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**LAGRANGE AREA DEPARTMENT
OF SPECIAL EDUCATION
STATE OF ILLINOIS**

ANNUAL FINANCIAL REPORT

JUNE 30, 2021

eder, casella & co

LAGRANGE AREA DEPARTMENT OF SPECIAL EDUCATION

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INDEPENDENT AUDITOR'S REPORT

To the Directing Board
LaGrange Area Department of Special Education
LaGrange, Illinois

Report on the Financial Statements

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

LaGrange Area Department of Special Education (LADSE)

as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise LADSE's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to LADSE'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 LADSE'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 and each major fund of LADSE as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise LADSE's basic financial statements. The supplemental information as listed in the table of contents and the Schedule of Expenditures of Federal Awards, as required by 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*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2022 on our consideration of LaGrange Area Department of Special Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LADSE's 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 LaGrange Area Department of Special Education's internal control over financial reporting and compliance.

Eder, Casella & Co.

EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
January 6, 2022



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

To the Directing Board
LaGrange Area Department of Special Education
LaGrange, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each the major fund of

LaGrange Area Department of Special Education

as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise LaGrange Area Department of Special Education's basic financial statements, and have issued our report thereon dated January 6, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered LaGrange Area Department of Special Education's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LaGrange Area Department of Special Education's internal control. Accordingly, we do not express an opinion on the effectiveness of LaGrange Area Department of Special Education'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 LADSE'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 LaGrange Area Department of Special Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Eder, Casella & Co.

EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
January 6, 2022

REQUIRED SUPPLEMENTARY INFORMATION

LAGRANGE AREA DEPARTMENT OF SPECIAL EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

As management of the LaGrange Area Department of Special Education (LADSE), we offer readers of LADSE's statements this narrative overview and analysis of the financial activities of LADSE for the fiscal year ended June 30, 2021.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of LADSE exceeded its liabilities and deferred inflows of resources at June 30, 2021 by \$6,364,178 (net position). Of this amount, \$(7,145,113) is unrestricted net position.
- LADSE's net position decreased by \$2,339,431.
- At June 30, 2021, LADSE reported combined ending fund balances of \$5,050,894, a decrease of \$207,734.
- LADSE's capital assets, net of depreciation, decreased by \$27,228 during the year ended June 30, 2021. The key factor in the decrease was current year depreciation.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

Both of the government-wide financial statements distinguish functions of LADSE that are principally supported by tuition and intergovernmental revenues (governmental activities). The governmental activities of LADSE include Instructional Support, Transportation, Administration, and certain other activities and expenses such as payments to other districts and governmental units.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of LADSE's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

LADSE maintains two individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Operations and Maintenance Fund, which are considered to be major funds.

LADSE adopts an annual budget for the funds listed above. A budgetary comparison schedule, which is Required Supplementary Information, has been provided for the funds to demonstrate compliance with this budget. There was no current year budget or current year revenues and expenditures in the Operations and Maintenance Fund.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. In the case of LADSE, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,364,178 at June 30, 2021.

A small portion of LADSE's net position, \$426,129, reflects its investment in capital assets (e.g., buildings, land improvements, improvements other than buildings, and equipment other than transportation/food service). LADSE uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

LaGrange Area Department of Special Education's Net Position

	Governmental Activities	
	FY 2021	FY 2020
Assets		
Current and Other Assets	\$ 14,080,204	\$ 11,048,993
Capital Assets	426,129	453,357
Total Assets	\$ 14,506,333	\$ 11,502,350
Deferred Outflows of Resources	\$ 8,525,351	\$ 11,823,953
Liabilities		
Current and Other Liabilities	\$ 482,480	\$ 277,321
Long-Term Liabilities Outstanding	11,156,100	11,308,457
Total Liabilities	\$ 11,638,580	\$ 11,585,778
Deferred Inflows of Resources	\$ 5,028,926	\$ 3,036,916
Net Position		
Net Investment in Capital Assets	\$ 426,129	\$ 453,357
Restricted	13,083,162	5,350,683
Unrestricted	(7,145,113)	2,899,569
Total Net Position	\$ 6,364,178	\$ 8,703,609

Governmental activities - Governmental activities decreased net position by \$2,231,229. Key elements of this decrease are as follows:

LaGrange Area Department of Special Education's Change in Net Position

	Governmental Activities	
	FY 2021	FY 2020
Revenues		
Program Revenues		
Charges for Services	\$ 22,533,029	\$ 20,471,211
Operating Grants and Contributions	11,661,548	10,715,109
General Revenues		
Unrestricted Investment Earnings	77,415	282,704
Other	-	13,113
Total Revenues	<u>\$ 34,271,992</u>	<u>\$ 31,482,137</u>
Expenses		
Instructional Support	\$ 27,464,241	\$ 27,162,177
Transportation	87,408	98,072
Administration	850,360	929,739
State Retirement Contributions	8,101,212	7,248,937
Total Expenses	<u>\$ 36,503,221</u>	<u>\$ 35,438,925</u>
Change in Net Position	\$ (2,231,229)	\$ (3,956,788)
Net Position - Beginning	8,703,609	12,660,397
Net Position - Ending	<u>\$ 6,472,380</u>	<u>\$ 8,703,609</u>

The increase in charges for services was mainly due to an increase in tuition revenue and deferred billings, while the increase in operating grants and contributions was mainly due to the increase in state retirement contributions. The main reason for the increase in expenses was the increase in state retirement contributions.

FINANCIAL ANALYSIS OF LADSE'S FUNDS

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

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

The General Fund is the chief operating fund of LADSE. At June 30, 2021, total fund balance was \$5,050,894. Unassigned balance in the General Fund was \$4,471,177, or about 13.2% of current year expenditures. The General Fund's fund balance decreased by \$207,734.

The Operations and Maintenance Fund was established in the current fiscal year. At June 30, 2021, total fund balance was \$0. There were no revenues or expenditures in the current year.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

The difference between budgeted revenues and actual revenues was \$6,986,463 (favorable). The difference is largely due to LADSE not budgeting for state retirement contributions, as well as lower than anticipated tuition and federal aid revenue, offset by higher than anticipated state aid revenue.

The difference between the estimated expenditures and the actual expenditures was \$7,194,197 (unfavorable). The difference is largely due to LADSE not budgeting for state retirement contributions, as well as lower than anticipated support services expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - LADSE’s investment in capital assets for its governmental activities as of June 30, 2021 amounts to \$426,129 (net of accumulated depreciation). This investment in capital assets includes buildings and building improvements, site improvements, and equipment other than transportation/food service. The total decrease in LADSE’s investment in capital assets for the year ended June 30, 2021 was \$27,228 and it was due to current year depreciation.

LaGrange Area Department of Special Education
(net of depreciation)

	Governmental Activities	
	06/30/2021	06/30/2020
Site Improvements	\$ 193,049	\$ 210,261
Buildings and Building Improvements	199,481	203,681
Equipment Other than Transportation/Food Service	33,599	39,415
Total	<u>\$ 426,129</u>	<u>\$ 453,357</u>

Additional information on LADSE’s capital assets can be found in note 5 of the financial statements.

LADSE currently has no outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

At the time these financial statements were prepared and audited, LADSE was aware of the following circumstances that will significantly affect financial operations in the future:

- The State of Illinois legislature continues to evaluate retirement funding restructuring. The impact to LADSE is uncertain; however, some additional employer exposure is expected.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of LADSE’s finances for all those with an interest in LADSE’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: LaGrange Area Department of Special Education, 1301 West Cossitt Avenue, LaGrange, Illinois 60525.

BASIC FINANCIAL STATEMENTS

LAGRANGE AREA DEPARTMENT OF SPECIAL EDUCATION
 GOVERNMENT-WIDE FINANCIAL STATEMENTS
 STATEMENT OF NET POSITION
 JUNE 30, 2021

	Governmental Activities
ASSETS	
Cash and Investments at Fair Value	\$ 3,685,706
Intergovernmental Receivables, net of allowance of \$0	541,304
Billings Receivable, net of allowance of \$0	1,604,141
Prepaid Expenses	588,710
Net Pension Asset - IMRF	7,660,343
Capital Assets:	
Depreciable Buildings, Property, and Equipment, net of depreciation	426,129
Total Assets	\$ 14,506,333
DEFERRED OUTFLOWS OF RESOURCES	
Pension Expense/Revenue - TRS	\$ 335,045
Pension Expense/Revenue - IMRF	7,420,420
OPEB Expense/Revenue - District	242,521
OPEB Expense/Revenue - THIS	527,365
Total Deferred Outflows of Resources	\$ 8,525,351
LIABILITIES	
Accounts Payable and Accrued Expenses	\$ 590,682
Long Term Liabilities	
Net Pension Liability - TRS	957,236
Total OPEB Liability - District	232,607
Net OPEB Liability - THIS	9,858,055
Total Liabilities	\$ 11,638,580
DEFERRED INFLOWS OF RESOURCES	
Pension Expense/Revenue - TRS	\$ 649,869
Pension Expense/Revenue - IMRF	1,997,601
OPEB Expense/Revenue - District	86,707
OPEB Expense/Revenue - THIS	2,294,749
Total Deferred Inflows of Resources	\$ 5,028,926
NET POSITION	
Net Investment in Capital Assets	\$ 426,129
Restricted for:	
Retirement	13,083,162
Unrestricted/(Deficit)	(7,145,113)
Total Net Position	\$ 6,364,178

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

LAGRANGE AREA DEPARTMENT OF SPECIAL EDUCATION
 GOVERNMENT-WIDE FINANCIAL STATEMENTS
 STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities				
Instructional Support	\$ 27,452,957	\$ 22,533,029	\$ 3,436,626	\$ (1,483,302)
Transportation	87,372	-	123,710	36,338
Administration	969,882	-	-	(969,882)
State Retirement Contributions	8,101,212	-	8,101,212	-
Total Governmental Activities	<u>\$ 36,611,423</u>	<u>\$ 22,533,029</u>	<u>\$ 11,661,548</u>	<u>\$ (2,416,846)</u>
General Revenues				
Unrestricted Investment Earnings				\$ 77,415
Total General Revenues				<u>\$ 77,415</u>
Change in Net Position				\$ (2,339,431)
Net Position - July 1, 2020				<u>8,703,609</u>
Net Position - June 30, 2021				<u><u>\$ 6,364,178</u></u>

