

**PRELIMINARY OFFICIAL STATEMENT, DATED FEBRUARY 6, 2019**

**NEW ISSUE  
BOOK-ENTRY ONLY  
TAXABLE**

**Rating:  
S&P: “AA-” (Stable Outlook)  
See “BOND RATING” herein**

*Interest on the Bonds is includible in gross income of the owners thereof for federal income tax purposes. Interest on the Bonds is not exempt from present State of Illinois income taxes. See “TAX TREATMENT” herein for a more complete discussion.*



**COMMUNITY UNIT SCHOOL DISTRICT NUMBER 118  
Lake and McHenry Counties, Illinois  
(Wauconda)**

**\$11,200,000\* Taxable General Obligation Limited Tax Refunding School Bonds, Series 2019**

**Dated: Date of Delivery**

**Due: January 1, as further described on the inside cover page**

The Taxable General Obligation Limited Tax Refunding School Bonds, Series 2019 (the “Bonds”), of Community Unit School District Number 118, Lake and McHenry Counties, Illinois (the “District”), will be issued in fully registered form and will be registered initially only in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased. Ownership by the beneficial owners of the Bonds will be evidenced by book-entry only. Payments of principal of and interest on the Bonds will be made by Amalgamated Bank of Chicago, Chicago, Illinois, as bond registrar and paying agent, to DTC, which in turn will remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payments of principal of and interest on the Bonds will be made to such registered owner, and disbursement of such payments will be the responsibility of DTC and its participants. Individual purchases of the Bonds will be made in the principal amount of \$5,000 or any integral multiple thereof.

The Bonds will bear interest from their dated date at the rates per annum as shown on the inside cover page. Interest on the Bonds (computed on the basis of a 360-day year consisting of twelve 30-day months) will be payable semi-annually on each January 1 and July 1, commencing July 1, 2019.

Proceeds of the Bonds will be used to (a) refund certain of the District’s outstanding bonds, and (b) pay costs associated with the issuance of the Bonds.

The Bonds are not subject to optional redemption prior to maturity.

In the opinion of Bond Counsel, the Bonds are valid and legally binding upon the District and are payable from any funds of the District legally available for such purpose, and all taxable property in the District is subject to the levy of taxes to pay the same without limitation as to rate, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors’ rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion. The amount of said taxes that may be extended to pay the Bonds is limited as provided by law. See “THE BONDS—Security” herein.

*The Bonds are offered when, as and if issued by the District and received by Raymond James & Associates, Inc., Chicago, Illinois, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by Chapman and Cutler LLP, Chicago, Illinois, Bond Counsel, and certain other conditions. Chapman and Cutler LLP, Chicago, Illinois, will also act as Disclosure Counsel to the District. It is expected that beneficial interests in the Bonds will be available for delivery through the facilities of DTC on or about March 14, 2019.*

**RAYMOND JAMES®**

The date of this Official Statement is February \_\_, 2019.

\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without any notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**Community Unit School District Number 118  
Lake and McHenry Counties, Illinois  
(Wauconda)**

**\$11,200,000\* TAXABLE GENERAL OBLIGATION LIMITED TAX REFUNDING SCHOOL BONDS,  
SERIES 2019**

**MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS\***

MATURITY (JANUARY 1)	AMOUNT	INTEREST RATE	YIELD	CUSIP NUMBER** (507408)
2020	\$ 370,000	%	%	
2021	1,385,000	%	%	
2022	1,460,000	%	%	
2023	1,540,000	%	%	
2024	1,625,000	%	%	
2025	1,715,000	%	%	
2026	1,810,000	%	%	
2027	1,295,000	%	%	

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\* Preliminary, subject to change.

\*\* CUSIP data herein is provided by the CUSIP Global Services, managed on behalf of the American Bankers Association by S&P Capital IQ, a part of McGraw-Hill Companies Financial. No representations are made as to the correctness of the CUSIP numbers. These CUSIP numbers are subject to change after the issuance of the Bonds.

No dealer, broker, salesman or other person has been authorized by the District or Raymond James & Associates, Inc., Chicago, Illinois (the "Underwriter"), to give any information or to make any representations other than those contained in this Official Statement in connection with the offering described herein and if given or made, such other information or representations must not be relied upon as statements having been authorized by the District, the Underwriter or any other entity. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Bonds, nor shall there be any offer to sell or solicitation of an offer to buy the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is submitted in connection with the sale of the securities described in it and may not be reproduced or used, in whole or in part, for any other purposes.

Unless otherwise indicated, the District is the source of all tables and statistical and financial information contained in this Official Statement. The information contained in this Official Statement concerning DTC has been obtained from DTC. The other information set forth herein has been furnished by the District or from other sources believed to be reliable. The information and opinions expressed herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date of this Official Statement.

This Official Statement should be considered in its entirety and no one factor considered more or less important than any other by reason of its position in this Official Statement. Where statutes, reports or other documents are referred to herein, reference should be made to such statutes, reports or other documents for more complete information regarding the rights and obligations of parties thereto, facts and opinions contained therein and the subject matter thereof.

Any statements made in this Official Statement, including the Exhibits and Appendices, involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such estimates will be realized. This Official Statement contains certain forward-looking statements and information that are based on the District's beliefs as well as assumptions made by and information currently available to the District. Such statements are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or expected.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the District from time-to-time, may be treated as an Official Statement with respect to the Bonds described herein and is "deemed final" by the District as of the date hereof (or of the date of any supplement or correction) except for the omission of certain information permitted to be omitted pursuant to such Rule.

**IN CONNECTION WITH THE OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SECURITIES OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

**THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

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**APPENDICES**

Appendix A	—	Audited Financial Statements of the District for the Fiscal Year Ended June 30, 2018
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**COMMUNITY UNIT SCHOOL DISTRICT NUMBER 118  
LAKE AND MCHENRY COUNTIES, ILLINOIS  
(WAUCONDA)**

555 North Main Street  
Wauconda, Illinois 60084

**Board of Education**

Jonathan Feryance  
*President*

Deby Dato

Sam Stein  
*Secretary*

David Patterson

Carey McHugh

Kathy Bianco  
*Vice President*

Brian Swanson

**Administration**

Dr. Daniel J. Coles  
*Superintendent*

William Harkin  
*Associate Superintendent of Business Services/CSBO*

**Professional Services**

*Underwriter*  
Raymond James & Associates, Inc.  
Chicago, Illinois

*Bond Counsel and Disclosure Counsel*  
Chapman and Cutler LLP  
Chicago, Illinois

*Bond Registrar, Paying Agent and Escrow Agent*  
Amalgamated Bank of Chicago  
Chicago, Illinois

*Auditor*  
Evans, Marshall & Pease, P.C.  
Rolling Meadows, Illinois

*Pricing Consultant*  
Ehlers & Associates, Inc.  
Roseville, Minnesota



## OFFICIAL STATEMENT

### Community Unit School District Number 118 Lake and McHenry Counties, Illinois (Wauconda)

### \$11,200,000\* Taxable General Obligation Limited Tax Refunding School Bonds, Series 2019

#### INTRODUCTION

The purpose of this Official Statement is to set forth certain information concerning Community Unit School District Number 118, Lake and McHenry Counties, Illinois (the “*District*”), in connection with the offering and sale of its Taxable General Obligation Limited Tax Refunding School Bonds, Series 2019 (the “*Bonds*”).

This Official Statement contains “forward-looking statements” that are based upon the District’s current expectations and its projections about future events. When used in this Official Statement, the words “project,” “estimate,” “intend,” “expect,” “scheduled,” “pro-forma” and similar words identify forward-looking statements. Forward-looking statements are subject to known and unknown risks, uncertainties and factors that are outside of the control of the District. Actual results could differ materially from those contemplated by the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Neither the District nor any other party plans to issue any updates or revisions to these forward-looking statements based on future events.

#### THE BONDS

##### AUTHORITY AND PURPOSE

The Bonds are being issued pursuant to the School Code of the State of Illinois (the “*School Code*”), the Local Government Debt Reform Act of the State of Illinois (the “*Debt Reform Act*”), and all laws amendatory thereof and supplementary thereto, and a bond resolution adopted by the Board of Education of the District (the “*Board*”) on the 17th day of January, 2019, as supplemented by a notification of sale (together, the “*Bond Resolution*”).

Proceeds of the Bonds will be used to (a) refund certain of the District’s outstanding Taxable General Obligation Limited School Bonds, Series 2010B, dated June 29, 2010 (the “*Series 2010B Bonds*” and, those Series 2010B Bonds being refunded, the “*Refunded Bonds*”), and (b) pay costs associated with the issuance of the Bonds. See “PLAN OF FINANCE” herein.

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\* Preliminary, subject to change.

## GENERAL DESCRIPTION

The Bonds will be dated the date of issuance thereof, will be in fully registered form, without coupons, and will be in denominations of \$5,000 or any integral multiple thereof under a book-entry only system operated by The Depository Trust Company, New York, New York (“DTC”). Principal of and interest on the Bonds will be payable by Amalgamated Bank of Chicago, Chicago, Illinois (the “Registrar”).

The Bonds will mature as shown on the inside cover page hereof. Interest on the Bonds will be payable each January 1 and July 1, beginning July 1, 2019.

The Bonds will bear interest from their dated date, or from the most recent interest payment date to which interest has been paid or provided for, computed on the basis of a 360-day year consisting of twelve 30-day months. The principal of the Bonds will be payable in lawful money of the United States of America upon presentation and surrender thereof at the principal corporate trust office of the Registrar. Interest on each Bond will be paid by check or draft of the Registrar payable upon presentation in lawful money of the United States of America to the person in whose name such Bond is registered at the close of business on the 15th day of the month next preceding the interest payment date.

## REGISTRATION AND TRANSFER

The Registrar will maintain books (the “Register”) for the registration of ownership and transfer of the Bonds. Subject to the provisions of the Bonds as they relate to book-entry form, any Bond may be transferred upon the surrender thereof at the principal corporate trust office of the Registrar, together with an assignment duly executed by the registered owner or his or her attorney in such form as will be satisfactory to the Registrar. No service charge shall be made for any transfer or exchange of Bonds, but the District or the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds except in the case of the issuance of a Bond or Bonds for the unredeemed portion of a Bond surrendered for redemption.

The Registrar shall not be required to transfer or exchange any Bond during the period beginning at the close of business on the 15th day of the month next preceding any interest payment date on such Bond and ending at the opening of business on such interest payment date, nor to transfer or exchange any Bond after notice calling such Bond for redemption has been mailed, nor during a period of fifteen (15) days next preceding mailing of a notice of redemption of any Bonds.

## REDEMPTION

*Optional Redemption.* The Bonds are not subject to optional redemption prior to maturity.

*Mandatory Sinking Fund Redemption.* The Bonds due on January 1 of the years 20\_\_ and 20\_\_ are subject to mandatory redemption, in integral multiples of \$5,000 selected by lot by the

Registrar, at a redemption price of par plus accrued interest to the redemption date, on January 1 of the years and in the principal amounts as follows:

FOR THE BONDS DUE JANUARY 1, 20\_\_

YEAR	PRINCIPAL AMOUNT
20__	\$
20__	(stated maturity)

FOR THE BONDS DUE JANUARY 1, 20\_\_

YEAR	PRINCIPAL AMOUNT
20__	\$
20__	(stated maturity)

On or prior to the 60th day preceding any mandatory redemption date, the Registrar may, and if directed by the District shall, purchase Bonds required to be retired on such mandatory redemption date. Any such Bonds so purchased shall be cancelled and the principal amount thereof shall be credited against the mandatory redemption required on such next mandatory redemption date.

*General.* For purposes of any redemption of less than all of the outstanding Bonds of a single maturity, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot by the Registrar from the Bonds of such maturity by such method of lottery as the Registrar shall deem fair and appropriate (except when the Bonds are held in a book-entry system, in which case the selection of Bonds to be redeemed will be made in accordance with procedures established by DTC or any other book-entry depository); *provided* that such lottery shall provide for the selection for redemption of Bonds or portions thereof in principal amounts of \$5,000 and integral multiples thereof.

Unless waived by any holder of Bonds to be redeemed, notice of the call for any redemption will be given by the Registrar on behalf of the District by mailing the redemption notice by first-class mail at least 30 days and not more than 60 days prior to the date fixed for redemption to each registered owner of the Bonds to be redeemed at the address shown on the Register or at such other address as is furnished in writing by such registered owner to the Registrar.

Prior to any redemption date, the District will deposit with the Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date.

Notice of redemption having been given as described above and in the Bond Resolution, and notwithstanding failure to receive such notice, the Bonds or portions of Bonds so to be redeemed will, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the District shall default in the payment of the

redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds will be paid by the Registrar at the redemption price.

## SECURITY

The Bonds, in the opinion of Chapman and Cutler LLP, Chicago, Illinois, Bond Counsel (“*Bond Counsel*”), are valid and legally binding upon the District and are payable from any funds of the District legally available for such purpose, and all taxable property in the District is subject to the levy of taxes to pay the same without limitation as to rate, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion. The amount of said taxes that will be extended to pay the Bonds is limited pursuant to the Property Tax Extension Limitation Law of the State of Illinois, as amended (the “*Limitation Law*”).

The Debt Reform Act provides that the Bonds are payable from the debt service extension base of the District (the “*Base*”), which is an amount equal to that portion of the extension for the District for the 1994 levy year constituting an extension for payment of principal of and interest on bonds issued by the District without referendum, but not including alternate bonds issued under Section 15 of the Debt Reform Act or refunding obligations issued to refund or to continue to refund obligations of the District initially issued pursuant to referendum, increased each year, commencing with the 2009 levy year, by the lesser of 5% or the percentage increase in the Consumer Price Index (as defined in the Limitation Law, the “*CPI*”) during the 12-month calendar year preceding the levy year. The Limitation Law further provides that the annual amount of taxes to be extended to pay the Bonds and all other limited bonds heretofore and hereafter issued by the District shall not exceed the Base.

The Bonds constitute the one of two series of limited bonds of the District that are payable from the Base. Payments on the Bonds from the Base will be made on a parity with the payments on the District’s outstanding Series 2010B Bonds. The District is authorized to issue from time to time additional limited bonds payable from the Base as permitted by law, and to determine the lien priority of payments to be made from the Base to pay the District’s limited bonds.

The amount of the Base for levy years 2018 and 2019 have been determined to be \$1,765,315.33 and \$1,798,856.32, respectively, which is calculated from an original Base of \$1,503,786.00 as increased annually by CPI as described above.

The following chart shows the Base of the District, the debt service payable on the outstanding limited bonds of the District and the Bonds, and the available Base after the issuance of the Bonds.

DEBT SERVICE EXTENSION BASE AVAILABILITY AFTER ISSUANCE OF THE BONDS

LEVY YEAR	DEBT SERVICE ON OUTSTANDING LIMITED BONDS	PLUS: DEBT SERVICE ON THE BONDS <sup>(1)</sup>	LESS: DEBT SERVICE ON THE REFUNDED LIMITED BONDS <sup>(1)</sup>	TOTAL DEBT SERVICE ON LIMITED BONDS <sup>(1)</sup>	DEBT SERVICE EXTENSION BASE	UNUSED DEBT SERVICE EXTENSION BASE <sup>(1)(2)</sup>
2018	\$1,737,574.00	\$ 709,133.15	\$ 681,574.00	\$1,765,133.15	\$1,765,315.33	\$ 182.18
2019	1,766,574.00	1,797,147.50	1,766,574.00	1,797,147.50	1,798,856.32	1,708.82
2020	1,789,295.00	1,821,872.00	1,789,295.00	1,821,872.00	1,825,839.16	3,967.15
2021	1,381,084.00	1,848,290.00	1,381,084.00	1,848,290.00	1,853,226.74	4,936.73
2022	1,381,450.00	1,876,618.00	1,381,450.00	1,876,618.00	1,881,025.14	4,407.13
2023	1,377,550.00	1,905,193.00	1,377,550.00	1,905,193.00	1,909,240.51	4,047.51
2024	1,379,332.00	1,933,944.00	1,379,332.00	1,933,994.00	1,937,879.11	3,885.11
2025	1,380,873.00	1,347,318.00	1,380,873.00	1,347,318.00	1,966,947.29	619,629.29
2026	1,381,665.00		1,381,665.00		1,996,451.49	1,996,451.49
2027	1,381,790.00		1,381,790.00		2,026,398.26	2,026,398.26
2028	1,376,235.00		1,376,235.00		2,056,794.23	2,056,794.23

(1) Preliminary, subject to change.

(2) The CPI increase affecting levy years 2020 and thereafter is estimated to be 1.5% per year. In order to access the growth of the Base, if any, the Board will need to adopt a supplemental tax levy resolution each year and file the same with the County Clerks (as hereinafter defined). If actual CPI increases are less than expected or if the Base does not otherwise increase, the District will pay debt service on the Bonds in excess of the Base from funds on hand and lawfully available for that purpose.

The Bond Resolution provides for the levy of ad valorem taxes, unlimited as to rate, upon all taxable property within the District in amounts to pay, as and when due, all principal of and interest on the Bonds up to the Base. The District expects to pay debt service on the Bonds in excess of the Base from funds of the District on hand and lawfully available for such purpose. The Bond Resolution will be filed with the County Clerks of Lake and McHenry Counties, Illinois (the “County Clerks”) and will serve as authorization to the County Clerks to extend and collect the property taxes as set forth in the Bond Resolution.

**PLAN OF FINANCE**

THE REFUNDING

Proceeds of the Bonds will be used to refund the Refunded Bonds for the purpose of restructuring the outstanding debt of the District and for tax rate management. The Refunded Bonds are further described as follows:

**SERIES 2010B BONDS**

MATURITY (JANUARY 1)	ORIGINAL AMOUNT ISSUED	AMOUNT REFUNDED BY THE BONDS*	CALL PRICE	CALL DATE
2020	\$ 1,000,000	\$ 0	N/A	N/A
2021	1,085,000	1,085,000	100%	1/1/2020
2022	1,170,000	1,170,000	100%	1/1/2020
2023	830,000	830,000	100%	1/1/2020
2024	880,000	880,000	100%	1/1/2020
2025	930,000	930,000	100%	1/1/2020
2026	990,000	990,000	100%	1/1/2020
2027	1,055,000	1,055,000	100%	1/1/2020
2028	1,125,000 <sup>(1)</sup>	1,125,000 <sup>(1)</sup>	100%	1/1/2020
2029	1,205,000 <sup>(1)</sup>	1,205,000 <sup>(1)</sup>	100%	1/1/2020
2030	1,285,000	1,285,000	100%	1/1/2020
TOTAL	\$11,555,000	\$10,555,000		

\* Preliminary, subject to change.

(1) Mandatory sinking fund payment.

Certain proceeds received from the sale of the Bonds will be deposited in an Escrow Account (the “*Escrow Account*”) to be held by Amalgamated Bank of Chicago, Chicago, Illinois (the “*Escrow Agent*”), under the terms of an Escrow Agreement, dated as of the date of issuance of the Bonds, between the District and the Escrow Agent. The moneys so deposited in the Escrow Account will be applied by the Escrow Agent to purchase direct non-callable obligations of, or obligations guaranteed by the full faith and credit of, the United States of America (the “*Government Securities*”) and to provide an initial cash deposit. The Government Securities together with interest earnings thereon and the beginning cash deposit will be sufficient to pay when due the principal of and interest on the Refunded Bonds up to and including the redemption date thereof.

VERIFICATION

The accuracy of the mathematical computations regarding the adequacy of the maturing principal of and interest earnings on the Government Securities together with the initial cash

deposit in the Escrow Account to pay the debt service described above on the Refunded Bonds will be verified by Causey Demgen & Moore P.C., Certified Public Accountants, Denver, Colorado. Such verification shall be based upon information supplied by Raymond James & Associates, Inc., Chicago, Illinois, underwriter for the Bonds (the “Underwriter”).

### SOURCES AND USES

The sources and uses of funds resulting from the Bonds are shown below:

SOURCES:

Principal Amount	\$	
Original Issue Premium		_____

Total Sources	\$	
---------------	----	--

USES:

Deposit to Escrow Account to pay the Refunded Bonds	\$	
Costs of Issuance*		_____

Total Uses	\$	
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\* Includes underwriter’s discount and other issuance costs.

### RISK FACTORS

The purchase of the Bonds involves certain investment risks. Accordingly, each prospective purchaser of the Bonds should make an independent evaluation of the entirety of the information presented in this Official Statement and its appendices and exhibits in order to make an informed investment decision. Certain of the investment risks are described below. The following statements, however, should not be considered a complete description of all risks to be considered in the decision to purchase the Bonds, nor should the order of the presentation of such risks be construed to reflect the relative importance of the various risks. There can be no assurance that other risk factors are not material or will not become material in the future.

#### FINANCES OF THE STATE OF ILLINOIS

The State of Illinois (the “State”) has experienced adverse fiscal conditions resulting in significant shortfalls between the State’s general fund revenues and spending demands. The State failed to enact a full budget for the State fiscal years ending June 30, 2016, and June 30, 2017, which had a significant, negative impact on the State’s finances, although certain spending occurred through statutory transfers, statutory continuing appropriations, court orders and consent decrees, including spending for elementary and secondary education. In addition, the underfunding of the State’s pension systems and a bill backlog of billions of dollars contributed to the State’s poor financial health.

On July 6, 2017, the General Assembly of the State enacted a budget for the State fiscal year ending June 30, 2018 (the "*Fiscal Year 2018 Budget*"), overriding the Governor's veto. On May 31, 2018, the General Assembly passed a budget for the State for fiscal year ending June 30, 2019 (the "*Fiscal Year 2019 Budget*"), and on June 4, 2018, the Governor approved the same. Both, the Fiscal Year 2018 Budget and the Fiscal Year 2019 Budget contained an appropriation for General State Aid (as hereinafter defined), contingent upon General State Aid being allocated among school districts in accordance with an "Evidence-Based Funding Model." See "STATE AID" herein for more information on the Evidence-Based Funding Model. Public Act 100-0465, effective August 31, 2017 ("*Public Act 100-465*"), provides for an Evidence-Based Funding Model for allocating General State Aid to school districts. State funding sources constituted 23.89% of General Fund revenue sources for the fiscal year ending June 30, 2018.

The District cannot predict the effect the State's ongoing financial problems may have on the District's future finances.

#### LOCAL ECONOMY

The financial health of the District is in part dependent on the strength of the local economy. Many factors affect the local economy, including rates of employment and economic growth and the level of residential and commercial development. It is not possible to predict to what extent any changes in economic conditions, demographic characteristics, population or commercial and industrial activity will occur and what impact such changes would have on the finances of the District.

#### LOSS OR CHANGE OF BOND RATING

The Bonds have received a credit rating from S&P Global Ratings, New York, New York ("*S&P*"). The rating can be changed or withdrawn at any time for reasons both under and outside the District's control. Any change, withdrawal or combination thereof could adversely affect the ability of investors to sell the Bonds or may affect the price at which they can be sold.

#### SECONDARY MARKET FOR THE BONDS

No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The hereinafter-defined Underwriter is not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof.

Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.



## CONTINUING DISCLOSURE

A failure by the District to comply with the Undertaking for continuing disclosure (see “CONTINUING DISCLOSURE” herein) will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with Rule 15c2-12 (the “Rule”) adopted by the Securities and Exchange Commission (the “Commission”) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and may adversely affect the transferability and liquidity of the Bonds and their market price.

## SUITABILITY OF INVESTMENT

The interest rate borne by the Bonds is intended to compensate the investor for assuming the risk of investing in the Bonds. Each prospective investor should carefully examine this Official Statement and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the Bonds are an appropriate investment for such investor.

## FUTURE CHANGES IN LAWS

Various state and federal laws, regulations and constitutional provisions apply to the District and to the Bonds. The District can give no assurance that there will not be a change in, interpretation of, or addition to such applicable laws, provisions and regulations which would have a material effect, either directly or indirectly, on the District, or the taxing authority of the District. For example, many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by State government. Future actions of the State may affect the overall financial conditions of the District, the taxable value of property within the District, and the ability of the District to levy property taxes or collect revenues for its ongoing operations.

## CYBERSECURITY

Computer networks and data transmission and collection are vital to the efficient operation of the District. Despite the implementation of network security measures by the District, its information technology and infrastructure may be vulnerable to deliberate attacks by hackers, malware, ransomware or computer virus, or may otherwise be breached due to employee error, malfeasance or other disruptions. Any such breach could compromise networks and the information stored thereon could be disrupted, accessed, publicly disclosed, lost or stolen. Although the District does not believe that its information technology systems are at a materially greater risk of cybersecurity attacks than other similarly-situated governmental entities, any such disruption, access, disclosure or other loss of information could have an adverse effect on the District’s operations and financial health. Further, as cybersecurity threats continue to evolve, the District may be required to expend significant additional resources to continue to modify and strengthen security measures, investigate and remediate any vulnerabilities, or invest in new technology designed to mitigate security risks.

## BANKRUPTCY

The rights and remedies of the Bondholders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The various opinions of counsel to be delivered with respect to the Bonds will be similarly qualified.

## THE DISTRICT

### GENERAL DESCRIPTION

The District, which is approximately 45 miles northwest of downtown Chicago, is located in Lake County and McHenry County. The District serves the Villages of Wauconda, Island Lake, Lake Barrington, Lakemoor, Volo and Port Barrington. The District was founded in 1961 and currently operates three PK-5 grade schools, two 6-8 middle schools and one 9-12 high school. The average class size is just under 21 students.

Rand Road (U.S. 12) and Illinois 59 are the primary arteries passing through the District. A drive to Chicago's Loop takes approximately 60 minutes. O'Hare Airport is approximately 45 minutes from the District, and it is a 70 minute drive to Midway Airport. Commuters can board trains in Barrington and Cary for 46 and 60 minute trips into the Loop, express, and 60 and 70 minute trips, local.

The District contains approximately 32 square miles of land, within which there are numerous specialty shops and restaurants. Additionally, the District is a 40 minute drive from the resort city of Lake Geneva, Wisconsin, and is approximately 35 minutes from Six Flags Great America and Gurnee Mills Mall, both of which are located in Gurnee, Illinois.

The District is governed by an elected seven-member Board and a full-time administrative staff.

### DISTRICT ADMINISTRATION

The day-to-day affairs of the District are conducted by a full-time staff including the following central administrative positions.

OFFICIAL	TITLE	YEAR STARTED IN POSITION
Dr. Daniel J. Coles	Superintendent	2004
William Harkin	Associate Superintendent for Business Services/CSBO and School Treasurer	1994

The Board appoints the administration. The staff is chosen by the administration with the approval of the Board. In general, policy decisions are made by the Board while specific program decisions are made by the administration.

BOARD OF EDUCATION

OFFICIAL	POSITION	TERM EXPIRES
Jonathan Feryance	President	April 2019
Kathy Bianco	Vice President	April 2019
Sam Stein	Secretary	April 2021
Deby Dato	Member	April 2019
Carey McHugh	Member	April 2021
David Patterson	Member	April 2021
Brian Swanson	Member	April 2021

ENROLLMENT

HISTORICAL		PROJECTED	
2014/2015	4,631	2019/2020	4,610
2015/2016	4,733	2020/2021	4,593
2016/2017	4,698	2021/2022	4,552
2017/2018	4,655	2022/2023	4,480
2018/2019	4,631	2023/2024	4,453

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Source: The District.

EMPLOYEE UNION MEMBERSHIP AND RELATIONS

At the start of the 2018-2019 school year, the District had 605 full-time employees and 185 part-time employees. Of the total number of employees, approximately 500 are represented by a union. Employee-union relations are considered to be good. District personnel are organized as follows:

EMPLOYEE GROUP	CONTRACT EXPIRES	UNION AFFILIATION	NUMBER OF MEMBERS
Teachers	June 2019	IEA	320
Support Staff	June 2020	IEA	180

POPULATION DATA

The District's current population is approximately 28,899. The estimated populations of the Village of Island Lake, the Village of Wauconda, Lake County, McHenry County and the State at the times of the last three U.S. Census surveys were as follows:

NAME OF ENTITY	1990	2000	2010	% CHANGE 2000/2010
Village of Island Lake	4,393	8,153	8,080	-0.90%
Village of Wauconda	6,294	9,448	13,603	43.98%
Lake County	516,418	644,356	703,462	9.17%
McHenry County	183,241	260,077	308,760	18.72%
The State	11,430,602	12,419,293	12,830,632	3.31%

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Source: U.S. Census Bureau.

