

**Oak Lawn-Hometown
School District 123
Oak Lawn, Illinois**

Annual Financial Report
June 30, 2018

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RSM US LLP

Independent Auditor's Report

To the Members of the Board of Education
Oak Lawn-Hometown School District 123

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oak Lawn-Hometown School District 123 (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the District retroactively adopted the modified accrual basis of accounting for the governmental fund financial statements and the accrual basis of accounting for the government-wide financial statements during the year ended June 30, 2018. This resulted in a restatement of opening July 1, 2017 fund balances for the General Fund, the Debt Service Fund, and the Nonmajor Governmental Funds and Governmental Activities' net position. Additionally, during the year ended June 30, 2018, the District implemented the provisions of Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which required a restatement to opening Governmental Activities net position. Our opinion is not modified with respect to these matters.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis (pages 3-10), schedules of net pension and other postemployment benefit (OPEB) liabilities, employer contributions, and budgetary comparison information and related note (pages 50-59) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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 the District's basic financial statements. The accompanying supplementary information, such as the combining and individual fund financial statements, schedule of property tax rates, extensions and collections, and schedule of debt service requirements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

RSM US LLP

Chicago, Illinois
January 10, 2019

Required Supplementary Information

Management's Discussion and Analysis (MD&A)

Oak Lawn-Hometown School District 123

Management's Discussion and Analysis For the Year Ended June 30, 2018

The discussion and analysis of Oak Lawn-Hometown School District 123's (the District) financial performance provides an overall review of the District's financial activities for the year ended June 30, 2018. The management of the District encourages readers to consider the information presented herein in conjunction with the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

- During the fiscal year, the District retroactively adopted the modified accrual basis of accounting for the fund financial statements and the accrual basis of accounting for the government-wide financial statements. This resulted in a restatement of July 1, 2017 fund balance and net position. See Note 1 for more information. Balances presented in this MD&A for the June 30, 2017 condensed statement of net position have been restated to reflect that change in basis of accounting. The District opted to present only a June 30, 2018 condensed statement of changes in net position in the MD&A.
- The liabilities and deferred inflows of resources of the District exceed its assets and deferred outflows of resources at the close of the fiscal year by \$20.6 million.
- In total, net position decreased by \$616 thousand.
- Additionally, the District implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the year ended June 30, 2018. This resulted in a restatement of July 1, 2017 net position. See Note 1 for more information.
- General revenues were \$40.8 million or 63.5 percent of all revenues. Program specific revenues, in the form of charges for services and grants, were \$23.5 million or 36.5 percent of total revenues of \$64.3 million.
- Overall, the combined revenues of the District's governmental funds were \$0.5 million more than expenditures. The District's governmental funds' combined restated fund balance increased to \$19.3 million from \$18.2 million in the prior year. Of the year-end balance, \$11.6 million is available for spending at the District's discretion (unassigned fund balance).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of three components:

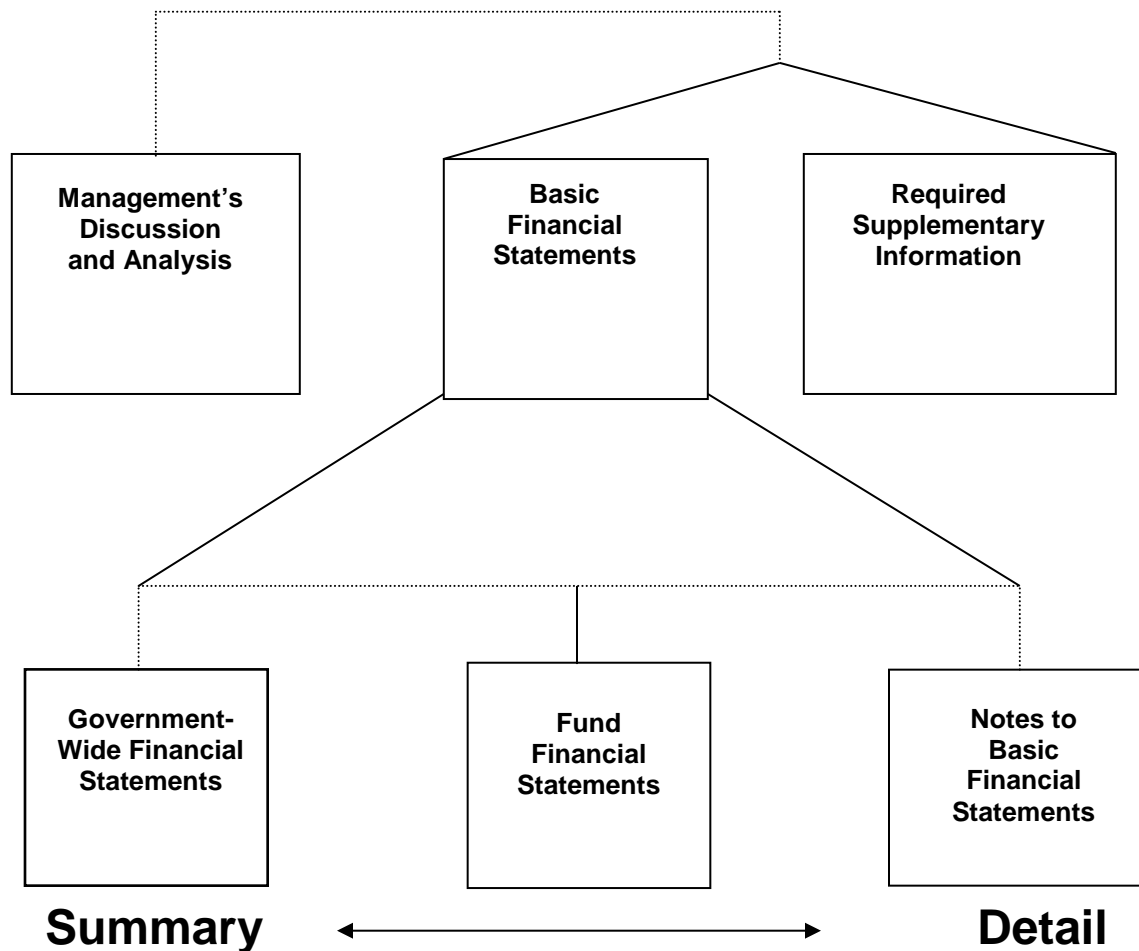
- Government-wide financial statements
- Fund financial statements
- Notes to basic financial statements

Figure 1 shows how the various parts of this annual report are arranged and relate to one another.

Oak Lawn-Hometown School District 123

Management's Discussion and Analysis
For the Year Ended June 30, 2018

Figure 1
Organization of Oak Lawn-Hometown School District 123 Annual Financial Report



This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

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

The statement of net position presents information on all District assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the fiscal year being reported. All changes in net position are reported when revenue is earned and expenses are incurred. Additionally, activity related to the acquisition, depreciation and year-end balances of capital assets, as well as year-end balances and related changes in long-term debt, are reported.

Oak Lawn-Hometown School District 123

Management's Discussion and Analysis For the Year Ended June 30, 2018

The government-wide financial statements present the District functions that are principally supported by taxes and intergovernmental revenues (governmental activities). The District has no business-type activities; that is, functions that are intended to recover all or a significant portion of their costs through user fees and charges. The District's governmental activities include instructional services (regular education, special education and other), supporting services, community services and non-programmed charges.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District funds can be divided into two categories: governmental funds and fiduciary funds (the District maintains no proprietary 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 the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six 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 of the General Fund and Debt Service Fund, which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual budget for each of the funds listed above. A budgetary comparison statement has been provided for each fund to demonstrate compliance with this budget.

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

Notes to Basic Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's pension plans, postemployment healthcare plan, and budgetary comparison information.

Oak Lawn-Hometown School District 123

Management's Discussion and Analysis
For the Year Ended June 30, 2018

Government-Wide Financial Analysis

Net position. The District's net position decreased by 3.0 percent compared to the prior year. At year end, total net position was \$(20.6) million (see Table 1).

The District's financial position is the product of many factors. However, several events of the last year stand out:

The District converted to the full accrual basis of accounting from the modified cash basis of accounting. The conversion resulted in a restatement of opening net position that decreased the previous balance by \$4.5 million. Additionally, the District implemented GASB Statement No. 75 which resulted in a restatement of opening net position that decreased the previous balance by \$24.7 million. In total, the District's opening position was restated by \$29.1 million. See Note 1.

Table 1
Condensed Statement of Net Position
(in millions of dollars)

	<u>2018</u>	<u>2017</u>
Current assets	\$41.3	\$36.1
Noncurrent assets	<u>40.9</u>	<u>42.0</u>
Total assets	<u>82.2</u>	<u>78.1</u>
Deferred outflows	<u>4.1</u>	<u>3.9</u>
Current liabilities	10.5	9.5
Long-term liabilities	<u>73.6</u>	<u>74.9</u>
Total liabilities	<u>84.1</u>	<u>84.4</u>
Deferred inflows	<u>22.8</u>	<u>17.6</u>
Net position, as restated:		
Net investment in capital assets	22.4	23.1
Restricted	3.8	3.0
Unrestricted	<u>(46.8)</u>	<u>(46.1)</u>
Total net position	<u>\$(20.6)</u>	<u>\$(20.0)</u>

Oak Lawn-Hometown School District 123

Management's Discussion and Analysis
For the Year Ended June 30, 2018

Table 2 Changes in Net Position (in millions of dollars)	
	<u>2018</u>
Revenues:	
Program revenues:	
Charges for services	\$ 2.0
Operating grants and contributions	21.5
General revenues:	
Taxes	34.5
General state aid	6.1
Other	<u>0.2</u>
Total revenues	<u>64.3</u>
Expenses:	
Instruction	43.5
Support services	15.7
Payments to other governments	1.5
Other	<u>4.2</u>
Total expenses	<u>64.9</u>
Change in net position	(0.6)
Net Position – Restated	<u>(20.0)</u>
Net Position – Ending	<u>\$ (20.6)</u>

Changes in net position. The District's total revenues were \$64.3 million. Taxes and general state aid were 64.0 percent of the total or \$40.6 million (see Figure 2).

State and federal aid for specific programs brought in an additional \$21.5 million of the total revenues.

The total cost of all programs and services was \$64.9 million. The District's expenses are predominantly related to instruction and support services (caring for and transportation of students, etc.). These expenses accounted for 91.0 percent of the total (see Figure 3). The District's other activities were 9.0 percent of total costs.

Total expenses exceeded revenues, decreasing net position by \$0.6 million over last year.

Management's Discussion and Analysis
For the Year Ended June 30, 2018

Figure 2: Source of Revenues for Fiscal Year 2018

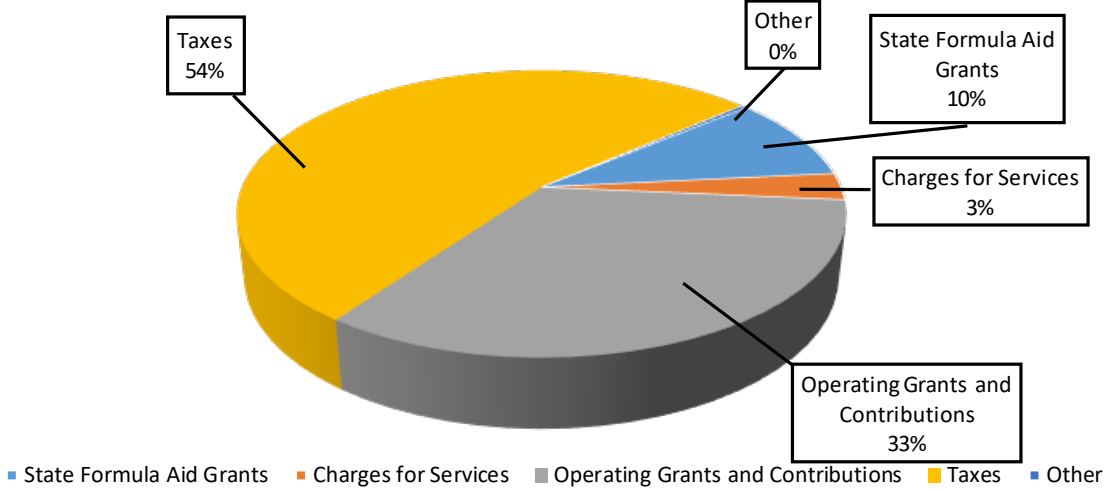
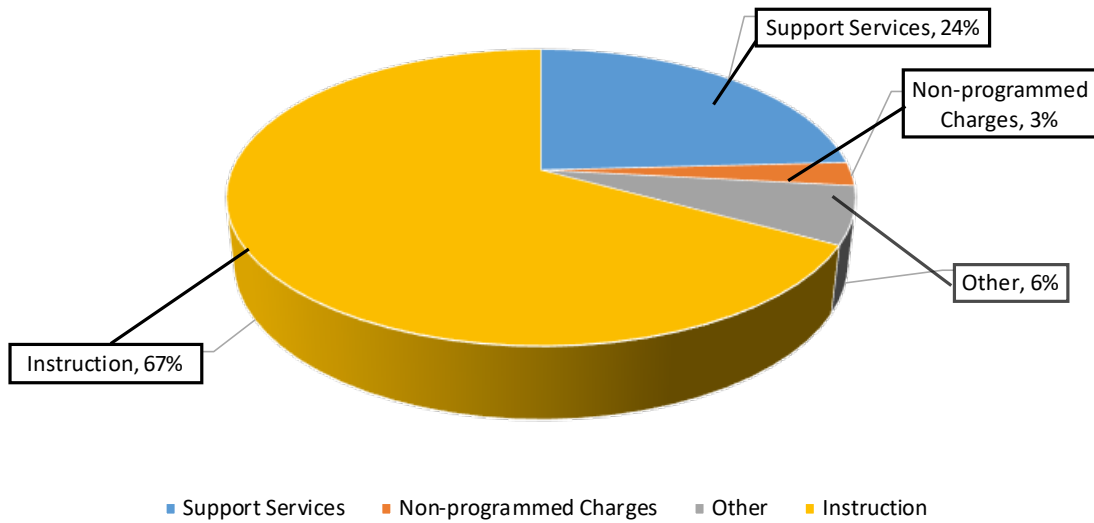


Figure 3: Expenses for Fiscal Year 2018



Oak Lawn-Hometown School District 123

**Management's Discussion and Analysis
For the Year Ended June 30, 2018**

Financial Analysis of the District's Funds

As the District completed the year, its governmental funds reported combined fund balances of \$19.3 million. Revenues for the District's governmental funds were \$55.5 million, while total expenditures were \$55.0 million.

