

**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, 2017

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
June 30, 2017**

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A Component Unit of Decatur School District No. 61
June 30, 2017**

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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, 2017, 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, 2017, 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 62, 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 62, 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 10, 2017 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 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 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 10, 2017

**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, 2017, 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 10, 2017.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the District's 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*.

We noted certain matters that we reported to the District's management in a separate letter dated October 10, 2017.

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 10, 2017

**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, 2017
(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, 2017.

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.

Our 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

Our 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. We prepare these statements to include certain assets and liabilities, using the modified cash basis of accounting.

**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, 2017
(Unaudited)**

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.

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.

**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, 2017
(Unaudited)**

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.

THE DISTRICT AS A WHOLE

The District's net position was \$3,389,609 and \$5,353,923 at June 30, 2017 and 2016, respectively. Of these amounts, \$1,192,481 and \$3,148,555 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
June 30**

	Governmental Activities	
	2017	2016
Assets		
Current assets	\$ 3,312,959	\$ 5,252,108
Capital assets	76,650	101,815
Total assets	3,389,609	5,353,923
Net position		
Investment in capital assets	76,650	101,815
Restricted	2,120,478	2,103,553
Unrestricted	1,192,481	3,148,555
Total net position	\$ 3,389,609	\$ 5,353,923

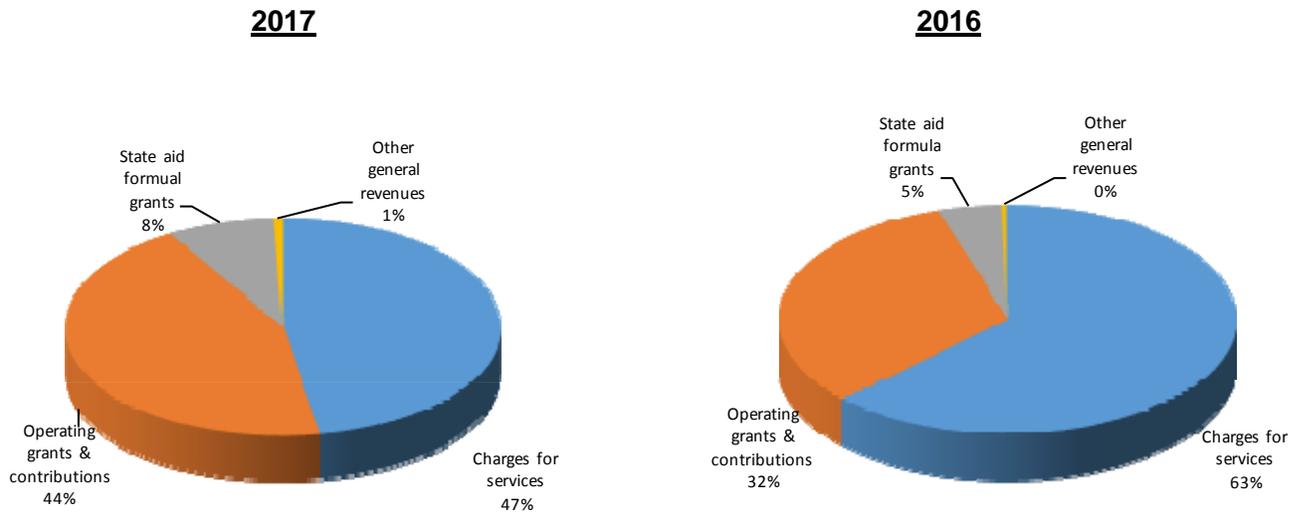
**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2017
(Unaudited)**

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

- There was an increase in tuition carryover for the 12 districts.
- There was an increase in Medicaid fee for services carryover revenue.

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.

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



2017 2016

Revenues:

Program revenues:

Charges for services

\$ 7,066,066 \$ 15,323,536

Operating grants and contributions

6,622,085 7,886,811

General revenues:

