

**Macon-Piatt Special Education District,
A Component Unit of
Decatur School District No. 61**

Decatur, Illinois

Independent Auditor's Reports and Financial Statements
As of and for the year ended June 30, 2018

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
June 30, 2018**

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**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
June 30, 2018**

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Independent Auditor's Report

Administrative Board
Macon-Piatt Special Education District
Decatur, Illinois

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Macon-Piatt Special Education District (District), a component unit of Decatur School District No. 61, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District'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 the modified cash basis of accounting, as described in Note 1, this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for 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 the financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require us to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Macon-Piatt Special Education District, a component unit of Decatur School District No. 61, as of June 30, 2018, and the respective changes in financial position, thereof for the year then ended in conformity with the modified cash basis of accounting described in Note 1.

Basis of Accounting

As described in the notes to the financial statements, Macon-Piatt Special Education District, a component unit of Decatur School District No. 61, prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to the matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, including the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information, except for the management discussion and analysis, page 6, and the statement of operation disbursements by program compared with budget, page 48, 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

The management discussion and analysis, page 6, and the statement of operation disbursements by program compared with budget, page 48, under supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2018 on our consideration of Macon-Piatt Special Education District's, a component unit of Decatur School District No. 61, 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 solely 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 the 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 Macon-Piatt Special Education District's, a component unit of Decatur School District No. 61, internal control over financial reporting and compliance.

BKD, LLP

Decatur, Illinois
October 18, 2018

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of the Financial Statements Performed
in Accordance With *Government Auditing Standards***

Administrative Board
Macon-Piatt Special Education District
Decatur, Illinois

We have audited, 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Macon-Piatt Special Education District (District), a component unit of Decatur School District No. 61, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise its basic financial statements, prepared on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, and have issued our report thereon dated October 18, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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 the District's financial statements are free of 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Decatur, Illinois
October 18, 2018

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Management’s Discussion and Analysis (MD&A)
Year Ended June 30, 2018
(Unaudited)**

USING THIS ANNUAL REPORT

The Management’s Discussion and Analysis (MD&A) for the District provides an overview and analysis of the District’s financial activities for the year ended June 30, 2018.

The Macon-Piatt Special Education District (District) annual report consists of a series of financial statements that show information for the District as a whole, its funds, and its fiduciary responsibilities. The Statement of Net Position and the Statement of Activities (on pages 15 and 16) provide information about the activities of the District as a whole and present a longer-term view of the District’s finances. Our fund financial statements start on page 17. For our governmental activities, these statements tell how we financed our services in the short-term as well as what remains for future spending. Fund financial statements also report the District’s operations in more detail than the government-wide financial statements providing information about the District’s General Fund.

External auditors have provided reasonable assurance in their independent auditor’s report, located immediately preceding this Management Discussion and Analysis, that the basic financial statements are fairly stated in all material respects, in accordance with the modified cash basis of accounting. Varying degrees of assurance are provided by the auditor regarding the required supplementary information and other supplemental information identified above. A user of this report should read the independent auditor’s report carefully to ascertain the level of assurance being provided for each of the other parts.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District as a whole begins on page 15. One of the most important questions asked about the District is, “Is the District as a whole better off or worse off financially as a result of the year’s activities?” The Statement of Net Position and the Statement of Activities, which appear first in the District’s financial statements, report information on the District as a whole and its activities in a way that helps you answer this question. Statements were prepared to include all assets and liabilities, using the modified cash basis of accounting.

These two statements report the District’s net position – the difference between assets and liabilities, as reported in the Statement of Net Position – as one way to measure the District’s financial health, or financial position. Over time, increases or decreases in the District’s net position – as reported in the Statement of Activities – are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the District’s operating results. However, the District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the District.

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2018
(Unaudited)**

The Statement of Net Position and the Statement of Activities report the District's governmental activity. All of the District's services are reported here, including instruction, plant services, and transportation. Tuition, as well as state and federal grants, finances most of these activities.

Reporting the District's Most Significant Funds

Fund Balance (Net Position) Reporting

The District previously adopted Governmental Accounting Standards Board Statement No. 54 which defined the different types of fund balances (net position) that must be used. For a more complete description of the major classifications of the fund balances (net position) please refer to the Fund Balance (Net Position) Reporting section of Note 1 of the financial statements on page 23.

Fund Financial Statements

The District's fund financial statements, which begin on page 17, provide detailed information about the most significant funds, not the District as a whole. These funds are required to be established by State law. The District has only one governmental fund. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called modified cash basis accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation on page 20.

Reporting the District's Fiduciary Responsibilities

Fiduciary Funds

The District is the trustee, or fiduciary, for student activity funds. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position on page 21. Fiduciary funds are excluded from government-wide financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2018
(Unaudited)**

THE DISTRICT AS A WHOLE

The District's net position was \$3,941,348 and \$3,389,609 at June 30, 2018 and 2017, respectively. Of these amounts, \$2,237,096 and \$1,192,481 were unrestricted. Restricted and committed net position are reported separately to show legal constraints from debt covenants and enabling legislation that limit the District's ability to use those assets for day-to-day operations. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

**Table 1
Net Position
Modified Cash Basis
June 30**

	Governmental Activities	
	2018	2017
Assets		
Current assets	\$ 3,875,617	\$ 3,312,959
Capital assets	<u>65,731</u>	<u>76,650</u>
Total assets	<u>3,941,348</u>	<u>3,389,609</u>
Net position		
Investment in capital assets	65,731	76,650
Restricted	1,638,521	2,120,478
Unrestricted	<u>2,237,096</u>	<u>1,192,481</u>
Total net position	<u>\$ 3,941,348</u>	<u>\$ 3,389,609</u>

The following are significant current year transactions that have had an impact on the Statement of Net Position:

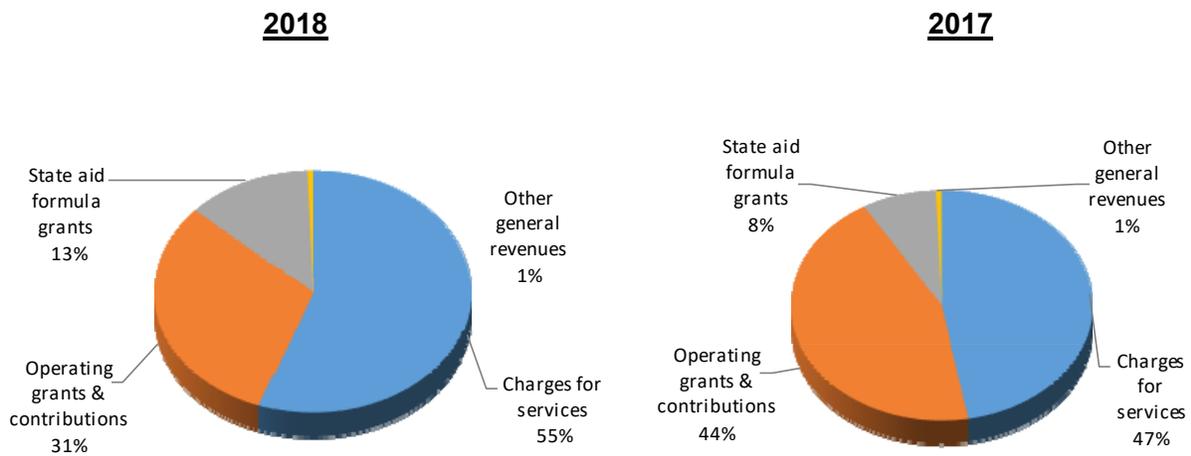
- There was a significant change in how IDEA revenue was used and spent, resulting in a need for more tuition revenue to pay directly for programs. Also, due to sub-grants of the Special Education – IDEA grant revenue, Macon-Piatt Special Education District also functioned as a flow-through agent for federal revenue to member districts.

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2018
(Unaudited)**

The results of this year's operations for the District as a whole are reported in the Statement of Activities on page 16. Table 2 takes the information from the Statement and rearranges them slightly so you can see our total revenues for the year.

Statement and rearranges them slightly so you can see our total revenues for the year.

**Table 2
Changes in Net Position
Modified Cash Basis
Years Ended June 30
Revenues**



Revenues:

Program revenues:

Charges for services

Operating grants and contributions

General revenues:

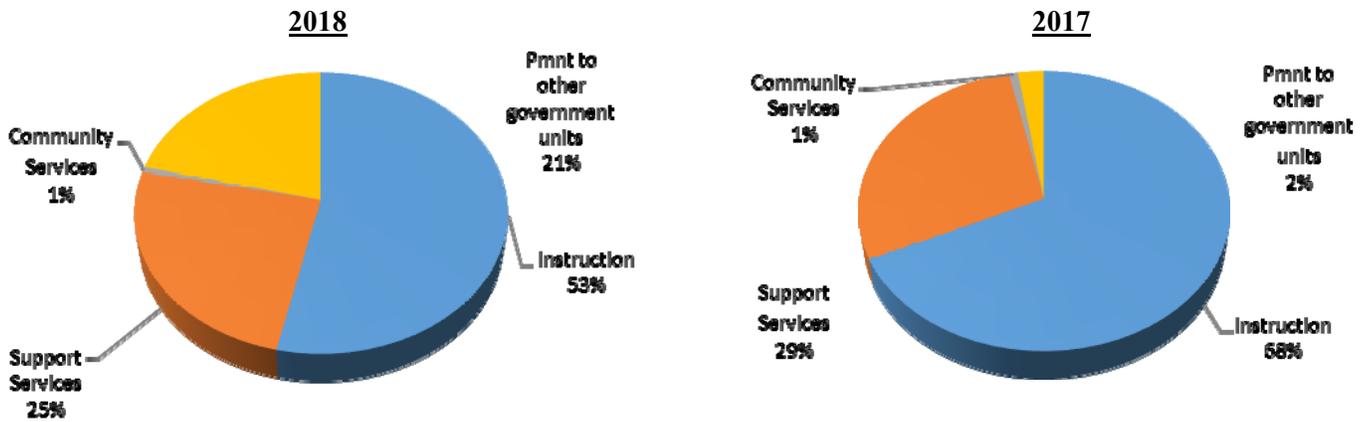
State aid formula grants

Other general revenues

	<u>2018</u>	<u>2017</u>
Charges for services	\$ 12,229,200	\$ 7,066,066
Operating grants and contributions	6,879,535	6,622,085
State aid formula grants	2,800,569	1,209,343
Other general revenues	<u>127,618</u>	<u>88,902</u>
	<u>\$ 22,036,922</u>	<u>\$ 14,986,396</u>

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2018
(Unaudited)**

**Table 2 – Continued
Changes in Net Position
Modified Cash Basis
Years Ended June 30
Expenses**



<u>Functions/Program Expenses:</u>	<u>2018</u>	<u>2017</u>
Instruction:	\$ 11,487,234	\$ 11,551,339
Support Services:		
Pupils	2,500,165	2,317,715
Instructional staff	357,059	388,065
General administration	1,813,403	1,658,836
School administration	98,866	88,082
Business	474,069	289,132
Central	94,025	95,286
Community services	125,034	146,151
Payment to other government units	<u>4,535,328</u>	<u>416,104</u>
Total expenses	<u>21,485,183</u>	<u>16,950,710</u>
Change in net position	\$ <u>551,739</u>	\$ <u>(1,964,314)</u>

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2018
(Unaudited)**

Governmental Activities

As reported in the Statement of Activities on page 16, the cost of all of our governmental activities this year was \$21,485,183. We paid for these costs with \$12,229,200 in tuition payments, \$9,680,104 with state and federal aid and with our other revenues like interest and fees charged for services of \$127,618, resulting in an increase in net position of \$551,739.

The following table presents the cost of each of the District's major functional activities – instruction, support services (pupils, instructional staff, general administration, and business). This chart also includes each program's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

For the Year Ended June 30, 2018

	Governmental Activities	
	Total Cost of Services	Net Cost of Services
Instruction	\$ 11,487,234	\$ (2,993,669)
Support services		
Pupils	2,500,165	398,567
Instructional staff	357,059	71,208
General administration	1,813,403	345,084
School administration	98,866	19,717
Business	474,069	132,055
Central	94,025	26,191
Community services	125,034	34,829
Payments to other governmental units	4,535,328	4,342,466
	<u>\$ 21,485,183</u>	<u>\$ 2,376,448</u>

The District does not project changes in net position. Tuition is established to cover the difference between projected expenditures and projected revenues. Total revenues were \$1,284,066 less than budgeted and expenditures were \$1,846,724 less than budgeted.