General Fund Budgetary Highlights

While the District's budget for the General Fund anticipated that the fund have a deficit of \$1.84 million, the actual result for the year was a deficit of \$0.2 million. Higher than anticipated State Aid was received during fiscal year 2018.

Capital Asset and Debt Administration

Capital Assets

By the end of 2018, the District had invested \$75.9 million (before accumulated depreciation of \$35.0) in a broad range of capital assets, including buildings (both school and administration facilities), equipment (computer, audio-visual, transportation and maintenance equipment, and furniture), and land and improvements. (See Table 3.) (More detailed information about capital assets can be found in Note 3 to the financial statements.)

Depreciation expense for the year was \$1.7 million. Additions to land improvements, building and improvements, and equipment (including transfers from construction in progress) approximated \$0.5 million.

Table 3
Capital Assets (net of depreciation) (in millions of dollars)

	2018	2017	Total Percentage Change
Land	\$ 4.8	\$ 4.8	0.0%
Land improvements	0.8	1.0	(20.0)%
Building and improvements	33.5	34.7	(3.5)%
Equipment	1.8	1.6	12.5%
TOTAL	\$ 40.9	\$ 42.1	(2.9)%

Oak Lawn-Hometown School District 123

**Management's Discussion and Analysis
For the Year Ended June 30, 2018**

Long-Term Obligations

At year end, the District had \$44.6 million in general obligation bonds and other long-term obligations outstanding, as shown in Table 4. (More detailed information about the District's long-term obligations is presented in Note 4 to the financial statements.)

	2018	2017	Total Percentage Change
General obligation bonds	\$ 10.8	\$ 12.2	11.5%
Capital appreciation bonds	33.8	34.6	2.3%
Capital lease payable	1.3	1.1	18.2%
Compensated absences	0.1	0.1	0.0%
TOTAL	\$ 46.0	\$ 48.0	4.9%

- The state limits the amount of general obligation debt the District can issue to 6.9 percent of the assessed value of all taxable property within the District's limits. Outstanding debt is significantly below the current limit of \$49.2 million.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstance that could significantly affect its financial health in the future.

- The District's certified staff are under contract through the 2020 fiscal year.

Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Business Manager, Oak Lawn-Hometown Middle School District 123 Administrative Center, 4201 West 93rd Street, Oak Lawn, Illinois 60453.

Basic Financial Statements

**Government-Wide
Financial Statements (GWFS)**

Oak Lawn-Hometown School District 123

Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Current assets:	
Cash and investments	\$ 22,506,975
Receivables:	
Property taxes, net	17,686,548
Due from other governmental units	<u>1,077,780</u>
Total current assets	<u>41,271,303</u>
Noncurrent assets:	
Capital assets not being depreciated	4,755,000
Capital assets being depreciated, net	<u>36,222,067</u>
Total noncurrent assets	<u>40,977,067</u>
Total assets	<u>82,248,370</u>
Deferred Outflows of Resources	
Deferred loss on refundings	1,335,799
Deferred outflows due to pensions - Illinois Municipal Retirement Fund	328,214
Deferred outflows due to pensions - Teachers' Retirement System	850,199
Deferred outflows due to OPEB - Teachers' Health Insurance Security Fund	1,267,593
Deferred outflows due to OPEB - District Plan	<u>282,683</u>
Total deferred outflows of resources	<u>4,064,488</u>
Total assets and deferred outflows of resources	<u>\$ 86,312,858</u>

(Continued)

Oak Lawn-Hometown School District 123

**Statement of Net Position
June 30, 2018**

	Governmental Activities
Liabilities	
Current liabilities:	
Accounts payable	\$ 640,704
Accrued interest	29,123
Accrued liabilities	2,909,155
General obligation bonds	1,355,000
Capital appreciation bonds	5,155,000
Capital lease payable	366,872
Compensated absences	13,003
Total current liabilities	<u>10,468,857</u>
Long-term obligations, net of current maturities:	
Unamortized premium on bonds	4,305,931
General obligation bonds	9,425,000
Capital appreciation bonds	28,606,456
Capital lease payable	934,170
Other post employment benefits - Teachers' Health Insurance Security Fund	23,547,820
Other post employment benefits - District Plan	1,476,746
Net pension liability - Illinois Municipal Retirement Fund	731,583
Net pension liability - Teachers' Retirement System	4,517,589
Compensated absences	73,681
Total long-term liabilities	<u>73,618,976</u>
Total liabilities	<u>84,087,833</u>
Deferred Inflows of Resources	
Deferred inflows due to pensions - Illinois Municipal Retirement Fund	1,316,799
Deferred inflows due to pensions - Teachers' Retirement System	365,903
Deferred inflows due to OPEB - Teachers' Health Insurance Security Fund	2,817,276
Deferred inflows due to OPEB - District Plan	326,481
Deferred revenue	17,970,937
Total deferred inflows of resources	<u>22,797,396</u>
Net Position	
Net investment in capital assets	22,457,771
Restricted for:	
Tort immunity	206,408
Retirement benefits	152,850
Transportation	3,417,394
Unrestricted (deficit)	(46,806,794)
Total net position	<u>(20,572,371)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 86,312,858</u>

See notes to basic financial statements.

Oak Lawn-Hometown School District 123

**Statement of Activities
Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental activities:				
Instruction:				
Regular programs	\$ 36,711,078	\$ 1,014,982	\$ 17,357,820	\$ (18,338,276)
Special programs	5,096,309	-	693,221	(4,403,088)
Other instructional programs	1,989,029	-	1,701,209	(287,820)
Support services:				
Pupils	2,997,334	-	-	(2,997,334)
Instructional staff	2,602,744	-	48,169	(2,554,575)
General administration	1,070,737	-	-	(1,070,737)
School administration	1,764,423	-	-	(1,764,423)
Business	1,845,751	-	578,253	(1,267,498)
Transportation	1,885,238	-	1,141,991	(743,247)
Operations and maintenance	3,356,120	936,760	-	(2,419,360)
Central	116,269	-	-	(116,269)
Community services	121,199	-	-	(121,199)
Payments to other governments	1,539,779	-	-	(1,539,779)
Debt service:				
Interest and fees	3,829,223	-	-	(3,829,223)
Total governmental activities	\$ 64,925,233	\$ 1,951,742	\$ 21,520,663	(41,452,828)
General revenues:				
Taxes:				
Real estate taxes				34,109,289
Corporate property replacement taxes				387,291
General state aid				6,115,565
Interest				224,542
Total general revenues				40,836,687
Change in net position				(616,141)
Net position:				
July 1, 2017, as restated				(19,956,230)
June 30, 2018				\$ (20,572,371)

See notes to basic financial statements.

Fund Financial Statements (FFS)

Oak Lawn-Hometown School District 123

**Balance Sheet
Governmental Funds
June 30, 2018**

	Major Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Debt Service Fund		
Assets				
Cash and investments	\$ 14,455,158	\$ 4,016,676	\$ 4,035,141	\$ 22,506,975
Receivables:				
Property taxes, net	13,465,088	3,499,863	721,597	17,686,548
Due from other governmental units	817,367	-	260,413	1,077,780
Due from other funds	5,697	-	-	5,697
Total assets	\$ 28,743,310	\$ 7,516,539	\$ 5,017,151	\$ 41,277,000
Liabilities				
Liabilities:				
Accounts payable	\$ 568,672	\$ -	\$ 72,032	\$ 640,704
Accrued liabilities	2,909,118	-	37	2,909,155
Due to other funds	-	-	5,697	5,697
Total liabilities	3,477,790	-	77,766	3,555,556
Deferred Inflows of Resources				
Deferred property taxes	13,667,506	3,569,457	733,974	17,970,937
Deferred intergovernmental revenues	184,992	-	260,413	445,405
Total deferred inflows of resources	13,852,498	3,569,457	994,387	18,416,342
Fund balances				
Restricted for:				
Debt service	-	3,947,082	-	3,947,082
Capital projects	-	-	587,313	587,313
Transportation	-	-	3,156,981	3,156,981
Tort immunity	152,850	-	-	152,850
Retirement benefits	-	-	206,408	206,408
Unassigned	11,260,172	-	(5,704)	11,254,468
Total fund balances	11,413,022	3,947,082	3,944,998	19,305,102
Total liabilities, deferred inflows of resources, and fund balances	\$ 28,743,310	\$ 7,516,539	\$ 5,017,151	\$ 41,277,000

See notes basic financial statements.

Oak Lawn-Hometown School District 123

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2018**

Total fund balances - governmental funds	\$ 19,305,102
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	40,977,067
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Certain revenues are considered unavailable in the fund financial statements but they are recognized as revenue in the government-wide financial statements	
Grant revenue	445,405

Deferred outflows and deferred inflows of resources related to pensions, which will be recognized as an increase or reduction to pension expense in future reporting periods:

Deferred outflows due to pension - Illinois Municipal Retirement Fund	328,214
Deferred outflows due to pension - Teachers' Retirement System	850,199
Deferred outflows due to OPEB - Teachers' Health Insurance Security Fund	1,267,593
Deferred outflows due to OPEB - District Plan	282,683
Deferred inflows due to pension - Illinois Municipal Retirement Fund	(1,316,799)
Deferred inflows due to pension - Teachers' Retirement System	(365,903)
Deferred inflows due to OPEB - Teachers' Health Insurance Security Fund	(2,817,276)
Deferred inflows due to OPEB - District Plan	(326,481)

Premiums on bonds are other financing sources in the fund financial statements but are liabilities that are amortized over the life of the bonds in the government-wide financial statements.	(4,305,931)
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Losses on debt refundings are not considered to represent a financial resource and, therefore, are not required in the fund financial statements but are deferred outflows of resources that are amortized over the life of the bonds in the government-wide financial statements.	1,335,799
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(Continued)

Oak Lawn-Hometown School District 123

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2018**

Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.

These liabilities consist of:

Accrued interest	\$ (29,123)
Compensated absences	(86,684)
General obligation bonds	(10,780,000)
Capital appreciation bonds	(33,761,456)
Capital lease payable	(1,301,042)
OPEB liability - Teachers' Health Insurance Security Fund	(23,547,820)
OPEB liability - District Plan	(1,476,746)
Net pension liability - Illinois Municipal Retirement Fund	(731,583)
Net pension liability - Teachers' Retirement System	<u>(4,517,589)</u>
Net position of governmental activities	<u>\$ (20,572,371)</u>

See notes to basic financial statements.

Oak Lawn-Hometown School District 123

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2018

	Major Funds			Total Governmental Funds
	General Fund	Debt Service Fund	Nonmajor Governmental Funds	
Revenues:				
Property taxes	\$ 25,054,511	\$ 6,537,795	\$ 2,516,983	\$ 34,109,289
Corporate property replacement taxes	375,943	-	11,348	387,291
Charges for services	1,951,742	-	-	1,951,742
Unrestricted state aid	6,115,565	-	-	6,115,565
Restricted state aid	9,538,856	-	950,411	10,489,267
Restricted federal aid	2,230,299	-	-	2,230,299
Interest	142,264	39,380	42,898	224,542
Total revenues	45,409,180	6,577,175	3,521,640	55,507,995
Expenditures:				
Current:				
Instruction:				
Regular programs	24,804,271	-	198,475	25,002,746
Special programs	4,695,785	-	241,612	4,937,397
Other instructional programs	1,620,359	-	50,038	1,670,397
Support services:				
Pupils	2,786,389	-	117,500	2,903,889
Instructional staff	1,633,380	-	119,505	1,752,885
General administration	1,149,491	-	19,947	1,169,438
School administration	1,623,368	-	86,070	1,709,438
Business	1,601,616	-	83,481	1,685,097
Transportation	-	-	1,910,312	1,910,312
Operations and maintenance	2,809,001	-	314,655	3,123,656
Central	101,049	-	11,600	112,649
Community services	109,739	-	7,700	117,439
Payments to other governments	1,539,779	-	-	1,539,779
Capital outlay	1,215,134	-	-	1,215,134
Debt service:				
Principal	-	5,466,655	-	5,466,655
Interest and fees	-	708,678	-	708,678
Total expenditures	45,689,361	6,175,333	3,160,895	55,025,589
Excess of revenues over expenditures	(280,181)	401,842	360,745	482,406
Other financing sources (uses):				
Bond proceeds	-	10,780,000	-	10,780,000
Premium on bonds sold	-	773,355	-	773,355
Payment to escrow agent	-	(11,335,122)	-	(11,335,122)
Transfer in	-	-	300,000	300,000
Transfer (out)	(300,000)	-	-	(300,000)
Lease proceeds	401,520	-	-	401,520
Total other financing sources (uses)	101,520	218,233	300,000	619,753
Net change in fund balances	(178,661)	620,075	660,745	1,102,159
Fund balances:				
July 1, 2017, as restated	11,591,683	3,327,007	3,284,253	18,202,943
June 30, 2018	\$ 11,413,022	\$ 3,947,082	\$ 3,944,998	\$ 19,305,102

See notes to basic financial statements.

Oak Lawn-Hometown School District 123

**Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Year Ended June 30, 2018**

Net change in fund balances—total governmental funds \$ 1,102,159

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

Governmental funds report capital outlays as expenditures paid while governmental activities report depreciation expense to allocate those expenditures over the lives of the assets. This is the amount by which depreciation expense exceeded capital outlays and gain on disposals in the current period.

Capital outlays	\$ 546,714	
Depreciation expense	<u>(1,659,954)</u>	(1,113,240)

Certain revenues are deferred inflows of resources in the fund financial statements because they are not available but are recognized in the government-wide financial statements:

Prior-year deferred intergovernmental revenues	\$ (729,208)	
Current year deferred intergovernmental revenues	<u>445,405</u>	(283,803)

Items related to pension expense and revenue are reported as deferred inflows and deferred outflows on the government-wide financial statements, but not on the fund financial statements:

Deferred outflows of resources - Teachers' Retirement System		(313,252)
Deferred outflows of resources - Illinois Municipal Retirement Fund		(785,808)
Deferred outflows of resources - Teachers' Health Insurance Security Fund		1,267,593
Deferred outflows of resources - District Plan		282,683
Deferred inflows of resources - Teachers' Retirement System		80,121
Deferred inflows of resources - Illinois Municipal Retirement Fund		(1,128,490)
Deferred inflows of resources - Teachers' Health Insurance Security Fund		(2,817,276)
Deferred inflows of resources - District Plan		(326,481)

Premium on bonds is recorded as other financing sources in the fund financial statements, but the premium is recorded as a liability in the statement of net position and is amortized over the life of the bonds. This is the amount in the current period.