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

LAGRANGE AREA DEPARTMENT OF SPECIAL EDUCATION
 FUND FINANCIAL STATEMENTS
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2021

	General Fund	Operations and Maintenance Fund	Total Governmental Fund
ASSETS			
Cash and Investments at Fair Value	\$ 3,694,699	\$ -	\$ 3,694,699
Intergovernmental Receivables, net of allowance of \$0	541,304	-	541,304
Billings Receivable, net of allowance of \$0	1,604,141	-	1,604,141
Prepaid Items	579,717	8,993	588,710
Total Assets	\$ 6,419,861	\$ 8,993	\$ 6,428,854
LIABILITIES			
Accounts Payable and Accrued Expenditures	\$ 590,682	\$ -	\$ 590,682
Cash Overdraft	-	8,993	8,993
Total Liabilities	\$ 590,682	\$ 8,993	\$ 599,675
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Grants and District Billings	\$ 778,285	\$ -	\$ 778,285
Total Deferred Inflows of Resources	\$ 778,285	\$ -	\$ 778,285
FUND BALANCE			
Nonspendable			
Prepaid Expenses	\$ 579,717	\$ -	\$ 579,717
Unassigned	4,471,177	-	4,471,177
Total Fund Balance	\$ 5,050,894	\$ -	\$ 5,050,894
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 6,419,861	\$ 8,993	\$ 6,428,854

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

LAGRANGE AREA DEPARTMENT OF SPECIAL EDUCATION
 FUND FINANCIAL STATEMENTS
 RECONCILIATION OF THE BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2021

Total Fund Balances - Governmental Funds		\$ 5,050,894
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Capital Assets	\$ 988,236	
Accumulated Depreciation on Capital Assets	<u>(562,107)</u>	426,129
<p>Deferred pension/OPEB amounts in governmental activities are not current financial resources and therefore are not reported in the funds.</p>		
Pension Expense/Revenue - IMRF	\$ 5,422,819	
Pension Expense/Revenue - TRS	(314,824)	
OPEB Expense/Revenue - District	155,814	
OPEB Expense/Revenue - THIS	<u>(1,767,384)</u>	3,496,425
<p>Other assets/liabilities are not available/used to pay for current period expenditures and therefore are deferred inflows/outflows of resources in the funds.</p>		
State and Federal Aid Receivable	\$ 226,040	
District Billings	<u>552,245</u>	778,285
<p>Some assets/liabilities are not available/due and payable in the current period and therefore are not reported in the funds.</p>		
Net Pension Asset - IMRF	\$ 7,660,343	
Net Pension Liability - TRS	(957,236)	
Net OPEB Liability - THIS	(9,858,055)	
Total OPEB Liability - District	<u>(232,607)</u>	<u>(3,387,555)</u>
Net Position of Governmental Activities		<u><u>\$ 6,364,178</u></u>

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

LAGRANGE AREA DEPARTMENT OF SPECIAL EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	General Fund	Operations and Maintenance Fund	Total Governmental Funds
REVENUES			
Tuition	\$ 22,052,195	\$ -	\$ 22,052,195
Earnings on Investments	77,415	-	77,415
State Aid	2,799,727	-	2,799,727
Federal Aid	625,519	-	625,519
State Retirement Contributions	8,101,212	-	8,101,212
Total Revenues	\$ 33,656,068	\$ -	\$ 33,656,068
EXPENDITURES			
Current			
Instruction			
Regular Programs	\$ 268,615	\$ -	\$ 268,615
Special Education Programs	7,171,308	-	7,171,308
Other Instructional Programs	716,038	-	716,038
State Retirement Contributions	8,101,212	-	8,101,212
Support Services			
Pupil	12,757,342	-	12,757,342
Instructional Staff	257,743	-	257,743
General Administration	677,415	-	677,415
School Administration	1,337,645	-	1,337,645
Business	193,197	-	193,197
Operations and Maintenance	441,832	-	441,832
Transportation	79,027	-	79,027
Internal Services	429,920	-	429,920
Central	771,507	-	771,507
Community Services	26,921	-	26,921
Intergovernmental Payments			
Payments to Other Districts and Governmental Units	634,080	-	634,080
Total Expenditures	\$ 33,863,802	\$ -	\$ 33,863,802
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (207,734)	\$ -	\$ (207,734)
OTHER FINANCING SOURCES (USES)	-	-	-
NET CHANGE IN FUND BALANCES	\$ (207,734)	\$ -	\$ (207,734)
FUND BALANCE - JULY 1, 2020	5,258,628	-	5,258,628
FUND BALANCE - JUNE 30, 2021	\$ 5,050,894	\$ -	\$ 5,050,894

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

LAGRANGE AREA DEPARTMENT OF SPECIAL EDUCATION
 FUND FINANCIAL STATEMENTS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2021

Net Change in Fund Balances - Total Governmental Funds \$ (207,734)

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

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

Depreciation Expense (27,228)

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

Member District Billings	\$ 480,834	
State and Federal Aid	<u>135,090</u>	
		615,924

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

Pension Income/(Expense) - IMRF	\$ (2,786,146)	
Pension Income/(Expense) - TRS	162,784	
OPEB Income/(Expense) - District	(60,632)	
OPEB Income/(Expense) - THIS	<u>(290,329)</u>	
		(2,974,323)

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

Employer Contributions - IMRF	\$ 61,190	
Employer Contributions - TRS	58,673	
Employer Contributions - District	42,147	
Employer Contributions - THIS	<u>91,920</u>	
		<u>253,930</u>

Change in Net Position of Governmental Activities \$ (2,339,431)

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

LAGRANGE AREA DEPARTMENT OF SPECIAL EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - DESCRIPTION OF JOINT AGREEMENT

LaGrange Area Department of Special Education (LADSE) is a joint agreement special education cooperative formed by fifteen school districts in Eastern DuPage and Western Cook Counties under Section 10-22.31 of the Illinois School Code. It was formed in 1957 to provide special education for children residing in these districts.

The cooperative is currently made up of fifteen districts as follows as of June 30, 2021:

DISTRICT NO.

53	Butler
61	Darien
62	Gower
92.5	Westchester
94	Komarek
95	Brookfield-LaGrange Park
96	Riverside
101	Western Springs
102	LaGrange
103	Lyons
105	LaGrange South
106	LaGrange Highlands
107	Pleasantdale
204	Lyons Township High School
208	Riverside Brookfield High School

The purpose of LADSE is to provide for the administration to oversee the Special Education programs described in Article 14 of the School Code as programs for:

- Communication Development
- Deaf and Hard of Hearing
- Early Childhood Education
- Emotional Disability
- Extended School Year
- Multi-Needs
- Phonological

LADSE is not a legal entity. Therefore, consistent with Illinois School Code, it needs an administrative district whose Board of Education must ratify the fiscal decisions/actions of LADSE's Directing Board. Lyons Township High School District 204 serves as LADSE's administrative district.

LADSE's Directing Board is the decision-making body for the cooperative. The superintendents of LADSE's member districts make up the LADSE Directing Board and each member has an equal voice in all decisions of the Board. The Board also hires an Executive Director who is the Chief Administrative Officer for the cooperative. The Board sets policy, reviews and approves budgets, expenditures, personnel decisions and LADSE programs/services as presented to it by the Executive Director.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTES TO FINANCIAL STATEMENTS (Continued)

LADSE's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant accounting policies established by GAAP and used by LADSE are discussed below.

A. *Reporting Entity*

The accompanying financial statements comply with the provisions of GASB statements in that the financial statements include all organizations, activities, and functions that comprise LADSE. Component units are legally separate entities for which LADSE (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) LADSE's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, LADSE. Using these criteria, LADSE has no component units. In addition, LADSE is not included as a component unit in any other governmental reporting entity as defined by GASB pronouncements.

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

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

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

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

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances were eliminated or reclassified. Interfund services provided and used are not eliminated in the process of consolidation.

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

LADSE does not allocate indirect costs.

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

C. *Basic Financial Statements – Fund Financial Statements*

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

NOTES TO FINANCIAL STATEMENTS (Continued)

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate.

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

The following fund types are used by LADSE:

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

General Fund – The General Fund (Educational Fund) is the general operating fund of LADSE. It is used to account for all financial resources not accounted for in a separate special revenue fund. Revenues consist largely of member fees and state and federal government aid.

Special Revenue Fund – The Special Revenue Fund (Operations and Maintenance Fund) is used to account for the proceeds of specific revenue sources that are restricted, committed, or assigned to expenditures for specified purposes other than debt service or capital projects.

D. *Basis of Accounting*

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

1. Accrual

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

2. Modified Accrual

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

E. *Cash and Cash Equivalents and Investments*

LADSE utilizes the treasury services of the Township School Treasurer and authorizes LADSE's treasurer to invest in obligations of the U.S. Treasury, certain highly rated commercial paper, corporate bonds, repurchase agreements, and money market mutual funds registered under the Investment Company Act of 1940, with certain restrictions.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

Investments are stated at fair value. Fair value is determined by quoted market prices. Gains or losses on the sale of investments are recognized as they are incurred. LADSE has adopted a formal written investment and cash management policy.

Separate bank accounts are not maintained for all LADSE funds. Instead, the funds maintain their balances in common accounts, with accounting records being maintained to show the portion of the common bank account balances attributable to each participating fund.

Occasionally, certain of the funds participating in the common bank accounts will incur overdrafts (deficits) in the account. Such overdrafts in effect constitute cash borrowed from other LADSE funds and are, therefore, interfund loans which have not been authorized by Board action.

The Operations and Maintenance Fund had a cash overdraft for \$8,993 at June 30, 2021.

F. *Receivables*

All receivables are reported net of estimated uncollectible amounts.

G. *Prepaid Expenses*

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

H. *Inventories*

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

I. *Capital Assets*

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Site Improvements	20 Years
Buildings and Building Improvements	50 Years
Equipment Other than Transportation/Food Service	5-10 Years

J. *Deferred Outflows and Inflows of Resources*

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

K. *Compensated Absences*

Vacation benefits are granted to employees in varying amounts up to specified maximums depending on tenure with LADSE.

NOTES TO FINANCIAL STATEMENTS (Continued)

Each employee is also eligible to receive up to 15 sick leave days per year based upon employee classification. Sick leave may be accumulated annually; however, no cash payment is made for unused sick leave.