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2018
(Unaudited)**

For the Year Ended June 30, 2017

	Governmental Activities Total Cost of Services	Net Cost (Revenue) of Services
Instruction	\$ 11,551,339	\$ 742,153
Support services		
Pupils	2,317,715	987,950
Instructional staff	388,065	174,989
General administration	1,658,836	737,459
School administration	88,082	39,719
Business	289,132	165,771
Central	95,286	55,457
Community services	146,151	83,608
Payments to other governmental units	416,104	275,453
	<u>\$ 16,950,710</u>	<u>\$ 3,262,559</u>

The District does not project changes in net position. Tuition is established to cover the difference between projected expenditures and projected revenues. Total revenues were \$2,720,691 less than expected and expenditures were \$781,542 less than projected.

THE DISTRICT'S FUNDS

Looking at the general fund helps you consider whether the District is being accountable for the resources provided to it but may also give you more insight into the District's overall financial health.

As the District completed this year, the general fund reported a fund balance of \$3,875,617 which is an increase of \$562,658 from last year. The primary reason for this increase is:

- Some member districts paid more than their portion of operating costs, resulting in more tuition carry-over for next Fiscal Year (19).

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2018
(Unaudited)**

General Fund Budgetary Highlights

The District adopts its budget annually prior to the end of August. Budgetary comparison for major fund expenditures required to be budgeted are shown, beginning on page 39, compared to actual expenditures. For the year, the District incurred less instructional and support services costs than budgeted.

CAPITAL ASSETS

Capital Assets

At June 30, 2018, the District had \$65,731 invested in improvements, furniture and equipment. The District made capital purchases of \$10,337 during the 2018 fiscal year. Total depreciation for the year was \$21,256.

Capital assets, net of depreciation as of year-end:

	Governmental Activities	
	2018	2017
Improvements, furniture and equipment	\$ <u>65,731</u>	\$ <u>76,650</u>

We present more detailed information about our capital assets in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Elected and appointed officials considered many factors when setting the District's 2018-2019 fiscal year budget. The most important factors affecting the budget are our student count and employee salaries. Also considered in the development of the budget is our local economy.

These indicators were considered when adopting the budget for fiscal 2018-2019. Budgeted expenditures in the General Fund increased 0.8 percent to \$21,646,481 for fiscal 2018-2019. The primary reason for this increase is due to general salary increases.

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2018
(Unaudited)**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The District financial report is designed to provide citizens, taxpayers, parents, students, and investors and creditors with a general overview of the District's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact the Business Affairs Department, Decatur Public School District No. 61, 101 W. Cerro Gordo Street, Decatur, IL 62523.

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61**

**Statement of Net Position
Modified Cash Basis**

June 30, 2018

	<u>Governmental Activities</u>
Assets	
Investments	\$ 3,875,617
Capital assets, net of accumulated depreciation of \$2,309,408	<u>65,731</u>
Total assets	<u>\$ 3,941,348</u>
Net Position	
Net investment in capital assets	\$ 65,731
Restricted	1,638,521
Unrestricted	<u>2,237,096</u>
Total net position	<u>\$ 3,941,348</u>

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61**

**Statement of Activities
Modified Cash Basis
Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 11,487,234	\$ 8,288,227	\$ 6,192,676	\$ 2,993,669
Supporting services				
Pupils	2,500,165	1,803,728	297,870	(398,567)
Instructional staff	357,059	257,598	28,253	(71,208)
General administration	1,813,403	1,308,268	160,051	(345,084)
School administration	98,866	71,326	7,823	(19,717)
Business	474,069	342,014	—	(132,055)
Central	94,025	67,834	—	(26,191)
Community services	125,034	90,205	—	(34,829)
Payment to other governmental units	<u>4,535,328</u>	<u>—</u>	<u>192,862</u>	<u>(4,342,466)</u>
Total	<u>\$ 21,485,183</u>	<u>\$ 12,229,200</u>	<u>\$ 6,879,535</u>	(2,376,448)
General Revenues				
				2,800,569
				43,577
				<u>84,041</u>
				Total general revenues <u>2,928,187</u>
				Change in Net Position 551,739
				Net Position, July 1, 2017 <u>3,389,609</u>
				Net Position, June 30, 2018 <u>\$ 3,941,348</u>

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61**

**Statement of Assets and Fund Balance
Governmental Funds
Modified Cash Basis**

June 30, 2018

	Total Governmental and General Funds
	<hr/>
Assets	
Investments	\$ <u>3,875,617</u>
Total assets	\$ <u><u>3,875,617</u></u>
Fund Balance	
Restricted	\$ 1,638,521
Committed	37,925
Unassigned	<u>2,199,171</u>
Total fund balance	\$ <u><u>3,875,617</u></u>

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61**

**Reconciliation of the Statement of Assets
and Fund Balance — Governmental Funds
With the Statement of Net Position**

Modified Cash Basis

June 30, 2018

Total fund balance for governmental funds	\$ 3,875,617
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the individual funds	<u>65,731</u>
Total net position – governmental activities	<u>\$ 3,941,348</u>

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61**

**Statement of Revenue Received, Expenditures
Disbursed and Changes in Fund Balance
Governmental Funds**

**Modified Cash Basis
Year Ended June 30, 2018**

	Total Governmental and General Funds
Revenue Received	
Local sources	
Tuition from members of joint agreement	\$ 12,228,365
Other	<u>128,453</u>
	12,356,818
State sources	3,263,319
Federal sources	6,416,785
On-behalf receipts	<u>858,257</u>
	22,895,179
Total revenue received	<u>22,895,179</u>
Expenditures Disbursed	
Instructional services	11,472,650
Supporting services	
Pupils	2,505,291
Instructional staff	357,059
General administration	1,813,343
School administration	98,866
Business	473,208
Central	<u>93,485</u>
	5,341,252
Community services	125,034
Payments to other governmental units	4,535,328
On-behalf disbursements	<u>858,257</u>
	22,332,521
Total expenditures disbursed	<u>22,332,521</u>
Excess of Revenue Received Over Expenditures Disbursed	<u>562,658</u>
Fund Balance, Beginning of Year	<u>3,312,959</u>
Fund Balance, End of Year	<u>\$ 3,875,617</u>

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Reconciliation of the Statement of Revenue Received,
Expenditures Disbursed and Changes in Fund
Balance — Governmental Funds
to the Statement of Activities
Modified Cash Basis
Year Ended June 30, 2018**

Net change in fund balance – total governmental funds \$ 562,658

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$21,256) exceeded capital outlays (\$10,337) in the current period.

