	\$ 1,958,036
 DEFERRED OUTFLOWS OF RESOURCES	
Personnel Reimbursement Payments to Districts	\$ 235,507
Total Deferred Outflows of Resources	\$ 235,507
 Total Assets and Deferred Outflows of Resources	 \$ 2,193,543
 LIABILITIES	
Accounts Payable and Accrued Expenses	\$ 27,886
Intergovernmental Accounts Payable	236,384
Total Liabilities	\$ 264,270
 DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Grants	\$ 83,197
Unavailable Revenue - District Billings	164,611
Total Deferred Inflows of Resources	\$ 247,808
 FUND BALANCE	
Unassigned	\$ 1,681,465
Total Fund Balance	\$ 1,681,465
 Total Liabilities, Deferred Inflows of Resources and Fund Balance	 \$ 2,193,543

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

LEYDEN AREA SPECIAL EDUCATION COOPERATIVE
 FUND FINANCIAL STATEMENTS
 RECONCILIATION OF THE BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2017

Total Fund Balances - Governmental Funds	\$	1,681,465
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Capital Assets	\$ 689,828	
Accumulated Depreciation on Capital Assets	<u>(587,730)</u>	102,098
<p>Deferred pension amounts in governmental activities are not current financial resources and therefore are not reported in the funds.</p>		
Pension Expense/Revenue - IMRF	\$ 200,233	
Pension Expense/Revenue - TRS	<u>60,487</u>	260,720
<p>Other assets/liabilities are not available to pay for current period expenditures and therefore are deferred inflows/outflows of resources in the funds.</p>		
State Aid Receivable	\$ 83,197	
Personnel Reimbursement Payments to Districts	(235,507)	
District Billings	<u>164,611</u>	12,301
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>		
Net Pension Liability - IMRF	\$ (305,152)	
Net Pension Liability - TRS	<u>(1,487,741)</u>	<u>(1,792,893)</u>
Net Position of Governmental Activities	\$	<u><u>263,691</u></u>

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

LEYDEN AREA SPECIAL EDUCATION COOPERATIVE
 FUND FINANCIAL STATEMENTS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2017

	<u>GENERAL FUND</u>
REVENUES	
Tuition	\$ 79,841
Earnings on Investments	6,272
Other Local Sources	3,295,338
State Aid	404,196
Federal Aid	3,596,065
On-Behalf Payments	1,484,379
	\$ 8,866,091
EXPENDITURES	
Current	
Instruction	
Special Education Programs	\$ 39,543
Other Instructional Programs	170,965
Support Services	
Pupils	2,147,985
Instructional Staff	161,800
General Administration	2,204,130
Business	148,050
Operations and Maintenance	45,000
Transportation	70,192
Central	106,475
Payments to Other Districts and Governmental Units	2,052,321
Capital Outlay	24,266
On-Behalf Payments	1,484,379
	\$ 8,655,106
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 210,985
OTHER FINANCING SOURCES (USES)	-
NET CHANGE IN FUND BALANCES	\$ 210,985
FUND BALANCES - JULY 1, 2016	1,470,480
FUND BALANCES - JUNE 30, 2017	\$ 1,681,465

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

LEYDEN AREA SPECIAL EDUCATION COOPERATIVE
 FUND FINANCIAL STATEMENTS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 210,985

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period.

Depreciation Expense	\$ (34,834)	
Capital Outlays	<u>24,266</u>	
		(10,568)

Some revenues/expenses reported in the Statement of Activities do not provide/use current financial resources and therefore are deferred in the governmental funds.

Member District Billings	\$ 14,243	
Personnel Reimbursement Payments to Districts	(235,507)	
State and Federal Aid	<u>(512)</u>	
		(221,776)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Pension Expense - IMRF	\$ (123,699)	
Pension Expense - TRS	<u>(42,877)</u>	
		(166,576)

Employer Pension Contributions are expenses in the fund financial statements but are treated as a reduction in the Net Pension Liability in the government-wide financial statements.

Employer Contributions - IMRF	\$ 83,126	
Employer Contributions - TRS	<u>94,793</u>	
		<u>177,919</u>

Change in Net Position of Governmental Activities \$ (10,016)

LEYDEN AREA SPECIAL EDUCATION COOPERATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Joint Agreement

Leyden Area Special Education Cooperative (LASEC) is a joint agreement special education cooperative formed in 1958 for the purposes of organizing and operating special education programs under Section 10-22.31 of the Illinois School Code. LASEC affords the opportunity for school districts in the Leyden Township area to enter into joint agreements with LASEC to implement the purpose as stated above.

LASEC is currently made up of eleven districts as follows as of June 30, 2017:

DISTRICT NO.	
78	Rosemont
79	Pennoyer
80	Norridge
83	Mannheim
84	Franklin Park
84.5	Rhodes
85.5	River Grove
86	Union Ridge
212	Leyden High School
234	Ridgewood High School
401	Elmwood Park

LASEC is not a legal entity. Therefore, consistent with Illinois School Code, it needs an administrative district whose Board of Education must ratify the fiscal decisions/actions of LASEC's Executive Board. Mannheim School District 83 was designated to be the Administrative Agent, and is authorized to employ a Director of Special Education to serve all of the participating districts. The Administrative Agent is to maintain an accounting system whereby the costs of LASEC are recorded and each participating district is billed for its pro-rata share of the expenses incurred in relation to the operation of LASEC.

LASEC's accounting policies conform to generally accepted accounting principles as applicable to local education agencies.

LASEC's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to local governments.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant accounting policies established by GAAP and used by LASEC are discussed below.

B. Reporting Entity

The accompanying financial statements comply with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, (Amended by GASB Statement No. 61), in that the financial statements include all organizations, activities, and functions that comprise LASEC. Component units are legally separate entities for which LASEC (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) LASEC's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, LASEC. Using these criteria, LASEC has no

NOTES TO FINANCIAL STATEMENTS (Continued)

component units. In addition, LASEC is not included as a component unit in any other governmental reporting entity as defined by GASB pronouncements.

C. *Basic Financial Statements – Government-Wide Statements*

LASEC's basic financial statements include both government-wide (reporting LASEC as a whole) and fund (reporting LASEC's major fund) financial statements. Both the government-wide and fund financial statements categorize all of the primary activities of LASEC as governmental activities. LASEC does not have any business-type activities.

In the government-wide Statement of Net Position, the governmental activities column (a) is presented on a consolidated basis, and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. LASEC's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. LASEC first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of LASEC's functions. The functions are also supported by general government revenues (unrestricted investment earnings). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (unrestricted investment earnings).