Payments for vacation will be made at the rates in effect when benefits are used. Accumulated vacation liabilities, if any, are determined on the basis of current salary rates as of June 30, 2021.

L. *Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are amortized over the life of the bonds on a straight-line basis. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt service expenditures in the year they occur.

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

M. *Government-Wide Fund Net Position*

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

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

N. *Governmental Fund Balances*

Governmental fund balances are divided between non-spendable and spendable.

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

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

O. *Estimates*

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

NOTE 3 - DEPOSITS AND INVESTMENTS

A. *Cash and Investments Under the Custody of the Township Treasurer*

As explained in Note 2, the Illinois Compiled Statutes require LADSE to utilize the investment services of the Township School Treasurer (the Treasurer). As such, the Treasurer is the lawful custodian of these school funds. The Treasurer is appointed by the Township Treasurer's Board of Trustees, an independently elected body, to serve the school districts in the township. The Treasurer is the direct recipient of most state and federal aid and disburses school funds upon lawful order to the School Board. The Treasurer invests excess funds at his discretion, subject to the legal restrictions discussed below.

LADSE cash and investments (other than the Imprest and petty cash funds) are part of a common pool for all the school districts and cooperatives within the township. The Treasurer maintains records that segregate the cash and investment balances by district or cooperative. Income from investments is distributed based upon LADSE's percentage participation in the pool. Cash for all funds is not deemed available for purposes other than those for which these balances are intended.

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

The Treasurer's office operates as a nonrated, external investment pool. The fair value of LADSE's investment in the Treasurer's pool is determined by LADSE's proportionate share of the fair value of the investments held by the Treasurer's office.

The weighted-average maturity of all pooled marketable investments held by the Treasurer at June 30, 2021 was as follows:

NOTES TO FINANCIAL STATEMENTS (Continued)

Certificates of Deposits	0.96
Corporate Bonds	2.65
Municipal Bonds	3.35
US Treasuries	6.12
Federal Home Loan Mortgage Corporation	3.14
Federal National Mortgage Association	8.14
Freddie Mac	7.3
Government National Mortgage Association	32.09
Government Agency	11.69

The Treasurer also holds money-market type investments and deposits with financial institutions, including certificates of deposit. As of the same date, the fair value of all investments held by the Treasurer's office was \$240,119,956, and the fair value of LADSE's cash and investments held by the Treasurer's office was \$3,675,399 at June 30, 2021. Further information about cash and investments held at the Treasurer's office and Treasurer's office operations is available from the Treasurer's financial statements.

Because all cash and investments are pooled by a separate legal governmental agency (Treasurer), categorization by risk category is not determinable. Further information about whether investments are insured, collateralized, or uncollateralized is available from the Treasurer's financial statements.

B. Cash and Investments in the Custody of LADSE

At June 30, 2021, the carrying value of LADSE's Imprest accounts totaled \$10,307.

Custodial Credit Risk

With respect to deposits, custodial credit risk refers to the risk that, in the event of a bank failure, LADSE's deposits may not be returned to it. LADSE's investment policy limits exposure to deposit custodial credit risk by requiring all deposits in excess of FDIC insurable limits to be secured by collateral in the event of default or failure of the financial institution holding the funds. As of June 30, 2021, the bank balance of LADSE's deposits with financial institutions was fully insured.

NOTE 4 - FAIR VALUE MEASUREMENT

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

LADSE has the following recurring fair value measurements as of June 30, 2021:

Certificates of Deposits	Level 2
Corporate Bonds	Level 2
Municipal Bonds	Level 2
US Treasuries	Level 1
Federal Home Loan Mortgage Corporation	Level 2
Federal National Mortgage Association	Level 2
Freddie Mac	Level 2
Government National Mortgage Association	Level 2
Government Agency	Level 2

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

NOTES TO FINANCIAL STATEMENTS (Continued)

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Governmental Activities				
Capital Assets not being depreciated	\$ -	\$ -	\$ -	\$ -
Other Capital Assets				
Site Improvements	\$ 346,146	\$ -	\$ -	\$ 346,146
Buildings and Building Improvements	536,675	-	-	536,675
Equipment Other than Transportation/Food Service	118,098	-	12,683	105,415
Total Other Capital Assets at Historical Cost	<u>\$ 1,000,919</u>	<u>\$ -</u>	<u>\$ 12,683</u>	<u>\$ 988,236</u>
Less Accumulated Depreciation				
Site Improvements	\$ 135,885	\$ 17,212	\$ -	\$ 153,097
Buildings and Building Improvements	332,994	4,200	-	337,194
Equipment Other than Transportation/Food Service	78,683	5,816	12,683	71,816
Total Accumulated Depreciation	<u>\$ 547,562</u>	<u>\$ 27,228</u>	<u>\$ 12,683</u>	<u>\$ 562,107</u>
Other Capital Assets, Net	<u>\$ 453,357</u>	<u>\$ (27,228)</u>	<u>\$ -</u>	<u>\$ 426,129</u>
Governmental Activities Capital Assets, Net	<u>\$ 453,357</u>	<u>\$ (27,228)</u>	<u>\$ -</u>	<u>\$ 426,129</u>

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

Administration	7,339
	<u>\$ 27,228</u>

NOTE 6 - EXCESS OF EXPENDITURES OVER BUDGET

For the year ended June 30, 2021, the expenditures of the following fund exceeded the budget:

Fund	Budget	Actual	Excess of Actual Over Budget
General	\$ 26,669,605	\$ 33,863,802	\$ 7,194,197

The excess of actual over budget in the General Fund was mainly due to LADSE not budgeting for state retirement contributions, which are not a direct expenditure of LADSE.

NOTE 7 - RETIREMENT FUND COMMITMENTS

A. Teachers' Retirement System of the State of Illinois

General Information About the Pension Plan

Plan Description

LADSE 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 non-annuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The TRS Board of Trustees is responsible for the System's administration.

TRS issues a publicly available financial report that can be obtained at <http://www.trsil.org/financial/cafrs/fy2020>; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling (888) 678-3675, option 2.

Benefits Provided

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

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

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

Public Act 100-0023, enacted in 2017, creates an optional Tier III hybrid retirement plan, but it has not yet gone into effect. Public Act 100-0587, enacted in 2018, requires TRS to offer two temporary benefit buyout program that expire on June 30, 2024. One program allows retiring Tier I members to receive a partial lump-sum payment in exchange for accepting a lower, delayed annual increase. The other allows inactive vested Tier I and II members to receive a partial lump-sum payment in lieu of a retirement annuity. Both programs began in 2019 and will be funded by bonds issued by the state of Illinois.

Contributions

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

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2020 was 9.0% of creditable earnings. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the employer.

On-Behalf Contributions to TRS. The State of Illinois makes employer pension contributions on behalf of LADSE. For the year ended June 30, 2021, State of Illinois contributions recognized by LADSE were based on the State's proportionate share of the pension expense associated with LADSE, and LADSE recognized revenue and expenditures of \$7,984,959 in pension contributions from the State of Illinois.

2.2 Formula Contributions. Districts contribute 0.58% of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2021, were \$58,441 and are deferred because they were paid after the June 30, 2020 measurement date.

Federal and Special Trust Fund Contributions. When TRS members are paid from federal and special trust funds administered by the employer, there is a statutory requirement for the employer to pay an employer pension contribution from those funds. Under Public Act 100-0340, the federal and special trust fund contribution rate is the total employer normal cost beginning with the year ended June 30, 2018.

NOTES TO FINANCIAL STATEMENTS (Continued)

Previously, employer contributions for employees paid from federal and special trust funds were at the same rate as the state contribution rate to TRS and were much higher.

For the year ended June 30, 2021, LADSE's pension contribution was 10.41% of salaries paid from federal and special trust funds. For the year ended June 30, 2021, salaries totaling \$0 were paid from federal and special trust funds that required LADSE contributions of \$0. These contributions are deferred because they were paid after the June 30, 2021 measurement date.

Employer Retirement Cost Contributions. Under GASB Statement No. 68, contributions that an employer is required to pay because of a TRS member retiring are categorized as specific liability payments. The employer is required to make a one-time contribution to TRS for members granted salary increases over 6% if those salaries are used to calculate a retiree's final average salary.

A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2021, LADSE paid \$1,078 to TRS for employer contributions due on salary increases in excess of 6% and \$0 for sick leave days granted in excess of the normal annual allotment.

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

At June 30, 2020, LADSE reported a liability for its proportionate share of the net pension liability (first amount shown below) that reflected a reduction for state pension support provided to LADSE. The State's support and total are for disclosure purposes only. The amount recognized by LADSE 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 LADSE follows below:

LADSE's proportionate share of the net pension liability	\$ 957,236
State's proportionate share of the net pension liability associated with LADSE	74,975,685
Total	<u>\$ 75,932,921</u>

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 and rolled forward to June 30, 2020. The employer's proportion of the net pension liability was based on LADSE's share of contributions to TRS for the measurement year ended June 30, 2020, relative to the contributions of all participating TRS employers and the State during that period. At June 30, 2020, LADSE's proportion was 0.0011103%, which was a decrease of 0.0000284% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, LADSE recognized pension expense of \$7,984,959 and revenue of \$7,984,959 for support provided by the State. At June 30, 2021, LADSE reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Outflows of Resources
Differences between expected and actual experience	\$ 9,277	\$ (255)	\$ 9,022
Net difference between projected and actual earnings on pension investments	28,582	-	28,582
Changes of assumptions	3,922	(10,044)	(6,122)
Changes in proportion and differences between employer contributions and proportionate share of contributions	234,823	(639,570)	(404,747)
Employer contributions subsequent to the measurement date	58,441	-	58,441
	<u>\$ 335,045</u>	<u>\$ (649,869)</u>	<u>\$ (314,824)</u>

\$58,441 reported as deferred outflows of resources related to pensions resulting from LADSE's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2022. Other amounts reported as deferred outflows of

NOTES TO FINANCIAL STATEMENTS (Continued)

resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows in these reporting years:

<u>Year Ending June 30</u>	
2022	\$ (72,753)
2023	(194,932)
2024	(103,537)
2025	(271)
2026	(1,772)
	<u>\$ (373,265)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2020 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	7.0%, net of pension plan investment expenses, including inflation

In the June 30, 2020 actuarial valuation, mortality rates were based on the RP-2014 White Collar Table with appropriate adjustments for TRS experience. The rates are based on a fully-generational basis using projection table MP-2017. In the June 30, 2019 actuarial valuation, mortality rates were also based on the RP-2014 White Collar Table with appropriate adjustments for TRS experience. The rates were used on a fully-generational basis using projection table MP-2014.