(10,919)

Change in net position of governmental activities \$ 551,739

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61**

Statement of Fiduciary Net Position

Fiduciary Funds

Modified Cash Basis

June 30, 2018

	<u>Total Fiduciary Funds</u>
Assets	
Cash	\$ 246
Investments	<u>1,654</u>
Total assets	<u>\$ 1,900</u>
Liability	
Due to organizations	<u>\$ 1,900</u>
Net Position	<u>\$ —</u>

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Notes to Financial Statements
June 30, 2018**

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Component Unit

Macon-Piatt Special Education District (District) is a component unit of Decatur School District No. 61. The District is established under a joint agreement involving several cooperating school districts. Decatur School District No. 61 administers the District, establishes and approves the District's budget, and has ultimate authority over the District's operations. The District is included as a discretely presented component unit in the Decatur School District No. 61's financial statements.

Nature of Operations

Macon-Piatt Special Education District is a joint agreement of the noted school district located in Central Illinois for the purpose of serving students in all disability categories in a variety of educational settings.

Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the nonfiduciary financial activities of the District. These statements report those activities of the District that are governmental (i.e. generally supported by taxes and intergovernmental revenues). Fiduciary funds are not included in the government-wide financial statements.

The statement of net position presents the financial position of the District's governmental activities at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions (including related investment earnings) that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues.

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Notes to Financial Statements
June 30, 2018**

Fund Financial Statements

The District maintains fund accounting in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at a more detailed level. Separate financial statements are provided for governmental funds and fiduciary funds. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a single column. The fiduciary funds are reported by fiduciary fund type.

Governmental Funds

Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they are to be used. Liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The District's only major governmental fund is the General Fund.

The General Fund, which consists of the Educational Fund is the general operating fund of the District and accounts for the general activities of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of changes in net assets. The District's fiduciary funds consist of the following agency funds:

The Agency Fund (Student Activity Funds) account for assets held by the District as an agent for others. These funds are custodial in nature and do not involve the measurement of the results of operations. The financial statements reflect the amounts due to organizations equal to the assets owned.

Fund Balance (Net Position) Reporting

In accordance with government accounting standards, fund balances are to be classified into five major classifications; Nonspendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance. Below are definitions of the differences and a reconciliation of how these balances are reported.

Nonspendable Fund Balance

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example inventories and prepaid amounts. Due to the cash basis nature of the District, all such items are expensed at the time of purchase, so there is nothing to report for this classification.

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Notes to Financial Statements
June 30, 2018**

Restricted Fund Balance

The restricted fund balance classification refers to amounts that are subject to outside restrictions, not controlled by the entity. Things such as restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The District has several revenue sources received within the Educational Fund that falls into these categories.

1. State Grants

Proceeds from state grants and the related expenditures have been included in the Educational Fund. At June 30, 2018, expenditures disbursed exceeded revenue received from state grants, resulting in no restricted balance.

2. Federal Grants

Proceeds from federal grants and the related expenditures have been included in the Educational Fund. The District receives money for the Illinois Medical Assistance program administered by the Illinois Department of Public Aid. The Medicaid dollars are supplemental federal funds required to be used to expand and enhance special education services for students with at-risk disabilities. At June 30, 2018, revenues received from this grant exceeded expenditures disbursed resulting in a restricted balance of \$1,407,480.

3. The District receives money from the Department of Rehabilitation Services that must be spent to support the Macon-Piatt Special Education District vocational work-study program. At June 30, 2018, revenues received from this grant exceeded expenditures disbursed resulting in a restricted balance \$231,041.

Committed Fund Balance

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

The Administrative Board commits fund balance by making motions or passing resolutions to adopt policy or to approve contracts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Employee contracts for services rendered during the school year include provisions for paid vacation days. At June 30, 2018, the total amount of unpaid vacation days for services performed during the fiscal year ended June 30, 2018 amounted to \$37,925

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61**

Notes to Financial Statements

June 30, 2018

Assigned Fund Balance

The assigned fund balance classification refers to amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted or committed. Intent may be expressed by (a) the Administrative Board itself or (b) the finance committee or by the Superintendent when the Administrative Board has delegated the authority to assign amounts to be used for specific purposes.

Unassigned Fund Balance

The unassigned fund balance classification is the residual classification for amounts in the General Operating Fund for amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund. Unassigned Fund Balance amounts are shown in the financial statements as the Educational Fund.

Expenditures of Fund Balance

Unless specifically identified, expenditures act to reduce restricted balances first, then committed balances, next assigned balances, and finally act to reduce unassigned balances. Expenditures for a specifically identified purpose will act to reduce the specific classification of fund balance that is identified.

Basis of Accounting/Measurement Focus

The financial statements of the District have been prepared using the modified cash basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles.

Government-wide Financial Statements

The measurement focus establishes the basis of accounting. The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements.

The government-wide financial statements are prepared using the economic resources measurement focus and the modified cash basis of accounting. The modifications to the cash basis are for the recording of capital assets and the recognition of depreciation. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the governmental fund financial statements. Pension liabilities are not included in the modified cash basis statement, therefore no assets or liabilities have been recorded for the provisions of GASB Statement No. 68.

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Notes to Financial Statements
June 30, 2018**

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified cash basis of accounting. Accordingly, revenues are recognized and recorded in the accounts when cash is received. In the same manner, expenditures are recognized and recorded upon the disbursement of cash. Assets of a fund are only recorded when a right to receive cash exists which arises from a previous cash transaction. Liabilities of a fund, similarly, result from previous cash transactions. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt are reported as other financing sources.

Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations are recognized when received, consistent with the cash basis of accounting. Liabilities of a fund, similarly, result from previous cash transactions.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical grants, and then by general revenues.

Budgets and Budgetary Accounting

The District's budget is prepared so that budgeted receipts and expenditures can be compared to the cash basis of accounting. The budget was passed on August 22, 2017.

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

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to August 1, the Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at a public meeting to obtain taxpayer comments.
3. Prior to September 1, the budget is legally adopted through passage of a resolution.
4. The Board of Education is authorized to transfer up to 10 percent of the total budget between items within any fund.
5. Formal budgetary integration is employed as a management control device during the year.

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Notes to Financial Statements
June 30, 2018**

6. The Board of Education may amend the budget (in other ways) by the same procedures required of its original adoption.

Capital Assets

Capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the governmental funds statement of assets and fund balance.

Capital assets are recorded at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their estimated fair value as of the date received. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

The District does not possess any material amounts of real estate or infrastructure capital assets.

The District maintains a formal capitalization policy and follows grant guidelines when applicable.

Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes, no salvage value is taken into consideration for depreciation purposes. Depreciation is computed using the straight-line method over the estimated life of the asset. The District has established estimated useful lives as follows:

Asset Class	Estimated Useful Lives
Building and Improvements	50 years
Equipment	5 to 10 years
Transportation Equipment	5 years

Investments

Investment balances, which consist of money market funds or pooled separate accounts, are stated at cost, which approximate fair value. Assets of the different funds are commingled for investment purposes, and interest earnings are prorated back to the various funds when recognized as revenue. The District has adopted a formal written investment and cash management policy.