EDUCATIONAL CHARACTERISTICS OF PERSONS 25 YEARS AND OLDER

NAME OF ENTITY	HIGH SCHOOL GRADUATES	4 OR MORE YEARS OF COLLEGE
Village of Island Lake	93.8%	27.5%
Village of Wauconda	86.8%	37.6%
Lake County	90.3%	44.2%
McHenry County	92.8%	33.2%
The State	88.6%	33.4%

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Source: U.S. Census Bureau.

**FINANCIAL INFORMATION AND ECONOMIC CHARACTERISTICS OF THE DISTRICT**

**DIRECT GENERAL OBLIGATION BONDS (PRINCIPAL ONLY)**

CALENDAR YEAR	SERIES 2010B BONDS (JANUARY 1)	SERIES 2012 BONDS <sup>(1)</sup> (JANUARY 1)	SERIES 2014 BONDS <sup>(2)</sup> (JANUARY 1)	SERIES 2015 BONDS <sup>(3)</sup> (JANUARY 1)	PLUS: THE BONDS <sup>(4)</sup> (JANUARY 1)	LESS: THE REFUNDED BONDS <sup>(4)</sup> (JANUARY 1)	TOTAL OUTSTANDING BONDS <sup>(4)</sup>
2020	\$ 1,000,000	\$6,750,000	\$ 560,000		\$ 370,000		\$ 8,680,000
2021	1,085,000		3,180,000	\$4,225,000	1,385,000	\$ 1,085,000	8,790,000
2022	1,170,000			7,690,000	1,460,000	1,170,000	9,150,000
2023	830,000			8,485,000	1,540,000	830,000	10,025,000
2024	880,000			8,910,000	1,625,000	880,000	10,535,000
2025	930,000			1,890,000	1,715,000	930,000	3,605,000
2026	990,000				1,810,000	990,000	1,810,000
2027	1,055,000				1,295,000	1,055,000	1,295,000
2028	1,125,000 <sup>(5)</sup>					1,125,000	0
2029	1,205,000 <sup>(5)</sup>					1,205,000	0
2030	1,285,000					1,285,000	0
<b>TOTAL</b>	<b>\$11,555,000</b>	<b>\$6,750,000</b>	<b>\$3,740,000</b>	<b>\$31,200,000</b>	<b>\$11,200,000</b>	<b>\$10,555,000</b>	<b>\$53,890,000</b>

- (1) General Obligation Refunding School Bonds, Series 2012, dated September 26, 2012.
- (2) General Obligation Refunding School Bonds, Series 2014, dated November 12, 2014.
- (3) General Obligation Refunding School Bonds, Series 2015, dated January 29, 2015.
- (4) Preliminary, subject to change.
- (5) Mandatory sinking fund payment.

DIRECT GENERAL OBLIGATION BONDS (PRINCIPAL AND INTEREST)

LEVY YEAR	SERIES 2010B BONDS (JANUARY 1)	SERIES 2012 BONDS <sup>(1)</sup> (JANUARY 1)	SERIES 2014 BONDS <sup>(2)</sup> (JANUARY 1)	SERIES 2015 BONDS <sup>(3)</sup> (JANUARY 1)	PLUS: THE BONDS <sup>(4)</sup> (JANUARY 1)	LESS: THE REFUNDED BONDS <sup>(4)</sup> (JANUARY 1)	TOTAL OUTSTANDING BONDS <sup>(4)</sup>
2018	\$ 1,737,574.00	\$7,020,000.00	\$ 672,200.00	\$ 1,560,000.00	\$ 709,133.15	\$ 681,574.00	\$11,017,333.15
2019	1,766,574.00		3,275,400.00	5,785,000.00	1,797,147.50	1,766,574.00	10,857,547.50
2020	1,789,295.00			9,038,750.00	1,821,872.00	1,789,295.00	10,860,622.00
2021	1,381,084.00			9,449,250.00	1,848,290.00	1,381,084.00	11,297,540.00
2022	1,381,450.00			9,450,000.00	1,876,618.00	1,381,450.00	11,326,618.00
2023	1,377,550.00			1,984,500.00	1,905,193.00	1,377,550.00	3,889,693.00
2024	1,379,332.00				1,933,994.00	1,379,332.00	1,933,994.00
2025	1,380,873.00				1,347,318.00	1,380,873.00	1,347,318.00
2026	1,381,665.00					1,381,665.00	0
2027	1,381,790.00					1,381,790.00	0
2028	1,376,235.00					1,376,235.00	0
<b>TOTAL</b>	<b>\$16,333,422.00</b>	<b>\$7,020,000.00</b>	<b>\$3,947,600.00</b>	<b>\$37,267,500.00</b>	<b>\$13,239,565.65</b>	<b>\$15,277,422.00</b>	<b>\$62,530,665.65</b>

- (1) General Obligation Refunding School Bonds, Series 2012, dated September 26, 2012.
- (2) General Obligation Refunding School Bonds, Series 2014, dated November 12, 2014.
- (3) General Obligation Refunding School Bonds, Series 2015, dated January 29, 2015.
- (4) Preliminary, subject to change.
- (5) Mandatory sinking fund payment.

OVERLAPPING GENERAL OBLIGATION BONDS  
(As of January 14, 2019)

TAXING BODY	OUTSTANDING BONDS <sup>(1)</sup>	APPLICABLE TO DISTRICT	
		PERCENT	AMOUNT
Lake County	\$ 0	2.471%	\$ 0
Lake County Forest Preserve District	253,525,000	2.482%	6,291,876
Central Lake County JAWA	3,135,000	5.028%	157,618
McHenry County Conservation District	91,070,000	1.374%	1,251,580
Village of Island Lake	0	85.861%	0
Village of Lakemoor	0	32.384%	0
Village of Lake Barrington	5,315,000	2.981%	158,416
Village of Volo	1,310,000	73.805%	966,843
Village of Wauconda	17,570,000	80.999%	14,231,609
Wauconda Park District	200,000	93.114%	186,228
Fox Lake Public Library District	11,150,000	0.096%	10,667
Volo Special Service Areas 3 & 6	22,680,000	100.000%	22,680,000
Wauconda Special Service Area 1	8,970,000	62.267%	5,585,321
Lake County Special Service Area 13	1,725,000	100.000%	1,725,000
Community College District No. 532	13,290,000	2.612%	<u>347,094</u>
<b>TOTAL OVERLAPPING BONDED DEBT</b>			<b>\$53,592,252</b>

Source: With respect to the applicable taxing bodies and the information used to calculate the percentage of overlapping EAV (as hereinafter defined), the Lake County Clerk's Office. Information regarding the outstanding bonds of the overlapping taxing bodies was obtained from publicly-available sources.

- (1) Does not include alternate revenue bonds. Under the Debt Reform Act, alternate revenue bonds are not included in the computation of indebtedness of the overlapping taxing bodies unless the taxes levied to pay the principal of and interest on the alternate revenue bonds are extended for collection. The District provides no assurance that any of the taxes so levied have not been extended, nor can the District predict whether any of such taxes will be extended in the future.

SELECTED FINANCIAL INFORMATION

(as of the issuance of the Bonds)

2017 Estimated Full Value of Taxable Property:	\$2,271,088,905
2017 EAV of Taxable Property:	\$ 757,029,635 <sup>(1)</sup>
Population Estimate:	28,899
General Obligation Bonds:	\$ 53,890,000 <sup>(2)</sup>
Other Direct General Obligation Debt:	\$ 1,323,468
Total Direct General Obligation Debt:	\$ 55,213,468 <sup>(2)</sup>
Percentage to Full Value of Taxable Property:	2.43% <sup>(2)</sup>
Percentage to EAV:	7.29% <sup>(2)</sup>
Debt Limit (13.8% of EAV):	\$ 104,169,736
Percentage of Debt Limit:	52.85% <sup>(2)</sup>
Per Capita:	\$ 1,911 <sup>(2)</sup>
General Obligation Bonds:	\$ 53,890,000 <sup>(2)</sup>
Overlapping General Obligation Bonds:	\$ 53,592,252
General Obligation Bonds and Overlapping General Obligation Bonds:	\$ 107,482,252 <sup>(2)</sup>
Percentage to Full Value of Taxable Property:	4.73% <sup>(2)</sup>
Percentage to EAV:	14.20% <sup>(2)</sup>
Per Capita:	\$ 3,719 <sup>(2)</sup>

(1) Includes TIF EAV in the amount of \$2,176,473. See "Tax Increment Financing Districts Located Within the District."

(2) Preliminary, subject to change.

COMPOSITION OF EAV

	2013	2014	2015	2016	2017
<b>By Property Type</b>					
Residential	\$506,779,198	\$495,207,313	\$515,516,500	\$567,527,529	\$601,740,820
Farm	11,426,540	11,241,045	9,708,774	10,650,475	11,361,708
Commercial	91,024,604	87,291,547	88,038,444	91,049,728	87,635,468
Industrial	49,233,641	48,477,840	49,597,997	51,455,019	54,115,166
Total EAV*	\$658,463,983	\$642,217,745	\$662,861,715	\$720,682,751	\$754,853,162

Source: Lake and McHenry County Clerks' Offices.

\* Does not include TIF EAV and Enterprise Zone EAV.

	2013	2014	2015	2016	2017
<b>By County</b>					
Lake County	\$563,222,684	\$550,386,527	\$565,708,344	\$616,553,247	\$645,382,617
McHenry County	95,241,299	91,831,218	97,153,371	104,129,504	109,470,545
Total EAV*	\$658,463,983	\$642,217,745	\$662,861,715	\$720,682,751	\$754,853,162

Source: Lake and McHenry County Clerks' Offices.

\* Does not include TIF EAV and Enterprise Zone EAV.



## TREND OF EAV

LEVY YEAR	EQUALIZED ASSESSED VALUATION <sup>(1)</sup>	% CHANGE IN EAV FROM PREVIOUS YEAR
2013	\$658,463,983	-8.01% <sup>(2)</sup>
2014	642,217,745	-2.47%
2015	662,861,715	+3.21%
2016	720,682,751	+8.72%
2017	754,853,162	+4.74%

Source: Lake and McHenry County Clerks' Offices.

(1) Does not include TIF and Enterprise Zone EAV.

(2) Based on the District's \$715,783,004 2012 EAV.

TAX INCREMENT FINANCING DISTRICTS LOCATED WITHIN THE DISTRICT

A portion of the District’s EAV is contained in tax increment financing (“TIF”) districts, as detailed below. When a TIF district is created within the boundaries of a taxing body, such as the District, the EAV of the portion of real property designated as a TIF district is frozen at the level of the tax year in which it was designated as such (the “Base EAV”). Any incremental increases in property tax revenue produced by the increase in EAV derived from the redevelopment project area during the life of the TIF district are not provided to the District until the TIF district expires. The District is not aware of any new TIF districts planned in the immediate future.

LOCATION/ NAME OF TIF	YEAR ESTABLISHED	BASE EAV	2017 EAV	INCREMENTAL EAV
Lakemoor TIF #1	2015	\$ 1,593,743	\$ 2,001,633	\$ 407,890
Lakemoor TIF #2	2015	23,300	32,549	9,249
Wauconda TIF	2013	13,083,155	14,842,489	1,759,334
Total Incremental EAV				2,176,473
2017 EAV				754,853,162
Enterprise Zone EAV				0
Total EAV				<u>757,029,635</u>

Source: Lake County Clerk’s Office.

TAXES EXTENDED AND COLLECTED

TAX LEVY YEAR/ COLLECTION YEAR	TAXES EXTENDED	TAXES COLLECTED AND DISTRIBUTED	PERCENT COLLECTED
2012/13	\$45,052,351	\$44,979,248	99.84%
2013/14	46,561,261	46,424,245	99.71%
2014/15	47,802,634	47,733,102	99.85%
2015/16	49,363,969	49,109,843	99.49%
2016/17	50,963,692	50,776,703	99.63%
2017/18	53,288,651	53,219,339	99.87%

Source: Lake and McHenry County Treasurers’ and County Clerks’ Offices.

## SCHOOL DISTRICT TAX RATES BY PURPOSE

(Per \$100 EAV)

PURPOSE	2013	2014	2015	2016	2017	MAXIMUM RATE <sup>(1)</sup>
Bonds & Interest	\$1.3330	\$1.4046	\$1.4973	\$1.4952	\$1.5806	None
Educational	3.8190	3.9700	3.9400	3.7298	3.6915	None <sup>(2)</sup>
IMRF	0.1450	0.1180	0.1470	0.1490	0.1450	None
Operation & Maintenance	0.5990	0.6540	0.6180	0.6105	0.6090	\$0.7500
Sedol IMRF	0.0080	0.0062	0.0067	0.0063	0.0061	None
Social Security	0.1450	0.1855	0.1470	0.1490	0.1450	None
Special Education	0.6960	0.7800	0.7235	0.5820	0.5560	0.8000
Tort Judgment & Liability Insurance	0.0980	0.0995	0.1080	0.1110	0.1110	None
Transportation	0.2300	0.2270	0.2630	0.2420	0.2180	None
Working Cash	0.0010	0.0010	0.0010	0.0010	0.0010	0.0500
<b>Total District Tax Rate</b>	<b>\$7.0740</b>	<b>\$7.4459</b>	<b>\$7.4515</b>	<b>\$7.0758</b>	<b>\$7.0632</b>	

Source: Lake County Clerk's Office.

- (1) See "REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES—Property Tax Extension Limitation Law" herein for information on the operation of such maximum rates under the Limitation Law (as hereinafter defined).
- (2) Pursuant to Public Act 100-465, beginning with levy year 2017, the District no longer has a maximum tax rate for educational fund purposes. The aggregate tax rate for the various purposes subject to the Limitation Law, however, may not exceed the District's limiting rate under the Limitation Law.

## REPRESENTATIVE TOTAL TAX RATES

(Per \$100 EAV)

TAXING AUTHORITY	2013	2014	2015	2016	2017
The District	\$7.0740	\$7.4459	\$7.4515	\$7.0758	\$7.0632
Lake County	0.6630	0.6825	0.6628	0.6320	0.6218
Lake County Forest Preserve District	0.2180	0.2100	0.2079	0.1929	0.1873
Wauconda Township	0.1890	0.1989	0.1969	0.1821	0.1775
Wauconda Township Road & Bridge	0.1700	0.1789	0.1771	0.1658	0.1632
Village of Wauconda	1.3980	1.4717	1.2902	1.4774	1.5498
Wauconda Park District	0.4600	0.4868	0.4930	0.4662	0.4546
Wauconda Area Public Library District	0.5270	0.5262	0.4804	0.4502	0.4423
Wauconda Fire Protection District	0.6810	0.7093	0.6986	0.6620	0.6523
Community College District No. 532	0.2960	0.3061	0.2994	0.2854	0.2806
<b>TOTAL REPRESENTATIVE TAX RATE<sup>(1)</sup></b>	<b>\$11.6760</b>	<b>\$12.2162</b>	<b>\$11.9578</b>	<b>\$11.5899</b>	<b>\$11.5924</b>

Source: Lake County Clerk's Office.

\* The total of such rates is the property tax rate paid by a typical resident living in the Village of Wauconda.

TEN LARGEST TAXPAYERS

TAXPAYER NAME	2017 EAV	PERCENT OF DISTRICT'S TOTAL EAV
Capital One	\$8,582,286	1.14%
Synergy Flavors, Inc.	3,728,294	0.49%
RGP LP - Liberty Square	3,474,311	0.46%
Fidelitone, Inc.	3,036,035	0.40%
Lakes Region Business Rentals LLC	2,701,630	0.36%
Realty Income Illinois Properties 2 LLC	2,599,618	0.34%
Kemper Valve & Fittings Corp.	2,587,446	0.34%
Wauconda Health Care	2,562,618	0.34%
Seville Wauconda, LLC	1,714,736	0.23%
Volo Commerce, LLC	<u>1,705,807</u>	<u>0.23%</u>
	<u>\$32,692,781</u>	<u>4.33%</u>

Source: Lake County Clerk's Office.

The above taxpayers represent 4.33% of the District's 2017 EAV. Reasonable efforts have been made to seek out and report the largest taxpayers. However, many of the taxpayers listed may own multiple parcels and it is possible that some parcels and their valuations may not be included.

RETAILERS' OCCUPATION, SERVICE OCCUPATION AND USE TAX

The following table shows the distribution of the municipal portion of the Retailers' Occupation, Service Occupation and Use Tax collected by the Illinois Department of Revenue (the "Department") from retailers within the Village of Island Lake and the Village of Wauconda. The table indicates the level of retail activity in the Village of Island Lake and the Village of Wauconda.

STATE SALES TAX DISTRIBUTION<sup>(1)</sup>

CALENDAR YEAR	VILLAGE OF ISLAND LAKE	VILLAGE OF WAUCONDA
2013	\$673,878	\$1,572,182
2014	747,912	1,735,457
2015	752,537	1,824,965
2016	730,451	1,809,916
2017	749,153	1,872,192
2018 <sup>(2)</sup>	571,551	1,432,487

Source: The Department.

(1) Calendar year reports ending December 31.

(2) Tax distributions are based on records of the Department relating to the 1% municipal portion of the Retailers' Occupation, Service Occupation and Use Tax, collected on behalf of the Village of Island Lake and the Village of Wauconda, less a State administration fee. The municipal 1% sales tax includes tax receipts from the sale of food and drugs which are not taxed by the State.

(3) Third Quarter 2018.

## NEW PROPERTY

The following chart indicates the EAV of new property (as defined in the Limitation Law) within the District for each of the last five levy years.

LEVY YEAR	NEW PROPERTY VALUE
2013	\$7,741,272
2014	7,339,008
2015	5,967,631
2016	8,500,504
2017	5,886,713

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Source: Lake County Clerk's Office.

## LARGEST EMPLOYERS

Below is a listing of the largest employers within or near the District area:

EMPLOYER	PRODUCT OR SERVICE	LOCATION	APPROXIMATE NUMBER OF EMPLOYEES
Fidelitone Order Fulfillment, LLC	Company headquarters & supply chain management & specialized services, including last mile delivery, inbound materials management, order fulfillment & service parts management & transportation	Wauconda	600
The District	K-12 School District	Wauconda	605
PMI Sports	Photographer & photographic processing	Wauconda	400
Kemper Valve & Fittings Corp.	Corporate headquarters & oilfield & natural gas valves & fittings	Island Lake	350
Acres Group, Inc.	Landscape maintenance and design	Wauconda	300
Stack-On Products	Manufacturer/distributor tool chests & cabinets	Wauconda	250
Synergy Flavors, Inc.	Corporate headquarters & flavorings, extracts & essences	Wauconda	200
POS Remarketing Group	Distributor of new & refurbished IT & POS hardware, mobile computers & scanning hardware, including repair & maintenance, IT asset disposition services, buy-back of used assets, NAID certified data destruction & R2-certified recycling services	Wauconda	98
Progressive Components International Corp.	Corporate headquarters & wholesaler of tooling components for the injection mold, blow mold & die cast die industries	Wauconda	54
Atlantic Construction Cos., Inc.	Civil & telecommunication tower construction services, including cell phone towers	Wauconda	50
Camping World	RV dealership & fleet sales	Island Lake	50
Countryside Industries, Inc.	Commercial landscaping service	Wauconda	50
Don Johnston, Inc.	Educational reading program software development	Volo	50
F. P. C.	Wax-base adhesives	Wauconda	50
FPC Corporation	Manufacturer of fastening products, hot-melt glue guns & hot-melt adhesives & distributor of staple guns, staples & blind rivets for packaging, carpet, electrical, woodworking, home decor, product assembly & hair extensions applications	Wauconda	50
ILT Vignocchi, Inc.	Landscaping design, building, maintenance & irrigation services	Wauconda	50
Menges Roller Co., Inc.	Industrial rollers for the plastic, paper & steel industries, including heat transfer & chill rollers, rubber covered rollers, balancing, grooving, recovering, repairs & chrome plating	Wauconda	50
Technology Integration Group	Information technology consultants	Island Lake	50

Source: 2018 Illinois Services and 2018 Illinois Manufacturers Directories, and the Illinois Department of Commerce and Economic Opportunity, except for the District employee information which was provided by the District.

## UNEMPLOYMENT RATES

Unemployment statistics are not compiled specifically for the District. The following table shows the trend in annual average unemployment rates for the Village of Island Lake, the Village of Wauconda, Lake County, McHenry County and the State.

	VILLAGE OF ISLAND LAKE	VILLAGE OF WAUCONDA	LAKE COUNTY	MCHEMRY COUNTY	THE STATE
2013 – Average	8.3%	7.6%	7.9%	8.7%	9.1%
2014 – Average	6.5%	6.1%	6.4%	6.6%	7.1%
2015 – Average	5.0%	5.1%	5.3%	5.4%	6.0%
2016 – Average	5.3%	4.6%	5.2%	5.3%	5.8%
2017 – Average	4.7%	4.2%	4.4%	4.5%	5.0%
2018 – Average (11 mos.)	N/A	N/A	4.1%	3.7%	4.3%

Source: State of Illinois Department of Employment Security.

SPECIFIED OWNER-OCCUPIED UNITS

VALUE	VILLAGE OF ISLAND LAKE		VILLAGE OF WAUCONDA		LAKE COUNTY	
	NUMBER	PERCENT	NUMBER	PERCENT	NUMBER	PERCENT
Under \$50,000	59	2.28%	269	7.35%	6,432	3.58%
\$50,000 to \$99,999	233	9.01%	236	6.45%	14,702	8.19%
\$100,000 to \$149,999	806	31.18%	393	10.74%	23,020	12.83%
\$150,000 to \$199,999	829	32.07%	775	21.18%	26,007	14.49%
\$200,000 to \$299,999	441	17.06%	1,388	37.93%	35,557	19.81%
\$300,000 to \$499,999	207	8.01%	557	15.22%	37,983	21.17%
\$500,000 to \$999,999	10	0.39%	41	1.12%	29,097	16.21%
\$1,000,000 or more	0	0.00%	0	0.00%	6,657	3.71%
Total	2,585	100.00%	3,659	100.00%	179,455	100.00%
Median Value	\$158,000		\$211,000		\$251,400	

VALUE	MCHENRY COUNTY		THE STATE	
	NUMBER	PERCENT	NUMBER	PERCENT
Under \$50,000	2,522	2.87%	231,604	7.27%
\$50,000 to \$99,999	5,439	6.18%	501,389	15.74%
\$100,000 to \$149,999	13,860	15.75%	516,996	16.23%
\$150,000 to \$199,999	18,117	20.58%	514,629	16.16%
\$200,000 to \$299,999	28,010	31.83%	653,765	20.53%
\$300,000 to \$499,999	16,757	19.04%	505,831	15.88%
\$500,000 to \$999,999	2,842	3.23%	209,287	6.57%
\$1,000,000 or more	464	0.53%	51,641	1.62%
Total	88,011	100.00%	3,185,142	100.00%
Median Value	\$212,600		\$ 179,700	

Source: U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates.



EMPLOYMENT BY INDUSTRY

CLASSIFICATION	VILLAGE OF ISLAND LAKE		VILLAGE OF WAUCONDA		LAKE COUNTY	
	NUMBER	PERCENT	NUMBER	PERCENT	NUMBER	PERCENT
Agriculture, forestry, fishing, hunting and mining	0	0.00%	26	0.35%	958	0.28%
Construction	450	9.72%	472	6.39%	16,952	4.87%
Manufacturing	848	18.31%	1,266	17.13%	56,880	16.35%
Wholesale Trade	184	3.97%	238	3.22%	15,899	4.57%
Retail Trade	563	12.16%	798	10.80%	39,893	11.47%
Transportation, warehousing and utilities	259	5.59%	242	3.28%	12,783	3.68%
Information	76	1.64%	150	2.03%	6,549	1.88%
Finance, insurance and real estate	258	5.57%	407	5.51%	27,637	7.95%
Professional, scientific management administrative & waste management	518	11.19%	923	12.49%	48,970	14.08%
Educational, health and social services	807	17.43%	1,472	19.92%	67,304	19.35%
Arts, entertainment, recreation, accommodations and food services	385	8.31%	1,063	14.39%	30,229	8.69%
Other Services	192	4.15%	176	2.38%	14,674	4.22%
Public Administration	91	1.97%	156	2.11%	9,064	2.61%
Total	4,631	100.00%	7,389	100.00%	347,792	100.00%

CLASSIFICATION	MCHENRY COUNTY		THE STATE	
	NUMBER	PERCENT	NUMBER	PERCENT
Agriculture, forestry, fishing, hunting and mining	1,140	0.70%	65,813	1.06%
Construction	11,865	7.32%	323,578	5.23%
Manufacturing	25,726	15.86%	762,175	12.33%
Wholesale Trade	6,290	3.88%	190,916	3.09%
Retail Trade	20,754	12.80%	669,300	10.83%
Transportation, warehousing and utilities	7,826	4.83%	378,576	6.12%
Information	3,450	2.13%	120,295	1.95%
Finance, insurance and real estate	11,802	7.28%	451,556	7.30%
Professional, scientific management administrative and waste management	18,088	11.15%	722,129	11.68%
Educational, health and social services	30,286	18.67%	1,416,064	22.91%
Arts, entertainment, recreation, accommodations and food services	12,958	7.99%	561,894	9.09%
Other Services	7,149	4.41%	292,409	4.73%
Public Administration	4,846	2.99%	226,948	3.67%
Total	162,180	100.00%	6,181,653	100.00%

Source: U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates.

EMPLOYMENT BY OCCUPATION

CLASSIFICATION	VILLAGE OF ISLAND LAKE		VILLAGE OF WAUCONDA		LAKE COUNTY	
	NUMBER	PERCENT	NUMBER	PERCENT	NUMBER	PERCENT
Management, professional and related occupations	1,461	31.55%	2,814	38.08%	147,219	42.33%
Service occupations	757	16.35%	1,301	17.61%	53,272	15.32%
Sales & office occupations	1,258	27.16%	1,895	25.65%	86,344	24.83%
Natural resources, construction and maintenance occupations	578	12.48%	512	6.93%	20,573	5.92%
Production, transportation and material moving occupations	577	12.46%	867	11.73%	40,384	11.61%
Total	4,631	100.00%	7,389	100.00%	347,792	100.00%

CLASSIFICATION	MCHENRY COUNTY		THE STATE	
	NUMBER	PERCENT	NUMBER	PERCENT
Management, professional and related occupations	59,590	36.68%	2,321,710	37.56%
Service occupations	25,347	15.60%	1,067,320	17.27%
Sales & office occupations	43,230	26.61%	1,481,082	23.96%
Natural resources, construction and maintenance occupations	13,663	8.41%	446,857	7.23%
Production, transportation and material moving occupations	20,647	12.71%	864,684	13.99%
Total	162,477	100.00%	6,181,653	100.00%

Source: U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates.

MEDIAN HOUSEHOLD INCOME

HOUSEHOLD INCOME	VILLAGE OF ISLAND LAKE		VILLAGE OF WAUCONDA		LAKE COUNTY	
	NUMBER	PERCENT	NUMBER	PERCENT	NUMBER	PERCENT
Under \$10,000	68	2.14%	234	4.64%	10,052	4.11%
\$10,000 to \$14,999	71	2.23%	79	1.57%	6,123	2.50%
\$15,000 to \$24,999	207	6.51%	423	8.39%	15,922	6.51%
\$25,000 to \$34,999	192	6.04%	372	7.38%	16,144	6.60%
\$35,000 to \$49,999	458	14.41%	623	12.36%	25,711	10.51%
\$50,000 to \$74,999	649	20.42%	688	13.65%	38,400	15.70%
\$75,000 to \$99,999	542	17.05%	731	14.51%	30,128	12.32%
\$100,000 to \$149,999	713	22.44%	971	19.27%	42,406	17.34%
\$150,000 to \$199,999	209	6.58%	510	10.12%	23,876	9.76%
\$200,000 or more	69	2.17%	408	8.10%	35,761	14.62%
Total	3,178	100.00%	5,039	100.00%	244,523	100.00%
Median Household Income	\$73,692		\$76,561		\$ 82,613	

HOUSEHOLD INCOME	MCHENRY COUNTY		THE STATE	
	NUMBER	PERCENT	NUMBER	PERCENT
Under \$10,000	3,446	3.11%	331,315	6.88%
\$10,000 to \$14,999	2,350	2.12%	204,278	4.24%
\$15,000 to \$24,999	6,457	5.82%	446,453	9.27%
\$25,000 to \$34,999	7,687	6.93%	425,803	8.84%
\$35,000 to \$49,999	11,250	10.15%	593,198	12.31%
\$50,000 to \$74,999	19,650	17.73%	836,760	17.37%
\$75,000 to \$99,999	17,088	15.41%	613,614	12.73%
\$100,000 to \$149,999	23,035	20.78%	724,960	15.05%
\$150,000 to \$199,999	10,782	9.73%	311,141	6.46%
\$200,000 or more	9,115	8.22%	330,930	6.87%
Total	110,860	100.00%	4,818,452	100.00%
Median Household Income	\$ 82,230		\$ 61,229	

Source: U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates.