Amortization premium on bonds		713,240
Premium on bonds issued		(773,355)

Losses on refunded debt are not considered to represent a financial resource and, therefore, are not required in the fund financial statements, but the loss is recorded as a deferred outflow of resources in the statement of net position and is amortized over the life of the bonds. This is the amount in the current period.

Amortization deferred loss on refunding		(243,412)
Deferred loss on refunding bonds issued		30,122

(Continued)

Oak Lawn-Hometown School District 123

**Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Year Ended June 30, 2018**

Accreted interest on capital appreciation bonds is not reported in the governmental funds, however, it results in an increase in long-term liabilities on the statement of net position.	\$ (3,722,579)
Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
General obligation bond principal retirement	850,000
Capital appreciation bond retirement	4,550,000
Capital lease principal retirement	227,984
Long-term debt issued is recorded as an other financing source in the fund financial statements, but is recorded as a liability in the statement of activities:	
Issuance of general obligation bonds	(10,780,000)
Principal refunded	11,305,000
Issue of capital lease payable	(401,520)
Some revenues and expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:	
State on-behalf contribution revenue for TRS and THIS	8,801,097
State on-behalf contribution expense for TRS and THIS	(8,801,097)
Decrease in accrued interest	(29,123)
Decrease in compensated absences	14,887
Increase in net OPEB liability - Teachers' Health Insurance Security Fund	(183,700)
Increase in net OPEB liability - District Plan	(99,697)
Increase in net pension liability - Illinois Municipal Retirement System	1,924,971
Increase in net pension liability - Teachers' Retirement System	36,835
	<hr/>
Change in net position of governmental activities	<u>\$ (616,141)</u>

See notes to basic financial statements.

Oak Lawn-Hometown School District 123

Statement of Fiduciary Assets and Liabilities

Agency Fund

June 30, 2018

	Student Activity Fund
Assets, cash	\$ 123,129
Liabilities, due to activity fund organizations	<u>123,129</u>
Total net position	<u><u>\$ -</u></u>

See notes to basic financial statements.

Oak Lawn-Hometown School District 123

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies

Nature of Operations

The District operates as a public school system governed by an elected seven-member board. The District is organized under The School Code of the State of Illinois, as amended. The District serves the communities of Oak Lawn and Hometown, Illinois.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

Financial Reporting Entity

As defined by generally accepted accounting principles established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) Fiscal dependency on the primary government and the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Financial benefit or financial burden is created if any one of the following relationships exists:

- 1) The primary government is legally entitled to or has access to the component unit's resources.
- 2) The primary government is legally required or has assumed the obligation to finance the deficits of, provide support to, the component unit.
- 3) The primary government is obligated in some manner for the other component unit's debt.

Based upon the application criteria, no component units have been included within the reporting entity.

Basis of Presentation

Government-Wide Financial Statements (GWFS): The government-wide Statement of Net Position and Statement of Activities report the overall financial activity of the District. Eliminations have been made to minimize the double counting of internal activities of the District. The financial activities of the District consist of governmental activities, which are primarily supported by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function (i.e., instruction, support services, etc.) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs (including fines and fees), and (b) grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Oak Lawn-Hometown School District 123

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Fiduciary funds are excluded from the government-wide financial statements.

Fund Financial Statements (FFS): Separate financial statements are provided for governmental funds and fiduciary (agency) funds, even though the latter are excluded from the government-wide financial statements. The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The remaining governmental funds are aggregated and reported as nonmajor governmental funds. Additionally, the District administers an agency fund that is used to account for assets held by the District in an agency capacity. These funds are held on behalf of the students of the District.

The District administers the following major governmental funds:

General Fund – This is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Debt Service Fund – Accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt from governmental funds.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

In the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include various taxes, state-shared revenues and various state, federal and local grants. On an accrual basis, revenues from taxes are recognized when the District has a legal claim to the resources. Property taxes are recognized as revenues in the year they are levied (i.e. intended to finance). Grants, entitlements, state-shared revenues and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

Significant revenue sources which are susceptible to accrual include property taxes, other taxes, grants and interest. All other revenue sources are considered to be measurable and available only when cash is received.

Expenditures generally are recorded when the liability is incurred, as under accrual accounting; however, in the governmental fund financial statements, compensated absences are recorded only when payment is due (upon employee retirement or termination). General capital asset acquisitions are reported as expenditures in governmental funds.

Oak Lawn-Hometown School District 123

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Property Taxes

Property taxes are levied each year on all taxable real property in the District on or before the last Tuesday in December. The 2017 tax levy was passed by the Board of Education on November 13, 2017, and attached as an enforceable lien on the property as of the preceding January 1. These taxes became due and collectible in March and September 2018 and were collected by the county collector, who in turn remits to the District its respective share. The District receives these remittances within one month of the collection dates. For the 2017 levy, the District recognizes no more than 55 percent of the prior-year levy less a 3 percent allowance in the current fiscal year as revenue with the remainder of the 2017 levy to be recognized in the following fiscal year; accordingly, the remaining amount is reflected as deferred inflows of resources this year. This methodology conforms to the measurable and available criteria for revenue recognition. Due to property tax collection through 60 days being sufficient to meet the availability criteria, the District was able to recognize 51 percent of the prior-year levy as revenue in the current fiscal year on the fund financial statements.

The Property Tax Extension Limitation Law imposes mandatory property tax limitations on the ability of taxing districts in Illinois to raise revenues through unlimited property tax increases. The increase in property tax extensions is limited to the lesser of 5 percent or the percentage increase in the Consumer Price Index for all Urban Consumers. The limitation includes taxes levied for purposes without a statutory maximum rate. The amount of the limitation may be adjusted for new property added or annexed to the tax base or due to voter approved increases.

Cash and Investments

Cash and investments consist of pooled cash and investments held by the Worth Township Trustees and are reported at fair value.

Interfund Receivables, Payables, and Activity

Loans – amounts provided with a requirement for repayment. Interfund loans are reported as due from other funds in lender funds and due to other funds in borrower funds for short-term borrowings and advances to other funds in lender funds and advances from other funds in borrower funds for long-term borrowings. Amounts are eliminated in the government-wide statement of net position.

Transfers – flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets which include land, land improvements, buildings, and other equipment, are reported in the Statement of Net Position. Capital assets are defined as assets with an initial individual cost of more than \$2,500, and an estimated useful life of greater than one year. Additions or improvements that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Expenditures for asset acquisitions and improvements are stated as capital outlay expenditures in the governmental funds.

These assets have been valued at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at their acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Depreciation of capital assets is recorded in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position and is provided on the straight-line basis over the following estimated useful lives:

Buildings	15 - 50 years
Land improvements	20 years
Equipment	5 - 20 years

Deferred Inflows or Deferred Outflows of Resources and Unearned Revenue

Deferred inflows of resources are the acquisition of net position or fund balance that is applicable to future reporting periods. Property taxes that are received or recorded as receivables prior to the period the levy is intended to finance are recorded as deferred inflows of resources on both fund financial statements and government-wide financial statements. Potential grant revenue is recorded as deferred inflows of resources on the fund financial statements when it has not yet met both the "measurable" and "available" criteria for recognition in the current period.

Deferred outflows of resources are the consumption of net position that is applicable to future reporting periods. The net difference between projected and actual earnings on pension plan investments, changes in proportion and differences between employer contributions and proportionate share of contributions, as well as pension payments made subsequent to the pension liability measurement date are reported as deferred outflows or inflows of resources on the government-wide financial statements. See Note 6 for pension related disclosures.

Unearned revenues arise when resources are received by the District before it has legal claim to them. In subsequent periods, when revenue recognition criteria are met or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the financial statements and revenue is recognized.

Compensated Absences

Certified employees working less than 12 months a year do not earn vacation days, however, full-time 12 month employees earn 5 to 25 vacation days per year which vest as they accrue. Staff may accumulate a maximum of 5 vacation days. Days are paid out upon resignation or retirement at the employees' current daily rate. Vacation pay includes the actual salary plus salary-related payments.

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

All employees receive 14 sick days per year, three of which may be used for personal business, and these days accumulate to no maximum. These accumulated sick days do not vest and have not been recognized as a liability as they will not be paid in cash. Upon retirement, bargaining unit employees are paid \$30 per day for each day not used for TRS/IMRF purposes. Up to 340 days may be contributed toward retirement. Certified employees are not paid for days contributed toward TRS/IMRF retirement. Bargaining unit employees who quit, rather than retire, are not paid out any sick days but may contribute them toward early retirement.

The General Fund is typically used to liquidate these liabilities.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations, including pension liabilities, compensated absences and postemployment benefits other than pension benefits are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are recorded as liabilities and amortized over the life of the bonds. Deferred losses on refunding are amortized over the life of the bonds and are reported as deferred outflows of resources in the Statement of Net Position.

In the fund financial statements, 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 or expenses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Postemployment Benefits Other Than Pensions (OPEB)

The District participates in two OPEB plans, the Teachers' Health Insurance Security Fund (THIS) plan provided by the State and an OPEB plan provided by the District. For purposes of measuring the District's collective OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the THIS OPEB Plan and additions to/deductions from the THIS Plan's fiduciary net position have been determined on the same basis as they are reported by the THIS Plan. For this purpose, the THIS Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments, if any, are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Net Position

The Statement of Net Position presents the District's non-fiduciary assets and liabilities with the difference reported in three categories:

Net investment in capital assets consists of capital assets and deferred outflows of resources that are attributable to the acquisition, construction, or improvement of those assets, net of accumulated depreciation and reduced by outstanding balances for bonds.

Restricted net positions result when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net positions consist of net positions that do not meet the criteria of the two preceding categories.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Oak Lawn-Hometown School District 123

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Fund Balances

Within the governmental fund types, the District's fund balances are reported in one of the following classifications:

Nonspendable – includes amounts that cannot be spent because they are either: a) not in spendable form; or b) legally or contractually required to be maintained intact. At June 30, 2018, the District had no nonspendable fund balances.

Restricted – includes amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The District's highest level of decision-making authority rests with the District's Board of Education. The District passes formal resolutions to commit their fund balances. At June 30, 2018, the District had no committed fund balances.

Assigned – includes amounts that are constrained by the District's *intent* to be used for specific purposes, but that are neither restricted nor committed. Intent is expressed by: a) the District's Board of Education itself; or b) a body or official to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes. The District's Board of Education has not delegated authority to any other body or official to assign amounts for a specific purpose within the General Fund. Within the other governmental fund types (special revenue, debt service, capital projects) resources are assigned in accordance with the established fund purpose and approved budget/appropriation. Residual fund balances in these fund types that are not restricted or committed are reported as assigned. At June 30, 2018, the District had no assigned fund balances.

Unassigned – includes the residual fund balance that has not been restricted, committed, or assigned within the general fund and unassigned deficit fund balances of other governmental funds.

It is the District's policy to consider restricted resources to have been spent first when an expenditure is incurred for which both restricted and unrestricted (i.e., committed, assigned or unassigned fund balances) are available, followed by committed and then assigned fund balances. Unassigned amounts are used only after the other resources have been used.

The General Fund includes the Working Cash stabilization account. Under the State of Illinois School Code (School Code), the District is authorized to incur indebtedness and issue bonds and to levy a tax annually on all taxable property of the District in order to enable the District to have in its treasury at all times sufficient money to meet demands thereon. These funds may be lent to other District governmental funds in need, but may only be expended for other purposes upon the passage of a resolution by the Board of Education to abolish or abate the fund. At June 30, 2018, the District had working cash stabilization fund balances of \$9,951,208 that have been classified as unassigned fund balances in the general fund.

Oak Lawn-Hometown School District 123

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates.

Restatement

For the year ended June 30, 2017, the District prepared its financial statements using the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). For the year ended June 30, 2018, the District retroactively adopted the modified accrual basis of accounting for the governmental fund financial statements and the accrual basis of accounting for the government-wide financial statements which is GAAP. As a result of this conversion, the District now recognizes receivables, deferred outflow / inflows of resources, accounts payable, and accrued liabilities on the governmental fund financial statements. Additionally, the District also recognizes compensated absences, capital leases, other postemployment benefit obligations and net pension liabilities on the governmental activities. The following table reflects the change in the July 1, 2017 fund balances:

	General Fund	Debt Service Fund	Nonmajor Funds	Total
Fund Balance, June 30, 2017 (modified cash basis)	\$ 11,172,067	\$ 3,274,018	\$ 3,236,328	\$ 17,682,413
Conversion to modified accrual basis	419,616	52,989	47,926	520,531
Fund Balance, July 1, 2017, restated	<u>\$ 11,591,683</u>	<u>\$ 3,327,007</u>	<u>\$ 3,284,253</u>	<u>\$ 18,202,943</u>

In addition to the change in basis of accounting discussed above, the District's net position has also been restated as of June 30, 2017 for the implementation of GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. In accordance with GASB No. 75, the District now reports a collective net OPEB liability for the THIS plan and a net OPEB liability for the District plan on its financial statements, as well as deferred outflows of resources and deferred inflows of resources. In addition, the impact of implementing this statement resulted in a restatement of the beginning net position for governmental activities to adjust for the OPEB liabilities and deferred outflows of resources for OPEB contributions made subsequent to the measurement date that would have been reported in previous years. Restatement of the beginning balances for other deferred outflows of resources and deferred inflows of resources related to OPEB was not done because it was not practical to determine all such amounts. The following table reflects the change in July 1, 2017 Governmental Activities net position:

	<u>Governmental Activities</u>
Net Position, June 30, 2017	\$ 9,204,610
Conversion to modified accrual basis	(4,419,671)
Capital lease payable	(1,127,506)
Equipment additions acquired via capital lease	1,127,506
Net OPEB liability - District plan	(1,493,447)
Collective net OPEB liability - THIS	(23,539,474)
Deferred outflow of resources - OPEB contributions subsequent to the measurement date	291,752
Net Position as restated, July 1, 2017	<u>\$ (19,956,230)</u>

Oak Lawn-Hometown School District 123

Notes to Basic Financial Statements

Note 2. Cash and Investments

Deposits

State statutes authorize the District to make deposits directly or through its Township Trustees in interest-bearing depository accounts in federally insured and/or state chartered banks, savings and loan associations and credit unions. As of June 30, 2018, the District had deposits with federally insured financial institutions of \$5,000 with bank balances totaling \$4,800. The agency fund had deposits with federally insured financial institutions of \$123,129 with bank balances totaling \$126,596.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District policy is to have all bank balances fully insured or collateralized. As of June 30, 2018, none of the District's bank balances were exposed to custodial credit risk.