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Notes to Financial Statements
June 30, 2018**

Note 2: Capital Assets

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	Balance, July 1, 2017	Additions	Deletions	Balance, June 30, 2018
Building and improvements	\$ 43,068	\$ —	\$ —	\$ 43,068
Equipment	<u>2,321,734</u>	<u>10,337</u>	<u>—</u>	<u>2,332,071</u>
	2,364,802	10,337	—	2,375,139
Less accumulated depreciation	<u>2,288,152</u>	<u>21,256</u>	<u>—</u>	<u>2,309,408</u>
	<u>\$ 76,650</u>	<u>\$ (10,919)</u>	<u>\$ —</u>	<u>\$ 65,731</u>

Depreciation expense was charged to functions as follows:

Instruction	\$ 14,908
Support Services	
Pupils	3,256
General administration	2,356
Business	615
Central	<u>121</u>
	<u>\$ 21,256</u>

Note 3: Common Bank Account

Separate bank accounts are not maintained for all District funds. Certain funds maintain their uninvested cash balances in a common checking account with accounting records maintained to show the portion of the common bank account balance attributable to each participating fund.

Occasionally, certain of the funds participating in the common bank account will incur overdrafts (deficits) in the account. The overdrafts result from expenditures which have been approved by the Board. Such overdrafts constitute unauthorized interfund loans since they are not authorized by the Board of Education.

**Macon-Piatt Special Education District,
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Notes to Financial Statements
June 30, 2018**

Note 4: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a governments' deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law allows for deposits in banks, savings banks, savings and loan associations and credit unions. Deposits not collateralized or insured by an agency of the federal government shall not exceed 75 percent of the capital stock and surplus in the case of a bank, 75 percent of the net worth in the case of a savings bank or savings and loan association or 50 percent of the unimpaired capital and surplus in the case of a credit union. Under state law, the District may enter into an agreement requiring collateralization in an amount equal to at least the fair value of funds deposited in excess of federal depository insurance limits.

At June 30, 2018, The District's deposits were included in a common bank account where all deposits were insured or collateralized.

Investments

The District is authorized by state statute to invest in obligations of the U.S. Treasury, Agencies and Instrumentalities; commercial paper rated within the three highest classifications by at least two standard rating services; obligations of states and their political subdivisions; savings accounts; certificates of deposit; time deposits; money market mutual funds; credit union shares; the Illinois Funds; and the Illinois School District Liquid Asset Fund Plus.

At June 30, 2018, the District's investments were in the Illinois Funds and the Illinois School District Liquid Asset Fund Plus. The District's investments qualify as an exception to GASB Statement No. 72 as they are recorded at amortized cost and are not placed into the fair value hierarchy.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the District's investments at June 30, 2018 are held by the counterparties in the District's name.

**Macon-Piatt Special Education District,
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Notes to Financial Statements
June 30, 2018**

Credit Risk

Credit risk is the risk that an insurer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's deposits with financial institutions are not subject to credit risk rating. Both the Illinois Funds and the Illinois School District Liquid Asset Fund Plus have been rated AAAM by Standard and Poor's. Credit risk exposure and investment guidelines are addressed in the District's investment policy.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment with a single issuer. The investment policy of the District contains no limitations on the amounts that can be invested in any one issuer. Deposits with financial institutions and investments in external investment pools are exempt from the concentration disclosure.

Summary of Carrying Values

The carrying values of deposits and investments as of June 30, 2018 are as follows:

	2018
Statement of Net Position	
Carrying value	
Deposits	\$ —
Investments	<u>3,875,617</u>
	<u>\$ 3,875,617</u>
 Included in the following statement of net position captions	
Cash	\$ —
Investments	<u>3,875,617</u>
	<u>\$ 3,875,617</u>

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Notes to Financial Statements
June 30, 2018**

	2018
Statement of Net Fiduciary Position	
Carrying value	
Deposits	\$ 246
Investments	1,654
	\$ 1,900
Included in the Statement of Fiduciary Net Position -	
Fiduciary Funds captions	
Cash	\$ 246
Investments	1,654
	\$ 1,900

Investment Income

Investment income for the year ended June 30, 2018 consisted of:

Interest income	\$ 43,577
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Note 5: Retirement Commitments

As a component unit of Decatur School District No. 61 (DSD No. 61), the District participates in DSD No. 61's retirement plans. The following information generally consists of DSD No. 61 information, with some specific disclosures of the District.

DSD No. 61 provides pension benefits to its employees under two separate defined benefit plans as discussed below. As discussed in Footnote 1, because DSD No. 61 uses a modified cash basis of accounting for financial reporting purposes, it does not report pension obligations in its basic financial statements, thus the recognition requirements for such amounts (assets, deferred outflows of resources, liabilities and deferred inflows of resources) under Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* are not presented in the District's financial statements. However, limited footnote under GASB 68 does apply and is provided herein.

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Notes to Financial Statements
June 30, 2018**

Illinois Municipal Retirement Fund (IMRF)

Plan Description

DSD No. 61 contributes to the IMRF Plan, an agent multiple-employer defined benefit pension plan covering substantially all employees. The IMRF Plan is administered by the Illinois Municipal Retirement Fund.

Benefits Provided

Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publically available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

The employees covered by the Plan at December 31, 2017 are:

Inactive employees or beneficiaries currently receiving benefits	660
Inactive employees entitled to but not yet receiving benefits	344
Active employees	<u>560</u>
	<u><u>1,564</u></u>

Contributions

As set by statute, DSD No. 61 regular plan members are required to contribute 4.50 percent of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. DSD No. 61's annual required contribution rate for calendar year 2016 was 12.11 percent. DSD No. 61 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 the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

For the year ended December 31, 2017, employees contributed \$900,411 and DSD No. 61 contributed \$2,623,430 to the IMRF Plan. DSD No. 61 recognized \$2,622,591 in expenses under the modified cash basis for the year ended June 30, 2018.

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Notes to Financial Statements
June 30, 2018**

Teachers' Retirement System of the State of Illinois

Plan Description

DSD No. 61 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. TRS members include all active nonannuitants 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 publically available financial report that can be obtained at <http://trsil.org>; by writing to TRS at 2815 West Washington Street, P.O. Box 19253, Springfield, Illinois 62794; or by calling (888) 678-3675.