PER CAPITA INCOME

NAME OF ENTITY	PER CAPITA INCOME
Village of Island Lake	\$32,921
Village of Wauconda	35,696
Lake County	42,388
McHenry County	36,208
The State	32,924

Source: U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates.

**SHORT-TERM BORROWING**

The District has not issued tax anticipation warrants or revenue anticipation notes during the last five years to meet its short-term current year cash flow requirements.

**FUTURE DEBT**

Except for the Bonds, the District does not currently anticipate issuing any debt in 2019.

**DEFAULT RECORD**

The District has no record of default and has met its debt repayment obligations promptly.

**WORKING CASH FUND**

The District is authorized to issue (subject to the provisions of the Limitation Law) general obligation bonds to create, re-create or increase a Working Cash Fund. Such fund can also be created, re-created or increased by the levy of an annual tax not to exceed \$.05 per hundred dollars of EAV (the "*Working Cash Fund Tax*"). The purpose of the fund is to enable the District to have sufficient cash to meet demands for expenditures for corporate purposes. Moneys in the Working Cash Fund may be loaned, in whole or in part, as authorized and directed by the Board, to any fund or funds of the District in anticipation of ad valorem property taxes levied by the District for such fund or funds. The Working Cash Fund is reimbursed when the anticipated taxes or other moneys are received by the District.

Any time moneys are available in the Working Cash Fund, they must be transferred to such other funds of the District and used for any and all school purposes so as to avoid, whenever possible, the issuance of tax anticipation warrants or notes. Interest earned from the investment of the Working Cash Fund may be transferred from the Working Cash Fund to other funds of the District that are most in need of the interest. Moneys in the Working Cash Fund may not be appropriated by the Board in the annual budget.

The District also has the authority to abate amounts in the Working Cash Fund to any other fund of the District if the amount on deposit in such other fund after the abatement will not

constitute an excess accumulation of money in that fund and as long as the District maintains an amount to the credit of the Working Cash Fund at least equal to 0.05% of the then current value, as equalized or assessed by the Department, of the taxable property in the District.

Finally, the District may abolish the Working Cash Fund and direct the transfer of any balance thereof to the educational fund at the close of the then current fiscal year. After such abolishment, all outstanding Working Cash Fund Taxes levied will be paid into the educational fund upon collection. Outstanding loans from the Working Cash Fund to other funds of the District at the time of abolishment will be paid or become payable to the educational fund at the close of the then current fiscal year. The outstanding balance in the Working Cash Fund at the time of abolishment, including all outstanding loans from the Working Cash Fund to other funds of the District and all outstanding Working Cash Fund Taxes levied, may be used and applied by the District for the purpose of reducing, by the balance in the Working Cash Fund at the close of the fiscal year, the amount of taxes that the Board otherwise would be authorized or required to levy for educational purposes for the fiscal year immediately succeeding the fiscal year in which the Working Cash Fund is abolished.

#### WORKING CASH FUND SUMMARY

FISCAL YEAR	END OF YEAR FUND BALANCE
2014	\$16,555,608
2015	16,561,153
2016	16,566,643
2017	16,573,092
2018	16,580,484

Source: Compiled from the District's Audited Financial Statements for Fiscal Years ending June 30, 2014-2018.

### **REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES**

#### SUMMARY OF PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

A separate tax to pay the principal of and interest on the Bonds will be levied on all taxable real property within the District. The information under this caption describes the current procedures for real property assessments, tax levies and collections in Lake and McHenry Counties, Illinois. There can be no assurance that the procedures described herein will not change.

#### TAX LEVY AND COLLECTION PROCEDURES

Local Assessment Officers determine the assessed valuation of taxable real property and railroad property not held or used for railroad operations. The Department assesses certain other types of taxable property, including railroad property held or used for railroad operations. Local Assessment Officers' valuation determinations are subject to review at the county level and then,

in general, to equalization by the Department. Such equalization is achieved by applying to each county's assessments a multiplier determined by the Department. The purpose of equalization is to provide a common basis of assessments among counties by adjusting assessments toward the statutory standard of 33-1/3% of fair cash value. Farmland is assessed according to a statutory formula, which takes into account factors such as productivity and crop mix. Taxes are extended against the assessed values after equalization.

Property tax levies of each taxing body are filed in the office of the county clerk of each county in which territory of that taxing body is located. The county clerk computes the rates and amount of taxes applicable to taxable property subject to the tax levies of each taxing body and determines the dollar amount of taxes attributable to each respective parcel of taxable property. The county clerk then supplies to the appropriate collecting officials within the county the information needed to bill the taxes attributable to the various parcels therein. After the taxes have been collected, the collecting officials distribute to the various taxing bodies their respective shares of the taxes collected. Taxes levied in one calendar year are due and payable in two installments during the next calendar year. Taxes that are not paid when due, or that are not paid by mail and postmarked on or before the due date, are subject to a penalty of 1-1/2% per month until paid. Unpaid property taxes, together with penalties, interest and costs, constitute a lien against the property subject to the tax.

#### EXEMPTIONS

The Illinois Property Tax Code, as amended (the "*Property Tax Code*"), exempts certain property from taxation. Certain property is exempt from taxation on the basis of ownership and/or use, including, but not limited to, public parks, not-for-profit schools, public schools, churches, not-for-profit hospitals and public hospitals. In addition, the Property Tax Code provides a variety of homestead exemptions, which are discussed below.

An annual General Homestead Exemption provides that the Equalized Assessed Valuation ("*EAV*") of certain property owned and used for residential purposes ("*Residential Property*") may be reduced by the amount of any increase over the 1977 EAV, up to a maximum reduction of \$6,000 for tax year 2012 and thereafter.

The Homestead Improvement Exemption applies to Residential Property that has been improved or rebuilt in the two years following a catastrophic event, as defined in the Property Tax Code. The exemption is limited to an annual maximum amount of \$75,000 for up to four years to the extent the assessed value is attributable solely to such improvements or rebuilding.

The Senior Citizens Homestead Exemption annually reduces the EAV on residences owned and occupied by senior citizens. Beginning with tax year 2013, the maximum exemption is \$5,000.

The Senior Citizens Assessment Freeze Homestead Exemption freezes property tax assessments for homeowners who are 65 and older, reside in their property as their principal place of residence and receive a household income not in excess of the maximum income limitation. The maximum income limitation is \$55,000 for assessment year 2008 through assessment year 2017. Beginning in assessment year 2018, the maximum income limitation is \$65,000. This

exemption grants to qualifying senior citizens an exemption equal to the difference between (a) the current EAV of the residence and (b) the EAV of a senior citizen's residence for the year prior to the year in which he or she first qualifies and applies for the exemption, plus the EAV of improvements since such year.

Beginning January 1, 2015 purchasers of certain single family homes and residences of one to six units located in certain targeted areas (as defined in the Property Tax Code) can apply for the Community Stabilization Assessment Freeze Pilot Program. To be eligible the purchaser must meet certain requirements for rehabilitating the property, including expenditures of at least \$5 per square foot, adjusted by CPI. Upon meeting the requirements, the assessed value of the improvements is reduced by (a) 90% in the first seven years, (b) 65% in the eighth year and (c) 35% in the ninth year. The benefit ceases in the tenth year. The program will be phased out by June 30, 2029.

The Natural Disaster Homestead Exemption (the "*Natural Disaster Exemption*") applies to homestead properties containing a residential structure that has been rebuilt following a natural disaster occurring in taxable year 2012 or any taxable year thereafter. A natural disaster is an occurrence of widespread or severe damage or loss of property resulting from any catastrophic cause including but not limited to fire, flood, earthquake, wind, or storm. The Natural Disaster Exemption is equal to the EAV of the residence in the first taxable year for which the taxpayer applies for the exemption minus the base amount. To be eligible for the Natural Disaster Exemption, the residential structure must be rebuilt within two years after the date of the natural disaster, and the square footage of the rebuilt residential structure may not be more than 110% of the square footage of the original residential structure as it existed immediately prior to the natural disaster. The Natural Disaster Exemption remains at a constant amount until the taxable year in which the property is sold or transferred.

Three exemptions are available to veterans of the United States armed forces. The Veterans with Disabilities Exemption for Specially-Adapted Housing exempts up to \$100,000 of the Assessed Valuation of property owned and used exclusively by veterans with a disability, their spouses or unmarried surviving spouses. Qualification for this exemption requires the veteran's disability to be of such a nature that the federal government has authorized payment for purchase of specially adapted housing under the U.S. Code as certified to annually by the Illinois Department of Veterans Affairs or for housing or adaptations donated by a charitable organization to such disabled veteran.

The Standard Homestead Exemption for Veterans with Disabilities provides an annual homestead exemption to veterans with a service-connected disability based on the percentage of such disability. If the veteran has a (a) service-connected disability of 30% or more but less than 50%, the annual exemption is \$2,500, (b) service-connected disability of 50% or more but less than 70%, the annual exemption is \$5,000, and (c) service-connected disability of 70% or more, the property is exempt from taxation.

The Returning Veterans' Homestead Exemption is available for property owned and occupied as the principal residence of a veteran in the assessment year, and the year following the assessment year, in which the veteran returns from an armed conflict while on active duty in the

United States armed forces. This provision grants a one-time, two-year homestead exemption of \$5,000.

Finally, the Homestead Exemption for Persons with Disabilities provides an annual homestead exemption in the amount of \$2,000 for property that is owned and occupied by certain disabled persons who meet State-mandated guidelines.

#### PROPERTY TAX EXTENSION LIMITATION LAW

The Limitation Law limits the annual growth in the amount of property taxes to be extended for certain Illinois non-home-rule units, including the District. In general, the annual growth permitted under the Limitation Law is the lesser of 5% or the percentage increase in the Consumer Price Index during the calendar year preceding the levy year. Taxes can also be increased due to new construction, referendum approval of tax rate increases, mergers and consolidations.

The effect of the Limitation Law is to limit the amount of property taxes that can be extended for a taxing body. In addition, general obligation bonds, notes and installment contracts payable from ad valorem taxes unlimited as to rate and amount cannot be issued by the affected taxing bodies unless they are approved by referendum, are alternate bonds or are for certain refunding purposes.

The District has the authority to levy taxes for many different purposes. See “School District Tax Rates by Purpose” above. The ceiling at any particular time on the rate at which these taxes may be extended for the District is either (a) unlimited (as provided by statute), (b) initially set by statute but permitted to be increased by referendum, (c) capped by statute, or (d) limited to the rate approved by referendum. The only ceiling on a particular tax rate is the ceiling set by statute, at which the rate is not permitted to be further increased by referendum or otherwise. Therefore, taxing districts (such as the District) have flexibility to levy taxes for the purposes for which they most need the money. The total aggregate tax rate for the various purposes subject to the Limitation Law, however, will not be allowed to exceed the District’s limiting rate computed in accordance with the provisions of the Limitation Law.

Public Act 100-465 provides that if the District’s Adequacy Target (as defined under “STATE AID” herein) exceeds 110% for the school year that begins during the calendar year immediately preceding the levy year for which a tax reduction is sought, a petition signed by at least 10% of the registered voters in the District may be filed requiring a proposition to be submitted to the District’s voters at the next consolidated election in April of odd-numbered years asking the voters whether the District must reduce its extension for educational purposes for the levy year in which the election is held to an amount that is less than the extension for educational purposes for the immediately preceding levy year. The reduced extension, however, may not be more than 10% lower than the amount extended for educational purposes in the previous levy year and may not cause the District’s Adequacy Target to fall below 110% for the levy year for which the reduction is sought. If the voters approve the proposition, the County Clerks will extend a rate for educational purposes that is no greater than the limiting rate for educational purposes computed in accordance with the Limitation Law. Furthermore, if the voters approve such proposition, separate limiting rates for educational purposes and for the aggregate of the District’s other funds



subject to the Limitation Law will be computed in accordance with the provisions of the Limitation Law. If such proposition is submitted to the voters, it may not be submitted again at any of the next two consolidated elections.

Local governments, including the District, can issue limited bonds (such as the Bonds) in lieu of general obligation bonds that have otherwise been authorized by applicable law. See “THE BONDS—Security” herein.

Illinois legislators have introduced several proposals to modify the Limitation Law, including freezing property taxes and extending tax caps to all taxing bodies in the State. The District cannot predict whether, or in what form, any change to the Limitation Law may be enacted into law, nor can the District predict the effect of any such change on the District’s finances.

#### TRUTH IN TAXATION LAW

Legislation known as the Truth in Taxation Law (the “*Law*”) limits the aggregate amount of certain taxes which can be levied by, and extended for, a taxing district to 105% of the amount of taxes extended in the preceding year unless specified notice, hearing and certification requirements are met by the taxing body. The express purpose of the Law is to require published disclosure of, and hearing upon, an intention to adopt a levy in excess of the specified levels. The provisions of the Law do not apply to levies made to pay principal of and interest on the Bonds. The District covenanted in the Bond Resolution that it will not take any action or fail to take any action which would adversely affect the ability of the District to levy and collect the taxes levied by the District for payment of principal of and interest on the Bonds. The District also covenanted that it will comply with all present and future applicable laws to assure that such taxes will be levied, extended, collected and deposited as provided in the Bond Resolution.

#### SCHOOL DISTRICT FINANCIAL PROFILE

The Illinois State Board of Education (“*ISBE*”) utilizes a system for assessing a school district’s financial health referred to as the “*School District Financial Profile*” which replaced the Financial Watch List and Financial Assurance and Accountability System (FAAS). This system identifies those school districts which are moving into financial distress.

The system uses five indicators which are individually scored, placed into a category of a four, three, two or one, with four being the best possible, and weighted in order to arrive at a composite district financial profile. The indicators and the weights assigned to those indicators are as follows: fund balance to revenue ratio (35%); expenditures to revenue ratio (35%); days cash on hand (10%); percent of short-term borrowing ability remaining (10%); and percent of long-term debt margin remaining (10%).

The scores of the weighted indicators are totaled to obtain a district's overall score. The highest score is 4.0 and the lowest score is 1.0. A district is then placed in one of four categories as follows:

- *Financial Recognition.* A school district with a score of 3.54-4.00 is assigned to this category, which is the best category of financial strength. These districts require minimal or no active monitoring by ISBE unless requested by the district.
- *Financial Review.* A school district with a score of 3.08-3.53 is assigned to this category, the next highest financial strength category. These districts receive a limited review by ISBE, but are monitored for potential downward trends. ISBE staff also review the next year's school budget for further negative trends.
- *Financial Early Warning.* A school district with a score of 2.62-3.07 is placed in this category. ISBE monitors these districts closely and offers proactive technical assistance, such as financial projections and cash flow analysis. These districts also are reviewed to determine whether they meet the criteria set forth in Article 1A-8 of the School Code to be certified in financial difficulty and possibly qualify for a Financial Oversight Panel.
- *Financial Watch.* A school district with a score of 1.00-2.61 is in this category, the highest risk category. ISBE monitors these districts very closely and offers technical assistance with, but not limited to, financial projections, cash flow analysis, budgeting, personnel inventories and enrollment projections. These districts are also assessed to determine if they qualify for a Financial Oversight Panel.

For each school district, ISBE calculates an original financial profile score (the "*Original Score*") and an adjusted financial profile score (the "*Adjusted Score*"). The Original Score is calculated based solely on such school district's audited financial statements as of the close of the most recent fiscal year. The Adjusted Score is calculated based initially on a school district's audited financial statements for the most recent fiscal year, with adjustments made to reflect the impact on the Original Score of timing differences between such school district's actual and expected receipt of State Aid payments or evidence-based funding, as required by Section 1A-8 of the School Code. ISBE has implemented this statutory requirement by adding in payments expected to be received during the calculation year but not actually received until the following fiscal year, as well as by subtracting certain State Aid payments or evidence-based funding received during the current fiscal year but attributable to a prior fiscal year. Such adjustments may have a varying effect on a school district's Adjusted Score based on the amount of time by which such State Aid payments or evidence-based funding are delayed and the accounting basis adopted by such school district. Due to the manner in which such requirement has been implemented by ISBE, a school district's Adjusted Score may be different than it otherwise would have been in certain years based on the scheduled receipt of State Aid payments or evidence-based funding.

The following table sets forth the District’s Original Scores and Adjusted Scores, as well as the designation assigned to each score, for each of the last five fiscal years (as released by ISBE in March of the year following the conclusion of each fiscal year):

FISCAL YEAR (JUNE 30)	ORIGINAL SCORE	DESIGNATION BASED ON ORIGINAL SCORE	ADJUSTED SCORE	DESIGNATION BASED ON ADJUSTED SCORE
2017	3.80	Recognition	3.80	Recognition
2016	3.70	Recognition	3.70	Recognition
2015	3.70	Recognition	3.70	Recognition
2014	3.60	Recognition	3.60	Recognition
2013	3.60	Recognition	3.60	Recognition

### STATE AID

#### GENERAL

The State provides aid to local school districts on an annual basis as part of the State’s appropriation process. Many school districts throughout the State rely on such “*State Aid*” as a significant part of their budgets. For the fiscal year ended June 30, 2018, 23.89% of the District’s General Fund revenue came from sources at the State, including State Aid. See *Exhibit C* to this Official Statement for more information concerning the breakdown of the District’s revenue sources.

#### GENERAL STATE AID THROUGH FISCAL YEAR 2017

Through fiscal year 2017, general State financial aid (“*General State Aid*”) was allocated to each Illinois school district based on the difference between available local resources per pupil (which was calculated based on a number of factors, including the district’s EAV, the number of students in attendance in the district and the district’s corporate personal property replacement tax receipts) and a foundation level (the “*Foundation Level*”). The Foundation Level was an amount established annually by the State’s budget representing the minimum level of per pupil financial support that was to be available to provide for the basic education of each pupil. The Foundation Level was established at \$6,119 in each of school years 2013 through 2017.

While the Foundation Level had not been adjusted in recent years, the State appropriation for General State Aid in some fiscal years prior to fiscal year 2017 was reduced. As such, the State was not able to fully fund General State Aid and the amount each district received was prorated (ranging from a 95% proration in fiscal year 2012 to a 92% proration in fiscal year 2016). For fiscal year 2017, the State appropriation was increased to fully fund General State Aid.

In addition to General State Aid, districts with specified levels or concentrations of pupils from low-income households were eligible to receive supplemental general State aid financial grants (“*Supplemental General State Aid*”). Supplemental General State Aid was distributed to

districts pursuant to a statutory formula based upon the number of low-income pupils in the district. The amount of Supplemental General State Aid received by a district increased as the ratio of low-income pupils to the average daily attendance in the district increased.

For fiscal year 2017, the General Assembly approved a budget for elementary and secondary education which included a \$361 million increase over the fiscal year 2016 appropriation. The budget also included \$250 million in equity grants directed at school districts with a high concentration of poverty students.

#### GENERAL STATE AID AFTER FISCAL YEAR 2017 - EVIDENCE-BASED FUNDING MODEL

Both the Fiscal Year 2018 Budget and the Fiscal Year 2019 Budget appropriate General State Aid in an amount \$350 million greater than the appropriation for the preceding fiscal year and require such additional funds to be distributed to school districts under an Evidence-Based Funding Model. The Evidence-Based Funding Model provided for in Public Act 100-465 sets forth a new school funding formula which ties individual district funding to 27 evidence-based best practices that certain research shows enhance student achievement in the classroom. Under the new funding formula, ISBE will calculate an adequacy target (the "*Adequacy Target*") each year for each district based upon its unique student population, regional wage differences and best practices. Each district will be placed in one of four tiers depending on how close the sum of its local resources available to support education (based on certain State resources and its expected property tax collections, its "*Local Capacity Target*") and its Base Funding Minimum (as hereinafter defined) are to its Adequacy Target; Tier One and Tier Two for those districts that are the furthest away from their Adequacy Targets and Tier Three and Tier Four for those districts that are the closest to (or above) their Adequacy Targets. For each school year, all State funds appropriated for General State Aid in excess of the amount needed to fund the Base Funding Minimum for all school districts ("*New State Funds*") will be distributed to districts based on tier placement. Of any New State Funds available, Tier One receives 50%, Tier Two receives 49%, Tier Three receives 0.9%, and Tier Four receives 0.1%. Tier Two includes all Tier One districts for the purpose of the allocation percentages for New State Funds.

For school year 2018-2019, ISBE notified the District that its Local Capacity Target, plus its Base Funding Minimum, is 72.4% of its Adequacy Target and that the District has been placed in Tier Two. For school year 2018-2019, the District will receive approximately \$236,937.37 of New State Funds.

Public Act 100-465 also provides that each school district will be allocated at least as much in General State Aid in future years as it received in school year 2017-2018 (such amount being that district's "*Base Funding Minimum*"), which for the District was \$10,546,794.56. Mandated Categorical State Aid (as hereinafter defined) received by the District in fiscal year 2017, other than Mandated Categorical State Aid related to transportation and extraordinary special education, was included in the Base Funding Minimum for the District for school year 2017-2018. No district should receive less General State Aid funding than it received the prior year since all New State Funds received by a district in a year become part of its Base Funding Minimum in the following year. If the State appropriates insufficient funds to cover the cost of the Base Funding Minimum, reductions will be made first to the Base Funding Minimum for all Tier 3 and Tier 4 school districts

on a per pupil basis; *provided, however*, that such reductions may not reduce State funding for such districts below the Base Funding Minimum for school year 2017-2018. If funds are still insufficient, then further reductions are to be done on a per pupil basis for all school districts. Consequently, reduced appropriations for General State Aid in future years could result in the District receiving less in a future fiscal year than its Base Funding Minimum.

#### PROPERTY TAX RELIEF POOL FUNDS

For the purpose of encouraging high tax rate school districts to reduce property taxes, Public Act 100-465 also established a property tax relief grant program (the “*Property Tax Relief Pool*”). Eligible school districts must have a tax rate above a threshold tax rate determined by ISBE and must apply for the grant and indicate an amount of intended property tax relief, which may not be greater than 1% of EAV for a unit district, 0.69% of EAV for an elementary school district or 0.31% of EAV for a high school district. Public Act 100-465 directs ISBE to process Property Tax Relief Pool applications and, subject to appropriation, provide grants to eligible school districts in order of priority (highest tax rate school districts first) until the Property Tax Relief Pool is exhausted. A school district which receives a property tax relief grant is required to abate its property tax levy by an amount not less than the amount of the grant. The amount of such property tax abatement is based on a statutory calculation which takes into account relative Local Capacity Targets. Pursuant to such calculation, a school district with a low Local Capacity Target will be required to abate less than a school district with a high Local Capacity Target, assuming the amount of property tax relief grants received by the school districts are the same. Property tax relief grants received by a school district also are included in future calculations of its Base Funding Minimum. Of the \$350 million of New State Funds appropriated in both the Fiscal Year 2018 Budget and the Fiscal Year 2019 Budget, \$50 million was allocated to the Property Tax Relief Pool.

#### MANDATED CATEGORICAL STATE AID

Illinois school districts are entitled to reimbursement from the State for expenditures incurred in providing programs and services legally required to be available to students under State law. Such reimbursements, referred to as “*Mandated Categorical State Aid*,” are made to the school district in the fiscal year following the expenditure, *provided* that the school district files the paperwork necessary to inform the State of such an entitlement. Prior to fiscal year 2018, the School Code provided for Mandated Categorical State Aid with respect to mandatory school programs relating to: (a) special education, (b) transportation, (c) free and reduced breakfast and lunch, and (d) orphanage tuition. Beginning with fiscal year 2018, Mandated Categorical State Aid will be available only with respect to mandatory school programs relating to (a) transportation and (b) extraordinary special education. Mandated Categorical State Aid received by a district in fiscal year 2017 for programming no longer available for Mandated Categorical State Aid in fiscal year 2018 is included in the Base Funding Minimum for that district.

In addition, although school districts are entitled to reimbursement for expenditures made under these programs, these reimbursements are subject to the State’s appropriation process. In the event that the State does not appropriate an amount sufficient to fund fully the Mandated Categorical State Aid owed to each school district, the total Mandated Categorical State Aid is

proportionally reduced such that each school district receives the same percentage of its Mandated Categorical State Aid request with respect to a specific category of such aid as every other school district.

In past years, the State has not fully funded all Mandated Categorical State Aid payments. Therefore, pursuant to the procedures discussed above, proportionate reductions in Mandated Categorical State Aid payments to school districts have occurred. However, because these programs are “mandatory” under the School Code, each school district must provide these programs regardless of whether such school district is reimbursed by the State for the related expenditures. No assurance can be given that the State will make appropriations in the future sufficient to fund fully the Mandatory Categorical State Aid requirements. As such, the District’s revenues may be impacted in the future by increases or decreases in the level of funding appropriated by the State for Mandated Categorical State Aid.

#### COMPETITIVE GRANT STATE AID

The State also provides funds to school districts for expenditures incurred in providing additional programs that are allowed, but not mandated by, the School Code. In contrast to Mandated Categorical State Aid, such “*Competitive Grant State Aid*” is not guaranteed to a school district that provides these programs. Instead, a school district applying for Competitive Grant State Aid must compete with other school districts for the limited amount appropriated each year by the State for such program.

Competitive Grant State Aid is allocated, after appropriation by the State, among certain school districts selected by the State. The level of funding is annually determined separately for each category of aid based on the State’s budget. This process does not guarantee that any funding will be available for Competitive Grant State Aid programs, even if a school district received such funding in a prior year. Therefore, school districts may incur expenditures with respect to certain Competitive Grant State Aid programs without any guarantee that the State will appropriate the money necessary to reimburse such expenditures.

#### PAYMENT FOR MANDATED CATEGORICAL STATE AID AND COMPETITIVE GRANT STATE AID

The State makes payments to school districts for Mandated Categorical State Aid and Competitive Grant State Aid (together, “*Categorical State Aid*”) in accordance with a voucher system involving ISBE. ISBE vouchers payments to the State on a periodic basis. The time between vouchers varies depending on the type of Categorical State Aid in question. For example, with respect to the categories of Mandated Categorical State Aid related to extraordinary special education and transportation, ISBE vouchers the State for payments on a quarterly basis. With respect to Competitive Grant State Aid, a payment schedule is established as part of the application process, and ISBE vouchers the State for payment in accordance with this payment schedule.

Once ISBE has vouchered the State for payment, the State is required to make the Categorical State Aid payments to the school districts. As a general matter, the State is required to make such payments within 90 days after the end of the State’s fiscal year.

See *Exhibit C* for a summary of the District's general fund revenue sources.

## RETIREMENT PLANS

The District participates in two defined benefit pension plans: (i) the Teachers' Retirement System of the State of Illinois ("*TRS*"), which provides retirement benefits to the District's teaching employees, and (ii) the Illinois Municipal Retirement Fund (the "*IMRF*" and, together with TRS, the "*Pension Plans*"), which provides retirement benefits to the District's non-teaching employees. The District makes certain contributions to the Pension Plans on behalf of its employees, as further described in this section. The operations of the Pension Plans, including the contributions to be made to the Pension Plans, the benefits provided by the Pension Plans, and the actuarial assumptions and methods employed in generating the liabilities and contributions of the Pension Plans, are governed by the Illinois Pension Code, as amended (the "*Pension Code*").

The following summarizes certain provisions of the Pension Plans and the funded status of the Pension Plans, as more completely described in Note 7 to the Audit, as hereinafter defined, attached hereto as APPENDIX A.

### BACKGROUND REGARDING PENSION PLANS

#### *The Actuarial Valuation*

The disclosures in the Audit related to the Pension Plans are based in part on the actuarial valuations of the Pension Plans. In the actuarial valuations, the actuary for each of the Pension Plans measures the financial position of the Pension Plan, determines the amount to be contributed to a Pension Plan pursuant to statutory requirements, and produces information mandated by the financial reporting standards (the "*GASB Standards*") issued by the Governmental Accounting Standards Board ("*GASB*"), as described below.