Investments

As of June 30, 2018, the District had the following investments:

	Fair Value	Investment Maturities (In Years)
Pooled cash and investments held by the Worth Township Trustees	<u>\$ 22,501,975</u>	N/A

The fair value of pooled cash and investments held by the Worth Township Trustees is based on the net asset value per unit based on the amortized cost of the underlying securities at June 30, 2018, as determined by the Worth Township Trustees. The fair value is derived daily based on the net asset value of the underlying securities. There are no redemption restrictions or unfunded commitments related to the District's pooled cash and investments held by the Worth Township Trustees.

Of the total pooled cash and investments held by Worth Township Trustees, maturities are approximately as follows: less than 1 year (16.18 percent), 1 to 5 years (49.59 percent), 6-10 years (15.04 percent), and greater than 10 years (19.19 percent). The pooled accounts hold the following types of investments: U.S. Treasury Securities, Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), FHLMC (Freddie Mac), GNMA (Ginnie Mae), Illinois School District Liquid Asset Fund Plus (ISDLAF+), Municipal Bonds, Commercial Paper and Illinois Funds.

Interest Rate Risk - The District's investment policy does not limit its investment portfolio to specific maturities.

Credit Risk - State statutes authorize the District to invest directly or through its Township Trustees in direct obligations of, or obligations guaranteed by, the United States Treasury or agencies of the United States and short-term obligations of corporations organized in the United States with assets exceeding \$500,000,000.

The District is also authorized to invest directly or through its Township Trustees in the Illinois School District Liquid Asset Fund Plus and the Illinois Funds, which invests member deposits, on a pooled basis, primarily in short-term certificates of deposit and in high-rated, short-term obligations of major United States corporations and banks.

Concentration of Credit Risk - The District investment policy requires that the investment portfolio is diversified as to materials and investments, as appropriate to the nature, purpose, and amounts of the funds. The policy does not limit the investments in any single issuer.

Oak Lawn-Hometown School District 123

Notes to Basic Financial Statements

Note 2. Cash and Investments (Continued)

Custodial Credit Risk – Investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Information related to the interest rate risk, credit risk, concentration of credit risk, and custodial credit risk of the other cash and investments held by the Worth Township Trustees can be obtained from the Worth Township Trustees at 10720 South Kenton, Oak Lawn, Illinois 60453, which issues a financial report that includes financial statements and required supplementary information.

The deposits and investments with a total carrying value of \$22,630,104 are presented in the basic financial statements as cash and investments as follows:

Statement of Net Position (GWFS)	\$ 22,506,975
Statement of Fiduciary Assets and Liabilities (FFS)	<u>123,129</u>
	<u><u>\$ 22,630,104</u></u>

Note 3. Capital Assets

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

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018
Governmental activities:				
Capital Assets, not being depreciated:				
Land	\$ 4,755,000	\$ -	\$ -	\$ 4,755,000
Total capital assets not being depreciated	<u>4,755,000</u>	<u>-</u>	<u>-</u>	<u>4,755,000</u>
Capital Assets, being depreciated:				
Land improvements	3,199,502	-	-	3,199,502
Buildings and improvements	62,232,133	62,440	-	62,294,573
Equipment	5,210,436	484,274	-	5,694,710
Total capital assets being depreciated	<u>70,642,071</u>	<u>546,714</u>	<u>-</u>	<u>71,188,785</u>
Less accumulated depreciation:				
Land improvements	(2,243,087)	(89,359)	-	(2,332,446)
Buildings and improvements	(27,517,034)	(1,237,196)	-	(28,754,230)
Equipment	(3,546,643)	(333,399)	-	(3,880,042)
Total accumulated depreciation	<u>(33,306,764)</u>	<u>(1,659,954)</u>	<u>-</u>	<u>(34,966,718)</u>
Total capital assets being depreciated, net	<u>37,335,307</u>	<u>(1,113,240)</u>	<u>-</u>	<u>36,222,067</u>
Governmental activities Capital assets, net	<u><u>\$ 42,090,307</u></u>	<u><u>\$ (1,113,240)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 40,977,067</u></u>

Oak Lawn-Hometown School District 123

Notes to Basic Financial Statements

Note 3. Capital Assets (Continued)

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 1,138,337
Support services	517,388
Community services	3,648
	<u>\$ 1,659,373</u>

Note 4. Long-Term Obligations

Long-term obligations as of June 30, 2018, and a summary of activity for the year then ended are as follows:

	Outstanding Debt as of July 1, 2017	Additions	Reductions	Outstanding Debt as of June 30, 2018	Due Within One Year
General obligation bonds	\$ 12,155,000	\$ 10,780,000	\$ (12,155,000)	\$ 10,780,000	\$ 1,355,000
Capital appreciation bonds	34,588,877	3,722,579	(4,550,000)	33,761,456	5,155,000
Unamortized bond premiums	4,245,816	773,355	(713,240)	4,305,931	-
Capital leases	1,127,506	401,520	(227,984)	1,301,042	366,872
Compensated absences	101,571	-	(14,887)	86,684	13,003
	<u>\$ 52,218,770</u>	<u>\$ 15,677,454</u>	<u>\$ (17,661,111)</u>	<u>\$ 50,235,113</u>	<u>\$ 6,889,875</u>

Additions to capital appreciation bonds represent current year accreted interest.

The District's estimated legal debt limitation of \$49,206,811, based on 6.9 percent of the 2017 equalized assessed valuation of \$713,142,191, less outstanding debt of \$19,443,000 after deletion of cumulative accreted interest of \$25,098,456 included as principal payable in the above capital appreciation bond schedules results in an estimated legal debt margin of \$29,763,811 as of June 30, 2018.

Interest rates range from 2.10 percent to 5.00 percent on the outstanding general obligation bonds and range from 9.00 percent to 13.50 percent on outstanding capital appreciation bonds. As of June 30, 2018, the future annual debt service requirements are as follows:

Year Ending June 30,	General Obligation Bonds		Capital Appreciation Bonds		Total
	Principal	Interest	Principal	Interest	
2019	\$ 1,355,000	\$ 349,472	\$ 1,298,838	\$ 3,856,162	\$ 6,859,472
2020	1,405,000	322,728	1,179,661	3,975,339	6,882,728
2021	1,180,000	294,052	1,066,866	4,088,134	6,629,052
2022	875,000	268,446	1,044,990	4,775,010	6,963,446
2023	900,000	240,432	946,703	4,873,297	6,960,432
2024-2028	5,065,000	609,150	3,125,942	29,714,058	38,514,150
	<u>\$ 10,780,000</u>	<u>\$ 2,084,280</u>	<u>\$ 8,663,000</u>	<u>\$ 51,282,000</u>	<u>\$ 72,809,280</u>

Interest maturities include \$25,098,456 in accreted interest on capital appreciation bonds, which is included in long-term debt on the statement of net position.

Oak Lawn-Hometown School District 123

Notes to Basic Financial Statements

Note 5. Retirement Fund Commitments

Teachers' Retirement System

Plan Description. The District (employer) participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The TRS Board of Trustees is responsible for the System's administration.

TRS issues a publicly available financial report that can be obtained at <http://trs.illinois.gov/pubs/cafr/fy2017>; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, Illinois 62794; or by calling (888) 877-0890, option 2.

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

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

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

Public Act 100-0023, enacted in 2017, creates an optional Tier 3 hybrid retirement plan, but it has not yet gone into effect. The earliest possible implementation date is July 1, 2019.

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

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2018, was 9.0 percent of creditable earnings. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the employer.

Oak Lawn-Hometown School District 123

Notes to Basic Financial Statements

Note 5 Retirement Fund Commitments (Continued)

On behalf contributions to TRS. The state of Illinois makes employer pension contributions on behalf of the employer. For the year ended June 30, 2018, state of Illinois contributions recognized by the employer were based on the state's proportionate share of the collective net pension liability associated with the employers, and the employer recognized revenue and expense of \$15,188,481 in the governmental activities based on the economic resources measurement basis and revenues and expenditures in the amount of \$8,310,696 in the General Fund based on the current financial resources measurement basis.

2.2 formula contributions. Employers contribute 0.58 percent of the total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2018, were \$120,920, and are deferred because they are paid after the June 30, 2017, measurement date.

Federal and special trust fund contributions. When TRS members are paid from federal and special trust funds administered by 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 year ended June 30, 2018.

Previously, employer contributions for employers 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, 2018, the employer pension contribution was 10.10 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2018, there were no salaries paid from federal and special trust funds.

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

The employer is also required to make a one-time contribution to TRS for members granted salary increases over 6 percent if those salaries are used to calculate a retiree's final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2018, the employer was not required to make payments to TRS for employer contributions due to salary increases in excess of 6 percent and was required to make no payment 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, 2018, the employer reported a liability for its proportionate share of the net pension liability (first amount shown below) that reflected a reduction for state pension support provided to the employer. The state's support and total are for disclosure purposes only. The amount recognized by the employer as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the employer were as follows:

Employer's proportionate share of the net pension liability	\$ 4,517,589
State's proportionate share of the net pension liability associated with the employer	154,330,627
Total	<u>\$ 158,848,216</u>

Oak Lawn-Hometown School District 123

Notes to Basic Financial Statements

Note 5. Retirement Fund Commitments (Continued)

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, and rolled forward to June 30, 2017. The employer's proportion of the net pension liability was based on the employer's share of contributions to TRS for the measurement year ended June 30, 2017, relative to the projected contributions of all participating TRS employers and the state during that period. At June 30, 2017, the employer's proportion was 0.0059 percent, which was an increase of 0.0002 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized the following pension expense/expenditure and revenue pertaining to the District's employees:

	Governmental Activities	General Fund
State on-behalf contribution - pension revenue and expense/expenditure	\$ 15,188,481	\$ 8,310,696
District pension expense/expenditure	369,792	169,902
Total pension expense/expenditure	<u>\$ 15,558,273</u>	<u>\$ 8,480,598</u>

At June 30, 2018, the employer 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
Differences between expected and actual experience	\$ 49,066	\$ 2,085
Net difference between projected and actual earnings on pension plan investments	3,099	-
Changes of assumptions	301,517	129,815
Changes in proportion and differences between employer contributions and proportionate share of contributions	326,615	234,003
Total deferred amounts to be recognized in pension expense in future periods	680,297	365,903
Employer contributions subsequent to the measurement date	169,902	-
	<u>\$ 850,199</u>	<u>\$ 365,903</u>

The District reported \$169,902 as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the reporting year ending June 30, 2019. Other amounts reported as deferred outflows or resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:

2019	\$ (2,432)
2020	217,862
2021	112,429
2022	(12,565)
2023	(900)
Thereafter	-
	<u>\$ 314,394</u>

Oak Lawn-Hometown School District 123

Notes to Basic Financial Statements

Note 5. Retirement Fund Commitments (Continued)

Actuarial Assumptions. The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- **Inflation** 2.50 percent
- **Salary increases** varies by amount of service credit
- **Investment rate of return** 7.00 percent, net of pension plan investment expense, include inflation

Mortality rates were based on the RP-2014 White Collar Table with adjustments as appropriate for TRS experience. The rates are used on a fully-generational basis using projection table MP-2014. The same assumptions were used in the June 30, 2016, actuarial valuation.

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

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

Discount Rate. At June 30, 2017, the discount rate used to measure the total pension liability was 7.00 percent, which was a change from June 30, 2016, rate of 6.83 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and state contributions will be made at the current statutorily-required rates.

Based on those assumptions, TRS's fiduciary net position at June 30, 2017, was projected to be available to make all projected future benefit payments of current active and inactive members and all benefit recipients. Tier I's liability is partially-funded by Tier II members, as the Tier II member contribution is higher than the cost of Tier II benefits. Due to this subsidy, contributions from future members in excess of the service cost are also included in the determination of the discount rate. All projected future payments were not covered, so a long-term expected rate of return on TRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

At June 30, 2016, the discount rate used to measure the total pension liability was 6.83 percent. The discount rate was lower than the actuarially-assumed rate of return on investments that year because TRS's fiduciary net position and the subsidy provided by Tier II were not sufficient to cover all projected benefit payments.

Oak Lawn-Hometown School District 123

Notes to Basic Financial Statements

Note 5. Retirement Fund Commitments (Continued)

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the employer's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the employer'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 percent) or 1-percentage-point higher (8.00 percent) 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	\$ 5,550,448	\$ 4,517,589	\$ 3,671,591

Payables to TRS. As of June 30, 2018, the District reported no payables due to TRS.

TRS Fiduciary Net Position. Detailed information about TRS' fiduciary net position as of June 30, 2017, is available in the separately issued TRS *Comprehensive Annual Financial Report*.

Illinois Municipal Retirement

Plan Description. The District's defined benefit pension plan for regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The district 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. The District participates in the Regular Plan (RP). 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 percent of the final rate of earnings for the first 15 years of service credit, plus 2 percent for each year of service credit after 15 years to a maximum of 75 percent of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3 percent of the original amount on January 1 every year after retirement.

Oak Lawn-Hometown School District 123

Notes to Basic Financial Statements

Note 5. Retirement Fund Commitments (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 percent of the final rate of earnings for the first 15 years of service credit, plus 2 percent for each year of service credit after 15 years to a maximum of 75 percent of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 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 percent 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. As of December 31, 2017, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	138
Inactive plan members entitled to but not yet receiving benefits	294
Active plan members	133
Total	<u><u>565</u></u>

Contributions. As set by statute, the District's regular plan members are required to contribute 4.50 percent of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The District's required and actual contribution rates for the calendar years ending December 31, 2018 and 2017, were 13.88 and 14.58 percent, respectively. For fiscal year 2018, the District contributed \$576,019 to the plan. The District also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefit rate is set by statute.

Net Pension Liability. The District's net pension liability was measured as of December 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The following are the methods and assumptions used to determine total pension liability at December 31, 2017:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.50 percent.
- **Salary Increases** were expected to be 3.39 percent to 14.25 percent, including inflation.
- The **Investment Rate of Return** was assumed to be 7.50 percent.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2017 valuation according to an experience study from years 2014 to 2016.
- 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.

Oak Lawn-Hometown School District 123

Notes to Basic Financial Statements

Note 5. Retirement Fund Commitments (Continued)

- 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.

There were no benefit changes during the year.

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:

Asset Class	Target Allocation	Projected Returns / Risk	
		One year Arithmetic	Ten Year Geometric
Domestic equity	37.0 %	8.30	6.85
International equity	18.0	8.45	6.75
Fixed Income	28.0	3.05	3.00
Real estate	9.0	6.90	5.75
Alternative investments	7.0		
Private equity	-	12.45	7.35
Hedge funds	-	5.35	5.05
Commodities	-	4.25	2.65
Cash equivalents	<u>1.0</u>	2.25	2.25
	<u><u>100.0 %</u></u>		

Discount Rate. A single discount rate of 7.50 percent was used to measure the total pension liability. The projection of cash flow used to determine this single discount rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The single discount rate reflects:

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

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50 percent, the municipal bond rate is 3.31 percent, and the resulting single discount rate is 7.50 percent.