State aid formula grants

1,209,343 1,100,329

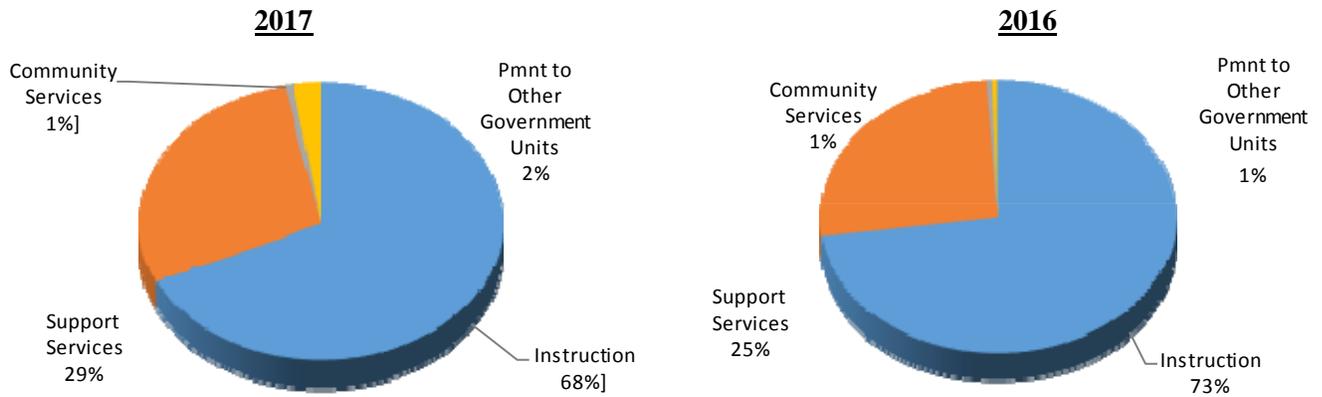
Other general revenues

88,902 79,393

\$ 14,986,396 \$ 24,390,069

**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, 2017
(Unaudited)**

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



	<u>2017</u>	<u>2016</u>
<u>Functions/Program Expenses:</u>		
Instruction:	\$ 11,551,339	\$ 17,930,782
Support Services:		
Pupils	2,317,715	3,930,703
Instructional staff	388,065	338,956
General administration	1,658,836	1,758,299
School administration	88,082	82,827
Business	289,132	263,013
Central	95,286	93,299
Community services	146,151	124,424
Payment to other government units	<u>416,104</u>	<u>118,857</u>
Total expenses	<u>16,950,710</u>	<u>24,641,160</u>
Decrease in net position	\$ <u>(1,964,314)</u>	\$ <u>(251,091)</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, 2017
(Unaudited)**

Governmental Activities

As reported in the Statement of Activities on page 16, the cost of all of our governmental activities this year was \$16,950,710. We paid for these costs with \$7,066,066 in tuition payments, \$7,831,428 with state and federal aid and with our other revenues like interest and fees charged for services of \$88,902, resulting in a decrease in net position of \$1,964,314.

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), as well as 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, 2017

	Governmental Activities	
	Total Cost of Services	Net Cost of Services
	<hr/>	<hr/>
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	<u>416,104</u>	<u>275,453</u>
	<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.

**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, 2017
(Unaudited)**

For the Year Ended June 30, 2016

	Governmental Activities	
	Total Cost of	Net Cost
	Services	(Revenue) of
	Services	Services
Instruction	\$ 17,930,782	\$ (302,121)
Support services	3,930,703	949,729
Pupils	338,956	90,219
Instructional staff	1,758,299	458,213
General administration	82,827	22,046
Business	263,013	99,202
Central	93,299	36,606
Community services	124,424	46,675
Payments to other governmental units	<u>118,857</u>	<u>30,244</u>
	<u>\$ 24,641,160</u>	<u>\$ 1,430,813</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 \$2,248,611 less than expected and expenditures were \$1,999,594 less than originally 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, our general fund reported a fund balance of \$3,312,959 which is a decrease of \$1,939,149 from last year. The primary reason for this decrease is:

- Purposeful decrease in assets due to projected FY17 reduction in budget.

**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, 2017
(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 47, 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, 2017, the District had \$76,650 invested in improvements, furniture and equipment. The District made no capital purchases during the 2017 fiscal year. Total depreciation for the year was \$25,165.

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

	Governmental Activities	
	2017	2016
Improvements, furniture and equipment	\$ <u>76,650</u>	\$ <u>101,815</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Our elected and appointed officials considered many factors when setting the District's 2016-2017 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 2017-2018. Budgeted expenditures in the General Fund increased 1.3 percent to \$ 20,179,245 for fiscal 2017-2018. The primary reason for the decrease is shifting of educational responsibilities to member districts (specifically, teachers, speech-language pathologists and social workers).

**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, 2017
(Unaudited)**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our 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, 2017

	Governmental Activities
Assets	
Cash	\$ 1,728,691
Investments	1,584,268
Capital assets, net of accumulated depreciation of \$2,288,152	76,650
Total assets	\$ 3,389,609
Net Position	
Net investment in capital assets	\$ 76,650
Restricted	2,120,478
Unrestricted	1,192,481
Total net position	\$ 3,389,609

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

**Statement of Activities
Modified Cash Basis
Year Ended June 30, 2017**

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	\$ 11,551,339	\$ 4,935,903	\$ 5,873,283	\$ (742,153)
Supporting services				
Pupils	2,317,715	991,336	338,429	(987,950)
Instructional staff	388,065	166,066	47,010	(174,989)
General administration	1,658,836	709,335	212,042	(737,459)
School administration	88,082	37,693	10,670	(39,719)
Business	289,132	123,361	—	(165,771)
Central	95,286	39,829	—	(55,457)
Community services	146,151	62,543	—	(83,608)
Payment to other governmental units	<u>416,104</u>	<u>—</u>	<u>140,651</u>	<u>(275,453)</u>
Total	<u>\$ 16,950,710</u>	<u>\$ 7,066,066</u>	<u>\$ 6,622,085</u>	(3,262,559)
General Revenues				
				1,209,343
				14,979
				<u>73,923</u>
				<u>1,298,245</u>
				(1,964,314)
				<u>5,353,923</u>
				<u>\$ 3,389,609</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, 2017

	Total Governmental and General Funds
	<hr/>
Assets	
Cash	\$ 1,728,691
Investments	<u>1,584,268</u>
Total assets	<u>\$ 3,312,959</u>
Fund Balance	
Restricted	\$ 2,120,478
Committed	40,230
Unassigned	<u>1,152,251</u>
Total fund balance	<u>\$ 3,312,959</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**