The long-term (20-year) 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. equities large cap	16.5%	6.1%
U.S. equities small/mid cap	2.3%	7.2%
International equities developed	12.2%	7.0%
Emerging market equities	3.0%	9.4%
U.S. bonds core	7.0%	2.2%
U.S. bonds high yield	2.5%	4.1%
International debt developed	3.1%	1.5%
Emerging international debt	3.2%	4.5%
Real estate	16.0%	5.7%
Private Debt	5.2%	6.3%
Hedge Funds	10.0%	4.3%
Private Equity	15.0%	10.5%
Infrastructure	4.0%	6.2%
Total	<u>100.0%</u>	

Discount Rate

At June 30, 2020, the discount rate used to measure total pension liability was 7.00%, which was the same as the June 30, 2019 rate. 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

Based on those assumptions, TRS's fiduciary net position at June 30, 2020 was projected to be available to make all projected future benefit payments to current active and inactive members and all benefit recipients. Tier I's liability is partially funded by Tier II members, as the Tier II member contribution is higher than the cost of Tier II benefits. Due to this subsidy, contributions from future members in excess of the service cost are also included in the determination of the discount rate. All projected future payments were covered, so the long-term expected rate of return on TRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of LADSE's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Employer's proportionate share of the net pension liability	\$ 1,161,910	\$ 957,236	\$ 788,730

TRS Fiduciary Net Position

Detailed information about the TRS's fiduciary net position as of June 30, 2020 is available in the separately issued TRS *Comprehensive Annual Financial Report*.

B. *Illinois Municipal Retirement Fund*

Plan Description

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

Benefits Provided

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

Employees Covered by Benefit Terms

All appointed employees of a participating employer who are employed in a position normally requiring 600 hours (1,000 hours for certain employees hired after 1981) or more of work in a year are required to participate. As of December 31, 2020, the following employees were covered by the benefit terms:

Inactive plan members and beneficiaries currently receiving benefits	34
Inactive plan members entitled to but not yet receiving benefits	173
Active plan members	190
Total	<u>397</u>

Contributions

As set by statute, LADSE's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. LADSE's annual contribution rate for both calendar year 2020 and 2021 was .78%. For the fiscal year ended June 30, 2021, LADSE contributed \$61,190 to the plan. LADSE also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The components of the net pension liability of the IMRF actuarial valuation performed as of December 31, 2020, and a measurement date as of December 31, 2020, calculated in accordance with GASB Statement No. 68, were as follows:

Total Pension Liability	\$ 23,403,585
IMRF Fiduciary Net Position	31,063,928
Net Pension Liability	(7,660,343)
IMRF Fiduciary Net Position as a Percentage of the Total Pension Liability	132.73%

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

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2020 using the following actuarial methods and assumptions:

NOTES TO FINANCIAL STATEMENTS (Continued)

Assumptions	
Inflation	2.25%
Salary Increases	2.85% - 13.75% including inflation
Interest Rate	7.25%
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets

Projected Retirement Age Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2020 valuation pursuant to an experience study for the period 2017-2019.

For non-disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 106%) and Female (adjusted 105%) tables, and future mortality improvements projected using scale MP-2020 were used. For disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020 were used. For active members, the Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020 were used.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2020:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Projected Return</u>
Equities	37.00%	5.00%
International Equities	18.00%	6.00%
Fixed Income	28.00%	1.30%
Real Estate	9.00%	6.20%
Alternatives	7.00%	
Private Equity		6.95%
Hedge Funds		N/A
Commodities		2.85%
Cash Equivalents	1.00%	0.70%
	<u>100.00%</u>	

Single Discount Rate

A Single Discount Rate of 7.25% was used to measure the total pension liability as of December 31, 2020. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

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

NOTES TO FINANCIAL STATEMENTS (Continued)

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.25%; the municipal bond rate is 2.00%; and resulting single discount rate is 7.25%. The prior year single discount rate was 7.25% and increased 0.00% to the current year single discount rate.

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Position Liability (A)-(B)
Balances at December 31, 2019	\$ 21,932,373	\$ 27,283,056	\$ (5,350,683)
Changes for the year:			
Service Cost	\$ 751,179	\$ -	\$ 751,179
Interest on the Total Pension Liability	1,591,790	-	1,591,790
Differences Between Expected and Actual			
Experience of the Total Pension Liability	139,534	-	139,534
Changes of Assumptions	(306,806)	-	(306,806)
Contributions - Employer	-	59,407	(59,407)
Contributions - Employee	-	342,731	(342,731)
Net Investment Income	-	3,900,424	(3,900,424)
Benefit Payments, including Refunds of Employee Contributions	(704,485)	(704,485)	-
Other (Net Transfer)	-	182,795	(182,795)
Net Changes	\$ 1,471,212	\$ 3,780,872	\$ (2,309,660)
Balances at December 31, 2020	\$ 23,403,585	\$ 31,063,928	\$ (7,660,343)

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

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.25%, as well as what the plan's net pension liability would be if it were calculated using a single Discount Rate that is 1% lower or 1% higher than the current rate:

	1% Lower 6.25%	Current Discount Rate 7.25%	1% Higher 8.25%
Net Pension Liability	\$ (4,348,139)	\$ (7,660,343)	\$ (10,138,153)

Pension Expense/(Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2021, LADSE recognized pension expense of \$2,786,146. At June 30, 2021, LADSE reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Expense in Future Periods	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Net Outflows of Resources
Differences between expected and actual experience	\$ 7,044,776	\$ -	\$ 7,044,776
Changes of assumptions	336,931	410,565	(73,634)
Net difference between projected and actual earnings on pension plan investments	-	1,587,036	(1,587,036)
Total deferred amounts to be recognized in pension expense in future periods	\$ 7,381,707	\$ 1,997,601	\$ 5,384,106
Pension contributions made subsequent to the measurement date (LADSE only)	38,713	-	38,713
Total deferred amounts related to pensions	\$ 7,420,420	\$ 1,997,601	\$ 5,422,819

NOTES TO FINANCIAL STATEMENTS (Continued)

\$38,713 reported as deferred outflows of resources related to pensions resulting from LADSE's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Net Deferred Outflows of Resources
2021	\$ 2,942,389
2022	2,803,952
2023	(9,884)
2024	(347,539)
2025	(4,812)
Total	\$ 5,384,106

C. Social Security

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

NOTE 8 - POST EMPLOYMENT BENEFIT COMMITMENTS

A. Post-Employment Benefit Commitments – Retiree Insurance Plan

Plan Overview

In addition to providing the pension benefits described in Note 7, LADSE provides post-employment benefits other than pensions ("OPEB") for retired employees who meet certain criteria through a single-employer defined benefit plan. The benefits, benefit levels, employee contributions and employer contributions are governed by LADSE and can be amended by LADSE through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The activity of the plan is reported in LADSE's governmental activities.

Benefits Provided

LADSE provides postemployment health care benefits to its retirees. To be eligible for benefits, an employee must meet the eligibility requirements of the Illinois Municipal Retirement Fund. All health care benefits are provided through LADSE's insured health plan. The benefit levels are the same as those afforded to active employees. Eligible retirees may continue coverage into retirement on a pay-all basis. Coverage is also available for eligible dependents on a pay-all basis. Coverage can continue upon the participant reaching Medicare eligibility. Coverage for dependents can continue upon the death of the retiree given that contributions continue.

Eligibility

Employees of LADSE are eligible for retiree health benefits as listed below:

Regular Plan Tier 1 (Enrolled in IMRF Prior to January 1, 2011)

- At least 55 years old and at least 8 years of credited service (reduced pension)
- At least 60 years old and at least 8 years of credited service (full pension)

Regular Plan Tier 2 (Enrolled in IMRF On or After January 1, 2011)

- At least 62 years old and at least 10 years of credited service (reduced pension)
- At least 67 years old and at least 10 years of credited service (full pension)

NOTES TO FINANCIAL STATEMENTS (Continued)

Membership

Membership in the plan consisted of the following at June 30, 2020, the date of the latest actuarial valuation:

Active Employees	128
Inactive Employees Entitled to but not yet Receiving Benefits	0
Inactive Employees Currently Receiving Benefits	7
Total	<u>135</u>

Total OPEB Liability

LADSE's total OPEB liability was measured as of June 30, 2021, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2020.

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Method	Entry Age Normal
Discount rate	2.18%
Inflation	3.00%
Salary Rate Increase	4.00%
Health Care Trend	
Initial Trend Rate	9.00%
Ultimate Trend Rate	5.00%
FY the Ultimate Rate is Reached	2036
Mortality	<i>Active Employees</i> - RP-2014 Combined Annuitant Mortality Table for males and females with 2-dimensional, fully generational improvements using the MP-2017 Mortality Improvement Scale <i>Retirees</i> - IMRF-specific mortality rates with 2-dimensional, fully generational improvements using the MP-2017 Mortality Improvement Scale projected from 2015. The rates were developed from the RP-2014 Blue Collar Mortality Table with adjustments to match current IMRF experience.
Election at Retirement	10% of active employees are assumed to elect coverage at retirement
Marital Status	40% of active employees are assumed to be married and elect spousal coverage upon retirement. Males are assumed to be three years older than females.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study conducted by IMRF. Assumption changes reflect a change in the discount rate of (0.48%) from 2.66% for the beginning of the year values and 2.18% for the disclosure date.

There is no long-term expected rate of return on OPEB plan investments because LADSE does not have a trust dedicated exclusively to the payment of OPEB benefits.

Discount Rate

LADSE does not have a dedicated trust to pay retiree healthcare benefits. Per GASB 75, the discount rate should be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

NOTES TO FINANCIAL STATEMENTS (Continued)

A rate of 2.18% is used, which is the S&P Municipal Bond 20-Year High-Grade Rate Index as of June 30, 2021.