Oak Lawn-Hometown School District 123

Notes to Basic Financial Statements

Note 5. Retirement Fund Commitments (Continued)

Changes in the Net Pension Liability. The following table shows the components of the District's annual pension liability and related plan fiduciary net position for the calendar year ended December 31, 2017:

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balance at December 31, 2016	\$ 19,292,786	\$ 16,636,232	\$ 2,289,212
Changes for the year:			
Service cost	413,909	-	413,909
Interest on the total pension liability	1,420,871	-	1,420,871
Difference between expected and actual experience of the total pension liability	(208,725)	-	(208,725)
Changes of assumptions	(588,585)	-	(588,585)
Contributions - employer	-	548,582	548,582
Contributions - employees	-	169,316	169,316
Net investment income	-	2,993,312	2,993,312
Benefit payment, including refunds of employee contributions	(1,109,579)	(1,109,579)	(2,219,158)
Other (net transfer)	-	(748,769)	(748,769)
Net changes	(72,109)	1,852,862	1,780,753
Balance at December 31, 2017	<u>\$ 19,220,677</u>	<u>\$ 18,489,094</u>	<u>\$ 731,583</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the plan's net pension liability (asset), calculated using a single discount rate of 7.50 percent, as well as what the plan's net pension liability (asset) would be if it were calculated using a single discount rate that is 1.0 percent lower or 1.0 percent higher:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net pension liability (asset)	\$ 2,778,542	\$ 731,583	\$ (983,760)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2018, the District recognized pension expense of \$563,494. At June 30, 2018, the District 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
Differences between expected and actual experience	\$ -	\$ 109,261
Changes of assumptions	-	308,106
Net difference between projected and actual earnings on pension plan investments	-	899,432
Total deferred amounts to be recognized in pension expense in future periods	-	1,316,799
Employer contributions subsequent to the measurement date	328,214	-
	<u>\$ 328,214</u>	<u>\$ 1,316,799</u>

Oak Lawn-Hometown School District 123

Notes to Basic Financial Statements

Note 5. Retirement Fund Commitments (Continued)

The District reported \$328,214 as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Year Ending June 30:

2019	\$ (460,063)
2020	(158,522)
2021	(340,541)
2022	(357,673)
2023	-
Thereafter	-
	<u><u>\$ (1,316,799)</u></u>

Note 6. Debt Defeasance

In prior years, the District advance refunded certain general obligation bonds by placing a portion of the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. As of June 30, 2018, the outstanding balance of all defeased bonds totals \$1,904,648.

Note 7. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction to assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Collective Liability Insurance Cooperative (CLIC) for its worker's compensation, general liability and property coverages. CLIC is an organization of school districts in Illinois, which have formed an association under the Illinois Intergovernmental Cooperation's Statute to pool its risk management needs.

The Cooperative agreement provides that CLIC will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000 per occurrence and \$3,000,000 in aggregate for general liability and property. CLIC's member premiums are used to purchase commercial insurance. The District along with other members of CLIC has a contractual obligation to fund any premium deficiency of CLIC attributable to a membership year during which it was a member. CLIC can assess supplemental premiums to fund these premium deficiencies. In the past three years, the District made no supplemental premium payments to CLIC.

Each member District of CLIC has a vote in the election of the pool's Board of Directors. The District does not exercise any control over the activities of the pool beyond its election of the Board Members.

The District is a member of Educational Benefit Cooperative, which is a self-insured cooperative for employee health and accident claims. A purchased insurance policy limits the aggregate claims the District may potentially pay to \$500,000 per individual. All administration and claims processing is done by an independent administrator.

Oak Lawn-Hometown School District 123

Notes to Basic Financial Statements

Note 8. Obligations Under Capital Leases

The District leases various equipment under capital leases which expire between July 2018 and April 2022. Monthly, quarterly, and annual lease payments, including interest ranging from 3.67 percent and 5.04 percent, range from \$7,544 to \$110,565.

The District incurred \$259,824 in principal and interest expense relating to the capital leases in the current year.

Minimum future lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2018, are as follows:

<u>Fiscal year ending June 30:</u>	
2019	\$ 366,872
2020	366,872
2021	366,872
2022	289,905
Thereafter	-
Total minimum lease payments	<u>1,390,521</u>
Less amount representing interest	<u>89,478</u>
Present value of net minimum lease payments	<u><u>\$ 1,301,043</u></u>

Note 9. Other Financial Disclosures (FFS Level Only)

Budget Over-Expenditures

The following fund over-expended its budget at June 30, 2018:

<u>Fund</u>	<u>Amount</u>
Fire Prevention and Safety Fund	\$ 7,312

Interfund Loans

At June 30, 2018, the General Fund (a major governmental fund) loaned the Fire Prevention and Safety Fund (a nonmajor governmental fund) \$5,697. The loan represents an operating loan that is expected to be repaid in fiscal year 2019.

Interfund Transfers

Interfund transfers for the year ended June 30, 2018, were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ -	\$ 300,000
Capital projects	300,000	-
	<u>\$ 300,000</u>	<u>\$ 300,000</u>

The purpose of the interfund transfer is to fund capital projects.

Oak Lawn-Hometown School District 123

Notes to Basic Financial Statements

Note 10. Post-Employment Benefits Other Than Pensions

District Plan

Plan Description. The District provides post-employment health care benefits (OPEB) for retired employees. The District Group Health Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical insurance benefits to eligible retirees and their dependents. The benefits, benefit levels, employee contributions, and employer contributions are governed by the District Board and can only be amended by the District Board. The Plan is not accounted for as a trust fund and an irrevocable trust has not been established. The District does not issue a Plan financial report.

Benefits Provided. Administrative and Certified teachers receiving retiree healthcare benefits from the Teachers' Retirement Insurance Program (TRIP) receive an annual, fixed benefit equal to the cost of the full premium for individual coverage in the TRIP health insurance plan for 5 years after retirement or until age 65, whichever is less. Non-certified employees may elect to continue healthcare coverage, at their own expense, to be enrolled in the District's health insurance program until the age of Medicare eligibility.

Employees Covered by Benefit Terms. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive Plan Members currently receiving benefits	26
Active Plan Members	<u>404</u>
Total	<u><u>430</u></u>

Total OPEB Liability. The District's total OPEB liability was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2017	\$ 1,493,447	\$ -	\$ 1,493,447
Changes for the year:			
Service cost	102,501	-	102,501
Interest on the total OPEB liability	45,641	-	45,641
Changes to benefit terms	-	-	-
Difference between expected and actual experience of the total OPEB liability	130,421	-	130,421
Changes of assumptions	11,479	-	11,479
Contributions - employer	-	116,398	(116,398)
Contributions - employees	-	-	-
Net investment income	-	-	-
Benefit payments	(116,398)	(116,398)	-
Other changes	(190,345)	-	(190,345)
Net changes	<u>(16,701)</u>	<u>-</u>	<u>(16,701)</u>
Balance at June 30, 2018	<u><u>\$ 1,476,746</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,476,746</u></u>

Oak Lawn-Hometown School District 123

Notes to Basic Financial Statements

Note 10. Post-Employment Benefits Other Than Pensions (Continued)

Actuarial Assumptions. The following are the methods and assumptions used to determine total OPEB liability at June 30, 2018:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Inflation Rate** was assumed to be 3.00 percent.
- **Salary Increases** were assumed to be 4.00 percent, including inflation.
- For **Healthcare Cost Trend Rates**, actual trend rate used for fiscal year 2018. For fiscal years on and after 2019, the PPO Plan trend starts at 5.50 percent and gradually decreases to an ultimate trend of 4.50 percent, the TRIP Plan trend rate is held at a constant rate of 5.00 percent, and the HMO IL Plan trend rate is held at a constant rate of 4.50 percent.

Mortality rates for IMRF employees and retirees were from the December 31, 2017, IMRF Actuarial Valuation Report (<https://www.imrf.org/en/employers/employer-resources/reports-for-employers>). Mortality rates for TRS employees and retirees were from the June 30, 2017, Teachers' Retirement System Actuarial Valuation Report (<https://www.trsil.org/financial/actuarial-reports/valuation-reports>).

Actuarial assumptions were changed from the prior year. The discount rate was changed from 4.00 percent to 3.18 percent to comply with GASB 75. Rates of mortality, retirement, withdrawal, and disability were changed to those found in the December 31, 2017 IMRF Actuarial Valuation Report and the June 30, 2017, Teachers' Retirement System Actuarial Valuation Report, respectively. There was also a change in benefit terms such that retired administrators are no longer provided with free life insurance coverage.

Discount Rate. Since the Plan is financed on a pay-as-you-go basis, a long-term rate of return was not used and the discount rate used to measure the total OPEB liability was the 20-year general obligation bond index rate (source was the S&P Municipal Bond 20-Year High Grade Rate Index as of June 30, 2018). The projection of cash flows used to determine the discount rate assumed that employee and employer contributions would be made at the current rates. Based on those assumptions, the Plan's fiduciary net position was not projected to be sufficient to make projected OPEB payments for current active and inactive employees beyond the current year.

Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Single Discount Rate. The following presents the Plan's net OPEB liability, calculated using a Single Discount Rate of 2.98 percent, as well as what the Plan's net OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (4.18 percent) or lower (2.18 percent) than the current rate:

	1% Decrease (2.18%)	Current Discount Rate (3.18%)	1% Increase (4.18%)
Employer's proportionate share of the collective net OPEB liability	\$ 1,565,443	\$ 1,476,746	\$ 1,393,691

Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the Plan's net OPEB liability, calculated using the healthcare cost trend rates as well as what the Plan's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or lower, than the current healthcare cost trend rates. The key trend rates are 5.50 percent in 2018 decreasing to an ultimate trend rate of 4.50 percent in 2029.

Oak Lawn-Hometown School District 123

Notes to Basic Financial Statements

Note 10. Post-Employment Benefits Other Than Pensions (Continued)

	Healthcare Cost Trend Rates		
	1% Decrease(a)	Assumption	1% Increase(b)
Employer's proportionate share of the collective net OPEB liability	\$ 1,351,628	\$ 1,476,746	\$ 1,622,170

(a) One percentage point decrease in healthcare trend rates are 4.50 percent in 2018 decreasing to an ultimate trend rate of 3.50 percent in 2029.

(b) One percentage point increase in healthcare trend rates are 6.50 percent in 2018 decreasing to an ultimate trend rate of 5.50 percent in 2029.

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2018, the District recognized OPEB expense of \$143,495. At June 30, 2018, the District 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
Differences between expected and actual experience	\$ 117,912	\$ -
Changes of assumptions	164,771	326,481
	<u>\$ 282,683</u>	<u>\$ 326,481</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future periods as follows:

Fiscal Year Ending June 30:

2019	\$ (4,646)
2020	(4,646)
2021	(4,646)
2022	(4,646)
2023	(4,646)
Thereafter	<u>(20,568)</u>
	<u>\$ (43,798)</u>

Teachers' Health Insurance Security Fund

Plan Description. The District (employer) participates in the Teachers' Health Insurance Security Fund (THIS) of the State of Illinois. THIS is a cost-sharing multiple-employer defined benefit post-employment healthcare plan (OPEB) established by the Illinois legislature for the benefit of eligible retired Illinois public school teachers employed outside the City of Chicago (members). All District employees receiving monthly benefits from the Teachers' Retirement System (TRS) who have at least eight years of creditable service with TRS, the survivor of an annuitant or benefit recipient who had at least eight years of creditable service or a recipient of a monthly disability benefit are eligible to enroll in THIS.

Oak Lawn-Hometown School District 123

Notes to Basic Financial Statements

Note 10. Post-Employment Benefits Other Than Pensions (Continued)

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of the THIS Plan and amendments to the Plan can be made only by legislative action with the Governor's approval. The Plan is administered by the Illinois Department of Central Management Services. The publicly available financial report of the Plan may be found on the website of the Illinois Auditor General. The current reports are listed under "Central Management Services" (<http://www.auditor.illinois.gov/Audit-Reports/CMS-THISF.asp>).

Benefits Provided. THIS provides medical, prescription, and behavioral health benefits for eligible retirees and their dependents, 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 premiums charged reflect approximately a 75 percent subsidy for members that elect a managed care plan or elect the Teachers' Choice Health Plan (TCHP) if a managed care plan is either not available or only partially available. Members receive approximately a 50 percent subsidy if they elect the TCHP when a managed care plan is available. Medicare primary dependent beneficiaries enrolled in a managed care plan or in the TCHP when no managed care plan is available receive a premium subsidy.

Contributions. The State Employees Group Insurance Act of 1971 (5 ILCS 375/6) specifies the contribution requirements of the participating school districts and covered employees. For the year ended June 30, 2018, required contributions are as follows:

- Active members contribute 1.18 percent of covered payroll.
- Employers contribute 0.88 percent of covered payroll. The percentage of employer required contributions in the future will not exceed 105 percent of the percentage of salary actually required to be paid in the previous fiscal year. For the year ended June 30, 2018, the employer paid \$183,478 to the THIS Fund, which was 100 percent of the required contribution.
- The State of Illinois makes contributions on behalf of the employer. State contributions are intended to match contributions to the THIS Fund from active members. The State contributed 1.18 percent of covered payroll. For the year ended June 30, 2018, the District recognized revenue and expense of \$1,923,312 in the governmental activities based on the economic resources measurement basis and revenue and expenditures of \$246,027 in the General Fund based on the current financial resources measurement.
- Retired members contribute through premium payments based on the coverage elected, Medicare eligibility, and the age of the member and dependents. The premium for retired members is not permitted to increase by more than 5.0 percent per year by statute. The Federal Government provides a Medicare Part D subsidy.

OPEB Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources. At June 30, 2018, the employer reported a liability for its proportionate share of the collective net OPEB liability that reflected a reduction for state pension support provided for the District. The state's support and total are for disclosure purposes only. The OPEB proportionate shares are as follows:

Employer's proportionate share of the collective net OPEB liability	\$ 23,547,820
The State's proportionate share of the collective net OPEB liability associated with the employer	<u>30,571,520</u>
Total THIS net collective OPEB liability associated with the employer	<u><u>\$ 54,119,340</u></u>

The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as June 30, 2016, and rolled forward to June 30, 2017.