June 30, 2017

Total fund balance for governmental funds	\$ 3,312,959
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>76,650</u>
Total net position – governmental activities	<u>\$ 3,389,609</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, 2017**

	Total Governmental and General Funds
Revenue Received	
Local sources	
Tuition from members of joint agreement	\$ 7,064,941
Other	<u>90,027</u>
	7,154,968
State sources	1,977,422
Federal sources	5,854,006
On-behalf receipts	<u>2,992,594</u>
	17,978,990
Total revenue received	<u>17,978,990</u>
Expenditures Disbursed	
Instructional services	11,531,653
Supporting services	
Pupils	2,316,565
Instructional staff	388,065
General administration	1,657,582
School administration	88,082
Business	288,271
Central	<u>93,072</u>
	4,831,637
Community services	146,151
Payments to other governmental units	416,104
On-behalf disbursements	<u>2,992,594</u>
	19,918,139
Total expenditures disbursed	<u>19,918,139</u>
Deficiency of Revenue Received Under Expenditures Disbursed	(1,939,149)
Fund Balance, Beginning of Year	<u>5,252,108</u>
Fund Balance, End of Year	<u>\$ 3,312,959</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
Year Ended June 30, 2017**

Net change in fund balance – total governmental funds \$ (1,939,149)

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 (\$25,165) exceeded capital outlays (\$0) in the current period.

(25,165)

Change in net position of governmental activities \$ (1,964,314)

**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, 2017

	<u>Total Fiduciary Funds</u>
Assets	
Cash	\$ 161
Investments	<u>737</u>
Total assets	<u>\$ 898</u>
Liability	
Due to organizations	<u>\$ 898</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, 2017**

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
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June 30, 2017**

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
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June 30, 2017**

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, 2017, 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, 2017, revenues received from this grant exceeded expenditures disbursed resulting in a restricted balance of \$1,945,688.

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, 2017, revenues received from this grant exceeded expenditures disbursed resulting in a restricted balance \$174,790.

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, 2017, the total amount of unpaid vacation days for services performed during the fiscal year ended June 30, 2017 amounted to \$40,230.

**Macon-Piatt Special Education District,
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Notes to Financial Statements
June 30, 2017**

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, 2017**

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, which was amended on June 27, 2017, was passed on August 23, 2016.

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,
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June 30, 2017**

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, 2017**

Note 2: Capital Assets

Capital asset balances and activity for the year ended June 30, 2017 were as follows:

	Balance, July 1, 2016	Additions	Deletions	Balance, June 30, 2017
Building and improvements	\$ 43,068	\$ —	\$ —	\$ 43,068
Equipment	<u>2,321,734</u>	<u>—</u>	<u>—</u>	<u>2,321,734</u>
	2,364,802	—	—	2,364,802
Less accumulated depreciation	<u>2,262,987</u>	<u>25,165</u>	<u>—</u>	<u>2,288,152</u>
	<u>\$ 101,815</u>	<u>\$ (25,165)</u>	<u>\$ —</u>	<u>\$ 76,650</u>

Depreciation expense was charged to functions as follows:

Instruction	\$ 19,683
Support Services	
Pupils	1,150
General administration	1,254
Business	864
Central	<u>2,214</u>
	<u>\$ 25,165</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, 2017**

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, 2017, 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, 2017, 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, 2017 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, 2017**

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, 2017 are as follows:

	2017
Statement of Net Position	
Carrying value	
Deposits	\$ 1,728,691
Investments	<u>1,584,268</u>
	<u>\$ 3,312,959</u>
 Included in the following statement of net position captions	
Cash	\$ 1,728,691
Investments	<u>1,584,268</u>
	<u>\$ 3,312,959</u>

**Macon-Piatt Special Education District,
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Notes to Financial Statements
June 30, 2017**

	2017
Statement of Net Fiduciary Position	
Carrying value	
Deposits	\$ 161
Investments	737
	\$ 898
Included in the Statement of Fiduciary Net Position -	
Fiduciary Funds captions	
Cash	\$ 161
Investments	737
	\$ 898

Investment Income

Investment income for the year ended June 30, 2017 consisted of:

Interest income	\$ 14,979
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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, the footnote disclosure and required supplementary information required under GASB 68, which was adopted by DSD No. 61 for the year ended June 30, 2017, do apply and are provided herein.

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Notes to Financial Statements
June 30, 2017**

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, 2016 are:

Inactive employees or beneficiaries currently receiving benefits	652
Inactive employees entitled to but not yet receiving benefits	346
Active employees	<u>550</u>
	<u><u>1,548</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, 2016, employees contributed \$884,201 and DSD No. 61 contributed \$2,473,663 to the IMRF Plan.

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Notes to Financial Statements
June 30, 2017**

Net Pension Liability

DSD No. 61's net pension liability was measured as of December 31, 2016, for the year ended June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.75% to 14.50%, average, including inflation
Investment rate of return	7.50%

Mortality rates were developed from the RP-2014 Blue Collar Health Annuity Mortality Table, with adjustments to match current IMRF experience.