Changes in the Total OPEB Liability

	Increase/(Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2020	\$ 232,000	\$ -	\$ 232,000
Changes for the year:			
Service Cost	\$ 28,493	\$ -	\$ 28,493
Interest on Total OPEB Liability	5,611	-	5,611
Assumption Changes	8,650	-	8,650
Benefit Payments	(42,147)	-	(42,147)
Net Changes	\$ 607	\$ -	\$ 607
Balances at June 30, 2021	\$ 232,607	\$ -	\$ 232,607

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of LADSE, as well as what LADSE's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate:

Plan's Total OPEB Liability/(Asset)		
1% Decrease	Valuation Rate	1% Increase
\$ 252,231	\$ 232,607	\$ 214,535

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the total OPEB liability of LADSE, as well as what LADSE's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

Plan's Total OPEB Liability/(Asset)		
Healthcare Cost		
1% Decrease	Valuation Rate	1% Increase
\$ 205,802	\$ 232,607	\$ 264,739

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

For the fiscal year ended June 30, 2021, LADSE recognized OPEB expense of \$60,632. At June 30, 2021, LADSE reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Outflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 43,928	\$ (43,928)
Changes of Assumptions	242,521	42,779	199,742
Total	\$ 242,521	\$ 86,707	\$ 155,814

NOTES TO FINANCIAL STATEMENTS (Continued)

Changes in total OPEB liability related to the difference in actual and expected experience, or changes in assumptions regarding future events, are recognized in OPEB expense over the expected remaining service life of all employees (7.41 years, active and retired) in the postretirement plan.

Amounts reported as deferred outflows of resources related to OPEB will be recognized as future OPEB expense as follows:

<u>Year ending June 30</u>	<u>Net (Outflows) of Resources</u>
2022	\$ 26,528
2023	26,528
2024	26,528
2025	26,528
2026	28,780
Thereafter	20,922
	<u>\$ 155,814</u>

Roll Forward Disclosure

The actuarial valuations were performed as of June 30, 2020. Update procedures were used to roll forward the total OPEB liabilities to June 30, 2021.

B. Teacher Health Insurance Security Fund (THIS)

General Information About the OPEB Plan

Plan Description

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

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

Benefits Provided

The State of Illinois offers comprehensive health plan options, all of which include prescription drug and behavioral health coverage. The State of Illinois offers TCHP, HMO, and OAP plans.

- Teachers' Choice Health Plan (TCHP) benefit recipients can choose any physician or hospital for medical services; however, benefit recipients receive enhanced benefits, resulting in lower out-of-pocket costs, when receiving services from a TCHP in-network provider. TCHP has a nationwide network and includes CVS/Caremark for prescription drug benefits and Magellan Behavioral Health for behavioral health services.

NOTES TO FINANCIAL STATEMENTS (Continued)

- Health Maintenance Organizations (HMO) benefit recipients are required to stay within the health plan provider network. No out-of-network services are available. Benefit recipients will need to select a primary care physician (PCP) from a network of participating providers. The PCP will direct all healthcare services and make referrals to specialists and hospitalization.
- Open Access Plan (OAP) benefit recipients will have three tiers of providers from which to choose to obtain services. The benefit level is determined by the tier in which the healthcare provider is contracted.
 - Tier I offers a managed care network which provides enhanced benefits and operates like an HMO.
 - Tier II offers an expanded network of providers and is a hybrid plan operating like an HMO and PPO.
 - Tier III covers all providers which are not in the managed care networks of Tiers I or II (i.e., out-of-network providers). Using Tier III can offer benefit recipients flexibility in selecting healthcare providers but involves higher out-of-pocket costs. Furthermore, benefit recipients who use out-of-network providers will be responsible for any amount that is over and above the charges allowed by the plan for services (i.e., allowable charges), which could result in substantial out-of-pocket costs. Benefit recipients enrolled in an OAP can mix and match providers and tiers.

Contributions

For the fiscal year ended June 30, 2021, the State Employees Group Insurance Act of 1971 (5 ILCS 375/6.6) requires that all active contributors of the THIS make contributions to the plan at a rate of 1.24% of salary and for every employer of a teacher to contribute an amount equal to 0.92% of each teacher’s salary. For the fiscal year ended June 30, 2020, the employee contribution was 1.24% of salary and the employer contribution was 0.92% of each teacher’s salary. The Department of Central Management Services determines, by rule, the percentage required, which each year shall not exceed 105% of the percentage of salary actually required to be paid in the previous fiscal year. In addition, under the State Pension Funds Continuing Appropriations Act (40 ILCS 15/1.3), there is appropriated, on a continuing annual basis, from the General Revenue Fund, an account of the General Fund, to the State Comptroller for deposit in the Teachers’ Health Insurance Security Fund (THISF), an amount equal to the amount certified by the Board of Trustees of THIS as the estimated total amount of contributions to be paid under 5 ILCS 376/6.6(a) in that fiscal year. The member contribution, which may be paid on behalf of employees by the employer, is submitted to THIS by the employer.

On-Behalf Contributions to THIS. The State of Illinois makes employer benefit contributions on behalf of LADSE. For the year ended June 30, 2021, State of Illinois contributions recognized by LADSE were based on the State’s proportionate share of the collective net OPEB liability associated with LADSE, and LADSE recognized revenue and expenditures of \$116,253 in benefit contributions from the State of Illinois.

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

At June 30, 2020, LADSE reported a liability for its proportionate share of the net OPEB liability (first amount shown below) that reflected a reduction for state benefit support provided to LADSE. The State’s support and total are for disclosure purposes only. The amount recognized by LADSE as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with LADSE were as follows:

LADSE's proportionate share of the net pension liability	\$ 9,858,055
State's proportionate share of the net pension liability associated with LADSE	13,355,046
Total	<u>\$ 23,213,101</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019 and rolled forward to June 30, 2020. LADSE's proportion of the net OPEB liability was based on LADSE's share of contributions to THIS for the measurement year ended June 30, 2020, relative to the contributions of all participating THIS employers and the State during that period. At June 30, 2020, LADSE's proportion was 0.036872%, which was an increase of 0.000189% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, LADSE recognized benefit expense of \$290,329 and on-behalf revenue/expense of \$116,253 for support provided by the State. At June 30, 2021, LADSE reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Outflows of Resources
Differences between expected and actual experience	\$ -	\$ (261,918)	\$ (261,918)
Net difference between projected and actual earnings on pension plan investments	-	(281)	(281)
Changes of assumptions	3,338	(1,626,074)	(1,622,736)
Changes in proportion and differences between employee contributions and proportionate share of contributions	-	(406,476)	(406,476)
Employer contributions subsequent to the measurement date	432,433	-	432,433
	91,594	-	91,594
	<u>\$ 527,365</u>	<u>\$ (2,294,749)</u>	<u>\$ (1,767,384)</u>

\$91,594 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the reporting year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows in these reporting years:

Year Ending June 30	
2022	\$ (362,333)
2023	(970,823)
2024	(515,647)
2025	(1,350)
2026	(8,825)
	<u>\$ (1,858,978)</u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Depends on service and ranges from 9.50% at 1 year of service to 4.00% at 20 or more years of service. Salary increase includes a 3.25% wage inflation assumption.
Investment Rate of Return	0%, net of OPEB plan investment expense, including inflation
Healthcare Cost Trend Costs	Trend for fiscal year 2020 based on expected increases used to develop average costs. For fiscal years after 2020, trend starts at 8.25% for non-Medicare costs and Medicare costs, and gradually decreases to an ultimate trend of 4.25%. There is no additional trend rate adjustment due to the repeal of the Excise Tax.

NOTES TO FINANCIAL STATEMENTS (Continued)

Mortality rates for retirement and beneficiary annuitants were based on the RP-2014 White Collar Annuitant Mortality Table, adjusted for TRS experience. For disabled annuitants mortality rates were based on the RP-2014 Disabled Annuitant Table. Mortality rates pre-retirement were based on the RP-2014 White Collar Table. All tables reflect future improvements using Projection Scale MP-2017.

The actuarial assumptions that were used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 through June 30, 2017.

The long-term expected rate of return on OPEB 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 OPEB 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
Illinois Public Treasurers' Investment Pool	100.0%	1.73%
	100.0%	

Discount Rate

Projected benefit payments were discounted to their actuarial present value using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bond with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met). Since TRIP (Teachers' Retirement Insurance Program) is financed on a pay-as-you-go basis, a discount rate consistent with the 20-year general obligation bond index has been selected. The discount rates are 2.45% as of June 30, 2020, and 3.13% as of June 30, 2019. 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, THIS's fiduciary net position at June 30, 2020 was projected to be available to make all projected future benefit payments to current active and inactive members and all benefit recipients. Due to this subsidy, contributions from future members in excess of the service cost are also included in the determination of the discount rate. All projected future payments were covered, so the long-term expected rate of return on THIS investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

At June 30, 2020, the discount rate used to measure the total OPEB liability was 2.45%.

Sensitivity of LADSE's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents LADSE's proportionate share of the net OPEB liability calculated using the discount rate of 2.45%, as well as what LADSE's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (1.45%) or 1 percentage-point higher (3.45%) than the current rate.

	1% Decrease 1.45%	Current Discount Rate 2.45%	1% Increase 3.45%
Employer's proportionate share of the net OPEB liability	\$ 11,848,045	\$ 9,858,055	\$ 8,281,570

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the total OPEB liability of LADSE, as well as what LADSE’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher. The key trend rates are 8.25% in 2021 decreasing to an ultimate trend rate of 4.25% in 2037.

	1% Decrease (a)	Healthcare Cost Valuation Rate	1% Increase (b)
Employer’s proportionate share of the net OPEB liability	\$ 7,928,918	\$ 9,858,055	\$ 12,465,999

- (a) One percentage point decrease in healthcare trend rates are 7.25% in 2021 decreasing to an ultimate trend rate of 3.25% in 2037.
- (b) One percentage point increase in healthcare trend rates are 9.25% in 2021 decreasing to an ultimate trend rate of 5.25% in 2037.

NOTE 9 - RISK MANAGEMENT

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

During the year ended June 30, 2021, there were no significant reductions in insurance coverage. Also, there have been no settlement amounts that have exceeded insurance coverage in any of the past three fiscal years. LADSE is insured under a retrospectively rated policy for worker’s compensation coverage. Whereas the initial premium may be adjusted based on actual experience. Adjustments in premiums are recorded when paid or received. During the year ended June 30, 2021, there were no significant adjustments in premiums based on actual experience.