Benefits Provided

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

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

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

**Macon-Piatt Special Education District,
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Notes to Financial Statements
June 30, 2018**

Contributions

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

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

On behalf contributions to TRS. The District meets the definition of being in a special funding situation in which the State is the nonemployer entity that is legally responsible for providing financial support for the pension of the District employees. The State of Illinois makes employer pension contributions on behalf of the District. For the year ended June 30, 2018, the State of Illinois contributions recognized by the employer were based on the State's proportionate share of the collective net pension liability associated with the District, and the District recognized revenue and expenditures of \$3,609,402 in pension contributions from the State of Illinois.

2.2 formula contributions. Employers contribute .58 percent of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. DSD No. 61's contributions for the year ended June 30, 2018 were \$247,480 and are deferred outflows because they were paid after the June 30, 2017 measurement date.

Federal and special trust fund contributions. When TRS members are paid from federal and special trust funds administered by DSD No. 61, there is a statutory requirement for DSD No. 61 to pay an employer pension contribution from those funds. Under Public Act 100-0340, the federal and special trust fund contribution rate is the total employer normal cost beginning with the year ended June 30, 2018. Previously, employer contributions for employees paid from federal and special trust funds were at the same as the state contribution rate to TRS and were much higher.

For the year ended June 30, 2018, the employer pension contribution was 10.10 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2018, DSD No. 61 salaries totaling \$2,378,570 were paid from federal and special trust funds that required employer contributions of \$240,236.

**Macon-Piatt Special Education District,
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Notes to Financial Statements
June 30, 2018**

District Retirement Cost Contributions. Under GASB Statement No. 68, contributions that a District is required to pay because of a TRS member retiring are categorized as specific liability payments. DSD No. 61 is required to make a one-time contribution to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the member's age and salary. The maximum employer ERO contribution under the program that ended on June 30, 2016 is 146.5 percent and applies when the member is age 55 at retirement. For the year ended June 30, 2018, there were no District ERO contributions.

The employer is also required to make a one-time contribution to TRS for members granted salary increases over 6 percent if those salaries are used to calculate a retiree's final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2018, DSD No. 61 paid \$12,017 to TRS for employer contributions due on salary increases in excess of 6 percent and \$0 for sick leave days granted in excess of the normal annual allotment.

Note 6: Contingencies

The District has received funding from state and federal grants in the current and prior years which is subject to audit and approval by the granting agencies. The Board of Education believes any adjustments that may arise from these audits will be insignificant to the District's operations.

Note 7: Loss Exposure

Significant losses are covered by commercial insurance or memberships in insurance pools for all major programs: property, liability, and workers' compensation. During the year ended June 30, 2018, there were no significant reductions in coverage. Also, there have been no settlement amounts which have exceeded insurance coverage in the past three years.

Note 8: Postemployment Benefit Plans

The District provides postemployment benefits other than pensions (OPEB) to its retirees under two separate defined benefit OPEB plans as discussed below. As discussed in Footnote 1, because the District uses a modified cash basis of accounting for financial reporting purposes, it does not report items related to OPEB, except for OPEB expense, in its basic financial statements, thus the recognition requirements for such amounts (assets, deferred outflows of resources, liabilities and deferred inflows of resources) under Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* do not apply to the District. However, limited footnote disclosure is required under GASB 75, which was adopted by the District for the year ended June 30, 2018, and is provided herein.

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Notes to Financial Statements
June 30, 2018**

Retiree Healthcare Plan

Plan Description

The District's eligible retirees and their spouses can participate in the District's group healthcare plan which is a single-employer defined benefit other postemployment benefit (OPEB) plan (the OPEB Plan) covering substantially all employees. The OPEB Plan is administered by a board of trustees. The OPEB Plan is not administered under a qualified trust and there are no employer contributions or OPEB plan assets. Benefit provisions are contained in the agreement between the Mt. Zion Federation of Teachers and the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

The OPEB Plan provides healthcare benefits to eligible retirees and their spouses through the age of 65. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the retiree. For the year ended June 30, 2018, the District recognized OPEB expense related to this plan of \$95,627.

The employees covered by the benefit terms at June 30, 2018 are:

	2018
Inactive employees or beneficiaries currently receiving benefit payments	27
Inactive employees entitled to but not yet receiving benefits	—
Active employees	450
	477

During the year ended June 30, 2018, the employer contributions and benefit payments are related to the increase in active premiums due to the presence of retirees in the determination of the blended retiree/active premiums and totaled \$221,198.

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Notes to Financial Statements
June 30, 2018**

Teacher Health Insurance Security Fund

Plan Description

The Teacher Retirement Insurance Program of Illinois (TRIP or Plan) is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that covers retired employees of participating school districts throughout the State of Illinois, excluding the Chicago Public School System. TRIP health coverage includes provisions for medical, prescription, and behavioral health benefits, but does not provide vision, dental, or life insurance benefits. Annuitants may participate in the State administered Preferred Provider Organization plan or choose from several managed care options. TRIP is administered in accordance with the State Employees Group Insurance Act of 1971 (5 ILSC 375/6.5) which establishes the eligibility and benefit provisions of the plan.

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, defines special funding situations as circumstances in which a nonemployer entity is legally responsible for providing financial support for OPEB (other postemployment benefits) of the employees of another entity by making contributions directly to an OPEB plan that is administered through a trust that meets the criteria set forth in GASB 75 and either (1) the amount of contributions or benefit payments for which the nonemployer entity legally is responsible is not dependent upon one or more events or circumstances unrelated to the OPEB or (2) the nonemployer entity is the only entity with a legal obligation to provide financial support directly to an OPEB plan that is used to provide OPEB to employees of another entity. The State of Illinois is considered a nonemployer contributing entity and the plan is deemed to have a special funding situation.

Benefits Provided

The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.5) requires that the Department's Director determine the rates and premiums of annuitants and dependent beneficiaries and establish the cost-sharing parameters, as well as funding. Member premiums are set by this statute, which provides for a subsidy of either 50 percent or 75 percent, depending upon member benefit choices. Dependents are eligible for coverage, at a rate of 100 percent of the cost of coverage.

A summary of the postemployment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Central Management Services. A copy of the financial statements of the Department may be obtained by writing to the Department of Central Management Services, 401 South Spring Street, Springfield, Illinois, 62706.