The actuarial assumptions used in the December 31, 2016, valuation were based on the results of an actuarial experience study for the period 2011 through 2014.

The long-term expected rate of return on pension plan investments was based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information. The target allocation and best estimates of rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equities	38%	7.38%
International Equities	17%	1.88%
Fixed Income	27%	5.20%
Real Estate	8%	5.11%
Alternative Investments	9%	6.46%
Short-term Investments	<u>1%</u>	(1.64)%
	<u>100%</u>	

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

Notes to Financial Statements

June 30, 2017

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent for the year ended December 31, 2016. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that DSD No. 61 contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the total pension liability, plan fiduciary net position and the net pension liability are:

	Total Pension Liability (a)	2016 Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, beginning of year	\$ 108,098,514	\$ 92,912,843	\$ 15,185,671
Changes for the year:			
Service cost	2,154,539	—	2,154,539
Interest on total pension liability	7,946,008	—	7,946,008
Differences between expected and actual experience	317,947	—	317,947
Assumption changes	(375,196)	—	(375,196)
Employer contributions	—	2,473,663	(2,473,663)
Employee contributions	—	884,201	(884,201)
Pension plan net investment income	—	6,284,049	(6,284,049)
Benefit payments and refunds	(5,607,051)	(5,607,051)	—
Other changes	—	816,512	(816,512)
Net changes	<u>4,436,247</u>	<u>4,851,374</u>	<u>(415,127)</u>
Balance, end of year	<u>\$ 112,534,761</u>	<u>\$ 97,764,217</u>	<u>\$ 14,770,544</u>

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

Notes to Financial Statements

June 30, 2017

The net pension liability of DSD No. 61 has been calculated using a discount rate of 7.50 percent. The following presents the net pension liability using a discount rate 1 percent higher and 1 percent lower than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Total pension liability	\$ 125,969,275	\$ 112,534,761	\$ 101,345,581
Plan fiduciary net position	<u>97,764,217</u>	<u>97,764,217</u>	<u>97,794,217</u>
DSD No. 61's net pension liability	<u>\$ 28,205,058</u>	<u>\$ 14,770,544</u>	<u>\$ 3,551,364</u>

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

For the year ended June 30, 2017, DSD No. 61 did not recognize pension expense or deferred inflows and outflows of resources as their financial statements are on the modified cash basis of accounting. The pension expense that would have been recorded on the accrual basis was \$5,022,597. At June 30, 2017, DSD No. 61 would have reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources, under the accrual method:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,070,619	\$ 29,223
Changes of assumptions	289,433	262,474
Net difference between projected and actual earning on pension plan investments	4,919,553	—
District's contribution subsequent to the measurement date	<u>1,740,503</u>	<u>—</u>
Total	<u>\$ 8,020,108</u>	<u>\$ 291,697</u>

At June 30, 2017, the District would have reported \$1,740,503 disclosed as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date as a reduction of the net pension liability in the reporting year ended June 30, 2018.

**Macon-Piatt Special Education District,
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June 30, 2017**

Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2017, related to pensions will be recognized in pension expense as follows:

2018	\$ 2,590,327
2019	1,847,049
2020	1,424,325
2021	<u>126,207</u>
	<u>\$ 5,987,908</u>

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.

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

Notes to Financial Statements

June 30, 2017

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

Contributions

The State of Illinois maintains the primary responsibility for funding TRS. The Illinois Pension Code, as amended by Public Act 88-0593 and subsequent acts, provides that for years 2010 through 2045, 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 9.4 percent of creditable earnings. On July 1, 2016, the rate dropped to 9.0 percent 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 the District. For the year ended June 30, 2017, 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 \$2,927,505 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, 2017 were \$238,660 and are deferred outflows because they were paid after the June 30, 2016 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 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, the employer pension contribution was 38.54 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2017, DSD No. 61 salaries totaling \$2,031,250 were paid from federal and special trust funds that required employer contributions of \$782,844. These contributions are deferred outflows because they were paid after the June 30, 2016 measurement date.

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

June 30, 2017

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, 2017, the District paid \$105,916 to TRS for employer ERO contributions for retirements that occurred before July 31, 2016.

The employer is also required to make a one-time contribution to TRS for members granted salary increases over 6 percent if those salaries are used to calculate a retiree's final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2017, DSD No. 61 paid \$42,181 to TRS for employer contributions due on salary increases in excess of 6.0 percent and \$2,580 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, DSD No. 61 did not recognize a pension liability for its proportionate share of the net pension liability as their financial statements are on the modified cash basis of accounting. The pension liability on the accrual basis for its proportionate share of the net pension liability would have reflected a reduction for state pension support provided to DSD No. 61. The amount that would have been recognized by DSD No. 61 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 DSD No. 61 were as follows:

District's proportionate share of the net pension liability	\$ 12,349,527
State's proportionate share of the net pension liability associated with DSD No. 61	<u>336,805,353</u>
Total	<u>\$ 349,154,880</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. DSD No. 61's proportion of the net pension liability was based on DSD No. 61'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, DSD No. 61's proportion was .0156449777 percent, which was a decrease of .0125723297 from its proportion measured as of June 30, 2015.