NOTE 10 - SUBSEQUENT EVENTS

Since March 2020, the COVID-19 outbreak in the United States has created disruptions in various governments and has continued to impact these organizations. LADSE was not impacted in a significant way financially during the year ended June 30, 2021. However, the extent of any additional impact on LADSE is uncertain and cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

LAGRANGE AREA DEPARTMENT OF SPECIAL EDUCATION
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION
LIABILITY AND RELATED RATIOS
JUNE 30, 2021

	<u>6/30/2021*</u>	<u>6/30/2020*</u>	<u>6/30/2019*</u>	<u>6/30/2018 *</u>
TOTAL PENSION LIABILITY				
Service Cost	\$ 751,179	\$ 724,851	\$ 627,307	\$ -
Interest on the Total Pension Liability	1,591,790	1,436,616	1,303,803	(9,168)
Differences Between Expected and Actual Experience	139,534	580,021	223,107	17,968,378
Changes of Assumptions	(306,806)	-	679,399	(455,383)
Benefit Payments, Including Refunds of Member Contributions	<u>(704,485)</u>	<u>(524,154)</u>	<u>(377,923)</u>	<u>(244,481)</u>
Net Change in Total Pension Liability	\$ 1,471,212	\$ 2,217,334	\$ 2,455,693	\$ 17,259,346
Total Pension Liability - Beginning	<u>21,932,373</u>	<u>19,715,039</u>	<u>17,259,346</u>	<u>-</u>
Total Pension Liability - Ending	<u>\$ 23,403,585</u>	<u>\$ 21,932,373</u>	<u>\$ 19,715,039</u>	<u>\$ 17,259,346</u>
PLAN FIDUCIARY NET POSITION				
Contributions - Employer	\$ 59,407	\$ 749,459	\$ 659,378	\$ 520,562
Contributions - Member	342,731	338,040	309,085	244,013
Net Investment Income	3,900,424	4,178,940	(1,457,395)	269,664
Benefit Payments, Including Refunds of Member Contributions	(704,485)	(524,154)	(377,923)	(244,481)
Other (Net Transfers)	<u>182,795</u>	<u>32,872</u>	<u>(2,544,168)</u>	<u>25,129,164</u>
Net Change in Plan Fiduciary Net Position	\$ 3,780,872	\$ 4,775,157	\$ (3,411,023)	\$ 25,918,922
Plan Net Position - Beginning	<u>27,283,056</u>	<u>22,507,899</u>	<u>25,918,922</u>	<u>-</u>
Plan Net Position - Ending	<u>\$ 31,063,928</u>	<u>\$ 27,283,056</u>	<u>\$ 22,507,899</u>	<u>\$ 25,918,922</u>
District's Net Pension Liability	<u>\$ (7,660,343)</u>	<u>\$ (5,350,683)</u>	<u>\$ (2,792,860)</u>	<u>\$ (8,659,576)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	132.73%	124.40%	114.17%	150.17%
Covered Payroll	\$ 7,616,248	\$ 7,494,836	\$ 6,868,522	\$ 5,422,514
Employer's Net Pension Liability as a Percentage of Covered Payroll	-100.58%	-71.39%	-40.66%	-159.70%

LaGrange Area Department of Special Education did not have a separate IMRF Fund until the 2018 fiscal year.

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

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

See Accompanying Independent Auditor's Opinion

LAGRANGE AREA DEPARTMENT OF SPECIAL EDUCATION
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF EMPLOYER CONTRIBUTION
JUNE 30, 2021

	<u>6/30/2021 *</u>	<u>6/30/2020 *</u>	<u>6/30/2019 *</u>	<u>6/30/2018 *</u>
Actuarially-Determined Contribution	\$ 59,407	\$ 56,211	\$ -	\$ -
Contributions in Relation to Actuarially-Determined Contribution	<u>59,407</u>	<u>749,459</u>	<u>659,378</u>	<u>520,562</u>
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ (693,248)</u>	<u>\$ (659,378)</u>	<u>\$ (520,562)</u>
Covered Payroll	\$ 7,844,897	\$ 7,614,373	\$ 7,360,283	\$ 10,237,026
Contributions as a Percentage of Covered Payroll	0.76%	9.84%	8.96%	5.09%

Notes to Schedule:

Actuarial Method and Assumptions Used on the Calculation of the 2020 Contribution Rate *

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

Actuarial Cost Method: Aggregate Entry Age Normal

Amortization Method: Level percentage of payroll, closed

Remaining Amortization Period: 23-year closed period

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

Wage Growth: 3.25%

Price Inflation: 2.50%, approximate; No explicit price inflation assumption is used in this valuation.

Salary Increases: 3.35% to 14.25%, including inflation

Investment Rate of Return: 7.25%

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 2014 to 2016.

Mortality: For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

*Based on Valuation Assumptions used in the December 31, 2018 actuarial valuation; note two year lag between valuation and rate setting.

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

See Accompanying Independent Auditor's Opinion

LAGRANGE AREA DEPARTMENT OF SPECIAL EDUCATION
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
JUNE 30, 2021

	<u>6/30/2021 *</u>	<u>6/30/2020 *</u>	<u>6/30/2019 *</u>	<u>6/30/2018 *</u>	<u>6/30/2017 *</u>	<u>6/30/2016 *</u>	<u>6/30/2015 *</u>
Employer's proportion of the Net Pension Liability	0.0011103%	0.0011387%	0.0012043%	0.0028564%	0.0031887%	0.0031887%	0.0020072%
Employer's proportionate share of the Net Pension Liability	\$ 957,236	\$ 923,575	\$ 938,702	\$ 2,182,240	\$ 2,088,903	\$ 2,088,903	\$ 1,221,558
State's proportionate share of the Net Pension Liability associated with the employer	<u>74,975,685</u>	<u>65,729,782</u>	<u>64,305,044</u>	<u>62,161,843</u>	<u>46,879,486</u>	<u>46,879,486</u>	<u>47,820,018</u>
Total	<u>\$ 75,932,921</u>	<u>\$ 66,653,357</u>	<u>\$ 65,243,746</u>	<u>\$ 64,344,083</u>	<u>\$ 48,968,389</u>	<u>\$ 48,968,389</u>	<u>\$ 49,041,576</u>
Employer's Covered Payroll	\$ 9,292,070	\$ 9,046,599	\$ 8,533,529	\$ 8,615,380	\$ 8,125,439	\$ 7,759,879	\$ 7,759,879
Employer's proportionate share of the Net Pension Liability as a percentage of its Covered Payroll	10.30%	10.21%	11.00%	25.33%	25.71%	26.92%	15.74%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	37.80%	39.60%	39.30%	39.30%	36.40%	41.50%	43.00%

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

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

Changes of Assumptions:

For the 2020-2016 measurement years, the assumed investment rate of return was of 7.0%, including an inflation rate of 2.5% and a real return of 4.5%. Salary increases were assumed to vary by service credit and were consistent in 2019 and 2020. These actuarial assumptions were based on an experience study dated September 18, 2018.

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

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

See Accompanying Independent Auditor's Opinion

LAGRANGE AREA DEPARTMENT OF SPECIAL EDUCATION
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTION
JUNE 30, 2021

	<u>6/30/2021 *</u>	<u>6/30/2020 *</u>	<u>6/30/2019 *</u>	<u>6/30/2018 *</u>	<u>6/30/2017 *</u>	<u>6/30/2016 *</u>	<u>6/30/2015 *</u>
Statutorily-required contribution	\$ 54,125	\$ 51,569	\$ 50,038	\$ 119,010	\$ 79,994	\$ 80,408	\$ 71,617
Contributions in relation to statutorily-required contribution	<u>54,125</u>	<u>52,470</u>	<u>49,494</u>	<u>117,683</u>	<u>51,535</u>	<u>111,731</u>	<u>71,617</u>
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ (901)</u>	<u>\$ 544</u>	<u>\$ 1,327</u>	<u>\$ 28,459</u>	<u>\$ (31,323)</u>	<u>\$ -</u>
Employer's Covered Payroll	\$ 9,955,858	\$ 9,292,073	\$ 9,046,499	\$ 8,533,529	\$ 8,125,439	\$ 8,301,239	\$ 7,759,879
Contributions as a percentage of Covered Payroll	0.54%	0.56%	0.55%	1.38%	0.63%	1.35%	0.92%

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

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

See Accompanying Independent Auditor's Opinion

LAGRANGE AREA DEPARTMENT OF SPECIAL EDUCATION
 TEACHER HEALTH INSURANCE SECURITY FUND OF THE STATE OF ILLINOIS
 SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE
 OF THE NET OPEB LIABILITY
 JUNE 30, 2021

	<u>6/30/2021 *</u>	<u>6/30/2020 *</u>	<u>6/30/2019 *</u>	<u>6/30/2018 *</u>
Employer's proportion of the Net OPEB Liability	0.0368721%	0.0366830%	0.0359320%	0.0382530%
Employer's proportionate share of the Net OPEB Liability	\$ 9,858,055	\$ 10,152,882	\$ 9,466,570	\$ 9,926,479
State's proportionate share of the Net OPEB Liability associated with the employer	13,355,046	13,748,228	12,711,601	10,809,805
Total	<u>\$ 23,213,101</u>	<u>\$ 23,901,110</u>	<u>\$ 22,178,171</u>	<u>\$ 20,736,284</u>
Employer's Covered Payroll	\$ 9,292,073	\$ 9,046,499	\$ 8,533,529	\$ 8,433,502
Employer's proportionate share of the Net OPEB Liability as a percentage of Covered Payroll	106.09%	112.23%	110.93%	117.70%
OPEB Plan Net Position as a percentage of the Total OPEB Liability	0.70%	0.25%	-0.07%	-0.17%

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

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

Changes of Assumptions:

For the 2020 measurement year, the assumed investment rate of return was 0%, including an inflation rate of 2.50%, and the healthcare cost trend rates used the actual trend. Salary increases include a 3.25% wage inflation.