Macon-Piatt Special Education District, A Component Unit of Decatur School District No. 61

Notes to Financial Statements

June 30, 2018

Contributions

The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.6) requires that all active contributors of the TRS, who are not employees of a department, make contributions to the plan at a rate of 1.12 percent of salary and for every employer of a teacher to contribute an amount equal to .84 percent of each teacher's salary. The Department determines, by rule, the percentage required, which each year shall not exceed 105 percent of the percentage of salary actually required to be paid in the previous fiscal year. In addition, under the State Pension Funds Continuing Appropriations Act (40 ILCS 15/1.3), there is appropriated, on a continuing annual basis, from the General Revenue Fund, an account of the General Fund, to the State Comptroller for deposit in the Teachers' Health Insurance Security Fund (THISF), an amount equal to the amount certified by the Board of Trustees of TRS as the estimated total amount of contributions to be paid under 5 ILCS 376/6.6(a) in that fiscal year.

The District meets the definition of being in a special funding situation in which the State is the nonemployer entity that is legally responsible for providing financial support for OPEB of the District employees and that the State's proportionate share of the collective net OPEB liability is 52.129759 percent. The state of Illinois makes employer retiree contributions on behalf of the District. State contributions are intended to match contributions to the fund from active members. State of Illinois contributions were \$70,665 and the District recognized revenues and expenditures of this amount during the year. The employer contribution was .88 percent or \$52,699 for the year ended June 30, 2018.

The OPEB plan contributions for the two plans were \$123,364 for the teacher health insurance plan and \$221,198 for the retiree healthcare plan.

Note 9: Current Economic Conditions

The current economic environment presents school districts with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, declines in governmental support, grant revenue and tax revenue, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the District.

Current economic conditions have made it difficult for many districts. A significant decline in governmental support, grant revenue and tax revenue could have an adverse impact on the District's future operating results.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values that could negatively impact the District's ability to maintain sufficient liquidity.

Supplementary Information

Other Information

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61**

**Budgetary Comparison
General Fund
Modified Cash Basis
Year Ended June 30, 2018**

	Budget	Actual	Budget Over (Under) Actual
Revenue Received			
Local Sources			
Tuition from members of joint agreement	\$ 13,599,672	\$ 12,228,365	\$ 1,371,307
Other	<u>50,000</u>	<u>128,453</u>	<u>(78,453)</u>
	13,649,672	12,356,818	1,292,854
State Sources	1,114,921	3,263,319	(2,148,398)
Federal Sources	5,414,652	6,416,785	(1,002,133)
On-behalf receipts	<u>4,000,000</u>	<u>858,257</u>	<u>3,141,743</u>
Total revenue received	<u>24,179,245</u>	<u>22,895,179</u>	<u>1,284,066</u>
Expenditures Disbursed			
Instructional Services	10,843,377	11,472,650	(629,273)
Support Services			
Pupils	2,565,027	2,505,291	59,736
Instructional staff	510,946	357,059	153,887
General administration	1,870,979	1,813,343	57,636
School administration	96,069	98,866	(2,797)
Business	586,738	473,208	113,530
Central	<u>101,186</u>	<u>93,485</u>	<u>7,701</u>
	5,730,945	5,341,252	389,693
Community Services	163,136	125,034	38,102
Payments to other governmental units	3,441,787	4,535,328	(1,093,541)
On-behalf disbursements	<u>4,000,000</u>	<u>858,257</u>	<u>3,141,743</u>
Total expenditures disbursed	<u>24,179,245</u>	<u>22,332,521</u>	<u>1,846,724</u>
Deficiency of Revenue Received Under Expenditures Disbursed	—	562,658	(562,658)
Fund Balance, Beginning of Year	<u>3,312,959</u>	<u>3,312,959</u>	<u>—</u>
Fund Balance, End of Year	<u>\$ 3,312,959</u>	<u>\$ 3,875,617</u>	<u>\$ (562,658)</u>

Student Activity Funds

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Student Activity Funds
Statement of Cash Receipts and Disbursements
Year Ended June 30, 2018**

	<u>Balance July 1, 2017</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance June 30, 2018</u>
Jan Little Memorial Decatur Public Schools Foundation	\$ 309	\$ 175	\$ —	\$ 484
	121	1,000	177	944
Karen Rhodes Memorial	<u>468</u>	<u>4</u>	<u>—</u>	<u>472</u>
	<u>\$ 898</u>	<u>\$ 1,179</u>	<u>\$ 177</u>	<u>\$ 1,900</u>
Cash deposited in Hickory Point Bank & Trust Investments	\$ 161			\$ 246
	<u>737</u>			<u>1,654</u>
Total, as above	<u>\$ 898</u>			<u>\$ 1,900</u>

Annual Federal Financial Compliance Report

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Administrative Board
Macon-Piatt Special Education District
Decatur, Illinois

Report on Compliance for Each Major Federal Program

We have audited the compliance of Macon-Piatt Special Education District (District), a component unit of Decatur School District No. 61, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018. The District'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, contracts 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 the District'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 the District'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 the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Macon-Piatt Special Education District, a component unit of Decatur School District No. 61, 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, 2018.

Report on Internal Control Over Compliance

Management of Macon-Piatt Special Education District, a component unit of Decatur School District No. 61, 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 the District'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 our 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 the District'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 a 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.

BKD, LLP

Decatur, Illinois
October 18, 2018

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Receipts 7/1/16 - 6/30/17
U.S. Department of Education			
Pass Through Illinois State Board of Education			
IDEA – Preschool Flow-Through	84.173A	17-4600-00 18-4600-00	\$ 182,115 <u> </u> 182,115
Total CFDA #84.173A			<u>182,115</u>
IDEA – Flow-Through	84.027A	17-4620-00 18-4620-00	4,264,168 <u> </u> 4,264,168
Pass Through Monticello Community Unit School District 25			
IDEA – Flow-Through – Room and Board	84.027A	17-4625-00 18-4625-00	93,534 <u> </u> 93,534
Total CFDA #84.027A			<u>4,357,702</u>
Total Special Education Cluster			<u>4,539,817</u>
Pass Through Department of Human Services			
Secondary Transition Experience Program (STEP)	84.126	46CUD0004 46CVF00004	77,540 <u> </u> 77,540
Total CFDA #84.126			<u>77,540</u>
Total U.S. Department of Education			<u>4,617,357</u>
U.S. Department of Health and Human Services			
Pass Through Illinois Department of Healthcare & Family Services			
Medicaid – Administrative Outreach	93.778	17-4991-00 18-4991-00	188,239 <u> </u> 188,239
Total CFDA #93.778 and Medicaid Cluster			<u>188,239</u>
Total U.S. Department of Health and Human Services			<u>188,239</u>
Total Federal Awards			<u>\$ 4,805,596</u>