**Macon-Piatt Special Education District,
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For the year ended June 30, 2017, DSD No. 61 would have recognized pension expense and revenue of \$671,168 for support provided by the state. At June 30, 2017, DSD No. 61 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 91,314	\$ 8,376
Changes of assumptions	348,896	—
Net difference between projected and actual earning on pension plan investments	1,060,640	—
Changes in proportion and differences between the District's contributions and proportionate share of contributions	—	7,894,619
DSD No. 61's contributions subsequent to the measurement date	<u>2,701,450</u>	<u>—</u>
Total	<u>\$ 4,202,300</u>	<u>\$ 7,902,995</u>

At June 30, 2017, DSD No. 61 reported \$2,701,450 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:

2018	\$ (1,680,003)
2019	(1,680,003)
2020	(1,534,250)
2021	(1,227,276)
2022	<u>(280,613)</u>
	<u>\$ (6,402,145)</u>

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
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June 30, 2017**

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	7.00%, net of pension plan investment expense, including inflation

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

For the June 30, 2016 valuation, the investment return assumption was lowered from 7.50 percent to 7.0 percent. 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equities large cap	14.4%	6.94%
U.S. equities/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	<u>14.0%</u>	10.63%
	<u>100.0%</u>	

**Macon-Piatt Special Education District,
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June 30, 2017**

Discount Rate

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

Based on those assumptions, TRS’s fiduciary net position at June 30, 2016 was not projected to be available to make all projected future benefit payments of current active and inactive member 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 costs 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 percent. The discount rate was lower than the actuarially-assumed rate of return on investments that year as well as because TRS’s fiduciary net position and the subsidy provided by Tier II were not sufficient to cover all projected benefit payments.

Sensitivity of DSD No. 61’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents DSD No. 61’s proportional share of the net pension liability calculated using the discount rate of 6.83 percent, as well as what DSD No. 61’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 percent) or 1-percentage point higher (7.83 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
DSD No. 61’s proportionate share of the net pension liability	\$ 15,103,973	\$ 12,349,527	\$ 10,099,875

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Notes to Financial Statements
June 30, 2017**

Note 6: THIS Fund Employer Contributions

DSD No. 61 participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit postemployment healthcare plan that was established by the Illinois legislature for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but 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 percent of salary actually required to be paid in the previous fiscal year.

- **On behalf contributions.** The State of Illinois makes employer retiree health insurance contributions on behalf of the District. State contributions are intended to match contributions to the THIS Fund from active members which were 1.12 percent of pay during the year ended June 30, 2017. State of Illinois contributions were \$65,089 and the District recognized revenue and expenditures of this amount during the year.
- **Employer contributions.** DSD No. 61 also makes contributions to THIS Fund. The employer THIS Fund contribution was 0.84 during the year ended June 30, 2017. For the year ended June 30, 2017, the District paid \$48,817 to the THIS Fund, which was 100 percent 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-Fund.asp>.

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Notes to Financial Statements
June 30, 2017**

Note 7: 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 8: 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, 2017, 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 9: Postemployment Benefits Other Than Pension

As a component unit of Decatur School District No. 61 (DSD No. 61), the District participates in DSD No. 61's postretirement health plan. The following information consists of DSD No. 61 information.

Plan Description

The District administers a single-employer defined benefit healthcare plan ("the Postretirement Health Plan"). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the District's group health insurance plan, which covers both active and retired members. The Postretirement Health Plan does not issue a publicly available financial report.

Funding Policy

Employees can elect to continue coverage into retirement on the District plan if they pay the entire premium plus any surcharge imposed. Single retiree coverage ends upon attainment of age 65 by the retiree. Coverage for dependents of retirees ends at the earlier of attainment of age 65 by the retiree or the dependent. Coverage is the same for the following groups: Administrative and Administrative Support Staff, Certified teachers, Maintenance employees and Custodial employees.

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Notes to Financial Statements
June 30, 2017**

Annual OPEB Cost and Net OPEB Obligations

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of DSD No. 61's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in DSD No. 61's net OPEB obligation to the Postretirement Health Plan:

Annual required contribution	\$	66,595
Interest on net OPEB obligation		24,976
Adjustment to annual required contribution		<u>(37,487)</u>
Annual OPEB cost (expense)		54,084
Estimated Employer Contributions (Payments)		<u>(131,473)</u>
Change in Net OPEB Obligation		(77,389)
Net OPEB obligation, July 1, 2016		<u>713,598</u>
Net OPEB obligation, June 30, 2017	\$	<u><u>636,208</u></u>

DSD No. 61's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/17	\$ 54,084	243%	\$ 636,208
6/30/15	77,760	87%	709,039

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Notes to Financial Statements
June 30, 2017**

Funded Status and Funding Progress

As of June 30, 2017, the actuarial accrued liability for benefits was \$801,119 all of which was unfunded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and net estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, is to present multiyear trend information, when available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered groups, active plan members were assumed to retire at age 55 through 70, or at the first subsequent year in which the member would qualify for benefits.

Marital status – 30 percent of actives are assumed to be married at retirement and elect spouse coverage with husbands three years older than wives. Actual spouse data was used for current retirees.

Mortality – Life expectancies were based on rates from the December 31, 2016 IMRF Actuarial Valuation Report.