LAGRANGE AREA DEPARTMENT OF SPECIAL EDUCATION
 TEACHER HEALTH INSURANCE SECURITY FUND OF THE STATE OF ILLINOIS
 SCHEDULE OF EMPLOYER CONTRIBUTION
 JUNE 30, 2021

	<u>6/30/2021 *</u>	<u>6/30/2020 *</u>	<u>6/30/2019 *</u>	<u>6/30/2018 *</u>
Statutorily-Required Contribution	\$ 85,487	\$ 83,228	\$ 75,095	\$ 70,841
Contributions in relation to the Statutorily-Required Contribution	<u>85,813</u>	<u>82,947</u>	<u>74,958</u>	<u>73,919</u>
Contribution deficiency/(excess)	<u>\$ (326)</u>	<u>\$ 281</u>	<u>\$ 137</u>	<u>\$ (3,078)</u>
Employer's Covered Payroll	\$ 9,955,858	\$ 9,292,073	\$ 9,046,499	\$ 8,533,529
Contributions as a percentage of Covered Payroll	0.86%	0.89%	0.83%	0.87%

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

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

See Accompanying Independent Auditor's Opinion

LAGRANGE AREA DEPARTMENT OF SPECIAL EDUCATION
OTHER POST-EMPLOYMENT BENEFIT
SCHEDULE OF CHANGES IN THE EMPLOYER'S TOTAL OPEB
LIABILITY AND RELATED RATIOS
JUNE 30, 2021

	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
TOTAL OPEB LIABILITY				
Service Cost	\$ 28,493	\$ 27,328	\$ 13,404	\$ 12,768
Interest	5,611	9,213	8,789	10,825
Differences Between Expected and Actual Experience	-	(61,986)	-	-
Changes in Assumptions	8,650	(41,813)	2,662	434,977
Benefit Payments	(42,147)	(39,649)	(70,057)	(63,534)
Other Changes	-	(11,130)	203	-
Net Change in Total OPEB Liability	<u>\$ 607</u>	<u>\$ (118,037)</u>	<u>\$ (44,999)</u>	<u>\$ 395,036</u>
Total OPEB Liability - Beginning	<u>232,000</u>	<u>350,037</u>	<u>395,036</u>	<u>-</u>
LADSE's Total OPEB Liability - Ending	<u>\$ 232,607</u>	<u>\$ 232,000</u>	<u>\$ 350,037</u>	<u>\$ 395,036</u>
Covered-Employee Payroll	\$ 7,494,836 *	\$ 7,494,836	\$ 7,360,283	\$ 10,237,026
Employer's Net OPEB Liability as a Percentage of Covered-Valuation Payroll	3.10%	3.10%	4.76%	3.86%

Notes to Schedule:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

There is no actuarially-determined contribution (ADC) or employer contribution in relation to the ADC as the total OPEB liabilities are currently an unfunded obligation.

Changes of Assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period.

The following are the discount rates used in each period: 2.18% 2.66% 2.79% 2.98%

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

* - Covered-Employee Payroll is the same as the prior year due to the valuation being a rollforward instead of a new valuation.

LAGRANGE AREA DEPARTMENT OF SPECIAL EDUCATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 GENERAL FUND - EDUCATIONAL FUND
 YEAR ENDED JUNE 30, 2021

	Budgeted Amounts	Actual Amounts
	Original and Final	
REVENUES		
Tuition	\$ 23,431,921	\$ 22,052,195
Earnings on Investments	50,000	77,415
State Aid		
Flow-Through Revenue from State Sources	-	584,157
Other Flow-Through Revenue	-	426
Evidence Based Funding	1,650,112	1,650,113
Transportation	110,000	123,710
Early Childhood - Block Grant	588,931	-
Other Restricted Revenue from State Sources	10,000	441,321
Federal Aid		
Medicaid Matching Funds - Administrative Outreach	250,000	211,713
Medicaid Matching Funds - Fee-for-Service Program	-	7,731
Other Federal Aid	578,641	406,075
State Retirement Contributions	-	8,101,212
Total Revenues	\$ 26,669,605	\$ 33,656,068
EXPENDITURES		
Instruction		
Regular Programs		
Salaries	\$ -	\$ 209,649
Employee Benefits	-	37,985
Purchased Services	-	18,258
Supplies and Materials	-	2,723
	\$ -	\$ 268,615
Special Education Programs		
Salaries	\$ 5,381,371	\$ 5,165,534
Employee Benefits	1,575,450	1,282,711
Purchased Services	628,800	583,300
Supplies and Materials	123,500	106,102
Other Objects	-	20,206
Non-Capitalized Equipment	10,000	13,455
	\$ 7,719,121	\$ 7,171,308
CTE Programs		
Salaries	\$ 293,298	\$ 526,374
Employee Benefits	96,259	163,014
Purchased Services	48,520	17,295
Supplies and Materials	17,700	1,930
Other Objects	1,000	300
Non-Capitalized Equipment	9,600	7,125
	\$ 466,377	\$ 716,038
State Retirement Contributions	\$ -	\$ 8,101,212
Total Instruction	\$ 8,185,498	\$ 16,257,173
Support Services		
Pupil		
Attendance and Social Work Services		
Salaries	\$ 1,240,597	\$ 1,099,695
Employee Benefits	206,113	197,927
Purchased Services	-	9,430
	\$ 1,446,710	\$ 1,307,052
Health Services		
Salaries	\$ 4,497,502	\$ 4,389,129
Employee Benefits	1,401,249	1,403,276
Purchased Services	27,850	136,094
Supplies and Materials	11,550	15,033
Non-Capitalized Equipment	3,000	-
	\$ 5,941,151	\$ 5,943,532

See Accompanying Independent Auditor's Opinion

LAGRANGE AREA DEPARTMENT OF SPECIAL EDUCATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 GENERAL FUND - EDUCATIONAL FUND
 YEAR ENDED JUNE 30, 2021

	Budgeted Amounts Original and Final	Actual Amounts
EXPENDITURES (Continued)		
Support Services (Continued)		
Pupil (Continued)		
Psychological Services		
Salaries	\$ 1,687,777	\$ 1,544,550
Employee Benefits	394,753	378,702
Purchased Services	800	57,273
Supplies and Materials	12,000	11,482
Non-Capitalized Equipment	-	1,095
	<u>\$ 2,095,330</u>	<u>\$ 1,993,102</u>
Speech Pathology and Audiology Services		
Salaries	\$ 3,159,526	\$ 3,015,947
Employee Benefits	562,333	493,563
Purchased Services	11,300	297
Supplies and Materials	4,230	3,849
	<u>\$ 3,737,389</u>	<u>\$ 3,513,656</u>
Total Support Services - Pupil	<u>\$ 13,220,580</u>	<u>\$ 12,757,342</u>
Instructional Staff		
Improvement of Instruction Services		
Salaries	\$ 25,000	\$ 142,945
Employee Benefits	20,000	15,392
Purchased Services	229,927	61,343
Supplies and Materials	11,050	15,157
Other Objects	10,860	3,617
Non-Capitalized Equipment	2,700	-
	<u>\$ 299,537</u>	<u>\$ 238,454</u>
Assessment and Testing		
Purchased Services	\$ 20,000	\$ 19,289
	<u>\$ 20,000</u>	<u>\$ 19,289</u>
Total Support Services - Instructional Staff	<u>\$ 319,537</u>	<u>\$ 257,743</u>
General Administration		
Executive Administration Services		
Salaries	\$ 225,301	\$ 225,301
Employee Benefits	78,807	74,041
Purchased Services	357,650	375,309
Supplies and Materials	1,000	714
Other Objects	3,500	2,050
	<u>\$ 666,258</u>	<u>\$ 677,415</u>
Total Support Services - General Administration	<u>\$ 666,258</u>	<u>\$ 677,415</u>
School Administration		
Office of the Principal Services		
Salaries	\$ 1,208,362	\$ 1,045,646
Employee Benefits	386,103	283,467
Purchased Services	1,552	8,532
	<u>\$ 1,596,017</u>	<u>\$ 1,337,645</u>
Total Support Services - School Administration	<u>\$ 1,596,017</u>	<u>\$ 1,337,645</u>
Business		
Direction of Business Support Services		
Salaries	\$ 100,000	\$ 100,000
Employee Benefits	42,876	46,367
Purchased Services	3,000	46,491
Supplies and Materials	1,500	339
Non-Capitalized Equipment	1,000	-
	<u>\$ 148,376</u>	<u>\$ 193,197</u>
Total Support Services - Business	<u>\$ 148,376</u>	<u>\$ 193,197</u>

See Accompanying Independent Auditor's Opinion

LAGRANGE AREA DEPARTMENT OF SPECIAL EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND - EDUCATIONAL FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts	Actual Amounts
	Original and Final	
EXPENDITURES (Continued)		
Support Services (Continued)		
Operations and Maintenance		
Salaries	\$ 20,600	\$ 61,729
Employee Benefits	20,855	23,143
Purchased Services	89,000	276,021
Supplies and Materials	15,957	80,939
Total Support Services - Operations and Maintenance	<u>\$ 146,412</u>	<u>\$ 441,832</u>
Transportation		
Salaries	\$ -	\$ 42,728
Employee Benefits	-	31,102
Purchased Services	33,950	5,197
Total Support Services - Transportation	<u>\$ 33,950</u>	<u>\$ 79,027</u>
Internal Services		
Salaries	\$ -	\$ 6,817
Employee Benefits	-	555
Purchased Services	675,075	422,250
Supplies and Materials	-	298
Total Support Services - Internal Services	<u>\$ 675,075</u>	<u>\$ 429,920</u>
Central		
Direction of Central Support Services		
Salaries	\$ 459,455	\$ 272,184
Employee Benefits	258,300	159,847
Purchased Services	35,500	-
	<u>\$ 753,255</u>	<u>\$ 432,031</u>
Information Services		
Salaries	\$ 57,276	\$ 57,276
Employee Benefits	29,246	32,684
Purchased Services	28,730	37,815
Supplies and Materials	4,500	7,274
Other Objects	750	599
Non-Capitalized Equipment	74,000	66,934
	<u>\$ 194,502</u>	<u>\$ 202,582</u>
Staff Services		
Salaries	\$ 89,898	\$ 89,898
Employee Benefits	38,747	32,629
Purchased Services	5,500	14,367
	<u>\$ 134,145</u>	<u>\$ 136,894</u>
Total Support Services - Central	<u>\$ 1,081,902</u>	<u>\$ 771,507</u>
Total Support Services	<u>\$ 17,888,107</u>	<u>\$ 16,945,628</u>
Community Services		
Salaries	\$ -	\$ 18,667
Employee Benefits	-	271
Purchased Services	-	114
Supplies and Materials	-	7,869
Total Community Services	<u>\$ -</u>	<u>\$ 26,921</u>
Intergovernmental Payments		
Payments to Other Districts and Governmental Units (In-State)		
Payments for Special Education Programs		
Purchased Services	\$ -	\$ 250
Other Objects	566,000	618,893
	<u>\$ 566,000</u>	<u>\$ 619,143</u>