- (1) Local Match \$286,588
- (2) Local Match \$261,884
- (3) Local Match \$4,607,624
- (4) Local Match \$14,450,634

Receipts 7/1/17 – 6/30/18	Disbursements 7/1/16 – 6/30/17	Disbursements 7/1/17 – 6/30/18	Obligations/ Encumbrances	Passed Through to Subrecipients	Final Status	Budget
\$ 11,375	\$ 193,490	\$ —	\$ —	\$ —	\$ 193,490	\$ 200,030
<u>197,680</u>	<u>—</u>	<u>199,322</u>	<u>—</u>	<u>—</u>	<u>199,322</u>	<u>223,232</u>
209,055	193,490	199,322	—	—	392,812	423,262
297,714	4,875,052	—	—	168,351	4,875,052	5,125,201
<u>4,741,502</u>	<u>—</u>	<u>4,847,810</u>	<u>—</u>	<u>—</u>	<u>4,847,810</u>	<u>5,327,929</u>
5,039,216	4,875,052	4,847,810	—	—	9,722,862	10,453,130
71,362	133,830	31,066	—	—	164,896	N/A
<u>121,500</u>	<u>—</u>	<u>153,600</u>	<u>—</u>	<u>—</u>	<u>153,600</u>	<u>N/A</u>
<u>192,862</u>	<u>133,830</u>	<u>184,666</u>	<u>—</u>	<u>—</u>	<u>318,496</u>	<u>N/A</u>
<u>5,232,078</u>	<u>5,008,882</u>	<u>5,032,476</u>	<u>—</u>	<u>—</u>	<u>10,041,358</u>	<u>10,453,130</u>
<u>5,441,133</u>	<u>5,202,372</u>	<u>5,231,798</u>	<u>—</u>	<u>—</u>	<u>10,434,170</u>	<u>10,876,392</u>
36,176	113,716	—	—	—	113,716 ⁽¹⁾	123,880
<u>116,622</u>	<u>—</u>	<u>117,686</u>	<u>—</u>	<u>—</u>	<u>117,686⁽²⁾</u>	<u>—</u>
<u>152,798</u>	<u>113,716</u>	<u>117,686</u>	<u>—</u>	<u>—</u>	<u>231,402</u>	<u>123,880</u>
<u>5,593,931</u>	<u>5,316,088</u>	<u>5,349,484</u>	<u>—</u>	<u>—</u>	<u>10,665,572</u>	<u>11,000,272</u>
45,405	188,239	45,405	—	—	233,644 ⁽³⁾	N/A
<u>80,997</u>	<u>—</u>	<u>80,997</u>	<u>—</u>	<u>—</u>	<u>80,997⁽⁴⁾</u>	<u>N/A</u>
<u>126,402</u>	<u>188,239</u>	<u>126,402</u>	<u>—</u>	<u>—</u>	<u>314,641</u>	<u>N/A</u>
<u>126,402</u>	<u>188,239</u>	<u>126,402</u>	<u>—</u>	<u>—</u>	<u>314,641</u>	<u>N/A</u>
<u>\$ 5,720,333</u>	<u>\$ 5,504,327</u>	<u>\$ 5,475,886</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 10,980,213</u>	<u>\$ 11,000,272</u>

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018**

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2018. The accompanying notes are an integral part of this Schedule. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.
2. Expenditures reported on the Schedule are reported on the cash 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. The District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61**

**Schedule of Findings and Questioned Costs
and Summary Schedule of Prior Audit Findings
Year Ended June 30, 2018**

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:
 Unmodified Qualified Adverse Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:
Significant deficiency(ies)? Yes None reported
Material weakness(es)? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:
Significant deficiency(ies)? Yes None reported
Material weakness(es)? Yes No

5. The opinion expressed in the independent auditor's report on compliance for major federal award programs was:
 Unmodified Qualified Adverse Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? Yes No

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Schedule of Findings and Questioned Costs
and Summary Schedule of Prior Audit Findings (Continued)
Year Ended June 30, 2018**

7. The District's major programs were:

Cluster/Program	CFDA Number
Special Education Cluster	84.173A, 84.027A

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The District qualified as a low-risk auditee?

Yes No

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61**

**Schedule of Findings and Questioned Costs
and Summary Schedule of Prior Audit Findings (Continued)
Year Ended June 30, 2018**

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
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No matters are reportable.

Findings Required to be Reported by The Uniform Guidance

Reference Number	Finding
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No matters are reportable.

Prior Audit Findings

Reference Number	Summary of Finding	Status
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No matters are reportable.

Other

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Operating Disbursements by Program Compared with Budget
General Fund
(Unaudited)
Year Ended June 30, 2018**

	2018		2017
	Budget	Actual	Actual
Operating Disbursements			
Administration	\$ 1,798,904	\$ 2,395,332	\$ 1,591,743
Administrative support	1,036,431	1,021,349	997,584
Visually impaired	162,619	166,869	163,632
Hearing impaired	216,417	214,524	212,564
Early childhood	1,507,221	1,448,697	986,648
SED	1,372,734	1,338,983	1,186,955
Alternative Program	1,387,860	1,394,691	799,481
Life Skills	3,162,645	3,316,182	1,481,351
Essential skills	1,812,112	1,908,138	794,921
Medicaid	1,122,471	1,234,659	1,033,470
ORS-STEP Work Study	125,516	96,548	84,163
Summer Programs	35,230	19,271	24,580
IDEA B	4,704,557	4,852,301	5,251,201
IDEA PS	223,232	199,849	207,490
Decatur Social Workers & Nurses	138,018	139,020	160,636
Decatur Elementary Cross Cat	296,461	580,218	411,952
Decatur Secondary Cross Cat	531,958	577,630	685,817
Futures	166,218	167,032	158,831
Decatur Speech Therapy	—	—	29,128
Argenta-Oreana Local Costs	—	—	8,430
Maroa-Forsyth Local Costs	—	—	209,186
Mt. Zion Local Costs	—	—	17,524
Central A & M Local Costs	—	93	—
Sangamon Valley Local Costs	270,870	297,523	284,047
Bement Local Costs	—	—	3,708
Cerro Gordo Local Costs	—	—	4,261
Deland-Weldon Local Costs	—	—	3,614
Meridian Local Costs	79,949	79,457	43,223
Monticello Local Costs	<u>27,822</u>	<u>25,898</u>	<u>89,405</u>
 Total operating disbursements	 <u>\$ 20,179,245</u>	 <u>\$ 21,474,264</u>	 <u>\$ 16,925,545</u>