In producing an actuarial valuation, the actuary for a Pension Plan uses demographic data (including employee age, salary and service credits), economic assumptions (including estimated future salary and interest rates), and decrement assumptions (including employee turnover, mortality and retirement rates) and employs various actuarial methods to generate the information required to be included in such valuation.

#### *GASB Standards*

The GASB Standards provide standards for financial reporting and accounting related to pension plans.

The GASB Standards require calculation and disclosure of a "*Net Pension Liability*" or "*Net Pension Asset*", which is the difference between the actuarial present value of projected benefit payments that is attributed to past periods of employee service calculated pursuant to the methods and assumptions set forth in the GASB Standards (referred to in such statements as the

“*Total Pension Liability*”) and the fair market value of the pension plan’s assets (referred to as the “*Fiduciary Net Position*”).

Furthermore, the GASB Standards employ a rate, referred to in such statements as the “*Discount Rate*,” which is used to discount projected benefit payments to their actuarial present values. The Discount Rate is a blended rate comprised of (1) a long-term expected rate of return on a pension plan’s investments (to the extent that such assets are projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate meeting certain specifications set forth in the GASB Standards.

Finally, the GASB Standards require that the Net Pension Liability be disclosed in the notes to the financial statements of the pension system and that a proportionate share of the Net Pension Liability be recognized on the balance sheet of the employer, and that an expense be recognized on the income statement of the employer.

#### *Pension Plans Remain Governed by the Pension Code*

As described above, the GASB Standards establish requirements for financial reporting purposes. However, the Pension Plans are ultimately governed by the provisions of the Pension Code in all respects, including, but not limited to, the amounts to be contributed by the District to the Pension Plans in each year.

#### TEACHERS’ RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

The District participates in TRS, which is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois General Assembly for the benefit of Illinois public school teachers outside the City of Chicago. TRS members include all active non-annuitants who are employed by a TRS-covered employer, which includes all school districts located outside of the City of Chicago, to provide services for which teacher licensure is required.

The Illinois Pension Code sets the benefit provisions of TRS, which can only be amended by the Illinois General Assembly. The State of Illinois maintains primary responsibility for the funding of the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the System’s administration.

TRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information. The report may be viewed at TRS’s website as follows: <http://trs.illinois.gov/pubs/cafr.htm>.

For information relating to the actuarial assumptions and methods used by TRS, including the Discount Rate and the sensitivity of the Net Pension Liability to changes in the Discount Rate, see Note 7 to the Audit.



*Employer Funding of Teachers' Retirement System*

Under the Pension Code, active members contribute 9.0% of creditable earnings to TRS. The State makes the balance of employer contributions to the State on behalf of the District, except for a small portion contributed by the teacher's employer, such as the District. For the fiscal years ended June 30, 2016 through June 30, 2018, all amounts contributed by the District to TRS were as follows:

FISCAL YEAR ENDED JUNE 30	TRS CONTRIBUTIONS
2016	\$178,073
2017	198,219
2018	196,994

Source: The audited financial statements of the District for the years ending June 30, 2016, through June 30, 2018.

For information regarding additional contributions the District may be required to make to TRS with respect to certain salary increases and other programs, see Note 7 to the Audit.

*Shift of Contributions from the State to Employers*

Various proposals have been introduced into the General Assembly to shift the burden of making certain contributions to TRS from the State to the school districts employing participants in TRS, such as the District (each a "Cost Shifting Proposal"). Though these Cost Shifting Proposals differ in certain respects, the most common formulation would require a school district, such as the District, to contribute the full amount of the normal costs of its employees' TRS pensions, with such additional contributions being phased in over the course of several years.

Discussions and deliberations on the complex topic of pension reform remain fluid. The District cannot predict whether, or in what form, the Cost Shifting Proposal may be introduced in the General Assembly or ultimately be enacted into law. Furthermore, it is possible that any future pension reform legislation that is passed by the General Assembly (including any legislation containing the Cost Shifting Proposal) could face court challenges.

If the Cost Shifting Proposal were to become law, it may have a material adverse effect on the finances of District. How local school districts, including the District, would pay for such shift of contributions cannot be determined at the current time. Property taxes to pay pension costs are capped by the Limitation Law. If such pension expenditures are not exempted from the Limitation Law, school districts (such as the District) would have to pay such additional contributions from revenues or reserves.

Although the Cost Shifting Proposal has not been adopted as of the date hereof, the General Assembly approved legislation shifting a portion of the State's contributions to TRS to individual school districts. On July 6, 2017, the General Assembly enacted Public Act 100-0023 ("P.A. 100-23") which, among other things, requires employers participating in TRS, such as the

District, to make certain contributions to TRS that were not required under prior law. P.A. 100-23 includes provisions for a separate set of benefits (the “*New Tier Benefits*”) applicable to employees hired after the “*Implementation Date*,” the same being the date on which TRS authorizes new hires to participate in the New Tier Benefits, which P.A. 100-23 directs should be “as soon as possible” after the effective date of P.A. 100-23. Under P.A. 100-23, beginning in Fiscal Year 2018, the District will be responsible for paying the normal cost for those employees earning the New Tier Benefits (as well as the normal cost for certain employees hired after the Implementation Date that elect to earn the benefits currently in place) and to amortize any unfunded liability related thereto. Finally, P.A. 100-23 mandates that the District make an additional payment to TRS to the extent that any employee’s salary exceeds the salary of the Governor of the State of Illinois (currently \$177,412), as calculated therein.

The contributions required by P.A. 100-23 represent an increase in the District’s contributions to TRS in comparison to prior law; however, the District is unable to predict the timing or the degree of any such additional contributions, and as such, the District is not able to predict whether the impact of such additional contributions on its finances will be material.

#### *Recognition of Net Pension Liability*

The GASB Standards divide the Net Pension Liability of a pension plan for which multiple entities make a portion of the employer contribution among such contributing entities. With respect to TRS, the District and the State each provide a portion of the employer contribution with respect to the District’s TRS liability. As of June 30, 2017, the Net Pension Liability associated with the District was \$180,472,459, of which the District’s proportionate share was \$176,244,639, and the State’s proportionate share was \$4,227,820.

#### ILLINOIS MUNICIPAL RETIREMENT FUND

The District also participates in the IMRF, which is a defined-benefit, agent multiple employer pension plan that acts as a common investment and administrative agent for units of local government and school districts in Illinois. The IMRF is established and administered under statutes adopted by the Illinois General Assembly. The Pension Code sets the benefit provisions of the IMRF, which can only be amended by the Illinois General Assembly.

Each employer participating in the IMRF, including the District, has an employer reserve account with the IMRF separate and distinct from all other participating employers (the “*IMRF Account*”) along with a unique employer contribution rate determined by the IMRF Board of Trustees (the “*IMRF Board*”), as described below. The employees of a participating employer receive benefits solely from such employer’s IMRF Account. Participating employers are not responsible for funding the deficits of other participating employers.

The IMRF issues a publicly available financial report that includes financial statements and required supplementary information which may be viewed at the IMRF’s website.

See Note 7 to the Audit for additional information on the IMRF’s actuarial methods and assumptions, including information regarding the Discount Rate and the sensitivity of the Net Pension Liability to changes in the Discount Rate.

*Contributions*

Both employers and employees contribute to the IMRF. At present, employees contribute 4.50% of their salary to the IMRF, as established by statute. Employers are required to make all additional contributions necessary to fund the benefits provided by the IMRF to its employees. The annual rate at which an employer must contribute to the IMRF is established by the IMRF Board. The District’s contribution rate for calendar year 2018 was 11.08% of covered payroll.

For the fiscal years ended June 30, 2016 through June 30, 2018, the District contributed the following amounts to IMRF:

FISCAL YEAR ENDED JUNE 30	IMRF CONTRIBUTIONS
2016	\$ 944,818
2017	973,049
2018	1,000,642

Source: The audited financial statements of the District for the years ending June 30, 2016, through June 30, 2018.

*Measures of Financial Position*

The following table presents the measures of the IMRF Account’s financial position as of December 31, 2015, December 31, 2016 and December 31, 2017 which are presented pursuant to the GASB Standards.

CALENDAR YEAR ENDED DECEMBER 31	TOTAL PENSION LIABILITY	FIDUCIARY NET POSITION	NET PENSION LIABILITY	FIDUCIARY NET POSITION AS A % OF TOTAL PENSION LIABILITY	DISCOUNT RATE
2015	\$29,778,391	\$24,397,249	\$5,381,142	81.93%	7.46%
2016	32,017,406	26,518,100	5,449,306	82.82%	7.50%
2017	33,817,982	31,043,101	2,774,881	91.79%	7.50%

Source: The audited financial statements of the District for the years ending June 30, 2016, through June 30, 2018.

See Note 7 to the Audit, and the related required supplementary information disclosures, for a description of the IMRF, the IMRF Account, the District’s funding policy, information on the assumptions and methods used by the Actuary, and the financial reporting information required by the GASB Standards.

## **TEACHER HEALTH INSURANCE SECURITY FUND**

The District participates in the Teacher Health Insurance Security Fund (the “*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 TRS.

The State maintains primary responsibility for funding, but contributions from participating employers and members are also required. For the fiscal year ended June 30, 2018, the District paid \$266,491 to the THIS Fund, which was 100% of the required contribution. For more information regarding the District’s THIS Fund obligation, see Note 8 to the Audit.

### **BOND RATING**

S&P has assigned the Bonds a rating of “AA-” (Stable Outlook). This rating reflects only the views of such S&P and any explanation of the significance of such rating may only be obtained therefrom. Certain information concerning the Bonds and the District not included in this Official Statement may have been furnished to S&P by the District. There is no assurance that the rating will be maintained for any given period of time or that such rating may not be changed by S&P if, in such rating agency’s judgment, circumstances so warrant. Any downward change in or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

Except as may be required by the Undertaking described below under the heading “CONTINUING DISCLOSURE,” neither the District nor the Underwriter undertakes responsibility to bring to the attention of the owners of the Bonds any proposed change in or withdrawal of the rating or to oppose any such revision or withdrawal.

### **TAX TREATMENT**

Interest on the Bonds is includible in gross income of the owners thereof for federal income tax purposes. Ownership of the Bonds may result in other federal income tax consequences to certain taxpayers. Holders of the Bonds should consult their tax advisors with respect to the inclusion of interest on the Bonds in gross income for federal income tax purposes and any collateral tax consequences.

Interest on the Bonds is not exempt from present State of Illinois income taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

## CONTINUING DISCLOSURE

The District will enter into a Continuing Disclosure Undertaking (the “*Undertaking*”) for the benefit of the beneficial owners of the Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (the “*MSRB*”) pursuant to the requirements of the Rule. No person, other than the District, has undertaken, or is otherwise expected, to provide continuing disclosure with respect to the Bonds. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and a statement of other terms of the Undertaking, including termination, amendment and remedies, are set forth below in “THE UNDERTAKING.”

The District failed to file notice of an upgrade of its bond rating within the time period required by a previous continuing disclosure undertaking, such filing has since been made. A failure by the District to comply with the Undertaking will not constitute a default under the Bond Resolution and beneficial owners of the Bonds are limited to the remedies described in the Undertaking. The District must report any failure to comply with the Undertaking in accordance with the Rule. Any broker, dealer or municipal securities dealer must consider such report before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

## THE UNDERTAKING

The following is a brief summary of certain provisions of the Undertaking of the District and does not purport to be complete. The statements made under this caption are subject to the detailed provisions of the Undertaking, a copy of which is available upon request from the District.

### ANNUAL FINANCIAL INFORMATION DISCLOSURE

The District covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements, if any (as described below) to the MSRB in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information. At present, such dissemination is made through the MSRB’s Electronic Municipal Market Access system, referred to as EMMA (“*EMMA*”). The District is required to deliver such information within 210 days after the last day of the District’s fiscal year (currently June 30), beginning with the fiscal year ending June 30, 2019. If Audited Financial Statements are not available when the Financial Information is filed, the District will submit Audited Financial Statements to EMMA within 30 days after availability to the District. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports.

“*Annual Financial Information*” means information of the type contained in the following headings, subheadings and exhibits of this Official Statement:

THE BONDS—Debt Service Extension Base Availability after Issuance of the Bonds

FINANCIAL INFORMATION AND ECONOMIC CHARACTERISTICS OF THE DISTRICT

- Direct General Obligation Bonds (Principal Only)
- Direct General Obligation Bonds (Principal and Interest)
- Selected Financial Information (only as it relates to direct debt)
- Composition of EAV
- Trend of EAV
- Taxes Extended and Collected
- School District Tax Rates by Purpose

WORKING CASH FUND—Working Cash Fund Summary

Exhibit A—Combined Statement of Revenues, Expenditures and Changes in Fund Balance

Exhibit B—Budget

Exhibit C—General Fund Revenue Sources

“*Audited Financial Statements*” means the combined financial statements of the District prepared in accordance with accounting principles generally accepted in the United States of America.

#### REPORTABLE EVENTS DISCLOSURE

The District covenants that it will disseminate in a timely manner (not in excess of ten business days after the occurrence of the Reportable Event) Reportable Events Disclosure to the MSRB in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission or the State at the time of delivery of such information. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports. The “*Events*” are:

- Principal and interest payment delinquencies
- Non-payment related defaults, if material
- Unscheduled draws on debt service reserves reflecting financial difficulties
- Unscheduled draws on credit enhancements reflecting financial difficulties
- Substitution of credit or liquidity providers, or their failure to perform
- Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
- Modifications to the rights of security holders, if material
- Bond calls, if material, and tender offers
- Defeasances
- Release, substitution or sale of property securing repayment of the securities, if material
- Rating changes

- Bankruptcy, insolvency, receivership or similar event of the District\*
- The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
- Appointment of a successor or additional trustee or the change of name of a trustee, if material
- Incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District, any of which reflect financial difficulties

#### CONSEQUENCES OF FAILURE OF THE DISTRICT TO PROVIDE INFORMATION

The District shall give notice in a timely manner to the MSRB of any failure to provide disclosure of Annual Financial Information and Audited Financial Statements when the same are due under the Undertaking.

In the event of a failure of the District to comply with any provision of the Undertaking, the beneficial owner of any Bond may seek mandamus or specific performance by court order to cause the District to comply with its obligations under the Undertaking. A default under the Undertaking shall not be deemed a default under the Bond Resolution, and the sole remedy under the Undertaking in the event of any failure of the District to comply with the Undertaking shall be an action to compel performance.

#### AMENDMENT; WAIVER

Notwithstanding any other provision of the Undertaking, the District by resolution authorizing such amendment or waiver, may amend the Undertaking, and any provision of the Undertaking may be waived, if:

- (a) (i) The amendment or the waiver is made in connection with a change in circumstances that arises from a change in legal requirements, including, without limitation, pursuant to a “no-action” letter issued by the Commission, a change in law, or a change in the identity, nature, or status of the District, or type of business conducted; or

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\* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(ii) The Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined by parties unaffiliated with the District (such as Bond Counsel).

In the event that the Commission or the MSRB or other regulatory authority approves or requires Annual Financial Information or notices of a Reportable Event to be filed with a central post office, governmental agency or similar entity other than the MSRB or in lieu of the MSRB, the District shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending the Undertaking.

#### TERMINATION OF UNDERTAKING

The Undertaking shall be terminated if the District shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the Bond Resolution. The District shall give notice to the MSRB in a timely manner if this paragraph is applicable.

#### FUTURE CHANGES TO THE RULE

Notwithstanding anything in the Undertaking to the contrary, in the event the Commission, the MSRB or other regulatory authority approves or requires changes to the requirements of the Rule, the District is permitted, but is not be required, to unilaterally modify the covenants in of the Undertaking, without complying with the requirements described in “—Termination of Undertaking” above, in order to comply with, or conform to, such changes. In the event of any such modification of the Undertaking, the District will file a copy of the Undertaking, as revised, on EMMA in a timely manner.

#### ADDITIONAL INFORMATION

Nothing in the Undertaking shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in the Undertaking or any other means of communication, or including any other information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a Reportable Event, in addition to that which is required by the Undertaking. If the District chooses to include any information from any document or notice of occurrence of a Reportable Event in addition to that which is specifically required by the Undertaking, the District shall have no obligation under the Undertaking to update such information or include it in any future disclosure or notice of occurrence of a Reportable Event.



## DISSEMINATION OF INFORMATION; DISSEMINATION AGENT

When filings are required to be made with the MSRB in accordance with the Undertaking, such filings are required to be made through EMMA for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

## AUDITED FINANCIAL STATEMENTS

The audited financial statements of the District for the fiscal year ended June 30, 2018 (the “*Audit*”), contained in Appendix A, including the independent auditor’s report accompanying the Audit, have been prepared by Evans, Marshall & Pease, P.C., Rolling Meadows, Illinois (the “*Auditor*”), and approved by formal action of the Board. The District has not requested the Auditor to update information contained in the Audit nor has the District requested that the Auditor consent to the use of the Audit in this Official Statement. Other than as expressly set forth in this Official Statement, the financial information contained in the Audit has not been updated since the date of the Audit. The inclusion of the Audit in this Official Statement in and of itself is not intended to demonstrate the fiscal condition of the District since the date of the Audit. Specific questions or inquiries relating to the financial information of the District since the date of the Audit should be directed to Associate Superintendent for Business Services/CSBO of the District.

## BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“*Direct Participants*”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The

Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“*Indirect Participants*”). DTC has an S&P rating of “AA+”. The DTC Rules applicable to its Participants are on file with the Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“*Beneficial Owner*”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the District or Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC, and the District takes no responsibility for the accuracy thereof.

The District will have no responsibility or obligation to any Securities Depository, any Participants in the Book-Entry System or the Beneficial Owners with respect to (a) the accuracy of any records maintained by the Securities Depository or any Participant; (b) the payment by the Securities Depository or by any Participant of any amount due to any Beneficial Owner in respect of the principal amount or redemption price of, or interest on, any Bonds; (c) the delivery of any notice by the Securities Depository or any Participant; (d) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (e) any other action taken by the Securities Depository or any Participant.

## CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois (“*Chapman and Cutler*”), Bond Counsel, who has been retained by, and acts as, Bond Counsel to the District. Chapman and Cutler has also been retained by the District to serve as Disclosure Counsel to the District with respect to the Bonds. Although as Disclosure Counsel to the District, Chapman and Cutler has assisted the District with certain disclosure matters, Chapman and Cutler has not undertaken to independently verify the accuracy, completeness or fairness of any of the statements contained in this Official Statement or other offering material related to the Bonds and does not guarantee the accuracy, completeness or fairness of such information. Chapman and Cutler’s engagement as Disclosure Counsel was undertaken solely at the request and for the benefit of the District, to assist it in discharging its responsibility with respect to this Official Statement, and not for the benefit of any other person (including any person purchasing Bonds from the Underwriter), and did not include any obligation to establish or confirm factual matters, forecasts, projections, estimates or any other financial or economic information in connection therewith. Further, Chapman and Cutler makes no representation as to the suitability of the Bonds for investment by any investor.

## NO LITIGATION

No litigation is now pending or threatened restraining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds or any proceedings of the District taken with respect to the issuance or sale thereof. A certificate to this effect will be delivered by the District with the other customary closing papers when the Bonds are delivered.

## UNDERWRITING

Pursuant to the terms of a Bond Purchase Agreement (the “*Agreement*”) between the District and the Underwriter, the Underwriter has agreed to purchase the Bonds at an aggregate purchase price of \$\_\_\_\_\_. The purchase price will produce an underwriting spread of \_\_\_\_% of principal amount if all Bonds are sold at the initial offering prices. The Agreement provides that the obligation of the Underwriter is subject to certain conditions precedent and that the Underwriter will be obligated to purchase all of the Bonds if any of the Bonds are purchased. The Bonds may be offered and sold to certain dealers (including dealers depositing such Bonds into investment trusts, accounts or funds) and others at prices different than the initial public offering price. After the initial public offering, the public offering price of the Bonds may be changed from time to time by the Underwriter.

## AUTHORIZATION

This Official Statement has been approved by the District for distribution to prospective purchasers of the Bonds. The Board, acting through authorized officers, will provide to the Underwriter at the time of delivery of the Bonds, a certificate confirming that, to the best of its knowledge and belief, this Official Statement, together with any supplements thereto, as of the date hereof, and at the time of delivery of the Bonds, was true and correct in all material respects and did not at any time contain an untrue statement of a material fact or omit to state a material fact required to be stated where necessary to make the statements therein in light of the circumstances under which they were made, not misleading.

/s/

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Associate Superintendent for Business  
Services/CSBO  
Community Unit School District Number 118,  
Lake and McHenry Counties, Illinois

February \_\_, 2019

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## EXHIBITS

Exhibit A shows the District's recent financial history. Exhibit B provides information on the District's 2019 budget. Exhibit C provides information on the general fund revenue sources of the District.

### EXHIBIT A — COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE, FISCAL YEARS ENDED JUNE 30, 2014-2018

	ED <sup>(1)</sup>	O&M	DEBT SERVICE	TRANS	IMRF	CAP PROJECTS	WORKING CASH	TORT	FIRE	TOTAL
Beginning Balance	\$ 890,024	\$ 448,604	\$ 4,464,666	\$ (60,351)	\$ 39,808	\$ (631,691)	\$16,549,008	\$ (40,491)	\$0	\$21,659,577
Revenues	37,788,313	3,871,182	8,512,597	4,930,698	1,886,837	19,840,491	19,344	592,738	0	77,442,200
Expenditures	36,563,386	3,897,198	8,538,491	4,513,134	1,836,901	2,387,727	0	619,053	0	58,355,890
Net Transfers	12,744	(154,100)	154,100	0	0	0	(12,744)	0	0	0
Other Sources (Uses)	0	0	0	696,840	0	0	0	0	0	696,840
Ending Balance, 6/30/14	\$ 2,127,695	\$ 268,488	\$ 4,592,872	\$1,054,053	\$ 89,744	\$16,821,073	\$16,555,608	\$ (66,806)	\$0	\$41,442,727
Beginning Balance	\$ 2,127,695	\$ 268,488	\$ 4,592,872	\$1,054,053	\$ 89,744	\$16,821,073	\$16,555,608	\$ (66,806)	\$0	\$41,442,727
Revenues	41,530,711	4,181,188	9,038,778	3,687,193	1,959,490	338,691	21,908	721,914	0	61,479,873
Expenditures	37,605,268	4,009,590	9,487,643	4,715,547	1,901,210	13,179,399	0	670,106	0	71,568,763
Net Transfers	16,363	(158,100)	158,100	0	0	0	(16,363)	0	0	0
Other Sources (Uses)	0	0	524,492	659,735	0	0	0	0	0	1,184,227
Ending Balance, 6/30/15	\$ 6,069,501	\$ 281,986	\$ 4,826,599	\$ 685,434	\$ 148,024	\$ 3,980,365	\$16,561,153	\$ (14,998)	\$0	\$32,538,064
Beginning Balance	\$ 6,069,501	\$ 281,986	\$ 4,826,599	\$ 685,434	\$ 148,024	\$ 3,980,365	\$16,561,153	\$ (14,998)	\$0	\$32,538,064
Revenues	43,618,073	4,149,840	9,456,088	4,960,364	1,968,379	191,688	31,263	677,548	0	65,053,243
Expenditures	41,477,501	4,051,105	9,066,516	5,204,727	2,034,327	1,265,719	0	724,211	0	63,824,106
Net Transfers	25,773	0	0	0	0	0	(25,773)	0	0	0
Other Sources (Uses)	0	0	0	734,082	0	0	0	0	0	734,082
Ending Balance, 6/30/16	\$ 8,235,846	\$ 380,721	\$ 5,216,171	\$1,175,153	\$ 82,076	\$ 2,906,334	\$16,566,643	\$ (61,661)	\$0	\$34,501,283
Beginning Balance	\$ 8,235,846	\$ 380,721	\$ 5,216,171	\$1,175,153	\$ 82,076	\$ 2,906,334	\$16,566,643	\$ (61,661)	\$0	\$34,501,283
Revenues	45,879,118	4,279,766	10,376,032	4,078,254	2,075,502	68,464	95,464	760,818	0	67,613,418
Expenditures	44,188,718	4,163,796	9,918,004	5,265,766	2,114,410	1,211,001	0	816,853	0	67,678,548
Net Transfers	89,015	0	0	0	0	0	(89,015)	0	0	0
Other Sources (Uses)	0	0	0	653,936	0	0	0	0	0	653,936
Ending Balance, 6/30/17	\$10,015,261	\$ 496,691	\$ 5,674,199	\$ 641,577	\$ 43,168	\$ 1,763,797	\$16,573,092	\$ (117,696)	\$0	\$35,090,089
Beginning Balance	\$10,015,261	\$ 496,691	\$ 5,674,199	\$ 641,577	\$ 43,168	\$ 1,763,797	\$16,573,092	\$ (117,696)	\$0	\$35,090,089
Revenues	49,125,776	4,525,626	11,403,988	5,916,117	2,191,857	56,831	220,610	860,291	0	74,301,096
Expenditures	46,456,179	4,433,199	10,761,032	5,475,611	2,203,086	1,404,791	0	707,970	0	71,441,868
Net Transfers	(536,782)	0	0	21,500	0	750,000	(213,218)	0	0	21,500
Other Sources (Uses)	0	0	0	651,200	0	0	0	0	0	651,200
Ending Balance, 6/30/18	\$12,148,076	\$ 589,118	\$ 6,317,155	\$1,754,783	\$ 31,939	\$ 1,165,837	\$16,580,484	\$ 34,625	\$0	\$38,622,017

Source: The annual financial reports of the District for the years ending June 30, 2014-2018.

<sup>(1)</sup>Excludes "On-Behalf" Payments

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**EXHIBIT B — BUDGET, FISCAL YEAR ENDING JUNE 30, 2019**

	ED <sup>(1)</sup>	O&M	DEBT SERVICE	TRANS	IMRF	CAP PROJECTS	WORKING CASH	TORT	FIRE	TOTAL
Est. Beg. Balance, 7/1/18	\$12,148,076	\$ 589,118	\$ 6,317,155	\$1,754,783	\$ 31,939	\$1,165,837	\$16,580,484	\$ 34,625	\$0	\$38,622,017
Revenues	49,079,069	4,660,500	11,244,956	5,088,319	2,270,100	100,000	200,000	840,000	0	73,482,944
Expenditures	49,069,142	4,882,873	11,896,787	5,019,746	2,291,209	1,150,000	0	828,433	0	75,138,190
Other Sources (Uses)	(800,000)	0	0	0	0	1,000,000	(200,000)	0	0	0
Ending Balance, 6/30/19	\$11,358,003	\$ 366,745	\$ 5,665,324	\$1,823,356	\$ 10,830	\$1,115,837	\$16,580,484	\$ 46,192	\$0	\$36,966,771

Source: Official Budget for the District for the year ending June 30, 2019. Please note that the beginning fund balance represents an estimate by the District at the time the budget was produced. As such, the beginning fund balance may not match the ending fund balances for the year ended June 30, 2018, due to timing.

- (1) Includes the Educational Fund and the Operations and Maintenance Fund.
- (2) Includes the Transportation Fund, the Tort Fund and the IMRF Fund.
- (3) Includes the Site and Construction Fund and the Fire Prevention and Safety Fund.

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**EXHIBIT C — GENERAL FUND REVENUE SOURCES,  
FISCAL YEARS ENDED JUNE 30, 2014-2018**

	YEAR ENDED JUNE 30, 2014	YEAR ENDED JUNE 30, 2015	YEAR ENDED JUNE 30, 2016	YEAR ENDED JUNE 30, 2017	YEAR ENDED JUNE 30, 2018
Local Sources	82.55%	79.76%	77.00%	75.22%	71.94%
State Sources	12.95%	15.68%	18.62%	20.59%	23.89%
Federal Sources	4.49%	4.56%	4.38%	4.19%	4.16%
<b>TOTAL</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: The annual financial reports of the District for the years ending June 30, 2014-2018. Includes the Educational Fund and the Operations and Maintenance Fund. Excludes "On-Behalf" Payments.