Oak Lawn-Hometown School District 123

Notes to Basic Financial Statements

Note 10. Post-Employment Benefits Other Than Pensions (Continued)

The employer's proportionate share of the net OPEB liability was based on the employer's share of contributions to THIS for the measurement year ended June 30, 2017, relative to the contributions of all participating employers and the State during that period. At June 30, 2017, the District's proportion was 0.090745 percent, which was an increase of 0.004633 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized the following for OPEB expense/expenditure and revenue pertaining to the District's employees:

	Governmental Activities	General Fund
State on-behalf contribution - OPEB revenue and expense/expenditure	\$ 2,169,339	\$ 246,027
District OPEB expense/expenditure	1,916,861	183,478
Total OPEB expense/expenditure	<u>\$ 4,086,200</u>	<u>\$ 429,505</u>

At June 30, 2018, the employer 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
Differences between expected and actual experience	\$ -	\$ 13,338
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,084,115	-
Net difference between projected and actual investment earnings	-	259
Changes of assumptions	-	2,803,679
Total deferred amounts to be recognized in expense in future periods	<u>1,084,115</u>	<u>2,817,276</u>
Employer contributions subsequent to the measurement date	183,478	-
	<u>\$ 1,267,593</u>	<u>\$ 2,817,276</u>

The District reported \$183,478 as deferred outflows of resources resulting from employer contributions subsequent to the measurement date that will be recognized as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in expense as follows:

Fiscal Year Ending June 30:

2019	\$ (266,257)
2020	(266,257)
2021	(266,257)
2022	(266,257)
2023	(266,193)
Thereafter	<u>(401,940)</u>
	<u>\$ (1,733,161)</u>

Oak Lawn-Hometown School District 123

Notes to Basic Financial Statements

Note 10. Post-Employment Benefits Other Than Pensions (Continued)

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, based on the entry age normal cost method and using the following actuarial assumptions:

Inflation	2.75%
Salary increases	Depends on service and ranges from 9.25% at 1 year of service to 3.25% 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 rates	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.00% and 9.00% for non-Medicare costs and post-Medicare costs, respectively, and gradually decreases to an ultimate trend of 4.50%. Additional trend rate of 0.59% is added to non-Medicare cost on and after 2020 to account for the Excise Tax.

Eighty percent of future retirees that are currently active are assumed to elect healthcare coverage, with 80 percent electing single coverage and 20 percent electing two-person coverage.

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 for pre-retirement were based on the RP-2014 White Collar Table, sex distinct. All tables reflect future mortality improvements using Projection Scale MP-2014.

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2014.

The following OPEB-related assumption changes were made since the June 30, 2014, OPEB actuarial valuation date:

- The discount rate was changed from 2.85 percent at June 30, 2016 to 3.56 percent at June 30, 2017;
- The healthcare trend assumption was updated based on claim and enrollment experience through June 30, 2016, projected plan cost for plan year-end June 30, 2017, premium changes through plan year-end 2018, and expectation of future trend increases after June 30, 2017;
- The Excise trend rate adjustment was updated based on available premium and enrollment information as of June 30, 2017;
- Per capita claim costs were updated based on projected claims and enrollment experience through June 30, 2017, and updated premium rates through plan year 2018;
- The morbidity factors, used to adjust per capita claim cost by age and gender, were updated; and
- Healthcare plan participation rates by plan were updated based on observed experience.

The long-term expected rate of return assumption was set to zero. As such, ranges of expected future real rates of return by asset class were not developed.

Oak Lawn-Hometown School District 123

Notes to Basic Financial Statements

Note 10. Post-Employment Benefits Other Than Pensions (Continued)

Discount Rate. Since THIS is financed on a pay-as-you-go basis, a long-term rate of return was not used and the discount rate used to measure the total OPEB liability was the 20-year general obligation bond index rate (source was Fidelity Index's 20-year municipal GO AA Index). The discount rate as of June 30, 2017, was 3.56 percent, which was an increase from the June 30, 2016, rate of 2.85 percent. The projection of cash flows used to determine the discount rate assumed that employee, employer, and State contributions would be made at the current statutorily-required rates. Based on those assumptions, THIS's fiduciary net position was not projected to be sufficient to make projected OPEB payments for current active and inactive employees beyond the current year.

Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Single Discount Rate. The following presents the plan's net OPEB liability, calculated using a Single Discount Rate of 3.56 percent, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (4.56 percent) or lower (2.56 percent) than the current rate:

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Employer's proportionate share of the collective net OPEB liability	\$ 28,257,399	\$ 23,547,820	\$ 19,779,618

Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the plan's net OPEB liability, calculated using the healthcare cost trend rates as well as what the plan's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or lower, than the current healthcare cost trend rates. The key trend rates are 8.00 percent in 2018 decreasing to an ultimate trend rate of 5.09 percent in 2025, for non-Medicare coverage, and 9.00 percent decreasing to an ultimate trend rate of 4.50 percent in 2027 for Medicare coverage.

	1% Decrease(a)	Healthcare Cost Trend Rates Assumption	1% Increase(b)
Employer's proportionate share of the collective net OPEB liability	\$ 30,067,696	\$ 23,547,820	\$ 19,005,596

- (a) One percentage point decrease in healthcare trend rates are 7.00 percent in 2018 decreasing to an ultimate trend rate of 4.09 percent in 2025, for non-Medicare coverage, and 8.00 percent in 2018 decreasing to an ultimate trend rate of 3.50 percent in 2027 for Medicare coverage.
- (b) One percentage point increase in healthcare trend rates are 9.00 percent in 2018 decreasing to an ultimate trend rate of 6.09 percent in 2025, for non-Medicare coverage, and 10.00 percent in 2018 decreasing to an ultimate trend rate of 5.50 percent in 2027 for Medicare coverage.

OPEB plan fiduciary net position. Detailed information about the THIS plan fiduciary net position is available in the separately issued THIS financial report.

Payable to the OPEB plan. The District had no outstanding amount of contributions to the THIS plan for the year ended June 30, 2018.

Oak Lawn-Hometown School District 123

Notes to Basic Financial Statements

Note 11. Commitments and Contingencies

The District received financial awards from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

Note 12. Pronouncements Issued But Not Yet Adopted

The following is a description of the GASB authoritative pronouncements which have been issued but not yet adopted by the District.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, will be effective for the District beginning with its year ending June 30, 2019. This statement establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. Under Statement 83, a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets is required to recognize a liability and a corresponding deferred outflow of resources. The guidance also identifies the circumstances that trigger recognition of these transactions.

GASB Statement No. 84, *Fiduciary Activities*, will be effective for the District beginning with its year ending June 30, 2020. This statement establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. Statement 84 provides that governments should report activities meeting certain criteria in a fiduciary fund in the basic financial statements and present a statement of fiduciary net position and a statement of changes in fiduciary net position. Statement 84 also describes four fiduciary funds that should be reported, if applicable: pension/employee benefit trust funds; investment trust funds; private purpose trust funds; and custodial funds with fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

GASB Statement No. 87, *Leases*, will be effective for the District beginning with its year ended June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving the accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 88, *Certain Disclosures Related to Debt Including Borrowing Placements*, will be effective for the District beginning with its year ended June 30, 2019. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

Oak Lawn-Hometown School District 123

Notes to Basic Financial Statements

Note 12. Pronouncements Issued but Not Yet Adopted (Continued)

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, will be effective for the District beginning with its year ended June 30, 2021. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and 61*, will be effective for the District beginning with its year ended June 30, 2020. This Statement improves financial reporting by providing users of financial statements with essential information related to presentation of majority equity interests in legally separate organizations that previously were reported inconsistently. In addition, it requires reporting of information about component units if the government acquires 100 percent equity interest in the component unit.

Management of the District is still in the process of determining what effect, if any, the above statements will have on the basic financial statements and related disclosures.

Required Supplementary Information

Oak Lawn-Hometown School District 123

**Schedule of Employer Contributions
Illinois Municipal Retirement Fund**

Calendar Year Ending December 31	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2017	\$ 548,582	\$ 548,582	\$ -	\$ 3,762,564	14.58%
2016	572,919	572,919	-	3,656,153	15.67%
2015	560,910	560,909	1	3,661,291	15.32%
2014	489,921	503,923	(14,002)	3,406,959	14.79%

Note to schedule: Detailed information and the summary of actuarial methods and assumptions used in the calculation of the contribution rate are available at the District's administrative offices

Notes to Schedule:

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2017 Contribution Rate*

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 each year, which are

Methods and Assumptions Used to Determine 2017 Contribution Rates:

Actuarial Cost Method: Aggregate entry age normal
 Amortization Method: Level percentage of payroll, closed
 Remaining Amortization Period: Taxing bodies: 26-year closed period
 Asset Valuation Method: 5-year smoothed market; 20% corridor
 Wage Growth: 3.50%
 Price Inflation: 2.75%, approximate; No explicit price inflation assumption is used in this valuation.
 Salary Increases: 3.75% to 14.50%, including inflation
 Investment Rate of Return: 7.50%
 Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011 to 2013.
 Mortality: For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information:

Notes: There were no benefit changes during the year.

*Based on Valuation Assumptions used in the December 31, 2015 actuarial valuation; note two-year lag between valuation and rate setting.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Oak Lawn-Hometown School District 123

Schedule of Changes in Net Pension Liability and Related Ratios
Illinois Municipal Retirement Fund

Calendar Year Ended December 31,	2017	2016	2015	2014
A. Total pension liability				
1. Service cost	\$ 413,909	\$ 415,314	\$ 399,171	\$ 423,339
2. Interest on the Total Pension Liability	1,420,871	1,390,500	1,316,189	1,224,703
3. Changes of benefit terms	-	-	-	-
4. Difference between expected and actual experience of the Total Pension Liability	(208,725)	(319,379)	364,896	(219,902)
5. Changes of assumptions	(588,585)	(60,125)	20,118	839,121
6. Benefit payments, including refunds of employee contributions	(1,109,579)	(1,080,637)	(1,099,569)	(920,925)
7. Net change in total pension liability	(72,109)	345,673	1,000,805	1,346,336
8. Total pension liability - beginning	19,292,786	18,947,113	17,946,308	16,599,972
9. Total pension liability - ending	\$ 19,220,677	\$ 19,292,786	\$ 18,947,113	\$ 17,946,308
B. Plan fiduciary net position				
1. Contributions - employer	\$ 548,582	\$ 572,919	\$ 560,909	\$ 503,923
2. Contributions - employee	169,316	166,357	169,011	159,258
3. Net investment income	2,993,312	1,090,814	76,870	906,937
4. Benefit payments, including refunds of employee contributions	(1,109,579)	(1,080,637)	(1,099,569)	(920,925)
5. Other (net transfer)	(748,769)	59,680	560,959	(86,960)
6. Net change in plan fiduciary net position	1,852,862	809,133	268,180	562,233
7. Plan fiduciary net position - beginning	16,636,232	15,827,099	15,558,919	14,996,686
8. Plan fiduciary net position - ending	\$ 18,489,094	\$ 16,636,232	\$ 15,827,099	\$ 15,558,919
C. Net pension liability	\$ 731,583	\$ 2,656,554	\$ 3,120,014	\$ 2,387,389
D. Plan fiduciary net position as a percentage of total pension liability	96.19%	86.23%	83.53%	86.70%
E. Covered valuation payroll	\$ 3,762,564	\$ 3,656,153	\$ 3,661,291	\$ 3,406,959
F. Net pension liability as a percentage of covered valuation payroll	19.44%	72.66%	85.22%	70.07%

Note to schedule: Detailed information and actuarial assumptions used in the preparation of this schedule are available at the District's administrative offices and at <https://www.imrf.org/en/employers/employer-resources/reports-for-employers>

The information on the schedule will accumulate until a full 10-year trend is presented. Information is presented for those years which information is available.

Oak Lawn-Hometown School District 123

**Schedule of Employer Contributions
Teachers' Retirement System
Year Ended June 30, 2018**

For the year ending	2018	2017	2016	2015
Contractually-required contribution	\$ 163,337	\$ 243,793	\$ 222,492	\$ 198,709
Contributions in relation to the contractually-required contribution	169,902	244,577	223,446	198,730
Contribution deficiency (excess)	\$ (6,564)	\$ (784)	\$ (954)	\$ (21)
Employer's covered-employee payroll	\$ 20,849,745	\$ 20,878,466	\$ 19,983,628	\$ 19,325,665
Contributions as a percentage of covered-employee payroll	0.81%	1.17%	1.12%	1.03%

**Schedule of the Employer's Proportionate Share of the Net Pension Liability
Teachers' Retirement System
Fiscal Year 2018**

For the year ending	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.005913%	0.005769%	0.005671%	0.004800%
Employer's proportionate share of the net pension liability	\$ 4,517,589	\$ 4,554,424	\$ 3,715,416	\$ 2,948,623
State's proportionate share of the net pension liability associated with the employer	154,330,627	159,235,531	125,158,100	114,952,809
Total	\$ 158,848,216	\$ 163,789,955	\$ 128,873,516	\$ 117,901,432
Employer's covered-employee payroll	\$ 20,878,466	\$ 19,983,628	\$ 19,325,665	\$ 18,668,430
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	21.64%	22.79%	19.23%	15.79%
Plan fiduciary net position as a percentage of the total pension liability	39.30%	36.40%	41.47%	43.00%

Note to schedule:

Detailed information and actuarial methods and assumptions used in the preparation of this schedule can be obtained at <http://trs.illinois.gov/employers/bulletins/206Rept.pdf>

Changes to Assumptions

Amounts reported in the 2017 and 2016 reflect an investment rate of return of 7.0 percent, an inflation rate of 2.5 percent and real return of 4.5 percent, and salary increases that vary by service credit. In 2015, assumptions used were an investment rate of return of 7.5 percent, an inflation rate of 3.0 percent and a real return of 4.5 percent, and salary increases that vary by service credit.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those year for which information is available.

Oak Lawn-Hometown School District 123

**Schedule of Changes in the Total OPEB Liability and Related Ratios
Postemployment Benefit Plan - District Plan**

For the fiscal year ending June 30,	2018
Total OPEB Liability	
Service Cost	\$ 102,501
Interest on the Total OPEB Liability	45,641
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience of the Total OPEB Liability	130,421
Changes of Assumptions	11,479
Benefit Payments	(116,398)
Other Changes	(190,345)
Net Change in Total OPEB Liability	<u>(16,701)</u>
Total OPEB Liability - Beginning	<u>1,493,447</u>
Total OPEB Liability - Ending	<u><u>\$ 1,476,746</u></u>
 Covered Valuation Payroll	 \$ 21,223,242
 Total OPEB liability as a Percentage of Covered Valuation Payroll	 6.96%

Notes to Schedules

The information on the schedules will accumulate until a full 10-year trend is presented as required by GASB Statement No. 75. Information is presented for those years for which information is available.

