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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Grayslake Community High School District No. 127
Grayslake, Illinois

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information (audited financial statements) (not presented here) of

Grayslake Community High School District No. 127

as of and for the year ended June 30, 2020 and have issued our report dated December 1, 2020, which collectively comprise Grayslake Community High School District No. 127's basic financial statements. The basic financial statements have been audited; however, they are not presented as part of this Annual Financial Report form. The basic financial statements should be read in conjunction with the following auditors' opinion. Our opinion reads as follows:

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

Grayslake Community High School District No. 127

as of and for the year ended June 30, 2020, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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 Grayslake Community High School District No. 127 as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information 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, except for the average daily attendance figure included in the computation of operating expense per pupil and per capita tuition charges, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2020 on our consideration of Grayslake Community High School District No. 127's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Grayslake Community High School District No. 127's internal control over financial reporting and compliance.

These regulatory-based financial statements are issued to comply with regulatory provisions prescribed by the Illinois State Board of Education, which is a comprehensive basis of accounting other than, and differs from, accounting principles generally accepted in the United States of America. They are intended to assure effective legislative and public oversight of school district financing and spending activities of accountable Illinois public school districts. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying regulatory-based financial statements as listed in the table of contents of this Annual Financial Report form are presented for purposes of additional analysis and are not a required part of the basic financial statements of the District. Such information, except for the financial profile information, estimated financial profile summary, supplementary schedules, statistical section, estimated indirect cost rate for federal programs, administrative cost worksheet, and itemization schedules, which were not audited, has been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management of the District, and the Illinois State Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

Eder, Casella & Co.

EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
December 1, 2020

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

To the Board of Education
Grayslake Community High School District No. 127
Grayslake, Illinois

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

Grayslake Community High School District No. 127

as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Grayslake Community High School District No. 127's basic financial statements, and have issued our report thereon dated December 1, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Grayslake Community High School District No. 127's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grayslake Community High School District No. 127's internal control. Accordingly, we do not express an opinion on the effectiveness of Grayslake Community High School District No. 127's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in a separate letter to management that we consider to be significant deficiencies.

eder, casella & co

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grayslake Community High School District No. 127's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Grayslake Community High School District No. 127's Response to Findings

Grayslake Community High School District No. 127's response to the findings identified in our audit is described in a separate letter to management. Grayslake Community High School District No. 127's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Eder, Casella & Co.

EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
December 1, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Grayslake Community High School District No. 127's (District) accounting policies conform to generally accepted accounting principles as applicable to local education agencies.

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

A. *Reporting Entity*

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

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

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

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

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, personal property replacement taxes, grants and contributions not restricted to specific activities, unrestricted investment earnings, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating, and capital grants. Program revenues must be directly associated with the function (regular programs, special education programs, payments to other districts and governmental units, etc.). Program revenues include charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenues (property taxes, personal property replacement taxes, grants and contributions not restricted to specific activities, unrestricted investment earnings, etc.).

The District does not allocate indirect costs.

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

C. *Basic Financial Statements – Fund Financial Statements*

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

The emphasis in fund financial statements is on the major funds. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of all governmental funds) for the determination of major funds. The District electively made all governmental funds major funds.

1. Governmental Funds

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

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Educational, Working Cash, Tort, Special Education and Leasing levies are included in this fund.

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

Debt Services Fund – The Debt Services Fund is used to account for financial resources that are restricted, committed, or assigned to expenditures for the periodic payment of principal, interest and related fees on general long-term debt.

Capital Projects Funds – The Capital Projects Funds (Capital Projects Fund and Fire Prevention and Safety Fund) are used to account for financial resources that are restricted, committed, or assigned to expenditures for the acquisition or construction of major capital facilities and fire prevention and safety projects.

2. Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is on net position and changes in net position and is reported using generally accepted accounting principles.

The following is a description of the fiduciary fund of the District:

Agency Fund – The Agency Fund (Student Activity Fund) accounts for assets held by the District as an agent for the student organizations. These funds are custodial in nature and do not involve the measurement of the results of operations. The amounts due to student organizations are equal to the assets.

The District's fiduciary fund is presented in the fiduciary fund financial statement by type (agency). Since by definition these assets are being held for the benefit of a third party (student organizations) and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide statements.

D. *Basis of Accounting*

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

1. Accrual

The governmental activities in the government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Property taxes are reported in the period for which levied. Other nonexchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

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

E. *Cash and Cash Equivalents and Investments*

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

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

No District fund had a cash overdraft at June 30, 2020.

The District has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

F. *Receivables*

All receivables are reported net of estimated uncollectible amounts.

G. *Prepaid Items*

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

H. *Inventories*

No inventory accounts are maintained to reflect the values of resale or supply items on hand. Instead, the costs of such items are charged to expense when purchased. The value of the District's inventories is not deemed to be material.

I. *Interfund Activity*

Interfund activity is reported either as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

J. *Capital Assets*

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

Buildings	5 - 50 years
Improvements Other than Buildings	10 - 20 years
Equipment	5 - 20 years

K. *Deferred Outflows and Inflows of Resources*

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

L. *Compensated Absences*

Vacation benefits are granted to employees in varying amounts to specified maximums depending on tenure with the District. Vacation is required to be used within a few months of June 30. Sick leave is accumulated from year to year without limit but is not paid upon termination. Due to COVID-19, the District allowed employees to carry over any unused time at the end of fiscal year 2020. If the employees don't use this by June 30, 2021 the employees will lose any unused time as with the normal policy.

M. *Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the applicable bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt services expenditures. In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. *Government-Wide Fund Net Position*

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

- Net Investment in Capital Assets – consists of capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted Net Position – consists of net position that is restricted by the District's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted Net Position – all other net positions are reported in this category.