See Accompanying Independent Auditor's Opinion

LAGRANGE AREA DEPARTMENT OF SPECIAL EDUCATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 GENERAL FUND - EDUCATIONAL FUND
 YEAR ENDED JUNE 30, 2021

	Budgeted Amounts Original and Final	Actual Amounts
EXPENDITURES (Continued)		
Intergovernmental Payments (Continued)		
Payments to Other Districts and Governmental Units (In-State) (Continued)		
Other Payments to In-State Govt Units	\$ -	\$ 14,937
Other Objects	\$ -	\$ 14,937
	\$ 566,000	\$ 634,080
Total Payments to Other Districts and Governmental Units (In-State)	\$ 566,000	\$ 634,080
Total Intergovernmental Payments	\$ 566,000	\$ 634,080
Capital Outlay		
Instruction		
Operations and Maintenance	\$ 30,000	\$ -
Total Capital Outlay	\$ 30,000	\$ -
Total Expenditures	\$ 26,669,605	\$ 33,863,802
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	\$ (207,734)
OTHER FINANCING SOURCES (USES)	-	-
NET CHANGE IN FUND BALANCE	\$ -	\$ (207,734)
FUND BALANCE - JULY 1, 2020		5,258,628
FUND BALANCE - JUNE 30, 2021		\$ 5,050,894

See Accompanying Independent Auditor's Opinion

LAGRANGE AREA DEPARTMENT OF SPECIAL EDUCATION
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 JUNE 30, 2021

NOTE 1 - BUDGETARY PROCESS

LADSE follows procedures mandated by Illinois State law and Board policy to establish the budgetary data reflected in its financial statements. The budget was passed on May 13, 2020 and was not amended. The modified accrual basis budgeted amounts in this report are the result of full compliance with the following procedures:

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

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

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

NOTE 2 - EXCESS OF EXPENDITURES OVER BUDGET

For the year ended June 30, 2021, the expenditures of the following fund presented as Required Supplementary Information exceeded the budget:

Fund	Budget	Actual	Excess of Actual Over Budget
General	\$ 26,669,605	\$ 33,863,802	\$ 7,194,197

The excess of actual expenses over budget in the General Fund was due to LADSE not budgeting for state retirement contributions, which are not a direct expenditure of LADSE.

ANNUAL FEDERAL FINANCIAL COMPLIANCE SECTION



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

To the Directing Board
LaGrange Area Department of Special Education
LaGrange, Illinois

Report on Compliance for Each Major Federal Program

We have audited

LaGrange Area Department of Special Education's

compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of LaGrange Area Department of Special Education's major federal programs for the year ended June 30, 2021. LaGrange Area Department of Special Education's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of LaGrange Area Department of Special Education'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 LaGrange Area Department of Special Education'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 LaGrange Area Department of Special Education's compliance.

Opinion on Each Major Federal Program

In our opinion, LaGrange Area Department of Special Education 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, 2021.



Report on Internal Control Over Compliance

Management of LaGrange Area Department of Special Education 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 LaGrange Area Department of Special Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LaGrange Area Department of Special Education's internal control over compliance.

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

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

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

Eder, Casella & Co.

EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
January 6, 2022

LAGRANGE AREA DEPARTMENT OF SPECIAL EDUCATION
06-016-2040-61
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2021

Federal Grantor/Pass-Through Grantor Program or Cluster Title and Major Program Designation	CFDA Number ² (A)	ISBE Project # (1st 8 digits) or Contract # ³ (B)	Receipts/Revenues		Expenditure/Disbursements ⁴				Obligations/ Encumb. (G)	Final Status (E)+(F)+(G) (H)	Budget (I)
			Year 7/1/19-6/30/20 (C)	Year 7/1/20-6/30/21 (D)	Year 7/1/19-6/30/20 (E)	Year 7/1/19-6/30/20 Pass through to Subrecipients	Year 7/1/20-6/30/21 (F)	Year 7/1/20-6/30/21 Pass through to Subrecipients			
US Department of Education passed through											
Illinois State Board of Education											
COVID-19 - Elementary and Secondary Emergency Relief Fund*(M)	84.425D	20-4998-ER	1,000	4,046	1,000			4,046		5,046	5,046
COVID-19 - Elementary and Secondary Emergency Relief Fund**(M)	84.425D	21-4998-E2		16,738				16,738		16,738	16,738
Subtotal CFDA "84.425D"			1,000	20,784	1,000			20,784		21,784	
Total CFDA "84"			1,000	20,784	1,000			20,784		21,784	
MEDICAID CLUSTER											
U.S. Department of Health & Human Services											
passed through State of Illinois Department of											
Healthcare and Family Services											
Medicaid Administrative Outreach	93.778	21-4991-00		211,715				437,755		437,755	N/A
Subtotal CFDA "93.778"				211,715				437,755		437,755	
Total Medicaid Cluster				211,715				437,755		437,755	
Total CFDA "93"				211,715				437,755		437,755	
WIOA CLUSTER											
US Department of Labor											
Passed through President's office of											
employment training											
WIOA Youth Activities (M)	17.259	20-4999-00	179,411	90,950	270,361					270,361	313,082
WIOA Youth Activities (M)	17.259	21-4999-00		294,341				294,341		294,341	313,082
Subtotal CFDA "17.259"			179,411	385,291	270,361			294,341		294,341	
Total WIOA Cluster			179,411	385,291	270,361			294,341		294,341	
Total CFDA "17"			179,411	385,291	270,361			294,341		294,341	
Total Federal Assistance			180,411	617,790	271,361			752,880		753,880	

+ Project YE 9/30

* Project YE 8/31

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

***Include the total amount provided to subrecipients from each Federal program. §200.510 (b)(4).**

The accompanying notes are an integral part of this schedule.

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

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

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

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

LAGRANGE AREA DEPARTMENT OF SPECIAL EDUCATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2021

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal award activity of LaGrange Area Department of Special Education under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from amounts presented in, and used in the preparation of, the basic financial statements.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

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

NOTE 3 - INDIRECT COST RATE

LADSE has elected not to use the 10 percent de minimis indirect rate as allowed under the Uniform Guidance.

NOTE 4 - SUBRECIPIENTS

LADSE did not provide federal awards to subrecipients during the year ended June 30, 2021.

NOTE 5 - FEDERAL LOANS

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

NOTE 6 - DONATED PERSONAL PROTECTIVE EQUIPMENT (PPE) (UNAUDITED)

LADSE was not the recipient of federally donated PPE.

LAGRANGE AREA DEPARTMENT OF SPECIAL EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021

- 1) Summary of auditor's results:
 - a) The auditor's report expresses an unmodified opinion on whether the financial statements of LaGrange Area Department of Special Education were prepared in accordance with GAAP.
 - b) No significant deficiencies are reported during the audit of the financial statements. No material weaknesses are reported.
 - c) No instances of noncompliance material to the financial statements of LaGrange Area Department of Special Education, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
 - d) No significant deficiencies in internal control over major federal award programs are reported during the audit of the financial statements. No material weaknesses in internal control over major federal award programs are reported.
 - e) The auditor's report on compliance for the major federal award programs for LaGrange Area Department of Special Education expresses an unmodified opinion on all major federal programs.
 - f) There are no audit findings that are required to be reported in accordance with Uniform Guidance 2 CFR section 200.516(a).
 - g) The programs tested as major program were: WIOA Youth Activities – CFDA #17.259 and COVID-19 Elementary and Secondary Emergency Relief Fund – CFDA #84.425D.
 - h) The threshold used for distinguishing between Type A and B programs was \$750,000.
 - i) LaGrange Area Department of Special Education was determined to not be a low-risk auditee.
- 2) There were no findings related to the financial statements which are required to be reported.
- 3) There were no findings related to federal awards which are required to be reported.

LAGRANGE AREA DEPARTMENT OF SPECIAL EDUCATION
06-016-2040-61
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2021

SECTION II - FINANCIAL STATEMENT FINDINGS

1. FINDING NUMBER:¹¹

2021- NONE

2. THIS FINDING IS:

New

Repeat from Prior Year?

Year originally reported? _____

3. Criteria or specific requirement

4. Condition

5. Context¹²

6. Effect

7. Cause

8. Recommendation

9. Management's response¹³

¹¹ A suggested format for assigning reference numbers is to use the digits of the fiscal year being audited followed by a numeric sequence of findings. For example, findings identified and reported in the audit of fiscal year 2018 would be assigned a reference number of 2018-001, 2018-002, etc. The sheet is formatted so that only the number need be entered (1, 2, etc.).

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

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

¹⁴ See footnote 11.

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

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

¹⁷ See footnote 12.

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

LAGRANGE AREA DEPARTMENT OF SPECIAL EDUCATION
06-016-2040-61
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ending June 30, 2021

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

1. FINDING NUMBER:¹⁴ **2021- NONE** 2. THIS FINDING IS: New Repeat from Prior year?
Year originally reported? _____

3. Federal Program Name and Year: _____

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

6. Passed Through: _____

7. Federal Agency: _____

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

9. Condition¹⁵

10. Questioned Costs¹⁶

11. Context¹⁷

12. Effect

13. Cause

14. Recommendation

15. Management's response¹⁸

¹⁴ See footnote 11.
¹⁵ Include facts that support the deficiency identified on the audit finding (§200.516 (b)(3)).
¹⁶ Identify questioned costs as required by §200.516 (a)(3 - 4).
¹⁷ See footnote 12.
¹⁸ To the extent practical, indicate when management does not agree with the finding, questioned cost, or both.
¹⁵ Include facts that support the deficiency identified on the audit finding (§200.516 (b)(3)).
¹⁶ Identify questioned costs as required by §200.516 (a)(3 - 4).
¹⁷ See footnote 12.
¹⁸ To the extent practical, indicate when management does not agree with the finding, questioned cost, or both.

LAGRANGE AREA DEPARTMENT OF SPECIAL EDUCATION
06-016-2040-61
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS¹⁹
Year Ending June 30, 2021

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

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status²⁰</u>
NONE		

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

¹⁹ Explanation of this schedule - §200.511 (b)

²⁰ Current Status should include one of the following:

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