There is no actuarially determined contribution or employer contribution in relation to the actuarially determined contribution as there is no Trust that exists for funding the OPEB liabilities. However, the District did make contributions from other District resources in the current year in the amount of \$116,398.

Oak Lawn-Hometown School District 123

**Schedule of the Employer's Proportionate Share of the Collective Net OPEB Liability
Postemployment Benefit Plan - Teachers' Health Insurance Security Fund**

For the fiscal year ending June 30,	2018
Employer's proportion of the collective net OPEB liability	0.09075%
Employer's proportionate share of the collective net OPEB liability	\$ 23,547,820
The State's proportionate share of the collective net OPEB liability associated with the employer	<u>30,571,520</u>
Total	<u>\$ 54,119,340</u>
Employee covered payroll	\$ 20,878,466
Collective net OPEB liability as a percentage of the employee covered payroll	112.79%
Plan fiduciary net position as a percentage of the total pension liability	0.00%

The amounts presented for each fiscal year were determined as of the prior fiscal-year-end.

The information in this schedule will accumulate until a full 10-year trend is presented as required by GASB Statement No. 75.

Oak Lawn-Hometown School District 123

**Schedule of Employer Contributions
Teachers' Health Insurance Security Fund**

For the fiscal year ending June 30,	2018	2017	2016	2015
Statutorily-required contribution	\$ 183,478	\$ 175,379	\$ 159,869	\$ 146,875
Contributions in relation to the statutorily-required contribution	183,478	175,379	159,869	146,875
Contribution (excess) deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's employee covered payroll	\$ 20,849,745	\$ 20,878,466	\$ 19,983,628	\$ 19,325,665
Contributions as a percentage of employee covered payroll	0.88%	0.84%	0.80%	0.76%

Notes to Schedules

The information in both schedules will accumulate until a full 10-year trend is presented as required by GASB Statement No. 75.

Oak Lawn-Hometown School District 123

Notes to Schedule of Contributions Teachers' Health Insurance Security Fund

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Fiscal Year-End	June 30, 2018

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal, used to measure the Total OPEB Liability
Contribution Policy	Benefits are financed on a pay-as-you go basis. Contribution rates are defined by statute. For fiscal year-end June 30, 2017, contribution rates are 1.12% of pay for active members, 0.84% of pay for school districts and 1.12% of pay for the State. Retired members contribute a percentage of premium rates. The goal of the policy is to finance current year costs plus a margin for incurred but not paid plan costs.
Asset Valuation Method	Market value
Investment Rate of Return	0%, net of OPEB plan investment expense, including inflation
Inflation	2.75%
Salary Increases	Depends on service and ranges from 9.25% at less than 1 year of service to 3.25% at 20 or more years of service. Salary increase includes a 3.25% wage inflation assumption.
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the June 30, 2016, actuarial valuation.
Mortality	Retirement and Beneficiary Annuitants: RP-2014 White Collar Annuitant Mortality Table. Disabled Annuitants: RP-2014 Disabled Annuitant Table. Pre-Retirement: RP-2014 White Collar Table. Tables are adjusted for SURS experience. All tables reflect future mortality improvements using Projection Scale MP-2014.
Healthcare Cost Trend Rates	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.00% and 9.00% for non-Medicare costs and post-Medicare costs, respectively, and gradually decreases to an ultimate trend of 4.50%. Additional trend rate of 0.59% is added to non-Medicare cost on and after 2020 to account for the Excise tax.
Aging Factors	Based on the 2013 SOA Study "Health Care Costs – From Birth to Death"
Expenses	Health administrative expenses are included in the development of the per capita claims costs. Operating expenses are included as a component of the Annual OPEB Expense.

Oak Lawn-Hometown School District 123

Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual

General Fund
Year Ended June 30, 2018

	Original and Final Budget	Actual	Variance
Revenues:			
Property taxes	\$ 24,669,800	\$ 25,054,511	\$ 384,711
Corporate property replacement taxes	360,000	375,943	15,943
Charges for services	1,788,400	1,951,742	163,342
Unrestricted state aid	4,726,500	6,115,565	1,389,065
Restricted state aid	1,533,500	982,133	(551,367)
Restricted federal aid	2,503,500	2,230,299	(273,201)
Interest	174,900	142,264	(32,636)
Total revenues	35,756,600	36,852,457	1,095,857
Expenditures:			
Current:			
Instruction:			
Regular programs	16,833,600	16,247,548	586,052
Special programs	4,501,600	4,695,785	(194,185)
Other instructional programs	1,832,900	1,620,359	212,541
Support services:			
Pupils	2,874,300	2,786,389	87,911
Instructional staff	2,318,200	1,633,380	684,820
General administration	1,053,800	1,149,491	(95,691)
School administration	1,651,800	1,623,368	28,432
Business	1,607,900	1,601,616	6,284
Operations and maintenance	2,875,100	2,809,001	66,099
Central	161,800	101,049	60,751
Community services	120,300	109,739	10,561
Payments to other governments	1,476,500	1,539,779	(63,279)
Capital outlay	293,000	1,215,134	(922,134)
Total expenditures	37,600,800	37,132,638	468,162
Excess (deficiency) of revenues over (under) expenditures	(1,844,200)	(280,181)	1,564,019
Other financing sources (uses):			
Transfer out	-	(300,000)	(300,000)
Lease proceeds	-	401,520	401,520
Total other financing sources (uses)	-	101,520	101,520
Change in fund balance	\$ (1,844,200)	(178,661)	\$ 1,665,539
Fund balance:			
July 1, 2017, as restated		<u>11,591,683</u>	
June 30, 2018		<u>\$ 11,413,022</u>	

Oak Lawn-Hometown School District 123

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Debt Service Fund
Year Ended June 30, 2018**

	Final Budget	Actual	Variance
Revenues:			
Property taxes	\$ 6,634,700	\$ 6,537,795	\$ (96,905)
Interest	44,900	39,380	(5,520)
Total revenues	<u>6,679,600</u>	<u>6,577,175</u>	<u>(102,425)</u>
Expenditures:			
Debt service:			
Principal	3,162,100	5,466,655	(2,304,555)
Interest and fees	3,485,900	708,678	2,777,222
Total expenditures	<u>6,648,000</u>	<u>6,175,333</u>	<u>472,667</u>
Excess of revenues over expenditures	<u>31,600</u>	<u>401,842</u>	<u>370,242</u>
Other financing sources (uses):			
Bond proceeds	-	10,780,000	(10,780,000)
Premium on bonds sold	-	773,355	(773,355)
Payment to escrow agent	-	(11,335,122)	11,335,122
Total other financing sources (uses)	<u>-</u>	<u>218,233</u>	<u>218,233</u>
Change in fund balance	<u>\$ 31,600</u>	<u>620,075</u>	<u>\$ 588,475</u>
Fund balance:			
July 1, 2017, as restated		<u>3,327,007</u>	
June 30, 2018		<u>\$ 3,947,082</u>	

Oak Lawn-Hometown School District 123

Note to Required Supplementary Information

Note 1. Budgetary Basis of Accounting

Annual budgets are adopted for all governmental fund types, except the Agency Funds. The annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America at the fund level. All budgets lapse at fiscal year-end.

On or before July 1 of each year, the Superintendent is to submit for review by the Board of Education a proposed budget for the school year commencing on that date. After reviewing the proposed budget, the Board of Education holds public hearings and a final budget must be prepared and adopted no later than September 30.

The appropriated budget is prepared by fund and by function. The General Fund budget is further detailed by account (Education, Operations and Maintenance, and Working Cash). The Board of Education may make transfers between functions within a fund not exceeding in the aggregate 10 percent of the total of such fund, and may amend the total budget following the same procedures required to adopt the original budget. The legal level of budgetary control is at the fund level. No supplemental budget was required and there were no transfers between functions during the year.

For budgetary purposes, the District does not recognize as revenues received the retirement contributions made by the State of Illinois to the Teachers' Retirement System of the State of Illinois (TRS) and Teachers' Health Insurance Security Fund of the State of Illinois (THIS) on behalf of the District as well as the related expenditures paid.

The following schedule reconciles the revenues and expenditures on the budgetary basis with the amounts presented in accordance with the accounting principles generally accepted in the United States of America for the District's General Fund only.

Revenues received - budgetary basis	\$ 36,852,457
Unbudgeted retirement contributions made by the State - TRS	8,310,696
Unbudgeted retirement contributions made by the State - THIS	<u>246,027</u>
Revenues received - GAAP basis	<u><u>\$ 45,409,180</u></u>
Expenditures paid - budgetary basis	\$ 37,132,638
Unbudgeted retirement contributions made by the State - TRS	8,310,696
Unbudgeted retirement contributions made by the State - THIS	<u>246,027</u>
Expenditures paid - GAAP basis	<u><u>\$ 45,689,361</u></u>

Oak Lawn-Hometown School District 123

Combining Balance Sheet
 General Fund, by Accounts
 June 30, 2018

	Educational Account	Operations and Maintenance Account	Tort Account	Working Cash Account	Total
Assets					
Cash and investments	\$ 2,341,482	\$ 1,996,171	\$ 171,987	\$ 9,945,518	\$ 14,455,158
Receivables:					
Property taxes, net	12,649,120	528,103	287,526	339	13,465,088
Due from other governmental units	817,367	-	-	-	817,367
Due from other funds	-	-	-	5,697	5,697
Total assets	\$ 15,807,969	\$ 2,524,274	\$ 459,513	\$ 9,951,554	\$ 28,743,310
Liabilities					
Liabilities:					
Accounts payable	\$ 465,421	\$ 89,831	\$ 13,420	\$ -	\$ 568,672
Accrued liabilities	2,905,057	4,061	-	-	2,909,118
Total liabilities	3,370,478	93,892	13,420	-	3,477,790
Deferred Inflows of Resources					
Deferred property taxes	12,900,643	473,274	293,243	346	13,667,506
Deferred grant revenues	184,992	-	-	-	184,992
Total deferred inflows of resources	13,085,635	473,274	293,243	346	13,852,498
Fund balances:					
Restricted	-	-	152,850	-	152,850
Unassigned	(648,144)	1,957,108	-	9,951,208	11,260,172
Total fund balance	(648,144)	1,957,108	152,850	9,951,208	11,413,022
Total liabilities, deferred inflows of resources and fund balances	\$ 15,807,969	\$ 2,524,274	\$ 459,513	\$ 9,951,554	\$ 28,743,310

Oak Lawn-Hometown School District 123

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 General Fund, by Accounts
 Year Ended June 30, 2018

	Educational Account		Operations and Maintenance Account		Tort Account		Working Cash Account		Total	
	Original and Final Budget	Actual	Original and Final Budget	Actual	Original and Final Budget	Actual	Original and Final Budget	Actual	Original and Final Budget	Actual
Revenues:										
Property taxes	\$ 21,470,100	\$ 22,842,505	\$ 2,709,500	\$ 1,681,928	\$ 488,700	\$ 529,782	\$ 1,500	\$ 296	\$ 24,669,800	\$ 25,054,511
Corporate property replacement taxes	-	-	360,000	375,943	-	-	-	-	360,000	375,943
Charges for services	900,100	1,014,982	849,800	888,897	38,500	47,863	-	-	1,788,400	1,951,742
Unrestricted state aid	4,726,500	6,115,565	-	-	-	-	-	-	4,726,500	6,115,565
Restricted state aid	1,533,500	982,133	-	-	-	-	-	-	1,533,500	982,133
Restricted federal aid	2,503,500	2,230,299	-	-	-	-	-	-	2,503,500	2,230,299
Interest	39,300	28,731	22,100	29,276	(2,400)	(2,948)	115,900	87,205	174,900	142,264
Total revenues	31,173,000	33,214,215	3,941,400	2,976,044	524,800	574,697	117,400	87,501	35,756,600	36,852,457
Expenditures:										
Current:										
Instruction:										
Regular programs	16,833,600	16,247,548	-	-	-	-	-	-	16,833,600	16,247,548
Special programs	4,501,600	4,695,785	-	-	-	-	-	-	4,501,600	4,695,785
Other instructional programs	1,832,900	1,620,359	-	-	-	-	-	-	1,832,900	1,620,359
Support services:										
Pupils	2,874,300	2,786,389	-	-	-	-	-	-	2,874,300	2,786,389
Instructional staff	2,318,200	1,633,380	-	-	-	-	-	-	2,318,200	1,633,380
General administration	621,900	737,579	-	-	431,900	411,912	-	-	1,053,800	1,149,491
School administration	1,651,800	1,623,368	-	-	-	-	-	-	1,651,800	1,623,368
Business	1,449,600	1,442,667	158,300	158,949	-	-	-	-	1,607,900	1,601,616
Operations and maintenance	-	-	2,875,100	2,809,001	-	-	-	-	2,875,100	2,809,001
Central	161,800	101,049	-	-	-	-	-	-	161,800	101,049
Community services	120,300	109,739	-	-	-	-	-	-	120,300	109,739
Payments to other governments	1,476,500	1,539,779	-	-	-	-	-	-	1,476,500	1,539,779
Capital outlay	200,000	1,082,542	93,000	132,592	-	-	-	-	293,000	1,215,134
Total expenditures	34,042,500	33,620,184	3,126,400	3,100,542	431,900	411,912	-	-	37,600,800	37,132,638
Excess (deficiency) of revenues over (under) expenditures	(2,869,500)	(405,969)	815,000	(124,498)	92,900	162,785	117,400	87,501	(1,844,200)	(280,181)
Other financing sources (uses):										
Transfer (out)	-	-	-	(300,000)	-	-	-	-	-	(300,000)
Lease proceeds	-	401,520	-	-	-	-	-	-	-	401,520
Total other financing sources (uses)	-	401,520	-	(300,000)	-	-	-	-	-	101,520
Change in fund balance	\$ (2,869,500)	(4,449)	\$ 815,000	(424,498)	\$ 92,900	162,785	\$ 117,400	87,501	\$ (1,844,200)	(178,661)
Fund balance (deficit):										
July 1, 2017, as restated		(643,695)		2,381,606		(9,935)		9,863,707		11,591,683
June 30, 2018		<u>\$ (648,144)</u>		<u>\$ 1,957,108</u>		<u>\$ 152,850</u>		<u>\$ 9,951,208</u>		<u>\$ 11,413,022</u>

Supplementary Information

Oak Lawn-Hometown School District 123

Combining Balance Sheet - by Fund Type
 Nonmajor Governmental Funds
 June 30, 2018