O. *Governmental Fund Balances*

Governmental fund balances are divided between nonspendable and spendable.

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

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

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

  Assigned fund balances also include (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue, capital projects or debt services fund are assigned for purposes in accordance with the nature of their fund type. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the District itself.
- Unassigned – Unassigned fund balance is the residual classification for the General Fund. This classification represents the General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund. Unassigned fund balance in the General Fund also includes amounts levied and/or borrowed for working cash. This classification is also used to represent negative fund balances in special revenue, debt services, and capital projects funds.

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

P. *Property Tax Calendar and Revenues*

Property taxes are levied each calendar year on all taxable real property located in the District on or before the last Tuesday in December. The 2019 and 2018 tax levies were passed by the Board on November 14, 2019 and November 18, 2018, respectively. Property taxes attach as an enforceable lien on property as of January 1 of the calendar year and are payable in two installments early in June and early in September of the following calendar year. The District receives significant distributions of tax receipts approximately one month after these dates.

Q. *Estimates*

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits with financial institutions are fully insured or collateralized by securities held in the District's name.

The District is allowed to invest in securities as authorized by the School Code of Illinois, Chapter 30, Section 235/2 and 6; and Chapter 105, Section 5/8-7.

Investments

As of June 30, 2020, the District had the following investments and maturities:

		Investment Maturities (in Years)			
Investment	Fair Value	Less Than 1	1 - 5	5 - 10	More Than 10
State Investment Pool	$ 39,465,360	$ 39,465,360	$ -	$ -	$ -
U.S. Treasury Bill	1,489,623	-	1,489,623	-	-
	$ 40,954,983	$ 39,465,360	$ 1,489,623	$ -	$ -

The fair value of investments in the State Investment Pool is the same as the value of pool shares. The State Investment Pool is not SEC-registered but does have regulatory oversight through the State of Illinois.

Interest Rate Risk. The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments based on credit risk. The District's investment policy further limits its investment choices to ensure that capital loss, whether from credit or market risk, is avoided. As of June 30, 2020, the District's investments were rated as follows:

Investment	Credit Rating	Rating Source
State Investment Pool	AAAm	Standard and Poor's
U.S. Treasury Bill	N/A	Not Rated

Concentration of Credit Risk. The District places no limit on the amount the District may invest in any one issuer. None of the District's investments were greater than 5% of the total investments.

NOTE 3 - FAIR VALUE MEASUREMENT

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

The District has the following recurring fair value measurements as of June 30, 2020:

		Fair Value Measurements Using:	
Investments by fair value level	6/30/2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
U.S. Treasury Bill	$ 1,489,623	$ 1,489,623	$ -
Certificates of Deposit	11,286,964	-	11,286,964
Total Investments by fair value level	$ 12,776,587	$ 1,489,623	$ 11,286,964

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Governmental Activities				
Capital Assets not being depreciated				
Land	$ 5,835,067	$ -	$ -	$ 5,835,067
Construction in Progress	61,776	935,597	61,776	935,597
Total Capital Assets not being depreciated	$ 5,896,843	$ 935,597	$ 61,776	$ 6,770,664
Other Capital Assets				
Buildings	$ 145,268,850	$ 124,089	$ 149,901	$ 145,243,038
Improvements Other than Buildings	10,843,765	-	-	10,843,765
Equipment	18,319,136	259,379	-	18,578,515
Total Other Capital Assets at historical cost	$ 174,431,751	$ 383,468	$ 149,901	$ 174,665,318
Less Accumulated Depreciation for				
Buildings	$ 60,376,659	$ 2,924,164	$ 86,193	$ 63,214,630
Improvements Other than Buildings	6,928,806	345,130	-	7,273,936
Equipment	8,238,997	1,522,725	-	9,761,722
Total Accumulated Depreciation	$ 75,544,462	$ 4,792,019	$ 86,193	$ 80,250,288
Other Capital Assets, Net	$ 98,887,289	$ (4,408,551)	$ 63,708	$ 94,415,030
Governmental Activities Capital Assets, Net	$ 104,784,132	$ (3,472,954)	$ 125,484	$ 101,185,694

Depreciation expense was charged to functions as follows:

Governmental Activities	
Instructional	$ 1,426,546
General Administration	14,343
Food Services	5,848
Unallocated	3,345,282
Total Governmental Activities Depreciation Expense	$ 4,792,019

NOTE 5 - LONG-TERM LIABILITY ACTIVITY

Long-term liability activity for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020	Amounts Due Within One Year
Governmental Activities					
Long-Term Debt					
General Obligation Bonds	$ 7,655,710	$ 9,215,000	$ 4,644,970	$ 12,225,740	$ 1,668,201
Debt Certificates	4,424,428	-	1,382,593	3,041,835	359,564
Lease/Purchase Agreements	1,044,771	1,252,036	503,534	1,793,273	554,600
Accreted Interest	15,126,620	1,701,256	5,965,030	10,862,846	5,234,417
Total Long-Term Debt Payable	$ 28,251,529	$ 12,168,292	$ 12,496,127	$ 27,923,694	$ 7,816,782
Other Long-Term Obligations					
Unamortized Bond Premium	$ -	$ 265,797	$ 16,612	$ 249,185	$ 16,612
Compensated Absences	135,938	121,494	-	257,432	257,432
Net Pension Liability - IMRF	2,322,633	-	825,681	1,496,952	-
Net Pension Liability - TRS	2,546,496	-	41,104	2,505,392	-
Net OPEB Liability - THIS	26,008,993	1,150,839	-	27,159,832	-
Net OPEB Liability - IMRF	1,600,023	302,321	-	1,902,344	-
Total Other Long-Term Obligations	$ 32,614,083	$ 1,840,451	$ 883,397	$ 33,571,137	$ 274,044
Governmental Activities Long-Term Liabilities	$ 60,865,612	$ 14,008,743	$ 13,379,524	$ 61,494,831	$ 8,090,826