LASEC does not allocate indirect costs.

This government-wide focus is more on the sustainability of LASEC as an entity and the change in LASEC's net position resulting from the current year's activities.

D. *Basic Financial Statements – Fund Financial Statements*

The financial transactions of LASEC are reported in an individual fund in the fund financial statements. The fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of all governmental funds) for the determination of major funds.

The following fund types are used by LASEC:

Governmental Fund Types - The focus of the governmental fund's measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of LASEC:

General Fund – The General Fund (Educational Fund) is the general operating fund of LASEC. It is used to account for all financial resources. Revenues consist largely of member fees and state and federal government aid.

NOTES TO FINANCIAL STATEMENTS (Continued)

E. *Basis of Accounting*

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Nonexchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and revenues are available. Expenditures are recognized when the related liability is incurred. Exceptions to the general rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

F. *Cash and Cash Equivalents and Investments*

Effective July 1, 1998 the Leyden Township School Treasurer's Office was abolished. As of that date, Mannheim School District 83, LASEC's administrative agent, assumed responsibility for the treasury functions in accordance with the *Illinois Compiled Statutes*. District 83 invests excess funds at its discretion in accordance with the *Illinois Compiled Statutes* and the *Illinois School Code*.

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are stated at fair value. Fair value is determined by quoted market prices. Gains or losses on the sale of investments are recognized as they are incurred.

G. *Receivables*

All receivables are reported net of estimated uncollectible amounts.

H. *Prepaid Expenses*

Prepaid expenses are for payments made by LASEC in the current year for goods and services received in the subsequent fiscal year, and any prepaid expenses have been recorded as nonspendable in the governmental funds to signify that a portion of fund balance is not available for subsequent expenditures.

I. *Inventories*

It is LASEC's policy to charge all purchases of items for resale or supplies to expenditures when purchased. No inventory accounts are maintained to reflect the values of resale or supply items on hand.

J. *Capital Assets*

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date of

NOTES TO FINANCIAL STATEMENTS (Continued)

donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Equipment Other than Transportation/Food Service 10 Years

K. *Deferred Outflows and Inflows of Resources*

In addition to assets and liabilities, the Balance Sheet and Statement of Net Position will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period and so will not be recognized as an outflow of resource until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resource until that time.

L. *Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

M. *Government-Wide Fund Net Position*

Government-wide fund net position is divided into three components:

- Net Investment in Capital Assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted Net Position – consists of net position that is restricted by LASEC's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted Net Position – all other net position is reported in this category.

N. *Governmental Fund Balances*

Governmental fund balances are divided between nonspendable and spendable.

Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

The spendable fund balances are arranged in a hierarchy based on spending constraints.

- Restricted – Restricted fund balances are restricted when constraints are placed on the use by either (a) external creditors, grantors, contributors, or laws or regulations of other governments or (b) law through constitutional provisions or enabling legislation.
- Committed – Committed fund balances are amounts that can only be used for specific purposes as a result of a resolution of the Executive Board. Committed amounts cannot be used for any other purpose unless the Executive Board removes those constraints by way of resolution. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
- Assigned – Assigned fund balances are amounts that are constrained by LASEC's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by an appointed body (e.g. a budget or finance committee) or official to which the Executive Board has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

NOTES TO FINANCIAL STATEMENTS (Continued)

Assigned fund balances also include (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue, capital projects or debt services fund are assigned for purposes in accordance with the nature of their fund type. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of LASEC itself.

- Unassigned – Unassigned fund balance is the residual classification for the General Fund. This classification represents the General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund. This classification is also used to represent negative fund balances in special revenue, debt services, and capital projects funds.

LASEC permits funds to be expended in the following order: Restricted, Committed, Assigned and Unassigned.

O. *Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

Cash and Investments Under the Custody of the Administrative Agent

As explained in Note 1, LASEC’s administrative agent acts as treasurer of LASEC’s funds. As such, the administrative agent is the lawful custodian of these funds. The administrative agent is the direct recipient of state and federal aid, and disburses school funds upon lawful order of the School Board. The administrative agent invests excess funds at its discretion, subject to the legal restrictions discussed below.

The investment policies are established by the administrative agent, as prescribed by the Illinois School Code and the Illinois Compiled Statutes. The administrative agent is authorized to invest in obligations of the U.S. Treasury, backed by full faith credit of the U.S. Government, certificates of deposit issued by commercial banks and savings and loan associations, and commercial paper rated within the three highest classifications by at least two standard rating services (subject to certain limitations).

Custodial Credit Risk

With respect to deposits, custodial credit risk refers to the risk that, in the event of a bank failure, the administrative agent’s deposits may not be returned to it. The administrative agent’s investment policy limits exposure to deposit custodial credit risk by requiring all deposits in excess of FDIC insurable limits to be 102% secured by collateral valued at market or par, whichever is lower. The administrative agent’s Board of Education approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certificates provided by the financial institutions.

At June 30, 2017, the bank balances of the administrative agent’s deposits was \$68,116,903, of which \$19,254,985 was exposed to custodial credit risk as follows:

Collateralized with securities held by the pledging financial institution	\$ 18,518,106
Uninsured and uncollateralized	736,879
Total	<u>\$ 19,254,985</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CAPITAL ASSETS

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

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Governmental Activities				
Capital Assets not being depreciated	\$ -	\$ -	\$ -	\$ -
Other Capital Assets				
Equipment Other than Transportation/ Food Service	\$ 665,562	\$ 24,266	\$ -	\$ 689,828
Total Other Capital Assets at Historical Cost	\$ 665,562	\$ 24,266	\$ -	\$ 689,828
Less Accumulated Depreciation				
Equipment Other than Transportation/ Food Service	\$ 552,896	\$ 34,834	\$ -	\$ 587,730
Total Accumulated Depreciation	\$ 552,896	\$ 34,834	\$ -	\$ 587,730
Other Capital Assets, Net	\$ 112,666	\$ (10,568)	\$ -	\$ 102,098
Governmental Activities Capital Assets, Net	\$ 112,666	\$ (10,568)	\$ -	\$ 102,098

Depreciation expense was recognized in the operating activities of LASEC as follows:

Governmental Activities	
Instructional Support	\$ 23,255
Administration	11,579
Total depreciation expense - Governmental Activities	\$ 34,834

NOTE 4 - EXCESS OF EXPENDITURES OVER BUDGET

For the year ended June 30, 2017, the expenditures of the following fund exceeded the budget:

Fund	Budget	Actual	Excess of Actual Over Budget
General	\$ 7,605,441	\$ 8,655,106	\$ 1,049,665

The excess of actual over budget in the General Fund was mainly due to LASEC not budgeting for On-Behalf Payments, which are not a direct expenditure of LASEC.