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**APPENDIX A**

**AUDITED FINANCIAL STATEMENTS OF THE  
DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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**ANNUAL FINANCIAL REPORT**  
**WAUCONDA COMMUNITY UNIT**  
**SCHOOL DISTRICT NO. 118**  
**WAUCONDA, ILLINOIS**

**JUNE 30, 2018**

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## EVANS, MARSHALL & PEASE, P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

1875 Hicks Road  
Rolling Meadows, Illinois 60008

Telephone (847) 221-5700  
Facsimile (847) 221-5701

### INDEPENDENT AUDITOR'S REPORT

Board of Education  
Wauconda Community Unit School District No. 118  
Wauconda, IL

#### **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 Wauconda Community Unit School District No. 118, Wauconda, Illinois, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion 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 entity'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 entity'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 opinion.

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of the Wauconda Community Unit School District No. 118, as of June 30, 2018, and the respective changes in financial position – modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

### ***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

### ***Change in Accounting Principle***

As discussed in Note 13 to the financial statements, in 2018 the District adopted new accounting guidance; GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### ***Prior-Year Comparative Information***

We have previously audited the District's June 30, 2017 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated October 10, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wauconda Community Unit School District No. 118's financial statements. The other information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the financial statements of Wauconda Community Unit School District No. 118. We have applied certain limited procedures to the other 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2018, on our consideration of Wauconda Community Unit School District No. 118'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 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 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 Wauconda Community Unit School District No. 118's internal control over financial reporting and compliance.

*Evans, Marshall & Pease, P.C.*

Evans, Marshall and Pease, P.C.  
Certified Public Accountants

Rolling Meadows, Illinois  
November 27, 2018

**OTHER INFORMATION**  
**Management's Discussion and Analysis**



The Management's Discussion and Analysis ("MD&A") is an element of the financial reporting model adopted by GASB in its Statement No. 34. In this area Wauconda Community Unit School District No. 118 (the District) presents its discussion and analysis of the District's performance and provides an overall review of the District's financial activities for the year ended June 30, 2018. The management of the District encourages readers to consider the information presented herein in conjunction with the basic financial statements, including footnotes, to enhance their understanding of the District's financial performance.

Certain comparative information between the current year and the prior year is required to be presented in this management discussion and analysis (MD&A). The information is presented throughout the report to illustrate the differences in the District's results between the two years.

### **Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$52,433,986 (net position).
- The total net position of the District increased by \$9,659,564 during fiscal year 2018.
- The fund balance of the District's governmental funds increased by \$3,531,928, resulting in an ending fund balance of \$38,622,017.
- The District's long-term obligations decreased by \$7,363,138.

### **Overview of the Financial Statements**

The MD&A is intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of three components:

- Government-Wide financial statements
- Fund financial statements
- Notes to the financial statements

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

#### *Government-Wide financial statements*

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

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

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

The government-wide financial statements present the functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The District has no business-type activities; that is, functions that are intended to recover all or a significant portion of their

costs through user fees and charges. The District's governmental activities include instructional services (regular education, special education, and other), supporting services, operations and maintenance of facilities, and transportation services. The government-wide financial statements can be found starting on page 9 of this report.

#### *Fund financial statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

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

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

The District maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues collected, expenditures paid, and changes in fund balances for the General (Educational and Working Cash), Operations and Maintenance, Debt Service, Transportation, Municipal Retirement/Social Security, Capital Projects and Tort, all of which are considered to be major funds.

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

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

The basic governmental fund financial statements can be found starting on page 12 of this report.

#### *Notes to the financial statements*

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found starting on page 21 of this report.

#### *Other information*

In addition to the basic financial statements and accompanying notes, this report also presents certain other information.



**Financial Analysis of the District as a Whole**

*Statement of Net Position:* The District's total net position increased at June 30, 2018, compared to the level they were the year before, increasing 22.58% to \$52,433,986 (Figure A-1).

	Governmental Activities	
	June 30, 2018	June 30, 2017
<b>Assets:</b>		
Current Assets	\$ 38,622,338	\$ 35,091,062
Capital Assets	77,125,437	78,360,939
<b>Total Assets</b>	<b>115,747,775</b>	<b>113,452,001</b>
<b>Liabilities:</b>		
Current Liabilities	321	973
Noncurrent Liabilities:		
Due within one year	9,267,244	7,874,620
Due in more than one year	54,046,224	62,801,986
<b>Total Liabilities</b>	<b>63,313,789</b>	<b>70,677,579</b>
<b>Net Position:</b>		
Net Investment in Capital Assets	26,291,970	21,019,333
Restricted	9,893,457	8,619,432
Unrestricted	16,248,559	13,135,657
<b>Total Net Position</b>	<b>\$ 52,433,986</b>	<b>\$ 42,774,422</b>

*Total Net Position:* Please note that the amounts reported for governmental activities in the audit statement are different from the summary tables above because (1) capital assets used in governmental activities are not financial resources, as they are in business, and are not reported as assets in governmental funds. (2) long-term liabilities, including bonds payable and capital leases are not due in the current period and therefore not reported as liabilities in the funds. The result is that the total net position for governmental activities is \$52,433,986.

*Restricted Net Position:* A portion of the District's total net position is considered restricted. The District's restricted net position results from portions of governmental funds that are restricted, committed, or assigned, or in any other way, limit the availability of fund resources for future use. The Operations and Maintenance Fund, Transportation Fund, and Municipal Retirement/Social Security Fund are special revenue funds; by law, funds held in a special revenue fund are restricted to the purpose of the fund. The Net Position of the Debt Service Fund and Capital Projects Fund are also restricted for expenditures disbursed for specified purposes.

The funds have a restricted balance as follows: Operations and Maintenance Fund, \$589,118; Transportation Fund, \$1,754,783; Municipal Retirement/Social Security Fund, \$31,939; Debt Service Fund, \$6,317,155; Capital Projects Fund, \$1,165,837; and Tort Fund, \$34,625. The District's total restricted net position at the end of the fiscal year totaled \$9,893,457. There were no significant changes affecting restrictions, commitments, or other limitations to the availability of fund resources for future use.

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018

Statement of Activities: The current year's revenue from governmental activities was \$92,102,434 with related expenses of \$82,442,870 resulting in an increase in net position of \$9,659,564 (Figure A-2).

	Governmental Activities	
	June 30, 2018	June 30, 2017
<b>Revenues:</b>		
Program Revenues:		
Charge for Services	\$ 1,456,267	\$ 1,374,200
Operating Grants and Contributions	27,381,599	22,325,646
General Revenues:		
Property Taxes	52,189,870	50,284,339
Personal Property Replacement Taxes	193,937	231,774
Evidence Based Funding Formula	10,471,051	8,629,192
Other Revenue	409,710	194,509
Total Revenue	<u>92,102,434</u>	<u>83,039,660</u>
<b>Expenses:</b>		
Instruction	46,233,801	42,050,713
Support Services	24,423,388	23,713,912
Payments to Other Governmental Units	4,872,427	4,691,579
Depreciation	3,543,769	3,415,248
Interest and Other	3,369,485	5,362,657
Total Expenses	<u>82,442,870</u>	<u>79,234,109</u>
Change in Net Position	9,659,564	3,805,551
Net Position - Beginning of Year	<u>42,774,422</u>	<u>38,968,871</u>
<b>Net Position - End of Year</b>	<b><u>\$ 52,433,986</u></b>	<b><u>\$ 42,774,422</u></b>

Changes in Net Position: The District's combined net position increased by \$9,659,564 to \$52,433,986 in fiscal year 2018.

The District's total revenues were \$92,102,434 for governmental activities. Local taxes (predominantly real estate taxes) were \$52,383,807 or 56.88%. Charges for services were \$1,456,267 or 1.58%. State and federal funding and grants were \$27,381,599 or 29.73% of the total. Evidence based funding formula was \$10,471,051 or 11.37%.

Total costs for all governmental programs totaled \$82,442,870. Expenses are predominantly related to instruction, instructional support services, and maintenance of the physical plant. Expenses increased by \$3,208,761 in comparison to the previous year. Specifically, expenses within "Instruction" increased by \$4,183,088 from the prior year, with a majority of this increase attributed to state on-behalf retirement expenditures, while interest and other expenses related to debt services decreased by \$1,993,172.

The increase in Operating Grants and Contributions is due to the "On behalf" payments to TRS in the amount of \$17,702,493. This is not revenue received by the District. Rather, the State of Illinois makes employer pension contributions on behalf of the District. There is a coinciding expenditure in the Educational Account in the Fund Financials and "Instruction" in the government-wide financials for "On behalf" payments to TRS. This amount is \$2,270,733 higher than fiscal year 2017's state on-behalf retirement payment of \$15,431,760. Please see Note 7 Retirement Fund Commitments for additional information on these payments.

### Financial Analysis of the District's Funds

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

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

As of the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$38,622,017, an increase of \$3,531,928 in comparison with the prior year.

The General Fund increased \$2,140,207, the Operations and Maintenance Fund increased \$92,427, the Debt Service Fund increased \$642,956, the Transportation Fund increased \$1,113,206, and the Tort Fund increased \$152,321. The remaining funds saw a decrease in fund balances: the Municipal Retirement/Social Security Fund (\$11,229), and the Capital Projects Fund (\$597,960).

Combined total revenues for all funds increased \$9,065,194 to total \$92,110,372 at June 30, 2018. State sources account for an increase of \$6,668,413 over the prior year, which can be contributed to a timing difference – the State of Illinois appropriated one more mandated categorical distribution by the end of fiscal year ended June 30, 2018 compared to the prior fiscal year. Expenditures remained relatively constant, except debt service principal payments increased \$2,916,030 to total \$8,014,338 at June 30, 2018. The District intends to further monitor these specific funds to look to either reduce expenditures or increase revenues to cover the shortfall.

### District Budgetary Highlights

For the year ended June 30, 2018, the Educational Account exceeded its budget by \$17,263,931. This can be attributed to unbudgeted state on-behalf payments of \$17,702,493. The following funds also exceeded their budgets: the Transportation Fund by \$734,329 and the Municipal Retirement/Social Security Fund by \$23,863.

### Capital Assets and Debt Administration

#### Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2018, amounted to \$77,125,437 (net of accumulated depreciation). This investment in capital assets included land, improvements, buildings, equipment, and transportation equipment. (See Figure A-3). There was an increase in transportation equipment and construction in progress for the year ended June 30, 2018. There was a decrease in improvements, buildings, and equipment for the year ended June 30, 2018.

	2018	2017
Land	\$ 4,894,309	\$ 4,894,309
Construction in progress	110,462	20,274
Improvements, other than buildings	1,014,855	1,072,135
Buildings	65,931,497	66,963,012
Equipment	2,046,993	2,345,874
Transportation equipment	3,127,321	3,065,335
<b>Total Capital Assets</b>	<b><u>\$ 77,125,437</u></b>	<b><u>\$ 78,360,939</u></b>

Additional information on the District's capital assets can be found in Note 4 to the financial statements.

**Long-term Liabilities**

At June 30, 2018, the District had total bonded debt outstanding of \$61,990,000, backed by the full faith and credit of the District. Additionally, the District has capital leases payable of \$1,323,468 still outstanding at the end of the current fiscal year (See Figure A-4).

Principal and payments on long-term debt totaled \$8,014,338 for fiscal year 2018.

	2018	2017
Bonds payable	\$ 61,990,000	\$ 69,335,000
Capital leases	1,323,468	1,341,606
<b>Total Long-Term Liabilities</b>	<b>\$ 63,313,468</b>	<b>\$ 70,676,606</b>

Additional information on the District's long-term debt can be found in Note 5 to the financial statements.

**Economic Factors and Next Year's Budget**

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

The Illinois State Board of Education system for assessing a school district's financial health is called the Financial Profile. For the 2017/18 fiscal year, the District will receive an overall financial score of 3.80 out of 4.00. This score places the District in the highest category for financial strength, labeled "Financial Recognition".

**Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Superintendent or Office of the Associate Superintendent for Business Services, Wauconda Community Unit School District No. 118, 555 N. Main Street, Wauconda, IL 60084

## **BASIC FINANCIAL STATEMENTS**



WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
JUNE 30, 2018

WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2017

	Governmental Activities	
	2018	2017
<b>ASSETS</b>		
Cash and deposits	\$ 38,622,338	\$ 35,091,062
Capital assets not being depreciated:		
Land	4,894,309	4,894,309
Construction in progress	110,462	20,274
Capital assets, net of accumulated depreciation:		
Improvements, other than buildings	1,014,855	1,072,135
Buildings	65,931,497	66,963,012
Equipment	2,046,993	2,345,874
Transportation equipment	3,127,321	3,065,335
<b>Total Assets</b>	<b>115,747,775</b>	<b>113,452,001</b>
<b>LIABILITIES</b>		
Payroll deductions payable	321	973
Noncurrent liabilities:		
Due within one year	9,267,244	7,874,620
Due in more than one year	54,046,224	62,801,986
<b>Total Liabilities</b>	<b>63,313,789</b>	<b>70,677,579</b>
<b>NET POSITION</b>		
Net investment in capital assets	26,291,970	21,019,333
Restricted	9,893,457	8,619,432
Unrestricted	16,248,559	13,135,657
<b>Total Net Position</b>	<b>\$ 52,433,986</b>	<b>\$ 42,774,422</b>

The accompanying notes to the financial statements are an integral part of this statement.

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
YEAR ENDED JUNE 30, 2018

WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
Instruction				
Regular programs	\$ 16,766,387	\$ 879,280	\$ 1,628,054	\$ -
Special education programs	6,837,936	-	2,547,465	-
Other instructional programs	4,926,985	-	397,995	-
State on-behalf retirement	17,702,493	-	17,702,493	-
Support services				
Pupils	4,950,072	-	-	-
Instructional staff	3,534,944	-	110,713	-
General administration	1,812,738	39,977	-	-
School administration	2,893,696	-	-	-
Business	11,073,275	537,010	4,994,879	-
Central	158,663	-	-	-
Payments to other governmental units	4,872,427	-	-	-
Debt service				
Interest	3,367,150	-	-	-
Other	2,335	-	-	-
Depreciation - unallocated	3,543,769	-	-	-
<b>Total Governmental Activities</b>	<b>\$ 82,442,870</b>	<b>\$ 1,456,267</b>	<b>\$ 27,381,599</b>	<b>\$ -</b>

**GENERAL REVENUES**

Taxes

- Real estate taxes, levied for general and specific purposes
- Real estate taxes, levied for debt service
- Personal property replacement taxes
- Evidence based funding formula
- Earnings on investments
- Contributions and donations
- (Loss) on disposition of capital assets

Total General Revenues

CHANGE IN NET POSITION

NET POSITION - BEGINNING

NET POSITION - ENDING

The accompanying notes to the financial statements are an integral part of this statement.



Net (Expense) Revenue and Changes in Net Position	
Governmental Activities	
2018	2017
\$ (14,259,053)	\$ (13,915,655)
(4,290,471)	(4,095,471)
(4,528,990)	(4,100,174)
-	-
(4,950,072)	(4,965,285)
(3,424,231)	(3,382,217)
(1,772,761)	(1,756,841)
(2,893,696)	(2,778,429)
(5,541,386)	(6,918,579)
(158,663)	(152,128)
(4,872,427)	(4,691,579)
(3,367,150)	(5,359,882)
(2,335)	(2,775)
(3,543,769)	(3,415,248)
<u>(53,605,004)</u>	<u>(55,534,263)</u>
40,819,558	39,920,452
11,370,312	10,363,887
193,937	231,774
10,471,051	8,629,192
369,372	142,271
48,276	57,756
(7,938)	(5,518)
<u>63,264,568</u>	<u>59,339,814</u>
9,659,564	3,805,551
<u>42,774,422</u>	<u>38,968,871</u>
<u>\$ 52,433,986</u>	<u>\$ 42,774,422</u>

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES -  
MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2017

	General Fund	Operations and Maintenance Fund	Debt Service Fund	Transportation Fund
<b>ASSETS</b>				
Cash and deposits	\$ 29,935,049	\$ 375,564	\$ 5,737,917	\$ 1,451,508
Interfund receivables	3,513	213,554	579,238	303,275
<b>Total Assets</b>	<b><u>\$ 29,938,562</u></b>	<b><u>\$ 589,118</u></b>	<b><u>\$ 6,317,155</u></b>	<b><u>\$ 1,754,783</u></b>
<b>LIABILITIES</b>				
Payroll deductions payable	\$ 321	\$ -	\$ -	\$ -
Interfund payables	1,209,681	-	-	-
<b>Total Liabilities</b>	<b><u>1,210,002</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>FUND BALANCES</b>				
Restricted	-	589,118	6,317,155	1,754,783
Unassigned	28,728,560	-	-	-
<b>Total Fund Balances</b>	<b><u>28,728,560</u></b>	<b><u>589,118</u></b>	<b><u>6,317,155</u></b>	<b><u>1,754,783</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 29,938,562</u></b>	<b><u>\$ 589,118</u></b>	<b><u>\$ 6,317,155</u></b>	<b><u>\$ 1,754,783</u></b>

The accompanying notes to the financial statements are an integral part of this statement.

Municipal Retirement/ Social Security Fund	Capital Projects Fund	Tort Fund	Total	
			2018	2017
\$ -	\$ 1,122,300	\$ -	\$ 38,622,338	\$ 35,091,062
31,939	43,537	34,625	1,209,681	3,789,627
<u>\$ 31,939</u>	<u>\$ 1,165,837</u>	<u>\$ 34,625</u>	<u>\$ 39,832,019</u>	<u>\$ 38,880,689</u>
\$ -	\$ -	\$ -	\$ 321	\$ 973
-	-	-	1,209,681	3,789,627
-	-	-	1,210,002	3,790,600
31,939	1,165,837	34,625	9,893,457	8,619,432
-	-	-	28,728,560	26,470,657
<u>31,939</u>	<u>1,165,837</u>	<u>34,625</u>	<u>38,622,017</u>	<u>35,090,089</u>
<u>\$ 31,939</u>	<u>\$ 1,165,837</u>	<u>\$ 34,625</u>	<u>\$ 39,832,019</u>	<u>\$ 38,880,689</u>

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF ASSETS, LIABILITIES AND FUND  
BALANCES (MODIFIED CASH BASIS) TO THE STATEMENT OF NET POSITION (MODIFIED CASH BASIS)  
JUNE 30, 2018

Total fund balances-governmental funds (Exhibit C) \$ 38,622,017

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

The cost of capital assets (land, buildings and equipment) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Position includes those capital assets among the assets of the School District as a whole.

Cost of capital assets		
Land	\$	4,894,309
Construction in progress		110,462
Improvements, other than buildings		3,617,697
Buildings		102,093,417
Equipment		7,767,442
Transportation equipment		<u>7,492,114</u>
Total cost of capital assets		125,975,441
Accumulated depreciation		<u>(48,850,004)</u>
Net capital assets		77,125,437

Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the Statement of Net Position.

Bonds payable		(61,990,000)
Capital leases payable		<u>(1,323,468)</u>
		<u>(63,313,468)</u>

Net position of governmental activities (Exhibit A) \$ 52,433,986

The accompanying notes to the financial statements are an integral part of this statement.

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WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
STATEMENT OF REVENUES RECEIVED, EXPENDITURES DISBURSED AND  
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Operations and Maintenance Fund	Debt Service Fund	Transportation Fund
<b>REVENUES</b>				
Local sources				
General tax levy	\$ 27,429,944	\$ 4,505,819	\$ 11,370,312	\$ 1,693,710
Special education levy	4,198,494	-	-	-
Social Security/Medicare tax levy	-	-	-	-
Corporate replacement taxes	173,937	-	-	-
Summer school - tuition	52,085	-	-	-
Transportation fees	-	-	-	30,674
Earnings on investments	318,636	3,815	33,676	4,110
Food services	490,506	-	-	-
District/school activity income	306,444	-	-	-
Textbooks	483,343	-	-	-
Rentals	-	15,830	-	-
Contributions and donations	-	-	-	-
Refund of prior years' expenditures	-	-	-	-
Other	840,559	162	-	1,201
State sources				
Evidence based funding formula	10,471,051	-	-	-
Transportation aid	-	-	-	4,186,422
Special education	1,629,456	-	-	-
Career and technical education	49,525	-	-	-
Bilingual education	234,867	-	-	-
State free lunch and breakfast	10,162	-	-	-
Driver education	31,870	-	-	-
Early childhood	384,877	-	-	-
Other	6,397	-	-	-
State on-behalf retirement revenues	17,702,493	-	-	-
Federal sources				
Food service	798,295	-	-	-
Title I - low income	554,954	-	-	-
Special education	533,132	-	-	-
CTE - Perkins - tech prep	23,844	-	-	-
Title III - immigrant education program	6,283	-	-	-
Title III - language instruction program	51,606	-	-	-
Title II - teacher quality	110,713	-	-	-
Medicaid matching - administrative outreach	82,861	-	-	-
Medicaid matching - fee for service	179,328	-	-	-
Other	-	-	-	-
<b>Total Revenues</b>	<b>67,155,662</b>	<b>4,525,626</b>	<b>11,403,988</b>	<b>5,916,117</b>

EXHIBIT D  
(Continued)

Municipal Retirement/ Social Security Fund	Capital Projects Fund	Tort Fund	Total	
			2018	2017
\$ 1,085,918	\$ -	\$ 820,314	\$ 46,906,017	\$ 44,763,425
-	-	-	4,198,494	4,493,503
1,085,359	-	-	1,085,359	1,027,411
20,000	-	-	193,937	231,774
-	-	-	52,085	66,975
-	-	-	30,674	25,426
580	8,555	-	369,372	142,271
-	-	-	490,506	505,679
-	-	-	306,444	316,370
-	-	-	483,343	449,686
-	-	-	15,830	16,594
-	48,276	-	48,276	57,756
-	-	39,977	39,977	-
-	-	-	841,922	698,319
-	-	-	10,471,051	8,629,192
-	-	-	4,186,422	2,301,821
-	-	-	1,629,456	1,411,163
-	-	-	49,525	39
-	-	-	234,867	76,023
-	-	-	10,162	3,286
-	-	-	31,870	22,300
-	-	-	384,877	129,101
-	-	-	6,397	34,022
-	-	-	17,702,493	15,431,760
-	-	-	798,295	843,876
-	-	-	554,954	306,872
-	-	-	533,132	614,488
-	-	-	23,844	23,720
-	-	-	6,283	5,260
-	-	-	51,606	75,627
-	-	-	110,713	63,751
-	-	-	82,861	88,168
-	-	-	179,328	182,675
-	-	-	-	6,845
<u>2,191,857</u>	<u>56,831</u>	<u>860,291</u>	<u>92,110,372</u>	<u>83,045,178</u>

(Continued)

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
STATEMENT OF REVENUES RECEIVED, EXPENDITURES DISBURSED AND  
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Operations and Maintenance Fund	Debt Service Fund	Transportation Fund
<b>EXPENDITURES</b>				
Current				
Instruction				
Regular programs	\$ 16,538,640	\$ -	\$ -	\$ -
Special education programs	6,531,918	-	-	-
Other instructional programs	4,791,198	-	-	-
Support services				
Pupils	4,786,924	-	-	-
Instructional staff	3,426,720	-	-	-
General administration	1,067,938	-	-	-
School administration	2,699,575	-	-	-
Business	1,489,793	4,414,648	-	4,106,048
Central	156,699	-	-	-
Payments to other governmental units	4,776,855	-	95,572	-
State on-behalf retirement expenditures	17,702,493			
Debt service				
Interest	-	-	3,318,125	49,025
Principal	-	-	7,345,000	669,338
Other	-	-	2,335	-
Capital outlay	296,702	18,551	-	651,200
Total Expenditures	<u>64,265,455</u>	<u>4,433,199</u>	<u>10,761,032</u>	<u>5,475,611</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,890,207</u>	<u>92,427</u>	<u>642,956</u>	<u>440,506</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	-	-	-	21,500
Capital leases	-	-	-	651,200
Transfers in	213,218	750,000	-	-
Transfers out	<u>(963,218)</u>	<u>(750,000)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(750,000)</u>	<u>-</u>	<u>-</u>	<u>672,700</u>
NET CHANGE IN FUND BALANCES	2,140,207	92,427	642,956	1,113,206
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	<u>26,588,353</u>	<u>496,691</u>	<u>5,674,199</u>	<u>641,577</u>
FUND BALANCES - END OF YEAR	<u>\$ 28,728,560</u>	<u>\$ 589,118</u>	<u>\$ 6,317,155</u>	<u>\$ 1,754,783</u>

The accompanying notes to the financial statements are an integral part of this statement.



Municipal Retirement/ Social Security Fund	Capital Projects Fund	Tort Fund	Total	
			2018	2017
\$ 227,747	\$ -	\$ -	\$ 16,766,387	\$ 16,065,587
306,018	-	-	6,837,936	6,250,223
135,787	-	-	4,926,985	4,303,143
163,148	-	-	4,950,072	4,965,285
108,224	-	-	3,534,944	3,445,968
36,830	-	707,970	1,812,738	1,756,841
194,121	-	-	2,893,696	2,778,429
1,029,247	33,539	-	11,073,275	10,615,261
1,964	-	-	158,663	152,128
-	-	-	4,872,427	4,691,579
-	-	-	17,702,493	15,431,760
-	-	-	3,367,150	5,359,882
-	-	-	8,014,338	5,098,308
-	-	-	2,335	2,775
-	1,371,252	-	2,337,705	2,193,139
<u>2,203,086</u>	<u>1,404,791</u>	<u>707,970</u>	<u>89,251,144</u>	<u>83,110,308</u>
<u>(11,229)</u>	<u>(1,347,960)</u>	<u>152,321</u>	<u>2,859,228</u>	<u>(65,130)</u>
-	-	-	21,500	12,500
-	-	-	651,200	641,436
-	750,000	-	1,713,218	89,015
-	-	-	(1,713,218)	(89,015)
-	750,000	-	672,700	653,936
(11,229)	(597,960)	152,321	3,531,928	588,806
<u>43,168</u>	<u>1,763,797</u>	<u>(117,696)</u>	<u>35,090,089</u>	<u>34,501,283</u>
<u>\$ 31,939</u>	<u>\$ 1,165,837</u>	<u>\$ 34,625</u>	<u>\$ 38,622,017</u>	<u>\$ 35,090,089</u>

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES (MODIFIED CASH BASIS) TO THE STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)  
YEAR ENDED JUNE 30, 2018

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Total net change in fund balances-governmental funds (Exhibit D) \$ 3,531,928

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year. Capital outlays for items below the District's capitalization policy limits and repairs and maintenance are expensed.

Depreciation expense	\$ (3,543,769)	
Construction in progress completed	(20,274)	
Capital outlay	<u>2,357,979</u>	
Depreciation expense in excess of capital outlay		(1,206,064)

Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net position. (651,200)

Repayment of debt principal is recorded as an expenditure in governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities. The District debt was reduced by principal payments made to bond holders.

Principal paid on capital leases	669,338	
Principal paid to bond holders	<u>7,345,000</u>	
Total principal paid on debt		8,014,338

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The expenses include the changes in:

Salvage value of disposed capital assets		<u>(29,438)</u>
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Change in net position of governmental activities (Exhibit B) \$ 9,659,564

WAUCONDA COMMUNITY UNIT DISTRICT NO. 118  
 STATEMENT OF ASSETS AND LIABILITIES - CASH BASIS  
 AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and deposits	\$ 391,093	\$ 382,330
Total Assets	<u>\$ 391,093</u>	<u>\$ 382,330</u>
LIABILITIES		
Due to student activities	\$ 391,093	\$ 382,330
Total Liabilities	<u>\$ 391,093</u>	<u>\$ 382,330</u>

The accompanying notes to the financial statements are an integral part of this statement.

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WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Wauconda Community Unit School District No. 118 (the District) have been prepared in conformity with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The governmental accounting standards board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District's accounting policies are described below.

**A. Financial Reporting Entity**

The District is located in Lake and McHenry Counties, Illinois. The District is governed by an elected Board of Education. The Board of Education maintains final responsibility for all personnel, budgetary, taxing, and debt matters.

The District includes all funds of its operations that are controlled by or dependent upon the District as determined on a basis of financial accountability. Financial accountability includes appointment of the organization's governing body, imposition of will, and fiscal dependency. The accompanying financial statements include only those funds of the District, as there are no organizations for which it has financial accountability.

Also, the District is not included as a component unit in any other governmental reporting entity, as defined by GASB pronouncements.

**B. Basis of Presentation – Fund Accounting**

The accounts of the District are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Funds are classified into the following categories: governmental and fiduciary.

Governmental funds are used to account for all or most of the District's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the servicing of general long-term debt (bond and interest funds), and the acquisition or construction of major capital facilities (capital projects fund). The General Fund is used to account for all activities of the general government not accounted for in some other fund.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District.