Long-term debt consisted of the following at June 30, 2020:

	Date of Issuance	Maturity Date	Interest Rate	Face Amount	Carrying Amount
Governmental Activities					
2001 Limited Tax Bonds (CAB)	2/27/2001	11/1/2020	4.90%	$ 2,739,062	$ 677,936
2002B Building Bonds (CAB)	5/22/2002	2/1/2022	8.375%	13,235,454	13,195,650
2006 Building Bonds	5/1/2006	2/1/2020	4.00% - 7.375%	12,780,000	-
2020 GO Bond	4/23/2020	2/1/2035	2.00 - 3.00%	9,215,000	9,215,000
Solar Project Debt Certificate	10/3/2016	10/3/2026	2.95%	5,900,000	3,041,835
2015 Chevy Starcraft School Buses	7/16/2015	7/15/2020	2.862%	94,826	34,402
Computer Equipment - Chromebooks	7/15/2016	7/15/2019	3.844%	470,842	-
Computer Equipment - Chromebooks	7/21/2017	7/21/2020	3.922%	242,165	62,083
Technology Equipment	7/21/2017	7/21/2021	3.685%	502,270	205,024
Technology Equipment	7/21/2017	7/21/2019	3.983%	467,672	-
Activity Buses	7/15/2017	7/15/2019	2.899%	101,562	-
Computer Equipment - Chromebooks	5/21/2019	7/21/2022	4.000%	324,280	239,728
Technology Equipment	6/21/2020	7/21/2023	3.500%	319,093	319,093
Technology Equipment	6/21/2020	7/21/2024	3.500%	932,943	932,943

At June 30, 2020 the annual debt service requirements to cover all outstanding debt are:

Year Ending June 30	Principal	Interest	Total
2021	$ 7,816,781	$ 1,535,596	$ 9,352,377
2022	8,405,929	1,015,536	9,421,465
2023	1,379,087	345,968	1,725,055
2024	1,341,258	304,922	1,646,180
2025	1,313,721	261,778	1,575,499
2026-2030	4,471,918	631,783	5,103,701
2031-2035	3,195,000	128,702	3,323,702
	$ 27,923,694	$ 4,224,285	$ 32,147,979

NOTE 6 - INTERFUND LOANS

There are no outstanding interfund loans at June 30, 2020.

NOTE 7 - DEFICIT FUND BALANCE

At June 30, 2020 no fund had a deficit fund balance.

NOTE 8 - PROPERTY TAXES

Taxes recorded in these financial statements are from the 2018 levy ($46,714,392) less uncollectible amounts. A summary of the assessed valuations, rates, and extensions for tax years 2019, 2018, and 2017 is as follows:

Tax Year	2019			2018			2017		
Assessed Valuation	$1,084,020,825			$1,058,808,596			$1,013,132,721		
	Rate		Extension	Rate		Extension	Rate		Extension
Educational	2.6063	$	28,252,954	2.7435	$	29,048,382	2.7955	$	28,321,690
Special Education	0.1837		1,991,476	0.1800		1,905,983	0.1792		1,815,260
Operations and Maintenance	0.4544		4,925,411	0.4411		4,670,013	0.4457		4,515,056
Debt Service	0.6305		6,835,196	0.7552		7,996,483	1.1319		11,467,548
Transportation	0.1986		2,152,638	0.1629		1,724,969	0.1924		1,949,581
Municipal Retirement	0.0267		289,477	0.0250		264,321	0.0274		277,781
Social Security	0.0580		628,700	0.0583		617,582	0.0517		523,587
SEDOL Municipal Retirement	0.0073		78,657	0.0074		78,182	0.0073		74,151
Tort Immunity	0.0704		762,652	0.0461		488,439	0.0469		475,109
Fire Prevention and Life Safety	0.0053		57,225	-		-	0.0003		2,766
Working Cash	0.0500		542,010	-		-	0.0004		4,144
	4.2911	$	46,516,396	4.4195	$	46,794,354	4.8786	$	49,426,673

NOTE 9 - EXCESS OF EXPENDITURES OVER BUDGET

For the year ended June 30, 2020, the expenditures of the following funds exceeded the budget:

Fund		Budget		Actual		Excess of Actual Over Budget
General	$	47,049,310	$	64,426,430	$	17,377,120
Debt Services		11,855,437		12,949,609		1,094,172
Fire Prevention and Safety		30,000		33,406		3,406

The over-expenditure in the General Fund was entirely due to the State Retirement Contributions (On-Behalf Payments) related to TRS and THIS that are not budgeted for. The other over-expenditures were covered by available fund balance.

NOTE 10 - RETIREMENT FUND COMMITMENTS

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

General Information About the Pension Plan

<u>Plan Description</u>

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

TRS issues a publicly available financial report that can be obtained at http://www.trsil.org/financial/cafrs/fy2019; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling (888) 678-3675, option 2.

Benefits Provided

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

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

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

Public Act 100-0023, enacted in 2017, creates an optional Tier III hybrid retirement plan, but it has not yet gone into effect. Public Act 100-0587, enacted in 2018, requires TRS to offer two temporary benefit buyout program that expire on June 30, 2021. Once program allows retiring Tier I members to receive a partial lump-sum payment in exchange for accepting a lower, delayed annual increase. The other allows inactive vested Tier I and II members to receive a partial lump-sum payment in lieu of a retirement annuity. Both programs began in 2019 and will be funded by bonds issued by the state of Illinois.

Contributions

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

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2019 was 9.0% of creditable earnings. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the employer.