NOTE 5 - RETIREMENT FUND COMMITMENTS

A. *Teachers' Retirement System of the State of Illinois*

This footnote shows total amounts related to Mannheim School District 83's TRS Plan actuarial valuation performed as of June 30, 2016 (except for the On-Behalf Contributions, which are calculated based on creditable earnings and not the percentage noted below). LASEC does not have their own filing; therefore, all of their TRS employees are reported under Mannheim School District 83's filing. Amounts reported in LASEC's financial statements are estimated amounts based on historical average of total contributions. An estimate of 25% was used in the current year.

General Information About the Pension Plan

Plan Description

Mannheim School District 83 participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago.

NOTES TO FINANCIAL STATEMENTS (Continued)

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.htm>; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling (888) 877-0890, option 2.

Benefits Provided

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

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

Essentially all Tier I retirees receive an annual 3% increase in the current retirement benefit beginning January 1 following the attainment of age 61 or on January 1 following the member's first anniversary in retirement, whichever is later. Tier II annual increases will be the lesser of 3% of the original benefit or ½% of the rate of inflation beginning January 1 following attainment of age 67 or on January 1 following the member's first anniversary in retirement, whichever is later.

Contributions

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

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

On-Behalf Contributions to TRS. The State of Illinois makes employer pension contributions on behalf of LASEC. For the year ended June 30, 2017, State of Illinois contributions recognized by LASEC were based on the State's proportionate share of the collective net pension liability associated with LASEC, and LASEC recognized revenue and expenditures of \$1,462,356 in pension contributions from the State of Illinois.

2.2 Formula Contributions. Employers contribute 0.58% of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2017 were \$11,405 and are deferred because they were paid after the June 30, 2016 measurement date.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

For the year ended June 30, 2017, LASEC's pension contribution was 38.54% of salaries paid from federal and special trust funds. For the year ended June 30, 2017, salaries totaling \$158,127 were paid from federal and special trust funds that required District contributions of \$60,942. These contributions are deferred because they were paid after the June 30, 2016 measurement date.

Employer Retirement Cost Contributions. Under GASB Statement No. 68, contributions that an employer is required to pay because of a TRS member retiring are categorized as specific liability payments. The employer is required to make a one-time contribution to TRS for members retiring under the ERO. The payments vary depending on the member's age and salary. The maximum employer ERO contribution under the program that ended on June 30, 2016 is 146.5% and applies when the member is age 55 at retirement. For the year ended June 30, 2017, LASEC paid \$0 to TRS for employer ERO contributions for retirements that occurred before July 1, 2016.

The employer is also required to make a one-time contribution to TRS for members granted salary increases over 6% if those salaries are used to calculate a retiree's final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2017, LASEC paid \$0 to TRS for employer contributions due on salary increases in excess of 6% and \$0 for sick leave days granted in excess of the normal annual allotment.

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

At June 30, 2017, Mannheim School District 83 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 Mannheim School District 83. The State's support and total are for disclosure purposes only. The amount recognized by Mannheim School District 83 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 Mannheim School District 83 were as follows:

LASEC's proportionate share of the net pension liability	\$ 5,508,439
State's proportionate share of the net pension liability associated with LASEC	165,452,028
Total	<u>\$ 170,960,467</u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 and rolled forward to June 30, 2016. Mannheim School District 83's proportion of the net pension liability was based on Mannheim School District 83's share of contributions to TRS for the measurement year ended June 30, 2016, relative to the contributions of all participating TRS employers and the State during that period. At June 30, 2016, Mannheim School District 83's proportion was 0.00697836%, which was a decrease of 0.001386% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, LASEC recognized pension expense of \$1,462,356 and revenue of \$1,462,356 for support provided by the State. At June 30, 2017, Mannheim School District 83 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO FINANCIAL STATEMENTS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Outflows of Resources
Differences between expected and actual experience	\$ 40,730	\$ 3,736	\$ 36,994
Net difference between projected and actual earnings on pension plan investments	155,623	-	155,623
Changes of assumptions	473,093	-	473,093
Changes in proportion and differences between employer contributions and proportionate share of contributions	989,999	1,811,644	(821,645)
Employer contributions subsequent to the measurement date (LASEC Only)	94,793	-	94,793
	<u>\$ 1,754,238</u>	<u>\$ 1,815,380</u>	<u>\$ (61,142)</u>

\$94,793 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows in these reporting years:

<u>Year Ending June 30</u>	
2018	\$ (200,677)
2019	(200,677)
2020	274,324
2021	(15,453)
2022	(13,452)
	<u>\$ (155,935)</u>

Actuarial Assumptions

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

Inflation	2.50%
Salary Increases	varies by amount of service credit
Investment Rate of Return	7.5%, net of pension plan investment expenses, including inflation

Mortality rates were based on the RP-2014 White Collar Table with adjustments as appropriate for TRS experience. The rates are used on a fully-generational basis using projection table MP-2014.

For the June 30, 2016 valuation, the investment return assumption was lowered from 7.5% to 7%. Salary increase assumptions were lowered from their 2015 levels. Other assumptions were based on the 2015 experience analysis which increased retirement rates, improved mortality assumptions and made other changes.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equities large cap	14.4%	6.94%
U.S. equities small/mid cap	3.6%	8.09%
International equities developed	14.4%	7.46%
Emerging market equities	3.6%	10.15%
U.S. bonds core	10.7%	2.44%
International debt developed	5.3%	1.70%
Real estate	15.0%	5.44%
Commodities (real return)	11.0%	4.28%
Hedge funds (absolute return)	8.0%	4.16%
Private Equity	14.0%	10.63%
Total	100.0%	

Discount Rate

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

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

At June 30, 2015, the discount rate used to measure the total pension liability was 7.47%. The discount rate was lower than the actuarially-assumed rate of return on investments that year as well because TRS’s fiduciary net position and the subsidy provided by Tier II were not sufficient to cover all projected benefit payments.

Sensitivity of LASEC’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents Mannheim School District 83’s proportionate share of the net pension liability calculated using the discount rate of 6.83%, as well as what Mannheim School District 83’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.83%) or 1-percentage-point-higher (7.83%) than the current rate.