**C. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the District. The effect of interfund activity has been eliminated from these statements. Governmental activities normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) tuition and fees, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues instead.

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

**General Fund** – The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund includes the Educational Account and Working Cash Account.

*Educational Account* – is used to account for expenditures made for educational services not accounted for elsewhere. Revenue consists primarily of local property taxes, federal and state grant funding.

*Working Cash Account* – accounts for financial resources held by the District to be used as temporary interfund loans for working capital requirements. Money loaned by the Working Cash Account to other funds must be repaid within one year. As allowed by the School Code of Illinois, this Account may be permanently abolished and become part of the General Fund or it may be partially abated.

**Special Revenue Funds** – The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than those accounted for in the Debt Service, Capital Projects, or Fiduciary Funds) that are legally restricted to expenditures for specified purposes.

Each of the District's Special Revenue Funds has been established as a separate fund in accordance with the fund structure required by the state of Illinois for local educational agencies. These funds account for local property taxes restricted to specific purposes. A brief description of the District's Special Revenue Funds is as follows:

*Operations and Maintenance Fund* – is used for expenditures made for operations, repair, and maintenance of the District's buildings and land. Revenue consists primarily of local property taxes.

*Transportation Fund* – accounts for all revenues and expenditures made for student transportation. Revenues are derived primarily from local property taxes and state reimbursement grants.

*Municipal Retirement/Social Security Fund* – accounts for the District's portion of pension contributions to the Illinois Municipal Retirement/Social Security Fund, payments to Medicare, and payments to the Social Security System for noncertified employees. Revenue to finance contributions is derived primarily from local property taxes and personal property replacement taxes.

*Tort Fund* – accounts for funds which are restricted for tort immunity expenditures in accordance with the *Illinois Compiled Statutes*. Revenue is derived primarily from local property taxes.

**Debt Service**

The *Debt Service Fund* is used for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The primary revenue source is local property taxes levied specifically for debt service.

**Capital Projects Fund**

The *Capital Projects Fund* – accounts for financial resources to be used for the acquisition or construction of major capital facilities.

**Fiduciary Fund Types (not included in government-wide statements)**

The Fiduciary Fund accounts for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds.

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

*Agency Funds*, including the Student Activity Fund – are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Student Activity Fund accounts for assets held by the District which are owned, operated, and managed generally by the student body, under the guidance and direction of adults or a staff member, for educational, recreational, or cultural purposes. It accounts for activities such as student yearbook, student clubs and council, and scholarships.

**D. Measurement Focus, Basis of Accounting, and Basis of Presentation**

The government-wide financial statements are prepared using the modified cash basis of accounting, as are the fiduciary fund statements. The modified cash basis of accounting omits recognition of certain revenues and the related assets, such as taxes receivable, until received rather than earned. Also, certain expenditures and the related liabilities, such as accounts payable and accrued items, are recognized when paid rather than when the obligation is incurred. The financial statements reflect assets and liabilities arising from cash transactions, revenues collected, and expenditures paid. The modified cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles.

**E. Cash and Deposits**

Cash and deposits are considered to be cash on hand, cash with financial institutions and savings deposit accounts.

**F. Personal Property Replacement Taxes**

Personal property replacement tax revenues are first allocated to the Municipal Retirement/Social Security Fund, as required and the balance is allocated at the discretion of the District.

**G. Capital Assets**

Capital assets, which include land, buildings, improvements other than buildings, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year or more. Such assets are recorded at historical cost or estimated fair value at the date of donation.

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

Depreciation of capital assets is provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Improvements, other than buildings	20
Buildings	50
Equipment and transportation equipment	5 – 10

**H. Comparative Total Data**

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations.

**I. Long-Term Liabilities**

The accounting treatment of long-term debt depends on whether they are reported in the government-wide or fund financial statements. All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures.

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**J. Program Revenues**

Amounts reported as program revenues include 1) Tuition and fees and 2) Grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. All taxes, including those dedicated for specific purposes, are reported as general revenues rather than program revenues.

**K. Equity Classifications/Fund Balance Reporting**

**Equity Classifications**

Equity is classified as net position and displayed in three components:

*Net Investment in capital assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets less any unspent debt proceeds.

*Restricted net position* – Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation. The Restricted net position consists of the Operations and Maintenance Fund (\$589,118), the Debt Service Fund (\$6,317,155), the Transportation Fund (\$1,754,783), the Municipal Retirement/Social Security Fund (\$31,939), the Capital Projects Fund (\$1,165,837), and the Tort Fund (\$34,625), totaling \$9,893,457.

*Unrestricted net position* – All other net position that do not meet the definition of “restricted” or “investment in capital assets”.

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

**Fund Balance Reporting**

Fund balances are to be classified into five major classifications; Nonspendable, Restricted, Committed, Assigned, and Unassigned.

*Nonspendable* – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example inventories and prepaid amounts. Due to the cash basis used by the District there is nothing to report for this classification.

*Restricted* – The restricted fund balance classification refers to amounts that are subject to outside restrictions, not controlled by the District. Items such as restrictions imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Special Revenue Funds are by definition restricted for those specified purposes. The District has several revenue sources received within different funds that also fall into these categories –

- *Special Education* – Cash receipts and the related cash disbursements of this restricted tax levy are accounted for in the Educational Account. Expenditures disbursed exceeded revenue received for this purpose, resulting in no restricted fund balance.
- *State Grants* – Proceeds from state grants and the related expenditures have been included in the Educational Account and Transportation Fund. At June 30, 2018, expenditures disbursed exceeded revenue received from state grants, resulting in no restricted balance.



WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

- *Federal Grants* – Proceeds from federal grants and the related expenditures have been included in the Educational Account. At June 30, 2018, expenditures disbursed exceeded revenue received from federal grants, resulting in no restricted balance.
- *Social Security* – Expenditures disbursed and the related cash receipts of this restricted tax levy are accounted for in the Municipal Retirement/Social Security Fund. Expenditures disbursed exceeded revenue received, resulting in no restricted balance.

*Committed* – The committed fund balance refers to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the school board. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of formal action it employed to previously commit those amounts.

*Assigned* – The assigned fund balance classification refers to amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. Assignments may take place after the end of the reporting period.

*Unassigned* – The unassigned fund balance classification is the residual classification for amounts in the General Fund for amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund.

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

**NOTE 2 – CASH AND DEPOSITS**

Cash and deposits are considered to be cash on hand, cash with financial institutions and savings deposit accounts. The District has adopted a formal cash management policy. The financial institutions in which accounts are made must be approved by the Board of Education.

The District maintains a cash pool that is available for use by all funds. In addition, accounts may be separately held by some of the District’s funds.

At June 30, 2018, the carrying amount of the District’s deposits totaled \$39,013,431, which includes \$391,093 in the fiduciary funds. Bank balances totaling \$40,553,106 are separated into the following components as follows:

	Governmental	Fiduciary	Total
Cash and deposits	\$ 40,133,201	\$ 419,905	\$ 40,553,106
Maturities			
Cash and Deposits	Amount	Less Than Six Months	Six Months to One Year
Cash with Financial Institution	\$ 11,951,987	\$ 11,951,987	\$ -
Savings Deposit Accounts	13,327,196	13,327,196	-
ISDLAF+	11,988,125	11,988,125	-
Illinois Institutional Investors Fund	3,285,798	3,285,798	-
Total	\$ 40,553,106	\$ 40,553,106	\$ -

*Interest Rate Risk.* The District limits its exposure to losses arising from increasing interest rates by limiting the amount of cash held for a period longer than one year. The weighted average of the portfolio maturity was 0.0 days and the weighted portfolio yield was 0.0%.

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

**NOTE 2 – CASH AND DEPOSITS (CONT'D)**

*Credit Risk.* The District is allowed to invest in securities as authorized by Chapter 30, Sections 23 5/2, and 23 5/6, and Chapter 105, Section 5/8-7 of the *Illinois Compiled Statutes*. These Statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. Agencies' accounts and any other investments constituting direct obligations of any bank as defined by the Illinois Bank Act, certain short-term commercial paper, accounts of federally insured savings and loans, and the state treasurers' investment pool. The District has no cash policy that would further limit its cash choices.

The Illinois School District Liquid Asset Fund Plus (ISDLAF+) and the Illinois Institutional Investors Fund (IIIT) are a not-for-profit investment trust formed pursuant to the Illinois Municipal Code and managed by a Board of Trustees elected from participating members. Neither fund are registered with the SEC as an investment company, but do operate in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. Investments are valued at net asset value (NAV) per share price, which is the price at which the investment could be sold, as determined by the pool.

*Custodial Risk.* Custodial credit risk is the risk that, in the event of the failure of the bank or the counterparty, the District will not be able to recover the value of its deposits that are in the possession of an outside party. The bank balance of \$40,553,106 is exposed to custodial credit risk as follows:

Depository Account	Bank Balance
FDIC Insured	\$ 706,452
Collateralized	24,572,731
Uncollateralized	15,273,923
Total Deposits	\$ 40,553,106

**NOTE 3 – PROPERTY TAXES**

Property taxes are levied each year on all taxable real property located in the District on or before the last Tuesday in December of the subsequent year. The adoption date for the 2017 tax levy was November 9, 2017. The adoption date for the 2016 tax levy was November 10, 2016. Taxes attach as an enforceable lien on property on January 1 and are payable in two installments (June 1 and September 1) subsequent to the year of levy. The District receives significant distributions of tax receipts approximately one month after these due dates. Taxes recorded on these financial statements are from the 2017 and 2016 tax levy years.

A summary of the past two years' assessed valuation, tax rates, and extensions are as follows:

Tax Year	2017		2016	
Equalized Assessed Valuation	\$754,853,162		\$720,682,751	
Purpose	Rates	Extensions	Rates	Extensions
Educational	3.691	\$ 27,865,268	3.730	\$ 26,880,301
Special Education	0.556	4,196,984	0.582	4,194,374
Building	0.609	4,597,056	0.611	4,399,768
Bond and Interest	1.573	11,913,806	1.488	10,759,968
Transportation	0.218	1,645,580	0.242	1,744,052
IMRF/Social Security	0.290	2,189,074	0.297	2,147,634
IMRF SEDOL	0.006	46,182	0.006	45,172
Working Cash	0.001	7,549	0.001	7,207
Tort	0.111	837,887	0.111	799,958
Totals	7.055	\$ 53,299,386	7.068	\$ 50,978,434

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<i>Capital assets not being depreciated:</i>				
Land	\$ 4,894,309	\$ -	\$ -	\$ 4,894,309
Construction in progress	20,274	110,462	20,274	110,462
Total capital assets not being depreciated	<u>4,914,583</u>	<u>110,462</u>	<u>20,274</u>	<u>5,004,771</u>
<i>Capital assets being depreciated:</i>				
Improvements, other than buildings	3,496,631	121,066	-	3,617,697
Buildings	100,747,407	1,346,010	-	102,093,417
Equipment	7,638,201	129,241	-	7,767,442
Transportation equipment	7,135,302	651,200	294,388	7,492,114
Total capital assets being depreciated	<u>119,017,541</u>	<u>2,247,517</u>	<u>294,388</u>	<u>120,970,670</u>
<i>Less accumulated depreciation for:</i>				
Improvements, other than buildings	2,424,496	178,346	-	2,602,842
Buildings	33,784,395	2,377,525	-	36,161,920
Equipment	5,292,327	428,122	-	5,720,449
Transportation equipment	4,069,967	559,776	264,950	4,364,793
Total accumulated depreciation	<u>45,571,185</u>	<u>3,543,769</u>	<u>264,950</u>	<u>48,850,004</u>
Net capital assets being depreciated	<u>73,446,356</u>	<u>(1,296,252)</u>	<u>29,438</u>	<u>72,120,666</u>
Net governmental activities capital assets	<u>\$ 78,360,939</u>	<u>\$ (1,185,790)</u>	<u>\$ 49,712</u>	<u>\$ 77,125,437</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Unallocated	\$ 3,543,769
Total	<u>\$ 3,543,769</u>

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
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**NOTE 5 – LONG-TERM LIABILITIES**

**Changes in Long-Term Liabilities**

The following are the changes in long-term liabilities:

Governmental Activities	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018	Due Within One Year
<b>Bonds:</b>					
General Obligation Refunding,					
Series 2012	\$ 8,510,000	\$ -	\$ -	\$ 8,510,000	\$ 1,760,000
Series 2013	8,735,000	-	2,675,000	6,060,000	6,060,000
Series 2014	6,915,000	-	3,175,000	3,740,000	-
Series 2015	31,840,000	-	640,000	31,200,000	-
General Obligation Limited,					
Series 2010B	13,335,000	-	855,000	12,480,000	925,000
<b>Total Bonds</b>	<b>69,335,000</b>	<b>-</b>	<b>7,345,000</b>	<b>61,990,000</b>	<b>8,745,000</b>
<b>Capital Leases:</b>					
(7) Bluebird Bus Lease	141,632	-	141,632	-	-
(1) Bluebird Bus Lease	24,186	-	11,885	12,301	12,301
(6) Bluebird Bus Lease	239,991	-	117,935	122,056	122,056
(7) Bluebird Bus Lease	430,406	-	138,516	291,890	143,411
(4) Bluebird Bus Lease	193,169	-	45,733	147,436	47,398
(4) Bluebird Bus Lease	312,222	-	73,919	238,303	76,610
(4) Bluebird Bus Lease	-	401,920	86,234	315,686	74,353
(4) Bluebird Bus Lease	-	249,280	53,484	195,796	46,115
<b>Total Capital Leases</b>	<b>1,341,606</b>	<b>651,200</b>	<b>669,338</b>	<b>1,323,468</b>	<b>522,244</b>
<b>Total Long-Term Liabilities</b>	<b>\$ 70,676,606</b>	<b>\$ 651,200</b>	<b>\$ 8,014,338</b>	<b>\$ 63,313,468</b>	<b>\$ 9,267,244</b>

**Annual Cash Flow Requirements**

At June 30, 2018, the annual debt service cash flow requirements to service all bonds are:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 8,745,000	\$ 3,051,787	\$ 11,796,787
2020	8,310,000	2,679,774	10,989,774
2021	8,490,000	2,336,974	10,826,974
2022	8,860,000	1,968,045	10,828,045
2023	9,315,000	1,515,334	10,830,334
2024	9,790,000	1,041,450	10,831,450
2025	2,820,000	542,050	3,362,050
2026	990,000	389,332	1,379,332
2027	1,055,000	325,873	1,380,873
2028	1,125,000	256,665	1,381,665
2029	1,205,000	176,790	1,381,790
2030	1,285,000	91,235	1,376,235
<b>TOTAL</b>	<b>\$ 61,990,000</b>	<b>\$ 14,375,309</b>	<b>\$ 76,365,309</b>

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
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**NOTE 5 – LONG-TERM LIABILITIES (CONT'D)**

These payments will be made from amounts budgeted from the debt service tax levies in future periods. There is \$6,317,155 in the Debt Service Fund to service the outstanding bonds payable. As of June 30, 2018, the District was in compliance with all significant bond covenants.

**Legal Debt Margin**

Based on the 2017 assessed valuation of \$754,853,162, the legal debt margin of 13.8 percent is \$104,169,736. At June 30, 2018, the outstanding debt to which the legal debt margin applies is \$63,313,468, leaving an available borrowing power of \$40,856,268.

**Defeasance of Debt**

In prior years, the District defeased general obligation capital appreciation bonds and general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for defeased bonds are not included in the government's financial statements. At June 30, 2018, \$24,248,889 of defeased bonds remains outstanding.

**Capital Leases**

The District has entered into lease agreements for financing the acquisition of school buses. The obligations for these leases will be repaid from the Transportation Fund. The capital leases are included in capital assets. The future cash flow requirements for the leases are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 522,244	\$ 49,464	\$ 571,708
2020	402,278	30,378	432,656
2021	263,477	15,453	278,930
2022	135,469	5,405	140,874
TOTAL	<u>\$ 1,323,468</u>	<u>\$ 100,700</u>	<u>\$ 1,424,168</u>

**NOTE 6 – OPERATING LEASES**

The District entered into an agreement to lease various copiers (2 sets) over a sixty month period. The stated rate pursuant to the agreement is \$13,295 and \$650, per month, respectively. The minimum annual lease payments are as follows:

Year Ending June 30,	Lease Obligation		Total
	22 Konica Copiers	6 Samsung Copiers	
2019	\$ 159,542	\$ 7,800	\$ 167,342
2020	159,543	7,800	167,343
2021	159,542	7,800	167,342
2022	159,542	7,800	167,342
2023	106,362	650	107,012
TOTAL	<u>\$ 744,531</u>	<u>\$ 31,850</u>	<u>\$ 776,381</u>

Operating leases are liquidated by the General Fund. The District paid \$170,180 in operating lease payments during the year ended June 30, 2018.

## NOTE 7 – RETIREMENT FUND COMMITMENTS

### A. Teachers' Retirement System (TRS) of the State of Illinois

#### General Information about the Pension Plan

##### *Plan Description*

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

TRS issues a publicly available financial report that can be obtained at <https://www.trsil.org>; by writing to TRS at 2815 W. Washington Street, P. O. 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 10 years, or age 55 with 20 years. The benefit is determined by the average of the four highest years of creditable earnings within the last 10 years of creditable service and the percentage of average salary to which the member is entitled. Most members retire under a formula that provides 2.2 percent of final average salary up to a maximum of 75 percent with 34 years of service. Disability and death benefits are also provided.

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

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

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

##### *Contributions*

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

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

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**NOTE 7 – RETIREMENT FUND COMMITMENTS (CONT'D)**

**On-behalf contributions to TRS.** The State of Illinois makes employer pension contributions on behalf of the employer. For the year ended June 30, 2018, State of Illinois contributions recognized by the employer were based on the State's proportionate share of the collective net pension liability associated with the employer, and the employer recognized revenue and expenditures of \$17,345,153 in pension contributions from the State of Illinois.

**2.2 formula contributions.** Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2018, were \$167,684, and are deferred because they were paid after the June 30, 2017 measurement date.

**Federal and special trust fund contributions.** When TRS members are paid from federal and special trust funds administered by 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, 2018, the employer pension contribution was 10.10 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2018, salaries totaling \$217,019 were paid from federal and special trust funds that required employer contributions of \$21,919. These contributions are deferred because they were paid after the June 30, 2017, measurement date.

**Employer retirement 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 retiring under the Early Retirement Option (ERO). The payments vary depending on the member's age and salary. The maximum employer ERO contribution under the program that ended on June 30, 2016, is 146.5 percent and applies when the member is age 55 at retirement. For the year ended June 30, 2018, the employer paid \$-0- to TRS for employer ERO contributions for retirements that occurred before July 1, 2016.

The employer is also required to make a one-time contribution to TRS for members granted salary increases over 6 percent if those salaries are used to calculate a retiree's final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2018, the employer paid \$7,391 to TRS for employer contributions due on salary increases in excess of 6 percent and \$-0- for sick leave days granted in excess of the normal annual allotment.

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

At June 30, 2018, the employer reported a liability for its proportionate share of the net pension liability (first amount shown below) that reflected a reduction for state pension support provided to the employer. The state's support and total are for disclosure purposes only. The amount recognized by the employer as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the employer were as follows:

Employer's proportionate share of the net pension liability	\$ 4,227,820
State's proportionate share of the net pension liability associated with the employer	176,244,639
Total	\$ 180,472,459

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**NOTE 7 – RETIREMENT FUND COMMITMENTS (CONT'D)**

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, and rolled forward to June 30, 2017. The employer's proportion of the net pension liability was based on the employer's share of contributions to TRS for the measurement year ended June 30, 2017, relative to the projected contributions of all participating TRS employers and the state during that period. At June 30, 2017, the employer's proportion was .00553 percent, which was an increase of .000157 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the employer recognized pension expense of \$17,544,320 and revenue of \$17,345,153 for support provided by the state. At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
<i>Deferred amounts to be recognized in pension expense in future periods</i>			
Differences between expected and actual experience	\$ 45,919	\$ 1,952	\$ 43,967
Net difference between projected and actual earnings on pension plan investments	2,900	-	2,900
Changes of assumptions	282,177	121,488	160,689
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>2,208,776</u>	<u>1,182,728</u>	<u>1,026,048</u>
Total deferred amounts to be recognized in pension expense in future periods	<u>2,539,772</u>	<u>1,306,168</u>	<u>1,233,604</u>
<i>Pension contributions made subsequent to the measurement date</i>	<u>199,167</u>	-	<u>199,167</u>
Total	<u><u>\$ 2,738,939</u></u>	<u><u>\$ 1,306,168</u></u>	<u><u>\$ 1,432,771</u></u>

\$199,167 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, 2019. 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 June 30,	Net Deferred Outflows of Resources
2019	\$ 29,343
2020	209,045
2021	702,190
2022	266,734
2023	<u>26,292</u>
Total	<u><u>\$ 1,233,604</u></u>



WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
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 JUNE 30, 2018

**NOTE 7 – RETIREMENT FUND COMMITMENTS (CONT'D)**

*Actuarial Assumptions*

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

<b>Inflation</b>	2.50 percent
<b>Salary increases</b>	Varies by amount of service credit
<b>Investment rate of return</b>	7.00 percent, net of pension plan investment expense, including inflation

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equities large cap	14.4%	6.94%
U.S. equities small/mid cap	3.6%	8.09%
International equities developed	14.4%	7.46%
Emerging market equities	3.6%	10.15%
U.S. bonds core	10.7%	2.44%
International debt developed	5.3%	1.70%
Real estate	15.0%	5.44%
Commodities (real return)	11.0%	4.28%
Hedge funds (absolute return)	8.0%	4.16%
Private equity	14.0%	10.63%
Total	<u>100%</u>	

*Discount Rate*

At June 30, 2017, the discount rate used to measure the total pension liability was 7.0 percent, which was changed from the June 30, 2016, rate of 6.83 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and state contributions will be made at the current statutorily-required rates.

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

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
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**NOTE 7 – RETIREMENT FUND COMMITMENTS (CONT'D)**

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

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Employer's proportionate share of the net pension liability	\$ 5,194,430	\$ 4,227,820	\$ 3,436,087

*TRS Fiduciary Net Position*

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

**B. Illinois Municipal Retirement Fund (IMRF)**

**IMRF Plan Description**

The employer'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 employer'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 (RSI). The report is available for download at [www.imrf.org](http://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 10 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.

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**NOTE 7 – RETIREMENT FUND COMMITMENTS (CONT'D)**

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 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of:

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

**Employees Covered by Benefit Terms**

As of December 31, 2017, the following employees were covered by the benefit terms:

December 31,	2017
Retirees and Beneficiaries currently receiving benefits	146
Inactive Plan Members entitled to but not yet receiving benefits	166
Active Plan Members	250
Total	562

**Contributions**

As set by statute, the employer’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 employer’s annual required contribution rate for calendar year 2017 was 11.08%. For the fiscal year ended June 30, 2018, the employer contributed \$1,000,642 to the plan. The employer 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 employer’s net pension liability was measured as of December 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

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

- The Actuarial Cost Method used was Entry Age Normal.
- The Asset Valuation Method used was Market Value of Assets.
- The Inflation Rate was assumed to be 2.50%.
- Salary Increases were expected to be 3.39% to 14.25%, including inflation.
- The Investment Rate of Return was assumed to be 7.50%.

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**NOTE 7 – RETIREMENT FUND COMMITMENTS (CONT'D)**

- Projected Retirement Age was from the experience-based table of rates, specific to the type of eligibility condition, last updated for the 2017 valuation according to an experience study of the period 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.
- 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, 2017:

Asset Class	Target Allocation	Return 12/31/17	Projected Returns/Risks	
			One Year Arithmetic	Ten Year Geometric
Equities	37%	19.60%	8.30%	6.85%
International Equities	18%	27.53%	8.45%	6.75%
Fixed Income	28%	4.67%	3.05%	3.00%
Real Estate	9%	9.10%	6.90%	5.75%
Alternatives	7%			
Private Equity		N/A	12.45%	7.35%
Hedge Funds		N/A	5.35%	5.05%
Commodities		N/A	4.25%	2.65%
Cash Equivalents	1%	N/A	2.25%	2.25%
Total	<u>100%</u>			

**Single Discount Rate**

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

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
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**NOTE 7 – RETIREMENT FUND COMMITMENTS (CONT'D)**

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 valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.31%; and the resulting single discount rate is 7.50%.

**Changes in the Net Pension Liability**

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2016	\$ 32,017,406	\$ 26,518,100	\$ 5,499,306
Changes for the year:			
Service Cost	980,682	-	980,682
Interest on the Total Pension Liability	2,393,719	-	2,393,719
Differences Between Expected and Actual Experience of the Total Pension Liability	658,262	-	658,262
Changes of Assumptions	(1,049,094)	-	(1,049,094)
Contributions - Employer	-	1,004,642	(1,004,642)
Contributions - Employees	-	409,895	(409,895)
Net Investment Income	-	4,512,567	(4,512,567)
Benefits Payments, including Refunds of Employee Contributions	(1,182,993)	(1,182,993)	-
Other (Net Transfer)	-	(219,110)	219,110
Net Changes	<u>1,800,576</u>	<u>4,525,001</u>	<u>(2,724,425)</u>
Balances at December 31, 2017	<u>\$ 33,817,982</u>	<u>\$ 31,043,101</u>	<u>\$ 2,774,881</u>

**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 7.50%, 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:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Total Pension Liability	\$ 38,194,428	\$ 33,817,982	\$ 30,219,924
Plan Fiduciary Net Position	31,043,101	31,043,101	31,043,101
Net Pension Liability	<u>\$ 7,151,327</u>	<u>\$ 2,774,881</u>	<u>\$ (823,177)</u>

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

For the year ended June 30, 2018, the employer recognized pension expense of \$1,513,929. At June 30, 2018, the employer reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

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JUNE 30, 2018

**NOTE 7 – RETIREMENT FUND COMMITMENTS (CONT'D)**

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
<i>Deferred amounts to be recognized in pension expense in future periods</i>			
Differences between expected and actual experience	\$ 813,570	\$ 455	\$ 813,115
Changes of assumptions	75,051	871,481	(796,430)
Net difference between projected and actual earnings on pension plan investments	<u>849,579</u>	<u>2,018,594</u>	<u>(1,169,015)</u>
Total deferred amounts to be recognized in pension expense in future periods	<u>1,738,200</u>	<u>2,890,530</u>	<u>(1,152,330)</u>
<i>Pension contributions made subsequent to the measurement date</i>	<u>516,661</u>	<u>-</u>	<u>516,661</u>
Total Deferred Amounts Related to Pensions	<u><u>\$ 2,254,861</u></u>	<u><u>\$ 2,890,530</u></u>	<u><u>\$ (635,669)</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Year Ending December 31	Net Deferred Outflows (Inflows) of Resources
2018	\$ 79,638
2019	(166,645)
2020	(560,676)
2021	(504,647)
Thereafter	-
Total	<u><u>\$ (1,152,330)</u></u>

**C. Aggregate Pension Amounts**

For the year ended June 30, 2018, aggregate pension amounts are as follows:

	TRS	IMRF	Total
Deferred Outflows of Resources	\$ 2,738,939	\$ 2,254,861	\$ 4,993,800
Net Pension Liability	4,227,820	2,774,881	7,002,701
Deferred Inflows of Resources	1,306,168	2,890,530	4,196,698
Pension Expense, Net of State Support	199,167	1,513,929	1,713,096

**D. Social Security/Medicare**

Employees not qualifying for coverage under the Illinois Teacher's Retirement System 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/Medicare.

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS**

**A. Teachers' Health Insurance Security (THIS) Fund**

**General Information about the Plan**

*Plan Description*

The employer participates in the Teachers' 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.

*Benefits Provided*

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 State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. Effective July 1, 2012, in accordance with Executive Order 12-01, the plan is administered by the Illinois Department of Central Management Services (CMS) with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to TRS who are not employees of the state to make a contribution to the THIS Fund.

*Contributions*

The percentage of employer required contributions in the future will not exceed 105 percent of the percentage of salary actually required to be paid in the previous fiscal year.

- *On-Behalf Contributions to the THIS Fund*

The State of Illinois makes employer retiree health insurance contributions on behalf of the employer. State contributions are intended to match contributions to the THIS Fund from active members which were 1.18 percent of pay during the year ended June 30, 2018. State of Illinois contributions were \$357,340, and the employer recognized revenue and expenditures of this amount during the year.