On-Behalf Contributions to TRS. The State of Illinois makes employer pension contributions on behalf of the District. For the year ended June 30, 2020, State of Illinois contributions recognized by the District were based on the State's proportionate share of the collective net pension liability associated with the District, and the District recognized revenue and expenditures of $19,359,585 in pension contributions from the State of Illinois.

2.2 Formula Contributions. Employers contribute 0.58% of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2020 were $142,302 and are deferred because they were paid after the June 30, 2019 measurement date.

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

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

For the year ended June 30, 2020, the District pension contribution was 10.66% of salaries paid from federal and special trust funds. For the year ended June 30, 2020, salaries totaling $0 were paid from federal and special trust funds that required District contributions of $0. These contributions are deferred because they were paid after the June 30, 2019 measurement date.

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

A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2020, the District paid $0 to TRS for employer contributions due on salary increases in excess of 6% and $0 for sick leave days granted in excess of the normal annual allotment.

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

At June 30, 2019, the District 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 District. The State's support and total are for disclosure purposes only. The amount recognized by the District 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 District follows below:

District's proportionate share of the net pension liability	$ 2,505,392
State's proportionate share of the net pension liability associated with the District	178,306,000
Total	$ 180,811,392

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 and rolled forward to June 30, 2019. The District's proportion of the net pension liability was based on the District's share of contributions to TRS for the measurement year ended June 30, 2019, relative to the contributions of all participating TRS employers and the State during that period. At June 30, 2019, the District's proportion was 0.00308895%, which was an decrease of 0.001781% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of $19,359,585 and revenue of $19,359,585 for support provided by the State. At June 30, 2020, 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	Net Outflows of Resources
Differences between expected and actual experience	$ 41,082	$ -	$ 41,082
Net difference between projected and actual earnings on pension plan investments	3,969	-	3,969
Changes of assumptions	56,138	48,091	8,047
Changes in proportion and differences between employer contributions and proportionate share of contributions	26,812	179,078	(152,266)
Employer contributions subsequent to the measurement date	142,302	-	142,302
	$ 270,303	$ 227,169	$ 43,134

$142,302 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows in these reporting years:

Year Ending June 30		
2021	$	(14,157)
2022		(49,321)
2023		(13,994)
2024		(11,880)
2025		(9,816)
	$	(99,168)

Actuarial Assumptions

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

Inflation	2.50%
Salary Increases	varies by amount of service credit
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

In the June 30, 2019 actuarial valuation, mortality rates were based on the RP-2014 White Collar Table with appropriate adjustments for TRS experience. The rates are based on a fully-generational basis using projection table MP-2017. In the June 30, 2018 actuarial valuation, mortality rates were also based on the RP-2014 White Collar Table with appropriate adjustments for TRS experience. The rates were used on a fully-generational basis using projection table MP-2014.

The long-term (20-year) expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class that were used by the actuary are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equities large cap	15.0%	6.30%
U.S. equities small/mid cap	2.0%	7.70%
International equities developed	13.6%	7.00%
Emerging market equities	3.4%	9.50%
U.S. bonds core	8.0%	2.20%
U.S. bonds high yield	4.2%	4.00%
International debt developed	2.2%	1.10%
Emerging International Debt	2.6%	4.40%
Real estate	16.0%	5.20%
Commodities (real return)	4.0%	1.80%
Hedge funds (absolute return)	14.0%	4.10%
Private Equity	15.0%	9.70%
Total	100.0%	

Discount Rate

At June 30, 2019, the discount rate used to measure total pension liability was 7.00%, which was the same as the June 30, 2018 rate. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and State contributions will be made at the current statutorily-required rates.

Based on those assumptions, TRS's fiduciary net position at June 30, 2019 was projected to be available to make all projected future benefit payments to current active and inactive members and all benefit recipients. Tier I's liability is partially funded by Tier II members, as the Tier II member contribution is higher than the cost of Tier II benefits. Due to this subsidy, contributions from future members in excess of the service cost are also included in the determination of the discount rate. All projected future payments were covered, so the long-term expected rate of return on TRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Employer's proportionate share of the net pension liability	$ 3,060,117	$ 2,505,392	$ 2,049,298

TRS Fiduciary Net Position

Detailed information about the TRS's fiduciary net position as of June 30, 2019 is available in the separately issued TRS *Comprehensive Annual Financial Report.*

B. *Illinois Municipal Retirement Fund*

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

Benefits Provided

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

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

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

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

Employees Covered by Benefit Terms

All appointed employees of a participating employer who are employed in a position normally requiring 600 hours (1,000 hours for certain employees hired after 1981) or more of work in a year are required to participate. As of December 31, 2019, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	70
Inactive plan members entitled to but not yet receiving benefits	88
Active plan members	99
Total	257

Contributions

As set by statute, the District's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The District's annual contribution rate for calendar year 2019 was 8.59%. For the fiscal year ended June 30, 2020, the District contributed $371,409 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 IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The components of the net pension liability of the IMRF actuarial valuation performed as of December 31, 2019, and a measurement date as of December 31, 2019, calculated in accordance with GASB Statement No. 68, were as follows:

Total Pension Liability	$	13,777,607
IMRF Fiduciary Net Position		12,280,655
District's Net Pension Liability		1,496,952
IMRF Fiduciary Net Position as a Percentage of the Total Pension Liability		89.13%

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

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2019 using the following actuarial methods and assumptions:

Assumptions	
Inflation	2.50%
Salary Increases	3.35% - 14.25% including inflation
Interest Rate	7.25%
Asset Valuation Method	Market Value of assets
Projected Retirement Age	Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 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. 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.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2019:

Asset Class	Target Allocation	Projected Return
Equities	37.00%	5.75%
International Equities	18.00%	6.50%
Fixed Income	28.00%	3.25%
Real Estate	9.00%	5.20%
Alternatives	7.00%	
Private Equity		7.60%
Hedge Funds		N/A
Commodities		3.60%
Cash	1.00%	1.85%
	100.00%	

Single Discount Rate

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

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

For the purpose of this discount rate, the expected rate of return on pension plan investments is 7.25%; the municipal bond rate is 2.75%; and resulting single discount rate is 7.25%. The prior year single discount rate was 7.25% and increased 0.00% to the current year single discount rate.