	1% Decrease 5.83%	Current Discount Rate 6.83%	1% Increase 7.83%
Employer's proportionate share of the net pension liability	\$ 6,737,045	\$ 5,508,439	\$ 4,504,995

TRS Fiduciary Net Position

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

NOTES TO FINANCIAL STATEMENTS (Continued)

A. *Illinois Municipal Retirement Fund*

This footnote shows total amounts related to the Mannheim School District 83 IMRF Plan actuarial valuation performed as of the December 31, 2016 (other than total fiscal year contributions and contributions made subsequent to the measurement date). LASEC does not have their own IMRF filing; therefore, all of their IMRF employees are reported under Mannheim School District 83's filing. Amounts reported in LASEC are estimated amounts based on historical average of total contributions. An estimate of 9% was used in the current year.

Plan Description

LASEC's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. LASEC's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

Benefits Provided

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired **before** January 1, 2011 are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last ten years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired **on or after** January 1, 2011 are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last ten years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

NOTES TO FINANCIAL STATEMENTS (Continued)

Employees Covered by Benefit Terms

All appointed employees of a participating employer who are employed in a position normally requiring 600 hours (1,000 hours for certain employees hired after 1981) or more of work in a year are required to participate. As of December 31, 2016, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	147
Inactive plan members entitled to but not yet receiving benefits	141
Active plan members	193
Total	<u>481</u>

Contributions

As set by statute, LASEC’s Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. LASEC’s annual contribution rate for calendar year 2016 was 11.36%. For the fiscal year ended June 30, 2017, LASEC contributed \$83,126 to the plan. LASEC also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF’s Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The components of the net pension liability of the IMRF as of December 31, 2016, calculated in accordance with GASB Statement No. 68, were as follows:

Total Pension Liability	\$ 34,925,267
IMRF Fiduciary Net Position	30,630,978
LASEC’s Net Pension Liability	4,294,289
IMRF Fiduciary Net Position as a Percentage of the Total Pension Liability	87.70%

See the Schedule of Changes in the Employer’s Net Pension Liability and Related Ratios in the Required Supplementary Information following the notes to the financial statements for additional information related to the funded status of the plan.

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2016 using the following actuarial methods and assumptions.

Assumptions	
Inflation	2.75%
Salary Increases	3.75% - 14.50% including inflation
Interest Rate	7.50%
Asset Valuation Method	Market Value of assets
Projected Retirement Age	Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013

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

NOTES TO FINANCIAL STATEMENTS (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2016:

Asset Class	Target Allocation	Projected Return
Equities	38.00%	6.85%
International Equities	17.00%	6.75%
Fixed Income	27.00%	3.00%
Real Estate	8.00%	5.75%
Alternatives	9.00%	
Private Equity		7.35%
Hedge Funds		5.25%
Commodities		2.65%
Cash	1.00%	2.25%
	100.00%	

Single Discount Rate

The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

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

For the purpose of this discount rate, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.78%; and resulting single discount rate is 7.50%.

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Position Liability (A)-(B)
Balances at December 31, 2015	\$ 33,417,309	\$ 29,179,668	\$ 4,237,641
Changes for the year:			
Service Cost	\$ 719,664	\$ -	\$ 719,664
Interest on the Total Pension Liability	2,457,344	-	2,457,344
Differences Between Expected and Actual			
Experience of the Total Pension Liability	260,420	-	260,420
Changes of Assumptions	(79,560)	-	(79,560)
Contributions - Employer	-	730,553	(730,553)
Contributions - Employee	-	294,596	(294,596)
Net Investment Income	-	1,986,671	(1,986,671)
Benefit Payments, including Refunds of Employee Contributions	(1,849,910)	(1,849,910)	-
Other (Net Transfer)	-	289,400	(289,400)
Net Changes	\$ 1,507,958	\$ 1,451,310	\$ 56,648
Balances at December 31, 2016	\$ 34,925,267	\$ 30,630,978	\$ 4,294,289

NOTES TO FINANCIAL STATEMENTS (Continued)

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

The following presents the plan’s net pension liability, calculated using a Single Discount Rate of 7.50%, as well as what the plan’s net pension liability would be if it were calculated using a single Discount Rate that is 1% lower or 1% higher:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability/(Asset)	\$ 8,566,706	\$ 4,294,289	\$ 736,558

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

For the year ended June 30, 2017, Mannheim School District 83 recognized pension expense of \$1,374,438. At June 30, 2017, Mannheim School District 83 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Expense in Future Periods	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
Differences between expected and actual experience	\$ 235,667	\$ -	\$ 235,667
Changes of assumptions	443,187	60,171	383,016
Net difference between projected and actual earnings on pension plan investments	1,534,234	-	1,534,234
Total deferred amounts to be recognized in pension expense in future periods	\$ 2,213,088	\$ 60,171	\$ 2,152,917
Pension contributions made subsequent to the measurement date (LASEC only)	41,361	-	41,361
Total deferred amounts related to pensions	<u>\$ 2,254,449</u>	<u>\$ 60,171</u>	<u>\$ 2,194,278</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31</u>	<u>Net Deferred Outflows of Resources</u>
2017	\$ 949,825
2018	668,648
2019	493,548
2020	40,896
2021	-
Thereafter	-
	<u>\$ 2,152,917</u>

C. Social Security

Employees not qualifying for coverage under the Teachers’ Retirement System of the State of Illinois or the Illinois Municipal Retirement Fund are considered “non-participating employees”. These employees and those qualifying for coverage under the Illinois Municipal Retirement Fund are covered under Social Security. LASEC paid the total required contribution for the current fiscal year.

NOTE 6 - TEACHERS HEALTH INSURANCE SECURITY FUND (THIS)

Teacher Health Insurance Security Fund (THIS)

LASEC 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

NOTES TO FINANCIAL STATEMENTS (Continued)

for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants not enrolled in Medicare may participate in the state-administered participating provider option plan or choose from several managed care options. Annuitants who are enrolled in Medicare Parts A and B may be eligible to enroll in a Medicare Advantage plan.

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

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

- On behalf contributions to the THIS Fund

The State of Illinois makes employer retiree health insurance contributions on behalf of LASEC. State contributions are intended to match contributions to the THIS Fund from active members which were 1.12% of pay during the year ended June 30, 2017. State of Illinois contributions were \$22,023, and LASEC recognized revenue and expenditures of this amount during the year.

- Employer contributions to the THIS Fund

LASEC also makes contributions to the THIS Fund. LASEC's THIS Fund contribution was 0.84% during the year ended June 30, 2017. For the year ended June 30, 2017, LASEC paid \$16,518 to the THIS Fund, which was 100% of the required contribution.