Turnover – Non-group-specific age-based turnover data from the Pension’s Actuary Handbook.

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 7.0 percent initially, reduced to an ultimate rate of 5.0 percent after ten years, was used.

**Macon-Piatt Special Education District,
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Notes to Financial Statements
June 30, 2017**

Health insurance premiums – 2017 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Based on the historical and expected returns of the District’s short-term investment portfolio, a discount rate of 3.5 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2017, was thirty years.

The schedule of funding progress presented as supplementary information, is to present multiyear trend information, when available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 10: 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, 2017**

	Budget	Actual	Budget Over (Under) Actual
Revenue Received			
Local Sources			
Tuition from members of joint agreement	\$ 9,489,220	\$ 7,064,941	\$ 2,424,279
Other	<u>50,000</u>	<u>90,027</u>	<u>(40,027)</u>
	9,539,220	7,154,968	2,384,252
State Sources	2,245,809	1,977,422	268,387
Federal Sources	5,414,652	5,854,006	(439,354)
On-behalf receipts	<u>3,500,000</u>	<u>2,992,594</u>	<u>507,406</u>
Total revenue received	<u>20,699,681</u>	<u>17,978,990</u>	<u>2,720,691</u>
Expenditures Disbursed			
Instructional Services	11,628,193	11,531,653	96,540
Support Services			
Pupils	2,385,823	2,316,565	69,258
Instructional staff	509,430	388,065	121,365
General administration	1,920,408	1,657,582	262,826
School administration	82,562	88,082	(5,520)
Business	318,732	288,271	30,461
Central	<u>109,273</u>	<u>93,072</u>	<u>16,201</u>
	5,326,228	4,831,637	494,591
Community Services	180,260	146,151	34,109
Payments to other governmental units	65,000	416,104	(351,104)
On-behalf disbursements	<u>3,500,000</u>	<u>2,992,594</u>	<u>507,406</u>
Total expenditures disbursed	<u>20,699,681</u>	<u>19,918,139</u>	<u>781,542</u>
Deficiency of Revenue Received Under Expenditures Disbursed	—	(1,939,149)	1,939,149
Fund Balance, Beginning of Year	<u>5,252,108</u>	<u>5,252,108</u>	<u>—</u>
Fund Balance, End of Year	<u>\$ 5,252,108</u>	<u>\$ 3,312,959</u>	<u>\$ 1,939,149</u>

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Schedule of Changes in Net Pension Liability and Related Ratios (IMRF Plan)
Year Ended June 30, 2017**

	2016	2015	2014
Total Pension Liability			
Service cost	\$ 2,154,539	\$ 1,977,283	\$ 2,102,804
Interest on the total pension liability	7,946,008	7,466,865	6,897,460
Benefit changes	—	—	—
Differences between expected and actual experience	317,947	2,215,811	(615,261)
Assumption changes	(375,196)	244,515	4,123,017
Benefit payments and refunds	<u>(5,607,051)</u>	<u>(5,016,874)</u>	<u>(4,423,677)</u>
Net Change in Total Pension Liability	4,436,247	6,887,600	8,084,343
Total Pension Liability - Beginning	<u>108,098,514</u>	<u>101,210,914</u>	<u>93,126,571</u>
Total Pension Liability - Ending (a)	<u>\$ 112,534,761</u>	<u>\$ 108,098,514</u>	<u>\$ 101,210,914</u>
Plan Fiduciary Net Position			
Employer contributions	\$ 2,473,663	\$ 2,297,080	\$ 2,023,057
Employee contributions	884,201	851,958	813,108
Pension Plan net investment income	6,284,049	464,208	5,411,370
Benefit payments and refunds	(5,607,051)	(5,016,874)	(4,423,677)
Other	<u>816,512</u>	<u>541,013</u>	<u>446,855</u>
Net Change in Plan Fiduciary Net Position	<u>4,851,374</u>	<u>(862,615)</u>	<u>4,270,713</u>
Plan Fiduciary Net Position - Beginning	<u>92,912,843</u>	<u>93,775,458</u>	<u>89,504,745</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 97,764,217</u>	<u>\$ 92,912,843</u>	<u>\$ 93,775,458</u>
Net Pension Liability - Ending (a) – (b)	<u>\$ 14,770,554</u>	<u>\$ 15,185,671</u>	<u>\$ 7,435,456</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.87%	85.95%	92.65%
Covered-Employee Payroll	\$ 19,067,751	\$ 18,637,438	\$ 17,241,968
Net Pension Liability as a Percentage of Covered-Employee Payroll	77.46%	81.48%	43.12%

Note: This schedule is presented to illustrate the requirements of GASB 68 to show information for 10 years. However, until a full 10-year trend is compiled, the District will present only available information measured in accordance with the requirements of GASB 68. Information presented in this schedule has been determined as of the Plan's measurement date (December 31, 2016).