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A)-(B)
Balances at December 31, 2018	$ 12,697,408	$ 10,374,775	$ 2,322,633
Changes for the year:			
Service Cost	$ 422,463	$ -	$ 422,463
Interest on the Total Pension Liability	912,978	-	912,978
Differences Between Expected and Actual Experience of the Total Pension Liability	376,450	-	376,450
Contributions - Employer	-	342,414	(342,414)
Contributions - Employee	-	179,379	(179,379)
Net Investment Income	-	1,939,100	(1,939,100)
Benefit Payments, including Refunds of Employee Contributions	(631,692)	(631,692)	-
Other (Net Transfer)	-	76,679	(76,679)
Net Changes	$ 1,080,199	$ 1,905,880	$ (825,681)
Balances at December 31, 2019	$ 13,777,607	$ 12,280,655	$ 1,496,952

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

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

	1% Lower 6.25%	Current Discount Rate 7.25%	1% Higher 8.25%
Net Pension Liability/(Asset)	$ 3,326,603	$ 1,496,952	$ (6,419)

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

For the year ended June 30, 2020, the District recognized pension expense of $579,342. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Expense in Future Periods	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
Differences between expected and actual experience	$ 539,754	$ -	$ 539,754
Changes of assumptions	188,141	108,378	79,763
Net difference between projected and actual earnings on pension plan investments	859,625	1,324,170	(464,545)
Total deferred amounts to be recognized in pension expense in future periods	$ 1,587,520	$ 1,432,548	$ 154,972
Pension contributions made subsequent to the measurement date	210,992	-	210,992
Total deferred amounts related to pensions	$ 1,798,512	$ 1,432,548	$ 365,964

$210,992 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Net Deferred Outflows of Resources
2020	$ 125,847
2021	111,809
2022	145,419
2023	(228,103)
	$ 154,972

C. *Social Security*

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

NOTE 11 - POST EMPLOYMENT BENEFIT COMMITMENTS

A. *Teacher Health Insurance Security Fund*

General Information About the OPEB Plan

Plan Description

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

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

Benefits Provided

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

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

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

<u>Contributions</u>

For the fiscal year ended June 30, 2020, the State Employees Group Insurance Act of 1971 (5 ILCS 375/6.6) requires that all active contributors of the THIS make contributions to the plan at a rate of 1.24% of salary and for every employer of a teacher to contribute an amount equal to .92% of each teacher's salary. For the fiscal year ended June 30, 2019, the employee contribution was 1.24% of salary and the employer contribution was .92% of each teacher's salary. The Department of Central Management Services determines, by rule, the percentage required, which each year shall not exceed 105% of the percentage of salary actually required to be paid in the previous fiscal year. In addition, under the State Pension Funds Continuing Appropriations Act (40 ILCS 15/1.3), there is appropriated, on a continuing annual basis, from the General Revenue Fund, an account of the General Fund, to the State Comptroller for deposit in the Teachers' Health Insurance Security Fund (THISF), an amount equal to the amount certified by the Board of Trustees of THIS as the estimated total amount of contributions to be paid under 5 ILCS 376/6.6(a) in that fiscal year. The member contribution, which may be paid on behalf of employees by the employer, is submitted to THIS by the employer.

<u>On-Behalf Contributions to THIS.</u> The State of Illinois makes employer benefit contributions on behalf of the District. For the year ended June 30, 2020, State of Illinois contributions recognized by the District were based on the State's proportionate share of the collective net OPEB liability associated with the District, and the District recognized revenue and expenditures of $300,469 in benefit contributions from the State of Illinois.

<u>OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs</u>

At June 30, 2019, the District reported a liability for its proportionate share of the net OPEB liability (first amount shown below) that reflected a reduction for state benefit support provided to the District. The State's support and total are for disclosure purposes only. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	$ 27,159,832
State's proportionate share of the net OPEB liability associated with the District	36,777,798
Total	$ 63,937,630

The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018 and rolled forward to June 30, 2019. The District's proportion of the net OPEB liability was based on the District's share of contributions to THIS for the measurement year ended June 30, 2019, relative to the contributions of all participating THIS employers and the State during that period. At June 30, 2019, the District's proportion was 0.098130%, which was a decrease of 0.000591% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized benefit expense of $1,331,127 and on-behalf revenue/expense of $300,469 for support provided by the State. At June 30, 2020, 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	Net Outflows of Resources
Differences between expected and actual experience	$ -	$ (450,696)	$ (450,696)
Net difference between projected and actual earnings on pension plan investments	-	(889)	(889)
Changes of assumptions	10,297	(3,113,402)	(3,103,105)
Changes in proportion and differences between employee contributions and proportionate share of contributions	664,767	(262,796)	401,971
Employer contributions subsequent to the measurement date	225,720	-	225,720
	$ 900,784	$ (3,827,783)	$ (2,926,999)

$225,720 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the reporting year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows in these reporting years:

Year Ending June 30	
2021	$ (450,075)
2022	(1,567,998)
2023	(444,893)
2024	(377,685)
2025	(312,068)
	$ (3,152,719)

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Depends on service and ranges from 9.50% at 1 year of service to 4.00% at 20 or more years of service. Salary increase includes a 3.25% wage inflation assumption.
Investment Rate of Return	0%, net of OPEB plan investment expense, including inflation
Healthcare Cost Trend Costs	Actual trend used for fiscal year 2019. For fiscal years on and after 2020, trend starts at 8.00% and 9.00% for non-Medicare costs and post-Medicare costs, respectively, and gradually decrease to an ultimate trend of 4.50%. Additional trend rate of 0.31% is added to non-Medicare costs on and after 2022 to account for the Excise Tax.