	Special Revenue Fund		Capital Project Funds		Total Nonmajor Governmental Funds
	Municipal Retirement/ Social Security Fund	Transportation Fund	Capital Projects Fund	Fire Prevention and Safety Fund	
Assets					
Cash and investments	\$ 218,771	\$ 3,229,057	\$ 587,313	\$ -	\$ 4,035,141
Receivables:					
Property taxes, net	720,919	339	-	339	721,597
Due from other governmental units	-	260,413	-	-	260,413
Total assets	\$ 939,690	\$ 3,489,809	\$ 587,313	\$ 339	\$ 5,017,151
Liabilities Deferred Inflows and Fund Balances					
Liabilities:					
Accounts payable	\$ -	\$ 72,032	\$ -	\$ -	\$ 72,032
Accrued liabilities	-	37	-	-	37
Due to other funds	-	-	-	5,697	5,697
Total liabilities	-	72,069	-	5,697	77,766
Deferred Inflows of Resources					
Deferred property taxes	733,282	346	-	346	733,974
Deferred intergovernmental revenues	-	260,413	-	-	260,413
Total deferred inflows of resources	733,282	260,759	-	346	994,387
Fund balances:					
Restricted for:					
Transportation	-	3,156,981	-	-	3,156,981
Retirement benefits	206,408	-	-	-	206,408
Capital projects	-	-	587,313	-	587,313
Unassigned	-	-	-	(5,704)	(5,704)
Total fund balances	206,408	3,156,981	587,313	(5,704)	3,944,998
Total liabilities, deferred inflows of resources, and fund balances	\$ 939,690	\$ 3,489,809	\$ 587,313	\$ 339	\$ 5,017,151

Oak Lawn-Hometown School District 123

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
by Fund Type
Nonmajor Governmental Funds
Year Ended June 30, 2018

	Special Revenue Fund		Capital Project Funds		Total Nonmajor Governmental Funds
	Municipal Retirement/Social Security Fund	Transportation Fund	Capital Projects Fund	Fire Prevention and Safety Fund	
Revenues:					
Property taxes	\$ 1,351,913	\$ 1,164,774	\$ -	\$ 296	\$ 2,516,983
Corporate property replacement taxes	11,348	-	-	-	11,348
Restricted state aid	-	950,411	-	-	950,411
Interest	1,952	36,540	3,307	1,099	42,898
Total revenues	1,365,213	2,151,725	3,307	1,395	3,521,640
Expenditures:					
Current:					
Instruction:					
Regular programs	198,475	-	-	-	198,475
Special programs	241,612	-	-	-	241,612
Other instructional programs	50,038	-	-	-	50,038
Support services:					
Pupils	117,500	-	-	-	117,500
Instructional staff	119,505	-	-	-	119,505
General administration	19,947	-	-	-	19,947
School administration	86,070	-	-	-	86,070
Business	83,481	-	-	-	83,481
Transportation	-	1,910,312	-	-	1,910,312
Operations and maintenance	222,343	-	-	92,312	314,655
Central	11,600	-	-	-	11,600
Community services	7,700	-	-	-	7,700
Total expenditures	1,158,271	1,910,312	-	92,312	3,160,895
Excess (deficiency) of revenues over (under) expenditures	206,942	241,413	3,307	(90,917)	360,745
Other financing sources:					
Transfer in	-	-	300,000	-	300,000
Change in fund balances	206,942	241,413	303,307	(90,917)	660,745
Fund balances:					
July 1, 2017, as restated	(534)	2,915,568	284,006	85,213	3,284,253
June 30, 2018	\$ 206,408	\$ 3,156,981	\$ 587,313	\$ (5,704)	\$ 3,944,998

Oak Lawn-Hometown School District 123

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Municipal Retirement/Social Security Fund
Year Ended June 30, 2018**

	Original and Final Budget	Actual	Variance
Revenues:			
Property taxes	\$ 1,297,400	\$ 1,351,913	\$ 54,513
Corporate property replacement taxes	12,700	11,348	(1,352)
Interest	600	1,952	1,352
Total revenues	<u>1,310,700</u>	<u>1,365,213</u>	<u>54,513</u>
Expenditures:			
Current:			
Instruction:			
Regular programs	226,500	198,475	28,025
Special programs	197,000	241,612	(44,612)
Other instructional programs	35,700	50,038	(14,338)
Support services:			
Pupils	112,200	117,500	(5,300)
Instructional staff	137,400	119,505	17,895
General administration	22,000	19,947	2,053
School administration	98,700	86,070	12,630
Business	96,100	83,481	12,619
Operations and maintenance	248,600	222,343	26,257
Central	14,100	11,600	2,500
Community services	5,600	7,700	(2,100)
Total expenditures	<u>1,193,900</u>	<u>1,158,271</u>	<u>35,629</u>
Change in fund balance	<u>\$ 116,800</u>	206,942	<u>\$ 90,142</u>
Fund balance (deficit):			
July 1, 2017, as restated		<u>(534)</u>	
June 30, 2018		<u>\$ 206,408</u>	

Oak Lawn-Hometown School District 123

Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual
 Transportation Fund
 Year Ended June 30, 2018

	Original and Final Budget	Actual	Variance
Revenues:			
Property taxes	\$ 2,520,200	\$ 1,164,774	\$ (1,355,426)
Restricted state aid	629,000	950,411	321,411
Interest	32,100	36,540	4,440
Total revenues	<u>3,181,300</u>	<u>2,151,725</u>	<u>(1,029,575)</u>
Expenditures:			
Current:			
Support services:			
Transportation	<u>2,027,600</u>	1,910,312	117,288
Change in fund balance	<u><u>\$ 1,153,700</u></u>	241,413	<u><u>\$ (912,287)</u></u>
Fund balance:			
July 1, 2017, as restated		<u>2,915,568</u>	
June 30, 2018		<u><u>\$ 3,156,981</u></u>	

Oak Lawn-Hometown School District 123

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Capital Projects Fund
Year Ended June 30, 2018**

	Original and Final Budget	Actual	Variance
Revenues:			
Interest	\$ 7,900	\$ 3,307	\$ (4,593)
Expenditures:			
Capital outlay	250,000	-	250,000
Excess (deficiency) of revenues over (under) expenditures	(242,100)	3,307	245,407
Other financing sources:			
Transfer in	-	300,000	300,000
Change in fund balance	<u>\$ (242,100)</u>	303,307	<u>\$ 545,407</u>
Fund balance:			
July 1, 2017, as restated		<u>284,006</u>	
June 30, 2018		<u>\$ 587,313</u>	

Oak Lawn-Hometown School District 123

Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual
 Fire Prevention and Safety Fund
 Year Ended June 30, 2018

	Original and Final Budget	Actual	Variance
Revenues:			
Property taxes	\$ 1,400	\$ 296	\$ (1,104)
Interest	1,100	1,099	(1)
Total revenues	<u>2,500</u>	<u>1,395</u>	<u>(1,105)</u>
Expenditures			
Support services			
Operations and maintenance	<u>85,000</u>	<u>92,312</u>	<u>(7,312)</u>
Change in fund balance	<u>\$ (82,500)</u>	<u>(90,917)</u>	<u>\$ 6,207</u>
Fund balance (deficit):			
July 1, 2017, as restated		<u>85,213</u>	
June 30, 2018		<u>\$ (5,704)</u>	

Oak Lawn-Hometown School District 123

Schedule of Assessed Valuations, Tax Rates, Extensions and Collections
Last Five Years

	Tax Year				
	2017	2016	2015	2014	2013
Assessed valuations	\$ 713,142,191	\$ 621,667,010	\$ 596,328,334	\$ 613,838,296	\$ 658,739,617
Tax rates:					
General fund:					
Educational accounts:					
Standard	3.4185	3.1149	3.0233	2.8518	3.1650
Special education	0.3077	0.3546	0.3709	0.3259	0.3680
Operations and main- tenance accounts	0.1367	0.4639	0.4515	0.4480	0.2208
Tort account	0.0847	0.0828	0.0807	0.0792	0.0295
Working cash account	0.0001	0.0002	0.0008	0.0016	0.0002
Fire prevention and and safety fund	0.0001	0.0002	0.0008	0.0028	0.0002
Debt service fund	1.0310	1.0403	1.0844	1.0529	0.8756
Transportation fund	0.0001	0.4291	0.7095	0.7565	0.2944
Municipal retirement/ Social Security fund:					
Illinois Municipal Retirement	0.1059	0.1077	0.0725	0.0673	0.0765
Social Security	0.1059	0.1077	0.1064	0.1030	0.0765
Total	5.1907	5.7013	5.9007	5.6890	5.1067
Tax extensions:					
General fund:					
Educational accounts:					
Standard	\$ 24,378,765	\$ 19,364,000	\$ 18,028,794	\$ 17,505,440	\$ 20,849,108
Special education	2,194,338	2,204,200	2,211,781	2,000,499	2,424,161
Operations and main- tenance accounts	974,865	2,884,000	2,692,422	2,749,995	1,454,497
Tort account	604,031	515,000	481,236	486,159	194,328
Working cash account	713	1,030	4,770	9,821	1,317
Fire prevention and and safety fund	713	1,030	4,770	17,187	1,317
Debt service fund	7,352,466	6,467,187	6,466,288	6,463,225	5,768,153
Transportation fund	713	2,667,849	4,230,949	4,643,686	1,939,329
Municipal retirement/ Social Security fund:					
Illinois Municipal Retirement	755,217	669,500	432,338	413,113	503,935
Social Security	755,217	669,500	634,493	632,253	503,935
Totals	\$ 37,017,038	\$ 35,443,296	\$ 35,187,841	\$ 34,921,378	\$ 33,640,080
Tax collection	\$ 18,780,892	\$ 34,867,289	\$ 34,764,041	\$ 33,770,879	\$ 32,299,275
Percentage collected	50.74%	98.37%	98.80%	96.71%	96.01%

Oak Lawn-Hometown School District 123

Schedule of Debt Service Requirements
June 30, 2018

	Year Ending June 30,	Total Principal	Total Interest	Total Principal and Interest
Total outstanding debt				
	2019	\$ 2,653,838	\$ 4,205,634	\$ 6,859,472
	2020	2,584,661	4,298,067	6,882,728
	2021	2,246,866	4,382,186	6,629,052
	2022	1,919,990	5,043,456	6,963,446
	2023	1,846,703	5,113,729	6,960,432
	2024	1,642,770	5,317,630	6,960,400
	2025	1,669,484	6,022,816	7,692,300
	2026	1,623,810	6,068,890	7,692,700
	2027	2,154,878	12,886,372	15,041,250
	2028	1,100,000	27,500	1,127,500
		<u>19,443,000</u>	<u>53,338,780</u>	<u>72,809,280</u>
Accreted value adjustment		<u>25,098,456</u>	<u>(25,098,456)</u>	<u>-</u>
		<u>\$ 44,541,456</u>	<u>\$ 28,240,324</u>	<u>\$ 72,809,280</u>
Capital appreciation general obligation bond issue of December 16, 2002				
Original amount \$17,722,524	2019	\$ 598,752	\$ 1,841,248	\$ 2,440,000
Interest rate 9.00%	2020	548,292	1,891,708	2,440,000
Paying agent: Chase	2021	501,074	1,933,926	2,435,000
	2022	777,315	3,347,685	4,125,000
	2023	711,810	3,413,190	4,125,000
		<u>3,137,243</u>	<u>12,427,757</u>	<u>15,565,000</u>
Accreted value adjustment		<u>9,096,543</u>	<u>(9,096,543)</u>	<u>-</u>
		<u>\$ 12,233,786</u>	<u>\$ 3,331,214</u>	<u>\$ 15,565,000</u>
Capital appreciation general obligation bond issue of March 18, 2004				
Original amount \$7,282,373	2019	\$ 445,364	\$ 1,179,636	\$ 1,625,000
Interest rate 9.00%	2020	407,843	1,217,157	1,625,000
Paying agent: Chase	2021	351,640	1,178,360	1,530,000
		<u>1,204,847</u>	<u>3,575,153</u>	<u>4,780,000</u>
Accreted value adjustment		<u>3,001,849</u>	<u>(3,001,849)</u>	<u>-</u>
		<u>\$ 4,206,696</u>	<u>\$ 573,304</u>	<u>\$ 4,780,000</u>

Oak Lawn-Hometown School District 123

**Schedule of Debt Service Requirements (Continued)
June 30, 2018**

	Year Ending June 30,	Total Principal	Total Interest	Total Principal and Interest
Capital appreciation general				
obligation refunding	2019	\$ 254,722	\$ 835,278	\$ 1,090,000
school bonds issue of	2020	223,526	866,474	1,090,000
October 15, 2007 (2007A)	2021	214,152	975,848	1,190,000
Original amount \$5,973,126	2022	267,675	1,427,325	1,695,000
Interest rate 13.50%	2023	234,893	1,460,107	1,695,000
Paying agent: Amalgamated Bank	2024	707,770	5,112,230	5,820,000
	2025	699,484	5,855,516	6,555,000
	2026	613,810	5,941,190	6,555,000
	2027	1,104,878	12,805,122	13,910,000
		4,320,910	35,279,090	39,600,000
Accreted value adjustment		13,000,064	(13,000,064)	-
		<u>\$ 17,320,974</u>	<u>\$ 22,279,026</u>	<u>\$ 39,600,000</u>
General obligation limited tax				
refunding school bonds of	2019	\$ -	\$ 248,500	\$ 248,500
November 1, 2017 (2017B)	2020	-	248,500	248,500
Original amount \$5,675,000	2021	-	248,500	248,500
Interest rate 4.00% - 5.00%	2022	-	248,500	248,500
Paying agent: Amalgamated Bank	2023	610,000	236,300	846,300
	2024	935,000	205,400	1,140,400
	2025	970,000	167,300	1,137,300
	2026	1,010,000	127,700	1,137,700
	2027	1,050,000	81,250	1,131,250
	2028	1,100,000	27,500	1,127,500
		<u>\$ 5,675,000</u>	<u>\$ 1,839,450</u>	<u>\$ 7,514,450</u>
General obligation limited tax				
refunding school bonds of	2019	\$ 1,355,000	\$ 100,972	\$ 1,455,972
November 1, 2017 (2017B)	2020	1,405,000	74,228	1,479,228
Original amount \$5,105,000	2021	1,180,000	45,552	1,225,552
Interest rate 1.77% - 2.85%	2022	875,000	19,946	894,946
Paying agent: Amalgamated Bank	2023	290,000	4,132	294,132
		<u>\$ 5,105,000</u>	<u>\$ 244,830</u>	<u>\$ 5,349,830</u>