- *Employer Contributions to the THIS Fund*

The employer also makes contributions to the THIS Fund. The employer THIS Fund contribution was 0.88 percent during the year ended June 30, 2018. For the year ended June 30, 2018, the employer paid \$266,491 to the THIS Fund, which was 100 percent of the required contribution. The contributions are deferred because they were paid after the June 30, 2017 measurement date.

**THIS Liabilities, THIS Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to THIS**

At June 30, 2018, the employer reported a liability for its proportionate share of the net THIS liability (first amount shown below). The state's support and total are for disclosure purposes only. The amount recognized by the employer as its proportionate share of the net THIS liability, the related state support, and the total portion of the net THIS liability that was associated with the employer were as follows:

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JUNE 30, 2018

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (CONT'D)**

Employer's proportionate share of the net THIS liability	\$ 32,966,231
State's proportionate share of the net THIS liability associated with the employer	<u>43,292,853</u>
Total	<u><u>\$ 76,259,084</u></u>

The net THIS liability was measured as of June 30, 2017, and the total THIS liability used to calculate the net THIS liability was determined by an actuarial valuation as of June 30, 2016, and rolled forward to June 30, 2017. The employer's proportion of the net THIS liability was based on the employer's share of contributions to THIS for the measurement year ended June 30, 2017, relative to the projected contributions of all participating THIS employers and the state during that period. At June 30, 2017, the employer's proportion was .127040 percent, which was an increase of 0.007508 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the employer recognized THIS expense of \$357,340 and revenue of \$357,340 for support provided by the state. At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to THIS from the following sources:

Deferred Amounts Related to OPEB	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
<i>Deferred amounts to be recognized in OPEB expense in future periods</i>			
Differences between expected and actual experience	\$ -	\$ 18,672	\$ (18,672)
Net difference between projected and actual earnings on pension plan investments	-	363	(363)
Changes of assumptions	-	3,925,065	(3,925,065)
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>1,759,871</u>	<u>-</u>	<u>1,759,871</u>
Total deferred amounts to be recognized in OPEB expense in future periods	<u>1,759,871</u>	<u>3,944,100</u>	<u>(2,184,229)</u>
<i>OPEB contributions subsequent to the measurement measurement date</i>			
	<u>266,491</u>	<u>-</u>	<u>266,491</u>
Total	<u><u>\$ 2,026,362</u></u>	<u><u>\$ 3,944,100</u></u>	<u><u>\$ (1,917,738)</u></u>

\$266,491 reported as deferred outflows of resources related to THIS resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the THIS pension liability in the reporting year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to THIS will be recognized in THIS expense as follows:

Year Ending June 30,	Net Deferred (Inflows) of Resources
2019	\$ (335,538)
2020	(335,539)
2021	(335,538)
2022	(335,539)
2023	(335,488)
Thereafter	<u>(506,587)</u>
Total	<u><u>\$ (2,184,229)</u></u>



WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (CONT'D)**

*Actuarial Assumptions*

The total THIS liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement date, unless otherwise specified:

<b>Inflation</b>	2.75 percent
<b>Salary increases</b>	varies by amount of service credit
<b>Investment rate of return</b>	0.00 percent, net of THIS plan investment expense, including inflation
<b>Healthcare cost trend rates</b>	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.00% and 9.00% for non-Medicare costs and post-Medicare costs, respectively, and gradually decreases to an ultimate trend rate of 4.50%. Additional trend rate of 0.59% is added to non-Medicare costs on and after 2020 to account for Excise Tax.

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

The actuarial valuation was based on the Entry Age Normal cost method. Under this method, the normal cost and actuarial accrued liability are directly proportional to the employee's salary. The normal cost rate equals the present value of future benefits at entry age divided by the present value of future salary at entry age. The normal cost at the member's attained age equals the normal cost rate at entry age multiplied by the salary at attained age. The actuarial accrued liability equals the present value of benefits at attained age less present value of future salaries at attained age multiplied by normal cost rate at entry age.

Given the significant benefit payable, negative asset value and pay-as-you-go funding policy, the long-term expected rate of return assumption was set at zero.

*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 THIS plan investments (to the extent that the plan 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 THIS is financed on a pay-as-you-go basis, a discount rate consistent with the 20-year general obligation bond index has been selected. The discount rates are 2.85%, as of June 30, 2016, and 3.56% as of June 30, 2017.

*Sensitivity of the Employer's Proportionate Share of the Net THIS Liability to Changes in the Discount Rate*

The following presents the employer's proportionate share of the net THIS liability calculated using the discount rate of 3.56 percent, as well as what the employer's proportionate share of the net THIS liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current rate.

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Employer's proportionate share of the net pension liability	\$ 39,559,425	\$ 32,966,231	\$ 27,690,812

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (CONT'D)**

*Sensitivity of the Employer's Proportionate Share of the Net THIS Liability to Changes in the Health Care Trend Rate*

The following presents the employer's proportionate share of the net THIS liability calculated using an initial health care cost trend rate of 8.00% as well as what the plan's net OPEB liability would be if it were calculated using a Trend Rate that is 1% lower or 1% higher:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Employer's proportionate share of the net pension liability	\$ 26,607,206	\$ 32,966,231	\$ 42,093,781

**Further information on the THIS Fund**

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." Prior reports are available under "Healthcare and Family Services".

**B. Health Benefit Plan**

**General Information about the Plan**

*Plan Description*

The District's Other Post-Employment Benefit Plan (OPEB) is single-employer defined benefit healthcare plan that is administered by the District. The District provides post-employment medical and prescription drug coverage benefits for eligible participants enrolled in the District sponsored plans. The plan is closed to all future retirees and is only available to current retirees and their spouses. All retirees must pay 100% of the premium for the plan that they elected. Spouses are not eligible to continue benefits after the death of the retiree.

*Benefits Provided*

Benefit provisions are established through contractual agreements and may only be amended through negotiations with the District and union representatives. Participants are eligible for medical coverage (medical and prescription) under a fully-insured PPO plan or HMOI plan for pre-65 and post-65 coverage.

*Employees Covered by Benefit Terms*

As of June 30, 2017, the following employees were covered by the benefit terms:

June 30,	2017
Retirees and Beneficiaries currently receiving benefits	6
Inactive Plan Members entitled to but not yet receiving benefits	-
Active Plan Members	177
Total	183

*Contributions*

Contribution requirements are established through contractual agreements and may only be amended through negotiations with the District and union representatives. The retiree is responsible for paying the full monthly premium. However, the District provides an annual reimbursement toward the premium cost at established rates. The District currently pays for postemployment health care benefits on a pay-as-you-go basis. The employer contributed \$-0- for the year ending June 30, 2017.

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (CONT'D)**

*Net OPEB Liability*

The employer's net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the OPEB liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions*

The following are the methods and assumptions used to determined total OPEB liability at June 30, 2017:

- The *Actuarial Cost Method* used was Entry Age Normal.
- The *Actuarial Valuation Frequency* is prepared biennially with a "roll-forward" valuation in the interim year.
- The *Discount Rate* was 3.13% for determining fiscal 2018 disclosure and estimated fiscal 2019 expense; 2.71% for determining fiscal 2017 liability and fiscal 2018 expense.
- The *Salary Increase Rate* was 4.0% per year.
- The *Health Care Trend Rate* was 7.50% at the current rate; 4.50% at the ultimate rate with year reached 2038.
- The *Lapse Rate* was 10% of participants are assumed to lapse coverage per year.
- The *Medicare Eligibility* was all participants are assumed to be eligible for Medicare upon attainment of age 65.
- The *Marriage Assumption* was participants were assumed to be married and elect to cover a spouse upon retirement.
- The *Mortality Table* was RP-2014 Combined Mortality Table backed off to 2006 and projected generationally with Scale MP-2017.

*Discount Rate*

A discount rate of 3.13% was used to measure the total OPEB liability. The discount rate for unfunded plans must be based on a yield or index rate for a 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Rates were taken from the S&P municipal bond 20 year high grade rate index as of the measurement dates.

*Changes in the Net OPEB Liability*

	Total OPEB Liability (A)	Plan Fiduciary Net Position (B)	Net OPEB Liability (A) - (B)
Balances at June 30, 2016	\$ 121,422	\$ -	\$ 121,422
Changes for the year:			
Service Cost	1,530	-	1,530
Interest	3,291	-	3,291
Changes of Assumptions	2,583	-	2,583
Contributions - Employees	23,081	-	23,081
Benefits Payments	(23,081)	-	(23,081)
Net Changes	7,404	-	7,404
Balances at June 30, 2017	<u>\$ 128,826</u>	<u>\$ -</u>	<u>\$ 128,826</u>

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (CONT'D)**

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate*

The following presents the plan's net OPEB liability, calculated using a Discount Rate of 3.13%, as well as what the plan's net OPEB liability would be if it were calculated using a Discount Rate that is 1% lower or 1% higher:

	1% Lower (2.13%)	Current Discount (3.13%)	1% Higher (4.13%)
Net OPEB Liability	\$ 154,866	\$ 128,826	\$ 108,279

*Sensitivity of the Net OPEB Liability to Changes in the Health Care Trend Rate*

The following presents the plan's net OPEB liability, calculated using a Discount Rate of 4.50%, as well as what the plan's net OPEB liability would be if it were calculated using a Discount Rate that is 1% lower or 1% higher:

	1% Lower (6.50%)	Current Discount (7.50%)	1% Higher (8.50%)
Net OPEB Liability	\$ 108,535	\$ 128,826	\$ 154,150

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

For the year ended June 30, 2018, the employer recognized OPEB expense of \$5,149. At June 30, 2018, the employer reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Amounts Related to OPEB	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred amounts to be recognized in OPEB expense in future periods	\$ -	\$ 2,255

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

Year Ending June 30	Net Deferred (Inflows) of Resources
2019	\$ (328)
2020	(328)
2021	(328)
2022	(328)
2023	(328)
Thereafter	(615)
Total	\$ (2,255)

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (CONT'D)**

**C. Aggregate OPEB Amounts**

For the year ended June 30, 2018, aggregate OPEB amounts are as follows:

	THIS	Health Benefit Plan	Total
Deferred Outflows of Resources	\$ 2,026,362	\$ -	\$ 2,026,362
Net OPEB Liability	32,966,231	128,826	33,095,057
Deferred Inflows of Resources	3,944,100	2,255	3,946,355
OPEB Expense	357,340	5,149	362,489

**NOTE 9 – INTERFUND LOANS AND TRANSFERS**

**Interfund Loans**

The District's general and payroll bank account is recorded in the Educational Account, so any expenditure made through these two bank accounts, earmarked for any other fund, records an interfund receivable for that respective fund and simultaneously increases the interfund payable in the Educational Account. At June 30, 2018, the following loans are outstanding:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ -	\$ 1,206,168
Operations and Maintenance Fund	213,554	-
Debt Service Fund	579,238	-
Transportation Fund	303,275	-
Municipal Retirement/Social Security Fund	31,939	-
Capital Projects Fund	43,537	-
Tort Fund	34,625	-
Total	<u>\$ 1,206,168</u>	<u>\$ 1,206,168</u>

**Transfers**

At June 30, 2018, the District transferred \$213,218 from the Working Cash Account (General Fund) to the Educational Account (General Fund). The amount transferred represents interest. The District also transferred \$750,000 out of the General Fund and into the Operations and Maintenance Fund, followed by a transfer of the same amount (\$750,000) from the Operations and Maintenance Fund into the Capital Projects Fund.

**NOTE 10 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District purchases coverage against such risks and participates in the following public entity risk pool: Collective Liability Insurance Cooperative (CLIC) for worker's compensation claims and property damage and injury claims. The District pays annual premiums to the pools for insurance coverage. The arrangements with the pools provide that the pools will be self-sustaining through member premiums, and will reinsure through commercial companies for claims in excess of certain levels established by the pools.

The District continued to carry commercial insurance for all other risks of loss, including torts and professional liability insurance.

Settled claims have not exceeded commercial insurance coverage for the past three fiscal years.

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
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JUNE 30, 2018

**NOTE 11 – JOINT VENTURE – SPECIAL EDUCATION DISTRICT OF LAKE COUNTY (SEDOL)**

The District and thirty-two 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.

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

**NOTE 12 – CONTINGENCIES**

**A. Litigation**

The District is not involved in any significant litigation that would materially affect the balances reported at June 30, 2018. With regard to other pending matters, the eventual outcome and related liability, if any, are not determinable at this time. No provision has been made in the accompanying financial statements for settlement costs.

**B. Grants**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

**NOTE 13 – CHANGE IN ACCOUNTING PRINCIPLE**

In 2018, the District adopted new accounting guidance; GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*.

**NOTE 14 – SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued or available to be issued. There are two types of subsequent events: recognized (events that relate to conditions present at the balance sheet date) and non-recognized (events or conditions that did not exist at the balance sheet date but arose after that date).

There have been no recognized or non-recognized subsequent events that have occurred between June 30, 2018, and the date of this audit report requiring disclosure in the financial statements.

## **OTHER INFORMATION**





WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
 OTHER INFORMATION  
 SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS  
 MOST RECENT FISCAL YEARS

	<u>FY 17*</u>	<u>FY 16*</u>	<u>FY 15*</u>	<u>FY 14*</u>
Employer's proportion of the net pension liability	0.0055%	0.0040%	0.0007%	0.0049%
Employer's proportionate share of the net pension liability	\$ 4,227,820	\$ 3,129,028	\$ 440,657	\$ 2,976,703
State's proportionate share of the net pension liability associated with the employer	<u>176,244,639</u>	<u>153,834,539</u>	<u>8,527,236</u>	<u>158,748,579</u>
Total	<u>\$180,472,459</u>	<u>\$156,963,567</u>	<u>\$ 8,967,893</u>	<u>\$161,725,282</u>
Employer's covered-employee payroll	\$ 28,952,741	\$ 27,832,212	\$26,577,053	\$ 25,620,934
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	14.60%	11.24%	1.66%	11.62%
Plan fiduciary net position as a percentage of the total pension liability	39.30%	36.40%	41.50%	43.00%

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

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

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
 OTHER INFORMATION  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS  
 MOST RECENT FISCAL YEARS

	<u>FY 17*</u>	<u>FY 16*</u>	<u>FY 15*</u>	<u>FY 14*</u>
Contractually-required contribution	\$ 205,551	\$ 208,641	\$ 187,147	\$ 175,159
Contributions in relation to the contractually-required contribution	<u>211,421</u>	<u>177,652</u>	<u>184,735</u>	<u>148,324</u>
Contribution deficiency (excess)	<u>\$ (5,870)</u>	<u>\$ 30,989</u>	<u>\$ 2,412</u>	<u>\$ 26,835</u>
Employer's covered-employee payroll	\$28,952,741	\$27,832,212	\$26,577,053	\$25,620,934
Contributions as a percentage of covered-employee payroll	0.73%	0.64%	0.70%	0.58%

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

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

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
OTHER INFORMATION  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
ILLINOIS MUNICIPAL RETIREMENT FUND  
MOST RECENT CALENDAR YEARS

Calendar year ending December 31,	2017	2016	2015	2014
<b>Total pension liability</b>				
Service cost	\$ 980,682	\$ 971,402	\$ 909,471	\$ 948,540
Interest on the total pension liability	2,393,719	2,216,938	2,024,429	1,793,696
Difference between expected and actual experience of the total pension liability	658,262	308,547	575,716	(12,579)
Changes of assumptions	(1,049,094)	(165,015)	116,476	1,183,498
Benefit payments, including refunds of employee contributions	<u>(1,182,993)</u>	<u>(1,092,857)</u>	<u>(842,786)</u>	<u>(719,492)</u>
Net change in pension liability	1,800,576	2,239,015	2,783,306	3,193,663
Total pension liability - beginning	<u>32,017,406</u>	<u>29,778,391</u>	<u>26,995,085</u>	<u>23,801,422</u>
Total pension liability - ending (A)	<u><u>\$33,817,982</u></u>	<u><u>\$32,017,406</u></u>	<u><u>\$29,778,391</u></u>	<u><u>\$26,995,085</u></u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 1,004,642	\$ 973,049	\$ 899,844	\$ 846,467
Contributions - employees	409,895	395,906	370,759	357,871
Net investment income	4,512,567	1,672,541	123,288	1,393,541
Benefit payments, including refunds of employee contributions	(1,182,993)	(1,092,857)	(842,786)	(719,492)
Other (net transfer)	<u>(219,110)</u>	<u>172,212</u>	<u>(597,630)</u>	<u>(37,130)</u>
Net change in plan fiduciary net position	4,525,001	2,120,851	(46,525)	1,841,257
Plan fiduciary net position - beginning	<u>26,518,100</u>	<u>24,397,249</u>	<u>24,443,774</u>	<u>22,602,517</u>
Plan fiduciary net position - ending (B)	<u><u>\$31,043,101</u></u>	<u><u>\$26,518,100</u></u>	<u><u>\$24,397,249</u></u>	<u><u>\$24,443,774</u></u>
Net pension liability/(asset) - ending (A) - (B)	<u><u>\$ 2,774,881</u></u>	<u><u>\$ 5,499,306</u></u>	<u><u>\$ 5,381,142</u></u>	<u><u>\$ 2,551,311</u></u>
Plan fiduciary net position as a percentage of total pension liability	91.79%	82.82%	81.93%	90.55%
Covered valuation payroll	\$ 9,062,155	\$ 8,797,695	\$ 8,221,683	\$ 7,761,725
Net pension liability as a percentage of covered valuation payroll	30.62%	62.51%	65.45%	32.87%

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

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
OTHER INFORMATION  
MULTIYEAR SCHEDULE OF CONTRIBUTIONS  
ILLINOIS MUNICIPAL RETIREMENT FUND  
MOST RECENT CALENDAR YEARS

Calendar Year Ending December 31	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2017	\$ 1,004,087	\$ 1,004,642	\$ (555)	\$ 9,062,155	11.09%
2016	973,025	973,049	(24)	8,797,695	11.06%
2015	897,808	899,844	(2,036)	8,221,683	10.94%
2014	831,367	846,467	(15,100)	7,620,232	11.11%

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

**Valuation Date:**

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

**Methods and Assumptions Used to Determine 2017 Contribution Rates:**

*Actuarial Cost Method:* Aggregate entry age normal

*Amortization Method:* Level percentage of payroll, closed

*Remaining Amortization Period:* Non-Taxing bodies: 10 year rolling period.  
Taxing bodies (Regular, SLEP and ECO groups): 26 year closed period  
Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI.  
SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 21 years for most employers (two employers were financed over 30 years).

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

*Wage Growth:* 3.50%

*Price Inflation:* 2.75% - Approximate; No explicit price inflation assumption is used in this valuation

*Salary Increases:* 3.75% to 14.50%, including inflation

*Investment Rate of Return:* 7.50%

*Retirement Age:* Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011 to 2013

*Mortality:* For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF specific mortality was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

**Other Information:**

Notes There were no benefit changes during the year.

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

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

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
 OTHER INFORMATION  
 SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE THIS LIABILITY  
 OTHER POST-EMPLOYMENT BENEFITS - TEACHERS' HEALTH INSURANCE SECURITY FUND  
 MOST RECENT FISCAL YEARS

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	FY 17*
Employer's proportion of the net THIS liability	0.127040%
Employer's proportionate share of the net THIS liability	\$ 32,966,231
State's proportionate share of the net pension liability associated with the employer	43,292,853
Total	\$ 76,259,084
Employer's covered-employee payroll	\$ 28,952,741
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	113.86%
Plan fiduciary net position as a percentage of the total THIS liability	-0.17%

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

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
 OTHER INFORMATION  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 OTHER POST-EMPLOYMENT BENEFITS - TEACHERS' HEALTH INSURANCE SECURITY FUND  
 MOST RECENT FISCAL YEARS

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	FY 17*
Contractually-required contribution	\$ 243,203
Contributions in relation to the contractually-required contribution	243,203
Contribution deficiency (excess)	\$ -
Employer's covered-employee payroll	\$ 28,952,741
Contributions as a percentage of covered-employee payroll	0.84%

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

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
OTHER INFORMATION  
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS  
OTHER POST-EMPLOYMENT BENEFITS - HEALTH BENEFIT PLAN  
MOST RECENT FISCAL YEARS

---

Fiscal Year	<u>2018</u>
Net OPEB Liability	
Service cost	\$ 1,530
Interest	3,291
Assumption changes	2,583
Employee contributions	23,081
Benefit payments	<u>(23,081)</u>
Net change in net OPEB liability	7,404
Plan fiduciary net position - beginning	<u>121,422</u>
Net OPEB liability - ending	<u>\$ 128,826</u>
Covered valuation payroll*	\$ 7,600,978
Net OPEB liability as a percentage of covered valuation payroll	1.69%

\*Covered payroll reflects the payroll for the measurement period

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
 OTHER INFORMATION  
 SCHEDULE OF CONTRIBUTIONS  
 OTHER POST-EMPLOYMENT BENEFITS - HEALTH BENEFIT PLAN  
 MOST RECENT FISCAL YEARS

---

Fiscal Year Ended	Actuarially Determined Employer Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Contributions as Percent of Payroll
6/30/2018	\$ -	\$ -	\$ -	N/A

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



WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
 GENERAL FUND  
 COMBINING SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCE - MODIFIED CASH BASIS  
 JUNE 30, 2018

WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2017

	2018		2017
	Educational Account	Working Cash Account	Total
<b>ASSETS</b>			
Cash and deposits	\$ 13,358,078	\$ 16,576,971	\$ 29,935,049
Interfund receivables	-	3,513	3,513
<b>Total Assets</b>	<u>\$ 13,358,078</u>	<u>\$ 16,580,484</u>	<u>\$ 29,938,562</u>
<b>LIABILITIES</b>			
Payroll deductions payable	\$ 321	\$ -	\$ 321
Interfund payables	1,209,681	-	1,209,681
<b>Total Liabilities</b>	<u>1,210,002</u>	<u>-</u>	<u>1,210,002</u>
<b>FUND BALANCE</b>			
Unassigned	12,148,076	16,580,484	28,728,560
<b>Total Fund Balance</b>	<u>12,148,076</u>	<u>16,580,484</u>	<u>28,728,560</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 13,358,078</u>	<u>\$ 16,580,484</u>	<u>\$ 29,938,562</u>

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
 GENERAL FUND  
 COMBINING SCHEDULE OF REVENUES RECEIVED, EXPENDITURES DISBURSED  
 AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
 YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017	
	Original and Final Budget	Educational Account	Working Cash Account	Total	Actual
<b>REVENUES</b>					
<b>Local Sources</b>					
General tax levy	\$26,579,349	\$27,422,552	\$ 7,392	\$27,429,944	\$26,599,669
Special education levy	4,069,619	4,198,494	-	4,198,494	4,493,503
Personal property replacement taxes	175,000	173,937	-	173,937	211,774
Summer school tuition from pupils or parents	80,000	52,085	-	52,085	66,975
Earnings on investments	100,100	105,418	213,218	318,636	116,405
Sales to pupils - lunch	530,000	490,756	-	490,756	504,910
Other food service	5,000	(250)	-	(250)	769
Admissions - athletic	30,000	36,787	-	36,787	26,902
Fees	294,000	269,657	-	269,657	289,468
Rentals - regular textbooks	450,000	483,343	-	483,343	449,686
Refund of prior years' expenditures	500	-	-	-	-
Other	820,000	840,559	-	840,559	698,113
<b>Total Local Sources</b>	<b>33,133,568</b>	<b>34,073,338</b>	<b>220,610</b>	<b>34,293,948</b>	<b>33,458,174</b>
<b>Flow-Through Receipts</b>					
Flow-Through From State Sources	25,000	-	-	-	-
Flow-Through From Federal Sources	25,000	-	-	-	-
<b>Total Flow-Through Receipts</b>	<b>50,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>State Sources</b>					
Evidence based funding formula	8,626,314	10,471,051	-	10,471,051	8,629,192
Special education - private facility tuition	702,500	899,204	-	899,204	338,839
Special education - funding for children	765,480	306,192	-	306,192	457,202
Special education - personnel	1,030,764	412,306	-	412,306	615,122
Special education - summer school	24,936	11,754	-	11,754	-
CTE - technical education - tech. prep.	-	49,525	-	49,525	39
Bilingual education	257,236	234,867	-	234,867	76,023
State free lunch and breakfast	8,228	10,162	-	10,162	3,286
Driver education	32,582	31,870	-	31,870	22,300
Early childhood - block grant	378,626	384,877	-	384,877	129,101
Other	5,000	6,397	-	6,397	34,022
State on-behalf retirement revenues	-	17,702,493	-	17,702,493	15,431,760
<b>Total State Sources</b>	<b>11,831,666</b>	<b>30,520,698</b>	<b>-</b>	<b>30,520,698</b>	<b>25,736,886</b>

(Continued)

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
GENERAL FUND  
COMBINING SCHEDULE OF REVENUES RECEIVED, EXPENDITURES DISBURSED  
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017	
	Original and Final Budget	Educational Account	Working Cash Account	Total	Actual
<b>Federal Sources</b>					
National school lunch program	\$ 626,879	\$ 575,657	\$ -	\$ 575,657	\$ 614,587
School breakfast program	116,331	115,855	-	115,855	114,050
Food service - other	-	106,783	-	106,783	115,239
Title I - low income	690,777	554,954	-	554,954	306,872
Title IVA - student support and academic enrichment	16,748	-	-	-	-
Special education - preschool flow-through	24,866	19,102	-	19,102	32,813
Special education - IDEA flow-through	559,352	513,037	-	513,037	554,052
Special education - IDEA room and board	-	993	-	993	27,623
CTE - Perkins - tech prep	-	23,844	-	23,844	23,720
Title III - immigrant education program	66,983	6,283	-	6,283	5,260
Title III - language inst. program - limited English	-	51,606	-	51,606	75,627
Title II - teacher quality	146,040	110,713	-	110,713	63,751
Medicaid matching funds - administrative outreach	100,000	82,861	-	82,861	88,168
Medicaid matching funds - fee for service	100,000	179,328	-	179,328	182,675
Other	-	-	-	-	6,845
<b>Total Federal Sources</b>	<b>2,447,976</b>	<b>2,341,016</b>	<b>-</b>	<b>2,341,016</b>	<b>2,211,282</b>
<b>Total Revenues</b>	<b>47,463,210</b>	<b>66,935,052</b>	<b>220,610</b>	<b>67,155,662</b>	<b>61,406,342</b>
<b>EXPENDITURES</b>					
<b>Instruction</b>					
<b>Regular Programs</b>					
Salaries	14,570,947	14,290,924	-	14,290,924	13,674,355
Employee benefits	1,835,421	1,830,302	-	1,830,302	1,743,879
State on-behalf retirement expenditures	-	17,702,493	-	17,702,493	15,431,760
Purchased services	146,065	110,221	-	110,221	125,966
Supplies and materials	427,511	298,193	-	298,193	298,390
Other objects	9,000	9,000	-	9,000	7,200
<b>Total</b>	<b>16,988,944</b>	<b>34,241,133</b>	<b>-</b>	<b>34,241,133</b>	<b>31,281,550</b>
<b>Special Education Programs</b>					
Salaries	4,653,655	4,573,765	-	4,573,765	4,459,899
Employee benefits	830,661	863,246	-	863,246	800,692
Purchased services	531,927	434,697	-	434,697	429,257
Supplies and materials	177,281	644,396	-	644,396	263,854
Capital outlay	223,566	233,483	-	233,483	130,999
Other objects	7,100	6,980	-	6,980	5,908
Non-capitalized equipment	-	8,834	-	8,834	13,679
<b>Total</b>	<b>6,424,190</b>	<b>6,765,401</b>	<b>-</b>	<b>6,765,401</b>	<b>6,104,288</b>

(Continued)