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

The actuarial assumptions that were used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2014 through June 30, 2017.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Illinois Public Treasurers' Investment Pool	100.0%	2.04%
	100.0%	

Discount Rate

Projected benefit payments were discounted to their actuarial present value using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bond with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met). Since TRIP (Teachers' Retirement Insurance Program) is financed on a pay-as-you-go basis, a discount rate consistent with the 20-year general obligation bond index has been selected. The discount rates are 3.62% as of June 30, 2018, and 3.13% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and State contributions will be made at the current statutorily-required rates.

Based on those assumptions, THIS's fiduciary net position at June 30, 2019 was projected to be available to make all projected future benefit payments to current active and inactive members and all benefit recipients. Due to this subsidy, contributions from future members in excess of the service cost are also included in the determination of the discount rate. All projected future payments were covered, so the long-term expected rate of return on THIS investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

At June 30, 2019, the discount rate used to measure the total OPEB liability was 3.13%.

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

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 3.13%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.13%) or 1 percentage-point higher (4.13%) than the current rate.

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
Employer's proportionate share of the net OPEB liability	$ 32,655,904	$ 27,159,832	$ 22,819,008

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher. The key trend rates are 8.00% in 2020 decreasing to an ultimate trend rate of 4.81% in 2027, for non-Medicare coverage, and 9.00% in 2020 decreasing to an ultimate trend rate of 4.5% in 2027 for Medicare coverage.

	1% Decrease 7.00% (a)	Healthcare Cost Valuation Rate	1% Increase 9.00% (b)
Employer's proportionate share of the net OPEB liability	$ 21,942,881	$ 27,159,832	$ 34,205,844

(a) One percentage point decrease in healthcare trend rates are 7.00% in 2020 decreasing to an ultimate trend rate of 3.81% in 2027, for non-Medicare coverage, and 8.00% in 2020 decreasing to an ultimate trend rate of 3.50% in 2027 for Medicare coverage.

(b) One percentage point increase in healthcare trend rates are 9.00% in 2020 decreasing to an ultimate trend rate of 5.81% in 2027, for non-Medicare coverage, and 10.00% in 2020 decreasing to an ultimate trend rate of 5.50% in 2027 for Medicare coverage.

B. *Retiree Insurance Plan*

Plan Overview

In addition to the retirement plans described in Note 10, the District provides post-employment benefits other than pensions ("OPEB") to employees who meet certain criteria. The Plan, a single-employer defined benefit plan, provides the following coverage:

Medical Coverage
Employees may continue coverage into retirement on the District medical plan on a pay-all basis. Dependents may also continue coverage on a pay-all basis. Coverage may continue for as long as required contributions are paid.

The Plan does not issue a stand-alone financial report.

Eligibility

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

Regular Plan Tier 1 (Enrolled in IMRF Prior to January 1, 2011)
- At least 55 years old and at least 8 years of credited service (reduced pension)
- At least 60 years old and at least 8 years of credited service (full pension)

Regular Plan Tier 2 (Enrolled in IMRF On or After January 1, 2011)
- At least 62 years old and at least 10 years of credited service (reduced pension)
- At least 67 years old and at least 10 years of credited service (full pension)

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

Active employees	360
Inactive employees entitled to but not yet receiving benefits	-
Inactive employees currently receiving benefits	3
Total	363

Contribution

The required contribution is based on projected pay-as-you-go financing requirements. Employees are not required to contribute to the plan.

Total OPEB Liability

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

Actuarial Assumptions

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

Actuarial Method	Entry Age Normal
Discount rate	2.66%
Salary Rate Increase	4.00%
Expected long-term investment rate of return	N/A

Health Care Trend

(1) Known rate

Period	PPO	HMO IL	Blue Adv.
FY20-FY21	7.50%	4.50% [1]	4.50% [1]
FY21-FY22	7.29%	4.50%	4.50%
FY22-FY23	7.07%	4.50%	4.50%
FY23-FY24	6.86%	4.50%	4.50%
FY24-FY25	6.64%	4.50%	4.50%
FY25-FY26	6.43%	4.50%	4.50%
FY26-FY27	6.21%	4.50%	4.50%
FY27-FY28	6.00%	4.50%	4.50%
FY28-FY29	5.79%	4.50%	4.50%
FY29-FY30	5.57%	4.50%	4.50%
FY30-FY31	5.36%	4.50%	4.50%
FY31-FY32	5.14%	4.50%	4.50%
FY32-FY33	4.93%	4.50%	4.50%
FY33-FY34	4.71%	4.50%	4.50%
FY34-FY35	4.50%	4.50%	4.50%
Subsequent	4.50%	4.50%	4.50%

Retiree Contribution Trend	Same as Health Care Trend
Mortality	IMRF Employees and Retirees: Rates from the December 31, 2019 IMRF Actuarial Valuation Report. TRS Employees and Retirees: Rates from the June 30, 2019 Teachers' Retirement System Actuarial Valuation Report.
Disability Rates	IMRF Employees and Retirees: Rates from the December 31, 2019 IMRF Actuarial Valuation Report. TRS Employees and Retirees: Rates from the June 30, 2019 Teachers' Retirement System Actuarial Valuation Report.
Retirement Rates	IMRF Employees: Rates from the December 31, 2019 IMRF Actuarial Valuation Report. No Early Retirement Rates assumed. TRS Employees: Rates from the June 30, 2019 Teachers' Retirement System Actuarial Valuation Report.
Withdrawal Rates	IMRF Employees and Retirees: Rates from the December 31, 2019 IMRF Actuarial Valuation Report. TRS Employees and Retirees: Rates from the June 30, 2019 Teachers' Retirement System Actuarial Valuation Report.