The publicly available financial report of the THIS Fund may be found on the website of the Illinois Auditor General (<http://www.auditor.illinois.gov/Audit-Reports/ABC-List.asp>). The current reports are listed under "Central Management Services" (<http://www.auditor.illinois.gov/Audit-Reports/CMS-THISF.asp>). Prior reports are available under "Healthcare and Family Services" (<http://www.auditor.illinois.gov/Audit-Reports/HEALTHCARE-FAMILY-SERVICES-Teacher-Health-Ins-Sec-Fund.asp>).

NOTE 7 - RISK MANAGEMENT

LASEC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. LASEC is a member of the Collective Liability Insurance Cooperative (CLIC), a joint risk management pool of school districts through which property, general liability, automobile liability, crime, excess property, excess liability, and boiler and machinery coverage is provided in excess of specified limits for the members, acting as a single insurable unit. The relationship between LASEC and CLIC is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. LASEC is contractually obligated to make all annual and supplementary contributions for CLIC, to report claims on a timely basis, cooperate with CLIC, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by CLIC. Members have a contractual obligation to fund any deficit of CLIC attributable to a membership year during which they were a member.

During the year ended June 30, 2017, there were no significant reductions in insurance coverage. Also, there have been no settlement amounts that have exceeded insurance coverage in any of the past three fiscal years. LASEC is insured under a retrospectively-rated policy for worker's compensation coverage. Whereas, the initial premium may be adjusted based on actual experience. Adjustments in premiums are recorded when paid or received. During the year ended June 30, 2017, there were no significant adjustments in premiums based on actual experience.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - ADMINISTRATIVE AGENT SERVICES

LASEC pays its Administrative Agent (Mannheim School District 83) for fiscal services, custodial services, and rent each fiscal year. The current year payments for such are as follows:

Fiscal Services	\$	75,000
Custodial Services		45,000
Rent		42,000
Total	\$	<u>162,000</u>

REQUIRED SUPPLEMENTARY INFORMATION

LEYDEN AREA SPECIAL EDUCATION COOPERATIVE
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION
LIABILITY AND RELATED RATIOS
JUNE 30, 2017

This schedule shows total amounts related to the Mannheim School District 83 IMRF Plan actuarial valuation performed as of the December 31 year end prior to the fiscal year end listed above. The Leyden Area Special Education Cooperative does not have their own IMRF filing; therefore, all of their IMRF employees are reported under Mannheim School District 83's filing. Amounts reported in the Leyden Area Special Education Cooperative's financial statements are estimated amounts based on average total contributions. An estimate of 9.0% was used in the current year.

	<u>6/30/2017 *</u>	<u>6/30/2016 *</u>	<u>6/30/2015 *</u>
TOTAL PENSION LIABILITY			
Service Cost	\$ 719,664	\$ 722,907	\$ 739,336
Interest on the Total Pension Liability	2,457,344	2,355,268	2,139,570
Differences Between Expected and Actual Experience	260,420	19,041	98,917
Changes of Assumptions	(79,560)	38,633	1,452,612
Benefit Payments, Including Refunds of Member Contributions	<u>(1,849,910)</u>	<u>(1,605,165)</u>	<u>(1,403,482)</u>
Net Change in Total Pension Liability	\$ 1,507,958	\$ 1,530,684	\$ 3,026,953
Total Pension Liability - Beginning	<u>33,417,309</u>	<u>31,886,625</u>	<u>28,859,672</u>
Total Pension Liability - Ending	<u>\$ 34,925,267</u>	<u>\$ 33,417,309</u>	<u>\$ 31,886,625</u>
PLAN FIDUCIARY NET POSITION			
Contributions - Employer	\$ 730,553	\$ 702,614	\$ 707,750
Contributions - Member	294,596	287,445	285,747
Net Investment Income	1,986,671	146,738	1,723,764
Benefit Payments, Including Refunds of Member Contributions	(1,849,910)	(1,605,165)	(1,403,482)
Other (Net Transfers)	<u>289,400</u>	<u>(7,059)</u>	<u>(122,110)</u>
Net Change in Plan Fiduciary Net Position	\$ 1,451,310	\$ (475,427)	\$ 1,191,669
Plan Net Position - Beginning	<u>29,179,668</u>	<u>29,655,095</u>	<u>28,463,426</u>
Plan Net Position - Ending	<u>\$ 30,630,978</u>	<u>\$ 29,179,668</u>	<u>\$ 29,655,095</u>
District's Net Pension Liability	<u>\$ 4,294,289</u>	<u>\$ 4,237,641</u>	<u>\$ 2,231,530</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.70%	87.32%	93.00%
Covered-Valuation Payroll	\$ 6,442,247	\$ 6,388,606	\$ 6,305,144
Employer's Net Pension Liability as a Percentage of Covered-Valuation Payroll	66.66%	66.33%	35.39%

* This information presented is based on the actuarial valuation performed as of the December 31 year end prior to the fiscal year end listed above.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years for which information is available.

LEYDEN AREA SPECIAL EDUCATION COOPERATIVE
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF EMPLOYER CONTRIBUTION
JUNE 30, 2017

This schedule shows total amounts related to the Mannheim School District 83 IMRF Plan actuarial valuation performed as of the December 31 year end prior to the fiscal year end listed above. The Leyden Area Special Education Cooperative does not have their own IMRF filing; therefore, all of their IMRF employees are reported under Mannheim School District 83's filing. Amounts reported in the Leyden Area Special Education Cooperative's financial statements are estimated amounts based on average total contributions. An estimate of 9.0% was used in the current year.

	6/30/2017 *	6/30/2016 *	6/30/2015 *
Actuarially-Determined Contribution	\$ 731,839	\$ 702,747	\$ 703,024
Contributions in Relation to Actuarially-Determined Contribution	<u>730,553</u>	<u>702,614</u>	<u>707,750</u>
Contribution Deficiency/(Excess)	<u>\$ 1,286</u>	<u>\$ 133</u>	<u>\$ (4,726)</u>
Covered-Valuation Payroll	\$ 6,442,247	\$ 6,388,606	\$ 6,305,144
Contributions as a Percentage of Covered-Valuation Payroll	11.34%	11.00%	11.22%

Notes to Schedule:

Actuarial Method and Assumptions Used on the Calculation of the 2016 Contribution Rate *

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

Actuarial Cost Method: Aggregate entry age = normal

Amortization Method: Level percentage of payroll, closed

Remaining Amortization Period: 27-year closed period

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

Wage Growth: 3.5%

Price Inflation: 2.75%, approximate; No explicit price inflation assumption is used in this valuation.