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Schedule of the District's Contributions (IMRF Plan)
Year Ended June 30, 2017**

Calendar Year Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2014	\$ 1,998,344	\$ 2,023,057	\$ (24,713)	\$17,241,968	11.73%
2015	2,266,312	2,297,080	(30,768)	18,637,438	12.33%
2016	2,309,105	2,473,663	(164,558)	19,067,751	12.97%

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates*:

Actuarial cost method: Aggregate Entry Age Normal

Amortization method: Level Percentage of Payroll, Closed

Remaining amortization period: Non-Taxing bodies: 10-year rolling period
 Taxing bodies (Regular, SLEP and ECO groups): 27-year closed period until remaining period reaches 15 years (then 15-year rolling period).
 Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI.
 SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 22 years for most employers (two employers were financed over 31 years).

Asset valuation method: 5-Year smoother market; 20% corridor

Wage Growth: 3.50%

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%

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Schedule of the District's Contributions (IMRF Plan) (Continued)
Year Ended June 30, 2017**

Retirement age:	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.
Mortality:	For non-disabled retirees, an IMRF specific retirement table was used with fully generational scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuity Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other information

Notes: There were no benefit changes during the year.

** Based on Valuation Assumptions used in the December 31, 2014 actuarial valuation*

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

**Schedule of the District's Proportionate Share
of the Net Pension Liability (TRS Plan)**

Year Ended June 30, 2017

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.0156449777%	0.0282173074%	0.0314427699%
District's proportionate share of the net pension liability	\$ 12,349,527	\$ 18,485,179	\$ 19,135,527
State's proportionate share of the net pension liability associated with the District	<u>336,805,353</u>	<u>278,430,285</u>	<u>264,759,437</u>
Total	<u>\$ 349,154,880</u>	<u>\$ 296,915,464</u>	<u>\$ 283,894,964</u>
District's covered-employee payroll	<u>\$ 41,138,583</u>	<u>\$ 42,436,571</u>	<u>\$ 43,033,431</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	30.02%	43.56%	44.47%
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.

Note: The information in both schedules will accumulate until a full 10-year trend is presented as required by GASB 68.

**Macon-Piatt Special Education District,
A Component Unit of Decatur School District No. 61
Schedule of the District's Contributions (TRS Plan)
Year Ended June 30, 2017**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 238,604	\$ 246,157	\$ 249,632
Contributions in relation to the contractually required contribution	<u>238,660</u>	<u>246,157</u>	<u>249,632</u>
Contribution deficiency (excess)	\$ <u>(56)</u>	\$ <u>—</u>	\$ <u>—</u>
District's covered-employee payroll	\$ 41,138,583	\$ 42,436,571	\$ 43,033,431
Contributions as a percentage of covered-employee payroll	0.58%	0.58%	0.58%

Notes to Schedule:

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

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

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

Note: The information in both schedules will accumulate until a full 10-year trend is presented as required by GASB 68.

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

**Postretirement Health Plan
Schedule of Funding Progress**

Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Simplified Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/17	\$ —	\$ 801,119	\$ 801,119	0%	\$48,096,073	1.67%
6/30/15	—	686,122	686,122	0%	53,186,174	1.29%
6/30/13	—	807,286	807,286	0%	15,006,525	5.40%

In accordance with GASB 45, an actuarial valuation has to be performed every two years for OPEB plans over 200 participants. The District will contract for another valuation in fiscal year 2019.

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, 2017**

	Balance July 1, 2016	Receipts	Disbursements	Balance June 30, 2017
Jan Little Memorial Decatur Public Schools Foundation	\$ 308 121	\$ 1 —	\$ — —	\$ 309 121
Karen Rhodes Memorial Art for Students	466 <u>415</u>	2 <u>1,000</u>	— <u>1,415</u>	468 <u>—</u>
	<u>\$ 1,310</u>	<u>\$ 1,003</u>	<u>\$ 1,415</u>	<u>\$ 898</u>
Cash deposited in Hickory Point Bank & Trust Investments	\$ 183 <u>1,127</u>			\$ 161 <u>737</u>
Total, as above	<u>\$ 1,310</u>			<u>\$ 898</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, 2017. 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, 2017.

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 10, 2017

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

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Receipts 7/1/15 - 6/30/16
U.S. Department of Education			
Pass Through Illinois State Board of Education			
IDEA – Preschool Flow-Through	84.173A	16-4600-00 17-4600-00	\$ 124,615 <u> </u>
Total CFDA #84.173A			<u>124,615</u>
IDEA – Flow-Through	84.027A	16-4620-00 17-4620-00	4,661,018 <u> </u>
			<u>4,661,018</u>
Pass Through Monticello Community Unit School District 25			
IDEA – Flow-Through – Room and Board	84.027A	16-4625-00 17-4625-00	40,215 <u> </u>
Total CFDA #84.027A			<u>40,215</u>
Total Special Education Cluster			<u>4,701,233</u>
			<u>4,825,848</u>
Pass Through Department of Human Services			
Secondary Transition Experience Program (STEP)	84.126	46CTD0004 46CUD0004	120,319 <u> </u>
Total CFDA #84.126			<u>120,319</u>
Total U.S. Department of Education			<u>4,946,167</u>
U.S. Department of Health and Human Services			
Pass Through Illinois Department of Healthcare & Family Services			
Medicaid – Administrative Outreach	93.778	16-4991-00 17-4991-00	186,215 <u> </u>
Total CFDA #93.778 and Medicaid Cluster			<u>186,215</u>
Total U.S. Department of Health and Human Services			<u>186,215</u>
Total Federal Awards			<u>\$ 5,132,382</u>