Starting Per Capita Costs

	PPO Plan		HMO IL Plan	
Age	Retiree	Spouse	Retiree	Spouse
55	$ 18,886	$ 14,525	$ 13,484	$ 11,632
57	20,427	15,710	14,585	12,581
60	22,977	17,671	16,406	14,152
62	24,852	19,113	17,744	15,307
64	26,880	20,673	19,192	16,556

Starting Per Capita Costs (Continued)		Blue Adv. Plan	
	Age	Retiree	Spouse
	55	10,879	8,993
	57	11,767	9,727
	60	13,236	10,941
	62	14,317	11,834
	64	15,485	12,800
Retiree Contributions		Retiree	Spouse
	PPO Plan	$ 11,796	$ 9,072
	HMO IL Plan	8,422	7,265
	Blue Adv.	6,795	5,617

Election at Retirement	10% of active IMRF employees will elect retiree coverage continuation upon retirement. 15% of active Certified employees will elect retiree coverage continuation upon retirement.
Marital Status	30% of employees selecting retiree coverage are assumed to be married and to elect spousal coverage with males three years older than females. Actual spouse data was used for current retirees.
Morbidity	Under 65 - 4.00%

The actuarial assumptions used in the June 30, 2020 valuation were based on the assumptions found in the December 31, 2019 IMRF Actuarial Valuation Report and the June 30, 2019 Teachers' Retirement System Actuarial Valuation Report.

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

Discount Rate

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

A rate of 2.66% is used, which is the S&P Municipal Bond 20-Year High-Grade Rate Index as of June 30, 2020.

Changes in the Total OPEB Liability

	Increase/(Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at July 1, 2019	$ 1,600,023	$ -	$ 1,600,023
Changes for the year:			
Service Cost	$ 125,183	$ -	$ 125,183
Interest on Total OPEB Liability	44,089	-	44,089
Difference Between Expected and Actual Experience	(128,886)	-	(128,886)
Assumption Changes	249,295	-	249,295
Benefit Payments	(39,576)	-	(39,576)
Other Changes	52,216	-	52,216
Net Changes	$ 302,321	$ -	$ 302,321
Balances at June 30, 2020	$ 1,902,344	$ -	$ 1,902,344

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

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

Plan's Total OPEB Liability/(Asset)		
1% Increase	Valuation Rate	1% Decrease
$ 1,737,100	$ 1,902,344	$ 2,080,867

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

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

Plan's Total OPEB Liability/(Asset)		
1% Increase	Healthcare Cost Valuation Rate	1% Decrease
$ 2,205,496	$ 1,902,344	$ 1,650,166

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

For the fiscal year ended June 30, 2020, the District recognized OPEB expense of $180,989. At June 30, 2020, 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	Net Inflows of Resources
Differences Between Expected and Actual Experience	$ 81,755	$ 118,443	$ (36,688)
Changes of Assumptions	499,500	317,297	182,203
Total	$ 581,255	$ 435,740	$ 145,515

Changes in total OPEB liability related to the difference in actual and expected experience, or changes in assumptions regarding future events, are recognized in OPEB expense over the expected remaining service life of all employees (12.34 years, active and retired) in the postretirement plan.

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

Year ending June 30	Net Deferred Outflows/Inflows of Resources
2021	$ 11,718
2022	11,718
2023	11,718
2024	11,718
2025	11,718
2026	11,718
2027	11,718
2028	11,718
2029	11,718
2030	20,775
2031	14,504
2032	4,774
	$ 145,515

NOTE 12 - INTERFUND TRANSFERS

Interfund transfers during the year ended June 30, 2020 were as follows:

Transfer from	Transfer to	Amount
General Fund	Debt Services Fund	$ 1,532,941
Operations and Maintenance Fund	Debt Services Fund	497,513
Operations and Maintenance Fund	Capital Projects Fund	9,218,642
Debt Services Fund	Operations and Maintenance Fund	9,336,071

The transfers from the General and Operations and Maintenance Funds to the Debt Services Fund were made to cover debt service payments on long-term debt and capital leases. The transfer from the Debt Services Fund to the Operations and Maintenance Fund and then further transferred to the Capital Projects Fund was for the purpose of transferring bond proceeds to where the funds would be used for future capital projects.

NOTE 13 - JOINT VENTURES

A. *Special Education District of Lake County (SEDOL)*

The District and thirty other districts within Lake County have entered into a joint agreement to provide special education programs and services to the students enrolled. Each member district has a financial responsibility for annual and special assessments as established by the management council.

A summary of the Statement of Net Position of SEDOL at June 30, 2019 (most recent information available) is as follows:

Assets	$ 69,269,270
Deferred Outflows of Resources	11,514,434
	$ 80,783,704
Liabilities	$ 46,438,416
Deferred Inflows of Resources	10,090,751
Net Position	24,254,537
	$ 80,783,704
Revenues	$ 81,678,695
Expenses	77,735,077
Net Increase/(Decrease) in Net Position	$ 3,943,618

Complete financial statements for SEDOL can be obtained from the Administrative Offices at 18160 Gages Lake Road, Gages Lake, Illinois 60030-1819.

B. *Lake County Area Vocational System (LCAVS)*

The District and seventeen other districts within Lake and McHenry Counties have entered into a joint agreement to provide vocational programs for member districts that are not offering these services individually. Each member district has a financial responsibility for annual and special assessments as established by the management council.