Salary Increases: 3.75% to 14.50%, including inflation

Investment Rate of Return: 7.50%

Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011 to 2013.

Mortality: RP-2014 Blue Collar Healthy Mortality Table, adjusted to match current IMRF experience. For disabled lives, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

*Based on Valuation Assumptions used in the December 31, 2014 actuarial valuation; note two year lag between valuation and rate setting.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years for which information is available.

LEYDEN AREA SPECIAL EDUCATION COOPERATIVE
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
JUNE 30, 2017

This schedule shows total amounts related to the Mannheim School District 83 TRS Plan actuarial valuation performed as of the June 30 year end prior to the fiscal year end listed above. The Leyden Area Special Education Cooperative does not have their own TRS filing; therefore, all of their TRS employees are reported under Mannheim School District 83's filing. Amounts reported in the Leyden Area Special Education Cooperative's financial statements are estimated amounts based on average total contributions. An estimate of 25% was used in the current year.

	<u>6/30/2017</u> *	<u>6/30/2016</u> *	<u>6/30/2015</u> *
Employer's proportion of the Net Pension Liability	0.0069784%	0.0083644%	0.0057569%
Employer's proportionate share of the Net Pension Liability	\$ 5,508,439	\$ 5,479,496	\$ 3,503,549
State's proportionate share of the Net Pension Liability associated with the employer	<u>165,452,028</u>	<u>131,992,873</u>	<u>122,625,696</u>
Total	<u>\$ 170,960,467</u>	<u>\$ 137,472,369</u>	<u>\$ 126,129,245</u>
Employer's Covered-Employee Payroll	\$ 20,654,916	\$ 20,368,961	\$ 19,786,322
Employer's proportionate share of the Net Pension Liability as a percentage of its Covered-Employee Payroll	26.67%	26.90%	17.71%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	36.40%	41.50%	43.00%

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

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years for which information is available.

Changes of Assumptions:

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

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

For the 2014 measurement year, the assumed investment rate of return was also 7.5%, including an inflation rate of 3.0% and a real return of 4.5%. However, salary increases were assumed to vary by age.

LEYDEN AREA SPECIAL EDUCATION COOPERATIVE
 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
 SCHEDULE OF EMPLOYER CONTRIBUTION
 JUNE 30, 2017

This schedule shows total amounts related to the Mannheim School District 83 TRS Plan actuarial valuation performed as of the June 30 year end prior to the fiscal year end listed above. The Leyden Area Special Education Cooperative does not have their own TRS filing; therefore, all of their TRS employees are reported under Mannheim School District 83's filing. Amounts reported in the Leyden Area Special Education Cooperative's financial statements are estimated amounts based on average total contributions. An estimate of 25% was used in the current year.

	<u>6/30/2017 *</u>	<u>6/30/2016 *</u>	<u>6/30/2015 *</u>
Statutorily-required contribution	\$ 340,119	\$ 293,087	\$ 205,403
Contributions in relation to statutorily-required contribution	<u>270,251</u>	<u>293,087</u>	<u>205,403</u>
Contribution deficiency/(excess)	<u>\$ 69,868</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered-employee payroll	\$ 20,654,916	\$ 20,368,961	\$ 19,786,322
Contributions as a percentage of covered-employee payroll	1.31%	1.44%	1.04%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years for which information is available.

* - This information presented is based on the actuarial valuation performed as of the prior June 30 year end.

LEYDEN AREA SPECIAL EDUCATION COOPERATIVE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - EDUCATIONAL FUND
YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>
REVENUES		
Tuition	\$ 133,200	\$ 79,841
Earnings on Investments	-	6,272
Other Local Sources	3,286,205	3,295,338
State Aid		
Special Education	328,000	333,298
Other State Aid	-	70,898
Federal Aid		
Flow-Through Revenue	-	1,935,321
Federal Special Education	3,714,197	1,565,018
Medicaid Matching Funds - Administrative Outreach	65,000	95,726
Other Federal Aid	78,839	-
On-Behalf Payments	-	1,484,379
Total Revenues	<u>\$ 7,605,441</u>	<u>\$ 8,866,091</u>
EXPENDITURES		
Instruction		
Special Education Programs		
Salaries	\$ 37,841	\$ 37,841
Employee Benefits	549	524
Purchased Services	1,400	880
Supplies and Materials	200	298
	<u>\$ 39,990</u>	<u>\$ 39,543</u>
Summer School Programs		
Salaries	\$ 142,000	\$ 117,817
Employee Benefits	11,000	8,386
Purchased Services	44,500	44,557
Supplies and Materials	700	205
	<u>\$ 198,200</u>	<u>\$ 170,965</u>
Total Instruction	<u>\$ 238,190</u>	<u>\$ 210,508</u>
Support Services		
Pupils		
Attendance and Social Work Services		
Salaries	\$ 66,081	\$ 69,467
Employee Benefits	3,218	1,967
	<u>\$ 69,299</u>	<u>\$ 71,434</u>
Health Services		
Salaries	\$ 95,876	\$ 95,876
Employee Benefits	18,984	18,154
Purchased Services	1,070,500	1,010,900
Supplies and Materials	4,000	3,977
	<u>\$ 1,189,360</u>	<u>\$ 1,128,907</u>
Psychological Services		
Salaries	\$ 694,224	\$ 692,425
Employee Benefits	157,676	136,070
Purchased Services	48,080	3,851
Supplies and Materials	25,040	16,838
	<u>\$ 925,020</u>	<u>\$ 849,184</u>