- (1) Local Match \$286,588
- (2) Local Match \$286,588
- (3) Local Match \$20,016,412
- (4) Local Match \$4,607,624

Receipts 7/1/16 – 6/30/17	Disbursements 7/1/15 – 6/30/16	Disbursements 7/1/16 – 6/30/17	Obligations/ Encumbrances	Passed Through to Subrecipients	Final Status	Budget
\$ 5,615	\$ 130,230	\$ —	\$ —	\$ —	\$ 130,230	\$ 144,841
<u>182,115</u>	<u>—</u>	<u>193,490</u>	<u>—</u>	<u>—</u>	<u>193,490</u>	<u>200,030</u>
187,730	130,230	193,490	—	—	323,720	344,871
—	4,347,848	—	—	—	4,347,848	4,724,338
<u>4,264,168</u>	<u>—</u>	<u>4,875,052</u>	<u>—</u>	<u>168,351</u>	<u>4,875,052</u>	<u>5,125,201</u>
4,264,168	4,347,848	4,875,052	—	168,351	9,222,900	9,849,539
47,117	44,683	42,649	—	—	87,332	N/A
<u>93,534</u>	<u>—</u>	<u>133,830</u>	<u>—</u>	<u>—</u>	<u>133,830</u>	<u>N/A</u>
140,651	44,683	176,479	—	—	221,162	N/A
<u>4,404,819</u>	<u>4,392,531</u>	<u>5,051,531</u>	<u>—</u>	<u>168,351</u>	<u>9,449,062</u>	<u>9,849,539</u>
4,592,549	4,522,761	5,245,021	—	168,351	9,767,782	10,194,410
15,949	123,880	12,388	—	—	136,268 ⁽¹⁾	136,268
<u>77,540</u>	<u>—</u>	<u>113,716</u>	<u>—</u>	<u>—</u>	<u>113,716</u> ⁽²⁾	<u>123,880</u>
93,489	123,880	126,104	—	—	249,984	260,148
<u>4,686,038</u>	<u>4,646,641</u>	<u>5,371,125</u>	<u>—</u>	<u>168,351</u>	<u>10,017,766</u>	<u>10,454,558</u>
—	186,215	—	—	—	186,215 ⁽³⁾	N/A
<u>188,239</u>	<u>—</u>	<u>188,239</u>	<u>—</u>	<u>—</u>	<u>188,239</u> ⁽⁴⁾	<u>N/A</u>
188,239	186,215	188,239	—	—	374,454	N/A
<u>188,239</u>	<u>186,215</u>	<u>188,239</u>	<u>—</u>	<u>—</u>	<u>374,454</u>	<u>N/A</u>
<u>\$ 4,874,277</u>	<u>\$ 4,832,856</u>	<u>\$ 5,559,364</u>	<u>\$ —</u>	<u>\$ 168,351</u>	<u>\$ 10,392,220</u>	<u>\$ 10,454,558</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, 2017**

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, 2017. 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 (Continued)
Year Ended June 30, 2017**

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, 2017**

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, 2017**

	2017		2016
	Budget	Actual	Actual
Operating Disbursements			
Administration	\$ 1,643,649	\$ 1,591,743	\$ 1,377,868
Administrative support	1,022,901	997,584	1,076,754
Visually impaired	170,835	163,632	142,442
Hearing impaired	225,399	212,564	97,362
Early childhood	1,031,518	986,648	854,367
SED	1,229,036	1,186,955	1,007,657
Alternative Program	776,638	799,481	632,981
Life Skills	1,506,709	1,481,351	1,414,187
Essential skills	839,547	794,921	719,508
Medicaid	1,115,057	1,033,470	930,189
ORS-STEP Work Study	133,947	84,163	105,800
Summer Programs	35,230	24,580	19,240
IDEA B	5,314,505	5,251,201	4,792,026
IDEA PS	219,930	207,490	144,230
Decatur Social Workers & Nurses	139,464	160,636	1,366,357
Decatur Elementary Cross Cat	357,180	411,952	2,408,504
Decatur Secondary Cross Cat	655,092	685,817	3,035,307
Futures	148,103	158,831	135,074
Decatur Speech Therapy	—	29,128	982,702
Argenta-Oreana Local Costs	—	8,430	355,533
Maroa-Forsyth Local Costs	213,767	209,186	194,800
Mt. Zion Local Costs	—	17,524	891,485
Central A & M Local Costs	—	—	8,364
Sangamon Valley Local Costs	312,664	284,047	258,040
Warrensburg-Latham Local Costs	—	—	7,832
Bement Local Costs	—	3,708	229,797
Cerro Gordo Local Costs	—	4,261	225,135
Deland-Weldon Local Costs	—	3,614	104,743
Meridian Local Costs	79,454	43,223	503,343
Monticello Local Costs	29,056	89,405	617,459
	<u>\$ 17,199,681</u>	<u>\$ 16,925,545</u>	<u>\$ 24,639,086</u>
Total operating disbursements	<u>\$ 17,199,681</u>	<u>\$ 16,925,545</u>	<u>\$ 24,639,086</u>