A summary of financial condition (cash basis) of LCAVS at June 30, 2019 (most recent information available) is as follows:

Assets	$ 31,388,351
Liabilities	$ 20,359
Fund Equity	31,367,992
	$ 31,388,351
Revenues Received	$ 10,645,000
Expenditures Disbursed	11,470,835
Net Increase/(Decrease) in Fund Balance	$ (825,835)

Complete financial statements for LCAVS can be obtained from the Administrative Offices at 19525 W. Washington Street, Grayslake, Illinois 60030.

NOTE 14 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance to handle these risks of loss. During fiscal year 2020 there was no significant reduction in insurance coverage for any category. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District is a member of the Collective Liability Insurance Cooperative (CLIC), a joint risk management pool of school districts through which property, general liability, automobile liability, crime, excess property, excess liability, and boiler and machinery coverage is provided in excess of specified limits for the members, acting as a single insurable unit.

The relationship between the District and CLIC is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The District is contractually obligated to make all annual and supplementary contributions for CLIC, to report claims on a timely basis, cooperate with CLIC, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by CLIC. Members have a contractual obligation to fund any deficit of CLIC attributable to a membership year during which they were members. CLIC is responsible for administering the self-insurance program and purchasing excess insurance according to the direction of the Board of Directors. CLIC also provides its members with risk management services, including the defense and settlement of claims, and establishes reasonable and necessary loss of reduction and prevention procedures to be followed by the members.

The District is insured under a retrospectively-rated policy for workers' compensation coverage, whereas, the initial premium may be adjusted based on actual experience. Adjustments in premiums are recorded when paid or received. During the year ended June 30, 2020, there were no significant adjustments in premiums based on actual experience.

NOTE 15 - SELF INSURANCE

The District is self-insured for medical and dental coverage that is provided to District personnel. A third party administrator administers claims for a monthly fee per participant. Expenditures are recorded as paid in the form of direct contributions from the District to the third party administrator for payment of employee health and dental claims and administration fees. The District's liability will not exceed $75,000 per employee as provided by stop-loss provisions incorporated in the plan. Additionally, the District has purchased aggregate stop-loss coverage. Total net claims paid for the year ended June 30, 2020 were $4,042,555, while the ending liability for claims payable was $135,407. A summary of current and prior year liabilities, claims incurred, and claims paid is as follows:

	2020	2019	2018
Beginning Liability Balance	$ 57,022	$ 59,155	$ 1,133,583
Claims Incurred	4,120,940	4,080,917	4,159,325
Payments	(4,042,555)	(4,083,050)	(5,233,753)
Ending Liability Balance	$ 135,407	$ 57,022	$ 59,155

NOTE 16 - CONTINGENCIES

The District is being represented in tax rate objection cases filed in circuit court. The objectors allege that the District's tax rates for a number of funds are illegally excessive for various reasons. There is currently not enough information to estimate the amount of tax revenue that is subject to the complaints.

NOTE 17 - LEGAL DEBT LIMITATION

The Illinois School Code limits the amount of indebtedness to 6.9% of the most recent available equalized assessed valuation (EAV) of the District. The District's legal debt limitation is as follows:

2019 EAV	$	1,084,020,825
Rate		6.900%
Debt Margin	$	74,797,437
Current Debt		27,923,694
Remaining Debt Margin	$	46,873,743

NOTE 18 - NET POSITION ADJUSTMENT

A net position adjustment was required in relation to the prior year TRS Deferred Outflows – Contributions After the Measurement Date account. The amount deferred in the prior year was the total member TRS contributions. The correct amount should have been deferred for the 2.2 formula contributions only. The adjustment to this account was a decrease of $2,023,708.

NOTE 19 - SUBSEQUENT EVENTS

Prior to the date of this report, the COVID-19 outbreak in the United States has created disruptions in various governments and will continue to impact these organizations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of time. The extent of the impact on the District is uncertain and cannot be reasonably estimated at this time.

GRAYSLAKE COMMUNITY HIGH SCHOOL DISTRICT NO. 127
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
ACTIVITY FUNDS
FOR YEAR ENDED JUNE 30, 2020

	BALANCE JULY 1, 2019	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2020
A S S E T S				
Cash and Cash Equivalents	$ 484,202	$ 881,214	$ 818,000	$ 547,416
	$ 484,202	$ 881,214	$ 818,000	$ 547,416
L I A B I L I T I E S				
Due to Activity Fund Organization				
Central High School	$ 279,453	$ 517,051	$ 437,696	$ 358,808
North High School	204,749	364,163	380,304	188,608
	$ 484,202	$ 881,214	$ 818,000	$ 547,416

See Accompanying Independent Auditor's Opinion

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To the Board of Education
Grayslake Community High School District No. 127
Grayslake, Illinois

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grayslake Community High School District No. 127 (District) as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- Reasonably possible – the chance of the future event or events occurring is more than remote but less than likely
- Probable – the future event or events are likely to occur

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the District's internal control to be a significant deficiency:

Comment

Inadequate Internal Controls over P-Cards

While performing our test of controls it was noted that not all invoices or receipts were being attached to P-card purchases. We randomly selected five of the 12 P-cards for one month to test the operation of the internal control structure. Of the five cards selected, two cards did not have all the receipts attached. We recommend that the District create a written policy documenting procedures that need to occur when there is a missing receipt, and also monitor their internal controls periodically during the year to ensure that all invoices and receipts are being attached to the statements.

Management Response

Management plans to review and make sure that all receipts are being attached to the statements each month.

The identified significant deficiency is not considered to be a material weakness.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various District personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

This communication is intended solely for the information and use of management, Board of Education, and others within District, and is not intended to be, and should not be, used by anyone other than these specified parties.

Eder, Casella & Co.

EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
December 1, 2020