See Accompanying Independent Auditors' Opinion

LEYDEN AREA SPECIAL EDUCATION COOPERATIVE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - EDUCATIONAL FUND
YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>
EXPENDITURES (Continued)		
Support Services (Continued)		
Pupils (Continued)		
Speech Pathology and Audiology Services		
Salaries	\$ 63,271	\$ 63,466
Employee Benefits	10,697	9,484
Purchased Services	54,000	22,554
Supplies and Materials	3,200	2,956
	<u>\$ 131,168</u>	<u>\$ 98,460</u>
 Total Support Services - Pupils	 <u>\$ 2,314,847</u>	 <u>\$ 2,147,985</u>
 Instructional Staff		
Improvement of Instruction Services		
Salaries	\$ -	\$ 1,040
Employee Benefits	-	913
Purchased Services	175,600	157,407
Supplies and Materials	5,300	-
Other Objects	-	2,440
	<u>\$ 180,900</u>	<u>\$ 161,800</u>
 Total Support Services - Instructional Staff	 <u>\$ 180,900</u>	 <u>\$ 161,800</u>
 General Administration		
Executive Administration Services		
Salaries	\$ 517,215	\$ 521,194
Employee Benefits	248,491	214,139
Purchased Services	67,500	60,522
Supplies and Materials	8,000	4,284
Other Objects	350	-
Non-Capitalized Equipment	5,000	-
	<u>\$ 846,556</u>	<u>\$ 800,139</u>
Special Area Administration Services		
Salaries	\$ 1,042,042	\$ 1,047,186
Employee Benefits	308,175	311,657
Purchased Services	11,200	7,784
	<u>\$ 1,361,417</u>	<u>\$ 1,366,627</u>
Tort Immunity Services		
Purchased Services	\$ 35,792	\$ 37,364
	<u>\$ 35,792</u>	<u>\$ 37,364</u>
 Total Support Services - General Administration	 <u>\$ 2,243,765</u>	 <u>\$ 2,204,130</u>
 Business		
Direction of Business Support Services		
Salaries	\$ 108,150	\$ 108,150
Employee Benefits	40,233	39,900
	<u>\$ 148,383</u>	<u>\$ 148,050</u>
 Total Support Services - Business	 <u>\$ 148,383</u>	 <u>\$ 148,050</u>
Operations and Maintenance		
Purchased Services	\$ 45,000	\$ 45,000
 Total Support Services - Operations and Maintenance	 <u>\$ 45,000</u>	 <u>\$ 45,000</u>

See Accompanying Independent Auditors' Opinion

LEYDEN AREA SPECIAL EDUCATION COOPERATIVE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - EDUCATIONAL FUND
YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>
EXPENDITURES (Continued)		
Support Services (Continued)		
Transportation		
Salaries	\$ 39,841	\$ 39,841
Employee Benefits	30,873	30,351
Total Support Services - Transportation	\$ 70,714	\$ 70,192
Central		
Data Processing Services		
Salaries	\$ 54,567	\$ 54,567
Employee Benefits	18,504	17,968
Purchased Services	32,500	28,727
Supplies and Materials	10,500	3,770
Non-Capitalized Equipment	-	1,443
	\$ 116,071	\$ 106,475
Total Support Services - Central	\$ 116,071	\$ 106,475
Total Support Services	\$ 5,119,680	\$ 4,883,632
Payments to Other Districts and Governmental Units		
Payments for Special Education Programs		
Purchased Services	\$ 117,000	\$ 117,000
Other Objects	2,099,571	1,935,321
	\$ 2,216,571	\$ 2,052,321
Total Payments to Other Districts and Governmental Units (In-State)	\$ 2,216,571	\$ 2,052,321
Total Payments to Other Districts and Governmental Units	\$ 2,216,571	\$ 2,052,321
Capital Outlay		
Instruction		
Support Services		
General Administration	\$ 3,000	\$ -
Central	28,000	24,266
Total Capital Outlay	\$ 31,000	\$ 24,266
On-Behalf Payments	\$ -	\$ 1,484,379
Total Expenditures	\$ 7,605,441	\$ 8,655,106
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	\$ 210,985
OTHER FINANCING SOURCES (USES)	-	-
NET CHANGE IN FUND BALANCE	\$ -	\$ 210,985
FUND BALANCE - JULY 1, 2016	448,248	1,470,480
FUND BALANCE - JUNE 30, 2017	\$ 448,248	\$ 1,681,465

See Accompanying Independent Auditors' Opinion

LEYDEN AREA SPECIAL EDUCATION COOPERATIVE
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 JUNE 30, 2017

NOTE 1 - BUDGETARY PROCESS

LASEC follows procedures mandated by Illinois State law and Board policy to establish the budgetary data reflected in its financial statements. The budget was passed on September 8, 2016 and was not amended. The modified accrual basis budgeted amounts in this report are the result of full compliance with the following procedures:

For each fund, total fund expenditures may not legally exceed the budgeted amounts. The budget lapses at the end of each fiscal year.

LASEC follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the Administration submits to the Board a proposed operating budget for the fiscal year commencing on that date. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally adopted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year.
5. The Board may make transfers between the various items in any fund not exceeding in the aggregate 10% of the total of such fund as set forth in the budget.
6. The Executive Board may amend the budget by the same procedures required of its original adoption.

NOTE 2 - EXCESS OF EXPENDITURES OVER BUDGET

For the year ended June 30, 2017, the expenditures of the following fund presented as Required Supplementary Information exceeded the budget:

Fund	Budget	Actual	Excess of Actual Over Budget
General	\$ 7,605,441	\$ 8,655,106	\$ 1,049,665

The excess of actual over budget in the General Fund was mainly due to LASEC not budgeting for On-Behalf Payments, which are not a direct expenditure of LASEC.

ANNUAL FEDERAL FINANCIAL COMPLIANCE SECTION



815.344.1300 mchenry
847.382.3366 barrington
847.336.6455 gurnee
www.edercasella.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Executive Board
Leyden Area Special Education Cooperative
Franklin Park, Illinois

Report on Compliance for Each Major Federal Program

We have audited

Leyden Area Special Education Cooperative's

compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Leyden Area Special Education Cooperative's major federal programs for the year ended June 30, 2017. Leyden Area Special Education Cooperative's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Leyden Area Special Education Cooperative's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Leyden Area Special Education Cooperative's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Leyden Area Special Education Cooperative's compliance.

Opinion on Each Major Federal Program

In our opinion, Leyden Area Special Education Cooperative complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Leyden Area Special Education Cooperative is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Leyden Area Special Education Cooperative's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Leyden Area Special Education Cooperative's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eder, Casella & Co.

EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
December 11, 2017

LEYDEN AREA SPECIAL EDUCATION COOPERATIVE
06-016-0830-61
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2017

Federal Grantor/Pass-Through Grantor Subrecipients *	CFDA Number ² (A)	ISBE Project # (1st 8 digits) or Contract # ³ (B)	Receipts/Revenues		Year 7/1/15-6/30/16 (E)	Expenditure/Disbursements ⁴		Year 7/1/16-6/30/17 Pass through to Subrecipients	Obligations/ Encumb. (G)	Final Status (E)+(F)+(G) (H)	Budget (I)
			Year 7/1/15-6/30/16 (C)	Year 7/1/16-6/30/17 (D)		Year 7/1/15-6/30/16 Pass through to Subrecipients	Year 7/1/16-6/30/17 (F)				
U.S. Department of Education Passed Through											
Illinois State Board of Education											
IDEA - Flow Through (M)	84.027	17-4620-00		3,345,084			3,345,084	1,919,960		3,345,084	3,443,860
IDEA - Preschool Flow Through (M)	84.173	17-4600-00		155,255			155,255	15,361		155,255	161,119
Subtotal - CFDA "84"				3,500,339			3,500,339	1,935,321		3,500,339	3,604,979
U.S. Department of Health & Human Services											
Passed Through State of Illinois Department of Healthcare & Family Services											
Medicaid Administrative Outreach	93.778	17-4991-00		95,726			95,726	0		95,726	N/A
Total Federal Assistance				3,596,065			3,596,065	1,935,321		3,596,065	

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

* NEW - Also include the total amount provided to subrecipients from each Federal program. §200.510 (b)(4).

The accompanying notes are an integral part of this schedule.

¹ To meet state or other requirements, auditees may decide to include certain nonfederal awards (for example, state awards) in this schedule. If such nonfederal data are presented, they should be segregated and clearly designated as nonfederal. The title of the schedule should also be modified to indicate that nonfederal awards are included.

² When the CFDA number is not available, the auditee should indicate that the CFDA number is not available and include in the schedule the program's name and, if applicable, other identifying number.

³ When awards are received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included in the schedule. §200.510 (b)(2)

⁴ The Uniform Guidance requires that the value of federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end be included in the schedule and suggests to include the amounts in the SEFA notes.

LEYDEN AREA SPECIAL EDUCATION COOPERATIVE
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal award activity of Leyden Area Special Education Cooperative under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with requirements of the Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Leyden Area Special Education Cooperative, it is not intended to and does not present the financial position, changes in net assets or cash flows of Leyden Area Special Education Cooperative.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

Leyden Area Special Education Cooperative has elected not to use the 10 percent de minimis indirect rate as allowed under the Uniform Guidance.

NOTE 4 - SUBRECIPIENTS

Of the federal expenditures presented in the schedule, Leyden Area Special Education Cooperative provided federal awards to subrecipients (detailed statement of expenditures) during the June 30, 2017 fiscal year as follows:

Program Title	Federal CFDA Number	Amount Provided To Subrecipients
IDEA - Flow Through	84.027	\$ 1,919,960
IDEA - Preschool Flow Through	84.173	15,361

NOTE 5 - FEDERAL LOANS

There were no Federal loans or loan guarantees outstanding at year end.

LEYDEN AREA SPECIAL EDUCATION COOPERATIVE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

- 1) Summary of auditor's results:
 - a) The auditor's report expresses an unmodified opinion on whether the financial statements of Leyden Area Special Education Cooperative were prepared in accordance with GAAP.
 - b) No significant deficiencies are reported during the audit of the financial statements. No material weaknesses are reported.
 - c) No instances of noncompliance material to the financial statements of Leyden Area Special Education Cooperative, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
 - d) No significant deficiencies in internal control over major federal award programs are reported during the audit of the financial statements. No material weaknesses in internal control over major federal award programs are reported.
 - e) The auditor's report on compliance for the major federal award programs for Leyden Area Special Education Cooperative expresses an unmodified opinion on all major federal programs.
 - f) There are no audit findings that are required to be reported in accordance with Uniform Guidance 2 CFR section 200.516(a).
 - g) The programs tested as a major programs were: IDEA- Flow Through, CFDA #84.027 and IDEA – Preschool Flow Through, CFDA#84.173
 - h) The threshold used for distinguishing between Type A and B programs was \$750,000.
 - i) Leyden Area Special Education Cooperative was determined to not be a low-risk auditee.
- 2) There were no findings related to the financial statements which are required to be reported.
- 3) There were no findings or questioned costs for federal awards which are required to be reported.

LEYDEN AREA SPECIAL EDUCATION COOPERATIVE
06-016-0830-61
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

1. FINDING NUMBER:¹¹ 2017- N/A 2. THIS FINDING IS: New Repeat from Prior Year?
Year originally reported? _____

3. Criteria or specific requirement

4. Condition

5. Context¹²

6. Effect

7. Cause

8. Recommendation

9. Management's response¹³

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

¹¹ A suggested format for assigning reference numbers is to use the digits of the fiscal year being audited followed by a numeric sequence of findings. For example, findings identified and reported in the audit of fiscal year 2017 would be assigned a reference number of 2017-001, 2017-002, etc. The sheet is formatted so that only the number need be entered (1, 2, etc.).

¹² Provide sufficient information for judging the prevalence and consequences of the finding, such as relation to universe of costs and/or number of items examined and quantification of audit findings in dollars.

¹³ See §200.521 *Management decision* for additional guidance on reporting management's response.

LEYDEN AREA SPECIAL EDUCATION COOPERATIVE
06-016-0830-61
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2017

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

1. FINDING NUMBER:¹⁴ 2017- N/A 2. THIS FINDING IS: New Repeat from Prior year?
Year originally reported? _____

3. Federal Program Name and Year: _____

4. Project No.: _____ 5. CFDA No.: _____

6. Passed Through: _____

7. Federal Agency: _____

8. Criteria or specific requirement (including statutory, regulatory, or other citation)

9. Condition¹⁵

10. Questioned Costs¹⁶

11. Context¹⁷

12. Effect

13. Cause

14. Recommendation

15. Management's response¹⁸

For ISBE Review

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

¹⁴ See footnote 11.

¹⁵ Include facts that support the deficiency identified on the audit finding (§200.516 (b)(3)).

¹⁶ Identify questioned costs as required by §200.516 (a)(3 - 4).

¹⁷ See footnote 12.

¹⁸ To the extent practical, indicate when management does not agree with the finding, questioned cost, or both.

LEYDEN AREA SPECIAL EDUCATION COOPERATIVE
06-016-0830-61
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS¹⁹
Year Ending June 30, 2017

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

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status²⁰</u>
N/A		

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

¹⁹ Explanation of this schedule - §200.511 (b)

²⁰ Current Status should include one of the following:

- A statement that corrective action was taken
- A description of any partial or planned corrective action
- An explanation if the corrective action taken was significantly different from that previously reported or in the management decision received from the pass-through entity.

LEYDEN AREA SPECIAL EDUCATION COOPERATIVE
06-016-0830-61
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS²¹
Year Ending June 30, 2017

Corrective Action Plan

Finding No.: **2017- N/A**

Condition:

Plan:

Anticipated Date of Completion:

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

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

²¹ Must address **each** audit finding - §200.511 (c)