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
GENERAL FUND  
COMBINING SCHEDULE OF REVENUES RECEIVED, EXPENDITURES DISBURSED  
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017	
	Original and Final Budget	Educational Account	Working Cash Account	Total	Actual
<b>EXPENDITURES (Cont'd)</b>					
Remedial and Supplemental Programs K-12					
Salaries	\$ 733,426	\$ 749,217	\$ -	\$ 749,217	\$ 607,506
Employee benefits	87,649	74,313	-	74,313	84,602
Purchased services	127,746	83,388	-	83,388	57,879
Supplies and materials	317,720	176,799	-	176,799	69,924
Non-capitalized equipment	-	84,150	-	84,150	-
Total	1,266,541	1,167,867	-	1,167,867	819,911
Career and Technical Education Programs					
Salaries	2,900	-	-	-	-
Purchased services	10,700	8,614	-	8,614	8,062
Supplies and materials	9,262	9,186	-	9,186	20,977
Capital outlay	26,500	1,238	-	1,238	-
Non-capitalized equipment	-	23,873	-	23,873	38,684
Total	49,362	42,911	-	42,911	67,723
Interscholastic Programs					
Salaries	1,080,228	1,026,956	-	1,026,956	981,288
Purchased services	31,000	77,470	-	77,470	68,526
Supplies and materials	89,300	80,843	-	80,843	65,884
Other objects	31,500	28,522	-	28,522	34,943
Total	1,232,028	1,213,791	-	1,213,791	1,150,641
Summer School Programs					
Salaries	142,966	128,778	-	128,778	142,435
Purchased services	9,000	3,975	-	3,975	8,595
Supplies and materials	500	-	-	-	-
Total	152,466	132,753	-	132,753	151,030
Gifted Programs					
Salaries	277,801	282,821	-	282,821	268,868
Employee benefits	25,465	25,465	-	25,465	24,680
Total	303,266	308,286	-	308,286	293,548

(Continued)

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
GENERAL FUND  
COMBINING SCHEDULE OF REVENUES RECEIVED, EXPENDITURES DISBURSED  
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017	
	Original and Final Budget	Educational Account	Working Cash Account	Total	Actual
<b>EXPENDITURES (Cont'd)</b>					
<b>Bilingual Programs</b>					
Salaries	\$ 1,552,544	\$ 1,554,686	\$ -	\$ 1,554,686	\$ 1,396,187
Employee benefits	274,496	277,410	-	277,410	250,187
Purchased services	41,752	57,327	-	57,327	21,851
Supplies and materials	41,425	37,405	-	37,405	25,437
<b>Total</b>	<b>1,910,217</b>	<b>1,926,828</b>	<b>-</b>	<b>1,926,828</b>	<b>1,693,662</b>
<b>Total Instruction</b>	<b>28,327,014</b>	<b>45,798,970</b>	<b>-</b>	<b>45,798,970</b>	<b>41,562,353</b>
<b>Support Services</b>					
<b>Pupils</b>					
<b>Attendance and social work services</b>					
Salaries	600,713	596,575	-	596,575	626,902
Employee benefits	67,905	67,905	-	67,905	65,813
Supplies and materials	1,926	1,319	-	1,319	298
<b>Total</b>	<b>670,544</b>	<b>665,799</b>	<b>-</b>	<b>665,799</b>	<b>693,013</b>
<b>Guidance Services</b>					
Salaries	565,718	559,871	-	559,871	550,495
Employee benefits	58,912	58,912	-	58,912	57,109
Purchased services	1,000	-	-	-	-
Supplies and materials	6,000	3,437	-	3,437	5,085
<b>Total</b>	<b>631,630</b>	<b>622,220</b>	<b>-</b>	<b>622,220</b>	<b>612,689</b>
<b>Health Services</b>					
Salaries	262,000	247,660	-	247,660	250,892
Employee benefits	48,231	48,883	-	48,883	46,656
Supplies and materials	6,000	5,254	-	5,254	5,242
<b>Total</b>	<b>316,231</b>	<b>301,797</b>	<b>-</b>	<b>301,797</b>	<b>302,790</b>
<b>Psychological Services</b>					
Salaries	500,635	494,589	-	494,589	551,302
Employee benefits	57,961	57,961	-	57,961	64,427
Supplies and materials	6,650	6,442	-	6,442	2,184
<b>Total</b>	<b>565,246</b>	<b>558,992</b>	<b>-</b>	<b>558,992</b>	<b>617,913</b>

(Continued)

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
GENERAL FUND  
COMBINING SCHEDULE OF REVENUES RECEIVED, EXPENDITURES DISBURSED  
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017	
	Original and Final Budget	Educational Account	Working Cash Account	Total	Actual
<b>EXPENDITURES (Cont'd)</b>					
Speech Pathology and Audiology Services					
Salaries	\$ 563,883	\$ 534,806	\$ -	\$ 534,806	\$ 501,976
Employee benefits	63,388	61,354	-	61,354	55,674
Supplies and materials	4,249	3,546	-	3,546	3,190
<b>Total</b>	<b>631,520</b>	<b>599,706</b>	<b>-</b>	<b>599,706</b>	<b>560,840</b>
Other Support Services - Pupils					
Salaries	839,993	773,660	-	773,660	790,709
Employee benefits	34,614	31,782	-	31,782	33,317
Purchased services	202,575	572,756	-	572,756	334,146
Supplies and materials	832,969	610,108	-	610,108	291,805
Capital outlay	275,523	52,324	-	52,324	130,040
Other objects	-	12,665	-	12,665	9,123
Non-capitalized equipment	-	37,439	-	37,439	548,512
<b>Total</b>	<b>2,185,674</b>	<b>2,090,734</b>	<b>-</b>	<b>2,090,734</b>	<b>2,137,652</b>
<b>Total Pupils</b>	<b>5,000,845</b>	<b>4,839,248</b>	<b>-</b>	<b>4,839,248</b>	<b>4,924,897</b>
Instructional Staff					
Improvement of Instruction Services					
Salaries	1,120,835	1,188,218	-	1,188,218	1,104,521
Employee benefits	651,829	664,827	-	664,827	681,970
Purchased services	211,010	122,042	-	122,042	61,866
Supplies and materials	768,391	581,635	-	581,635	631,447
Capital outlay	2,500	2,249	-	2,249	-
Other objects	5,600	5,001	-	5,001	3,775
<b>Total</b>	<b>2,760,165</b>	<b>2,563,972</b>	<b>-</b>	<b>2,563,972</b>	<b>2,483,579</b>
Educational Media Services					
Salaries	680,151	674,059	-	674,059	674,180
Employee benefits	148,574	148,531	-	148,531	140,553
Purchased services	1,000	3,106	-	3,106	5,192
Supplies and materials	45,485	39,301	-	39,301	38,603
<b>Total</b>	<b>875,210</b>	<b>864,997</b>	<b>-</b>	<b>864,997</b>	<b>858,528</b>
<b>Total Instructional Staff</b>	<b>3,635,375</b>	<b>3,428,969</b>	<b>-</b>	<b>3,428,969</b>	<b>3,342,107</b>

(Continued)

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
GENERAL FUND  
COMBINING SCHEDULE OF REVENUES RECEIVED, EXPENDITURES DISBURSED  
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017	
	Original and Final Budget	Educational Account	Working Cash Account	Total	Actual
EXPENDITURES (Cont'd)					
General Administration					
Board of Education Services					
Purchased services	\$ 292,575	\$ 631,461	\$ -	\$ 631,461	\$ 483,903
Supplies and materials	2,880	11,491	-	11,491	-
Other objects	15,000	-	-	-	13,421
Total	310,455	642,952	-	642,952	497,324
Executive Administration Services					
Salaries	383,085	385,261	-	385,261	366,349
Employee benefits	34,842	34,841	-	34,841	33,593
Purchased services	8,800	2,610	-	2,610	4,919
Other objects	2,800	2,274	-	2,274	2,521
Total	429,527	424,986	-	424,986	407,382
Total General Administration	739,982	1,067,938	-	1,067,938	904,706
School Administration					
Office of the Principal Services					
Salaries	2,278,405	2,263,420	-	2,263,420	2,176,795
Employee benefits	328,784	350,515	-	350,515	342,766
Purchased services	25,200	9,845	-	9,845	7,537
Supplies and materials	55,000	51,850	-	51,850	47,616
Other objects	28,000	23,945	-	23,945	19,575
Total	2,715,389	2,699,575	-	2,699,575	2,594,289
Business					
Direction of Business Support Services					
Salaries	430,233	445,301	-	445,301	420,004
Employee benefits	43,195	43,195	-	43,195	39,135
Purchased services	6,000	5,800	-	5,800	3,294
Other objects	2,400	1,309	-	1,309	1,200
Total	481,828	495,605	-	495,605	463,633
Food Services					
Purchased services	991,500	878,820	-	878,820	914,082
Supplies and materials	13,825	113,616	-	113,616	126,150
Capital outlay	47,500	7,408	-	7,408	53,541
Other objects	2,000	1,752	-	1,752	1,720
Total	1,054,825	1,001,596	-	1,001,596	1,095,493

(Continued)

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
GENERAL FUND  
COMBINING SCHEDULE OF REVENUES RECEIVED, EXPENDITURES DISBURSED  
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			2017	
	Original and Final Budget	Educational Account	Working Cash Account	Total	Actual
EXPENDITURES (Cont'd)					
Total Business	\$ 1,536,653	\$ 1,497,201	\$ -	\$ 1,497,201	\$ 1,559,126
Central					
Staff Services					
Salaries	143,631	143,591	-	143,591	138,099
Employee benefits	9,323	9,323	-	9,323	8,979
Purchased services	5,200	2,188	-	2,188	1,099
Other objects	2,400	1,597	-	1,597	2,142
Total	160,554	156,699	-	156,699	150,319
Total Central	160,554	156,699	-	156,699	150,319
Total Support Services	13,788,798	13,689,630	-	13,689,630	13,475,444
Payments to Other Gov't Units					
Regular Programs - Tuition	382,128	410,908	-	410,908	364,008
Special Education Programs - Tuition	4,503,584	4,365,947	-	4,365,947	4,218,673
Total	4,885,712	4,776,855	-	4,776,855	4,582,681
Total Payments to Other Gov't Units	4,885,712	4,776,855	-	4,776,855	4,582,681
Total Expenditures	47,001,524	64,265,455	-	64,265,455	59,620,478
EXCESS OF REVENUES OVER EXPENDITURES	461,686	2,669,597	220,610	2,890,207	1,785,864
OTHER FINANCING SOURCES (USES)					
Transfers in	75,000	213,218	-	213,218	89,015
Transfers out	(75,000)	(750,000)	(213,218)	(963,218)	(89,015)
Total Other Financing Sources (Uses)	-	(536,782)	(213,218)	(750,000)	-
NET CHANGE IN FUND BALANCES	\$ 461,686	2,132,815	7,392	2,140,207	1,785,864
FUND BALANCE - BEGINNING OF YEAR		10,015,261	16,573,092	26,588,353	24,802,489
FUND BALANCE - END OF YEAR		\$12,148,076	\$16,580,484	\$28,728,560	\$26,588,353



WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
EDUCATIONAL ACCOUNT  
SCHEDULE OF REVENUES RECEIVED, EXPENDITURES DISBURSED  
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		Variance Over (Under) Budget	2017
	Original and Final Budget	Actual		Actual
<b>REVENUES</b>				
Local Sources				
General tax levy	\$26,579,349	\$27,422,552	\$ 843,203	\$26,593,220
Special education levy	4,069,619	4,198,494	128,875	4,493,503
Personal property replacement taxes	175,000	173,937	(1,063)	211,774
Summer school tuition from pupils or parents	80,000	52,085	(27,915)	66,975
Earnings on investments	25,100	105,418	80,318	27,390
Sales to pupils - lunch	530,000	490,756	(39,244)	504,910
Other food service	5,000	(250)	(5,250)	769
Admissions - athletic	30,000	36,787	6,787	26,902
Fees	294,000	269,657	(24,343)	289,468
Rentals - regular textbooks	450,000	483,343	33,343	449,686
Refund of prior years' expenditures	500	-	(500)	-
Other	820,000	840,559	20,559	698,113
<b>Total Local Sources</b>	<b>33,058,568</b>	<b>34,073,338</b>	<b>1,014,770</b>	<b>33,362,710</b>
Flow-Through Receipts				
Flow-Through from State Sources	25,000	-	(25,000)	-
Flow-Through from Federal Sources	25,000	-	(25,000)	-
<b>Total Flow-Through Receipts</b>	<b>50,000</b>	<b>-</b>	<b>(50,000)</b>	<b>-</b>
State Sources				
Evidence based funding formula	8,626,314	10,471,051	1,844,737	8,629,192
Special education - private facility tuition	702,500	899,204	196,704	338,839
Special education - funding for children	765,480	306,192	(459,288)	457,202
Special education - personnel	1,030,764	412,306	(618,458)	615,122
Special education - summer school	24,936	11,754	(13,182)	-
CTE - technical education - tech. prep.	-	49,525	49,525	39
Bilingual education	257,236	234,867	(22,369)	76,023
State free lunch and breakfast	8,228	10,162	1,934	3,286
Driver education	32,582	31,870	(712)	22,300
Early childhood - block grant	378,626	384,877	6,251	129,101
Other	5,000	6,397	1,397	34,022
State on-behalf retirement revenues	-	17,702,493	17,702,493	15,431,760
<b>Total State Sources</b>	<b>11,831,666</b>	<b>30,520,698</b>	<b>18,689,032</b>	<b>25,736,886</b>

(Continued)

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
EDUCATIONAL ACCOUNT  
SCHEDULE OF REVENUES RECEIVED, EXPENDITURES DISBURSED  
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		Variance Over (Under) Budget	2017
	Original and Final Budget	Actual		Actual
<b>Federal Sources</b>				
National school lunch program	\$ 626,879	\$ 575,657	\$ (51,222)	\$ 614,587
School breakfast program	116,331	115,855	(476)	114,050
Food service - other	-	106,783	106,783	115,239
Title I - low income	690,777	554,954	(135,823)	306,872
Title IVA - student support and academic enrichment	16,748	-	(16,748)	-
Special education - preschool flow-through	24,866	19,102	(5,764)	32,813
Special education - IDEA flow-through	559,352	513,037	(46,315)	554,052
Special education - IDEA room and board	-	993	993	27,623
CTE - technical education - tech. prep.	-	23,844	23,844	23,720
Title III - immigrant education program	66,983	6,283	(60,700)	5,260
Title III - language inst. program - limited english	-	51,606	51,606	75,627
Title II - teacher quality	146,040	110,713	(35,327)	63,751
Medicaid matching funds - administrative outreach	100,000	82,861	(17,139)	88,168
Medicaid matching funds - fee for service	100,000	179,328	79,328	182,675
Other	-	-	-	6,845
<b>Total Federal Sources</b>	<b>2,447,976</b>	<b>2,341,016</b>	<b>(106,960)</b>	<b>2,211,282</b>
<b>Total Revenues</b>	<b>47,388,210</b>	<b>66,935,052</b>	<b>19,546,842</b>	<b>61,310,878</b>
<b>EXPENDITURES</b>				
<b>Instruction</b>				
<b>Regular Programs</b>				
Salaries	14,570,947	14,290,924	(280,023)	13,674,355
Employee benefits	1,835,421	1,830,302	(5,119)	1,743,879
State on-behalf retirement expenditures	-	17,702,493	17,702,493	15,431,760
Purchased services	146,065	110,221	(35,844)	125,966
Supplies and materials	427,511	298,193	(129,318)	298,390
Other objects	9,000	9,000	-	7,200
<b>Total</b>	<b>16,988,944</b>	<b>34,241,133</b>	<b>17,252,189</b>	<b>31,281,550</b>
<b>Special Education Programs</b>				
Salaries	4,653,655	4,573,765	(79,890)	4,459,899
Employee benefits	830,661	863,246	32,585	800,692
Purchased services	531,927	434,697	(97,230)	429,257
Supplies and materials	177,281	644,396	467,115	263,854
Capital outlay	223,566	233,483	9,917	130,999
Other objects	7,100	6,980	(120)	5,908
Non-capitalized equipment	-	8,834	8,834	13,679
<b>Total</b>	<b>6,424,190</b>	<b>6,765,401</b>	<b>341,211</b>	<b>6,104,288</b>

(Continued)

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
EDUCATIONAL ACCOUNT  
SCHEDULE OF REVENUES RECEIVED, EXPENDITURES DISBURSED  
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		Variance Over (Under) Budget	2017
	Original and Final Budget	Actual		Actual
<b>EXPENDITURES (Cont'd)</b>				
<b>Remedial and Supplemental Programs K-12</b>				
Salaries	\$ 733,426	\$ 749,217	\$ 15,791	\$ 607,506
Employee benefits	87,649	74,313	(13,336)	84,602
Purchased services	127,746	83,388	(44,358)	57,879
Supplies and materials	317,720	176,799	(140,921)	69,924
Non-capitalized equipment	-	84,150	84,150	-
<b>Total</b>	<b>1,266,541</b>	<b>1,167,867</b>	<b>(98,674)</b>	<b>819,911</b>
<b>Career and Technical Education Programs</b>				
Salaries	2,900	-	(2,900)	-
Purchased services	10,700	8,614	(2,086)	8,062
Supplies and materials	9,262	9,186	(76)	20,977
Capital outlay	26,500	1,238	(25,262)	-
Non-capitalized equipment	-	23,873	23,873	38,684
<b>Total</b>	<b>49,362</b>	<b>42,911</b>	<b>(6,451)</b>	<b>67,723</b>
<b>Interscholastic Programs</b>				
Salaries	1,080,228	1,026,956	(53,272)	981,288
Purchased services	31,000	77,470	46,470	68,526
Supplies and materials	89,300	80,843	(8,457)	65,884
Other objects	31,500	28,522	(2,978)	34,943
<b>Total</b>	<b>1,232,028</b>	<b>1,213,791</b>	<b>(18,237)</b>	<b>1,150,641</b>
<b>Summer School Programs</b>				
Salaries	142,966	128,778	(14,188)	142,435
Purchased services	9,000	3,975	(5,025)	8,595
Supplies and materials	500	-	(500)	-
<b>Total</b>	<b>152,466</b>	<b>132,753</b>	<b>(19,713)</b>	<b>151,030</b>
<b>Gifted Programs</b>				
Salaries	277,801	282,821	5,020	268,868
Employee benefits	25,465	25,465	-	24,680
<b>Total</b>	<b>303,266</b>	<b>308,286</b>	<b>5,020</b>	<b>293,548</b>

(Continued)

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
EDUCATIONAL ACCOUNT  
SCHEDULE OF REVENUES RECEIVED, EXPENDITURES DISBURSED  
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		Variance Over (Under) Budget	2017
	Original and Final Budget	Actual		Actual
<b>EXPENDITURES (Cont'd)</b>				
<b>Bilingual Programs</b>				
Salaries	\$ 1,552,544	\$ 1,554,686	\$ 2,142	\$ 1,396,187
Employee benefits	274,496	277,410	2,914	250,187
Purchased services	41,752	57,327	15,575	21,851
Supplies and materials	41,425	37,405	(4,020)	25,437
<b>Total</b>	<b>1,910,217</b>	<b>1,926,828</b>	<b>16,611</b>	<b>1,693,662</b>
<b>Total Instruction</b>	<b>28,327,014</b>	<b>45,798,970</b>	<b>17,471,956</b>	<b>41,562,353</b>
<b>Support Services</b>				
<b>Pupils</b>				
<b>Attendance and social work services</b>				
Salaries	600,713	596,575	(4,138)	626,902
Employee benefits	67,905	67,905	-	65,813
Supplies and materials	1,926	1,319	(607)	298
<b>Total</b>	<b>670,544</b>	<b>665,799</b>	<b>(4,745)</b>	<b>693,013</b>
<b>Guidance Services</b>				
Salaries	565,718	559,871	(5,847)	550,495
Employee benefits	58,912	58,912	-	57,109
Purchased services	1,000	-	(1,000)	-
Supplies and materials	6,000	3,437	(2,563)	5,085
<b>Total</b>	<b>631,630</b>	<b>622,220</b>	<b>(9,410)</b>	<b>612,689</b>
<b>Health Services</b>				
Salaries	262,000	247,660	(14,340)	250,892
Employee benefits	48,231	48,883	652	46,656
Supplies and materials	6,000	5,254	(746)	5,242
<b>Total</b>	<b>316,231</b>	<b>301,797</b>	<b>(14,434)</b>	<b>302,790</b>
<b>Psychological Services</b>				
Salaries	500,635	494,589	(6,046)	551,302
Employee benefits	57,961	57,961	-	64,427
Supplies and materials	6,650	6,442	(208)	2,184
<b>Total</b>	<b>565,246</b>	<b>558,992</b>	<b>(6,254)</b>	<b>617,913</b>

(Continued)

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
EDUCATIONAL ACCOUNT  
SCHEDULE OF REVENUES RECEIVED, EXPENDITURES DISBURSED  
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		Variance Over (Under) Budget	2017
	Original and Final Budget	Actual		Actual
<b>EXPENDITURES (Cont'd)</b>				
Speech Pathology and Audiology Services				
Salaries	\$ 563,883	\$ 534,806	\$ (29,077)	\$ 501,976
Employee benefits	63,388	61,354	(2,034)	55,674
Supplies and materials	4,249	3,546	(703)	3,190
Total	631,520	599,706	(31,814)	560,840
Other Support Services - Pupils				
Salaries	839,993	773,660	(66,333)	790,709
Employee benefits	34,614	31,782	(2,832)	33,317
Purchased services	202,575	572,756	370,181	334,146
Supplies and materials	832,969	610,108	(222,861)	291,805
Capital outlay	275,523	52,324	(223,199)	130,040
Other objects	-	12,665	12,665	9,123
Non-capitalized equipment	-	37,439	37,439	548,512
Total	2,185,674	2,090,734	(94,940)	2,137,652
Total Pupils	5,000,845	4,839,248	(161,597)	4,924,897
Instructional Staff				
Improvement of Instruction Services				
Salaries	1,120,835	1,188,218	67,383	1,104,521
Employee benefits	651,829	664,827	12,998	681,970
Purchased services	211,010	122,042	(88,968)	61,866
Supplies and materials	768,391	581,635	(186,756)	631,447
Capital outlay	2,500	2,249	(251)	-
Other objects	5,600	5,001	(599)	3,775
Total	2,760,165	2,563,972	(196,193)	2,483,579
Educational Media Services				
Salaries	680,151	674,059	(6,092)	674,180
Employee benefits	148,574	148,531	(43)	140,553
Purchased services	1,000	3,106	2,106	5,192
Supplies and materials	45,485	39,301	(6,184)	38,603
Total	875,210	864,997	(10,213)	858,528
Total Instructional Staff	3,635,375	3,428,969	(206,406)	3,342,107

(Continued)

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
EDUCATIONAL ACCOUNT  
SCHEDULE OF REVENUES RECEIVED, EXPENDITURES DISBURSED  
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		Variance Over (Under) Budget	2017
	Original and Final Budget	Actual		Actual
<b>EXPENDITURES (Cont'd)</b>				
General Administration				
Board of Education Services				
Purchased services	\$ 292,575	\$ 631,461	\$ 338,886	\$ 483,903
Supplies and materials	2,880	11,491	8,611	-
Other objects	15,000	-	(15,000)	13,421
Total	310,455	642,952	332,497	497,324
Executive Administration Services				
Salaries	383,085	385,261	2,176	366,349
Employee benefits	34,842	34,841	(1)	33,593
Purchased services	8,800	2,610	(6,190)	4,919
Other objects	2,800	2,274	(526)	2,521
Total	429,527	424,986	(4,541)	407,382
Total General Administration	739,982	1,067,938	327,956	904,706
School Administration				
Office of the Principal Services				
Salaries	2,278,405	2,263,420	(14,985)	2,176,795
Employee benefits	328,784	350,515	21,731	342,766
Purchased services	25,200	9,845	(15,355)	7,537
Supplies and materials	55,000	51,850	(3,150)	47,616
Other objects	28,000	23,945	(4,055)	19,575
Total School Administration	2,715,389	2,699,575	(15,814)	2,594,289
Business				
Direction of Business Support Services				
Salaries	430,233	445,301	15,068	420,004
Employee benefits	43,195	43,195	-	39,135
Purchased services	6,000	5,800	(200)	3,294
Other objects	2,400	1,309	(1,091)	1,200
Total	481,828	495,605	13,777	463,633
Food Services				
Purchased services	991,500	878,820	(112,680)	914,082
Supplies and materials	13,825	113,616	99,791	126,150
Capital outlay	47,500	7,408	(40,092)	53,541
Other objects	2,000	1,752	(248)	1,720
Total	1,054,825	1,001,596	(53,229)	1,095,493
Total Business	1,536,653	1,497,201	(39,452)	1,559,126

(Continued)

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
EDUCATIONAL ACCOUNT  
SCHEDULE OF REVENUES RECEIVED, EXPENDITURES DISBURSED  
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		Variance Over (Under) Budget	2017
	Original and Final Budget	Actual		Actual
EXPENDITURES (Cont'd)				
Central				
Staff Services				
Salaries	\$ 143,631	\$ 143,591	\$ (40)	\$ 138,099
Employee benefits	9,323	9,323	-	8,979
Purchased services	5,200	2,188	(3,012)	1,099
Other objects	2,400	1,597	(803)	2,142
Total	160,554	156,699	(3,855)	150,319
Total Central	160,554	156,699	(3,855)	150,319
Total Support Services	13,788,798	13,689,630	(99,168)	13,475,444
Payments to Other Governmental Units				
Regular Programs - Tuition	382,128	410,908	28,780	364,008
Special Education Programs - Tuition	4,503,584	4,365,947	(137,637)	4,218,673
Total	4,885,712	4,776,855	(108,857)	4,582,681
Total Payments to Other Governmental Units	4,885,712	4,776,855	(108,857)	4,582,681
Total Expenditures	47,001,524	64,265,455	17,263,931	59,620,478
EXCESS OF REVENUES OVER EXPENDITURES	386,686	2,669,597	2,282,911	1,690,400
OTHER FINANCING SOURCES (USES)				
Transfers in	75,000	213,218	138,218	89,015
Transfers out	-	(750,000)	(750,000)	-
Total Other Financing Sources (Uses)	75,000	(536,782)	(611,782)	89,015
NET CHANGE IN FUND BALANCES	\$ 461,686	2,132,815	\$ 1,671,129	1,779,415
FUND BALANCE - BEGINNING OF YEAR		10,015,261		8,235,846
FUND BALANCE - END OF YEAR		\$12,148,076		\$10,015,261

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
 WORKING CASH ACCOUNT  
 SCHEDULE OF REVENUES RECEIVED, EXPENDITURES DISBURSED  
 AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
 YEAR ENDED JUNE 30, 2018  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		Variance Over (Under) Budget	2017
	Original and Final Budget	Actual		Actual
<b>REVENUES</b>				
Local Sources				
General tax levy	\$ -	\$ 7,392	\$ 7,392	\$ 6,449
Earnings on investments	75,000	213,218	138,218	89,015
Total Local Sources	75,000	220,610	145,610	95,464
Total Revenues	75,000	220,610	145,610	95,464
<b>EXPENDITURES</b>				
Total Expenditures	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	75,000	220,610	145,610	95,464
<b>OTHER FINANCING (USES)</b>				
Transfers out	(75,000)	(213,218)	(138,218)	(89,015)
Total Other Financing (Uses)	(75,000)	(213,218)	(138,218)	(89,015)
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	7,392	<u>\$ 7,392</u>	6,449
FUND BALANCE - BEGINNING OF YEAR		<u>16,573,092</u>		<u>16,566,643</u>
FUND BALANCE - END OF YEAR		<u>\$ 16,580,484</u>		<u>\$ 16,573,092</u>



WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
 OPERATIONS AND MAINTENANCE FUND  
 SCHEDULE OF REVENUES RECEIVED, EXPENDITURES DISBURSED  
 AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
 YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		Variance Over (Under) Budget	2017
	Original and Final Budget	Actual		Actual
<b>REVENUES</b>				
Local Sources				
General tax levy	\$ 4,399,112	\$ 4,505,819	\$ 106,707	\$ 4,261,513
Earnings on investments	500	3,815	3,315	1,453
Rentals	10,000	15,830	5,830	16,594
Other	-	162	162	206
Total Local Sources	<u>4,409,612</u>	<u>4,525,626</u>	<u>116,014</u>	<u>4,279,766</u>
Total Revenues	<u>4,409,612</u>	<u>4,525,626</u>	<u>116,014</u>	<u>4,279,766</u>
<b>EXPENDITURES</b>				
Support Services				
Operations and Maintenance of Plant Services				
Salaries	2,152,952	2,039,056	(113,896)	2,003,514
Employee benefits	371,992	355,342	(16,650)	349,446
Purchased services	1,584,500	1,546,061	(38,439)	1,340,339
Supplies and materials	324,500	393,532	69,032	343,991
Capital outlay	50,000	18,551	(31,449)	48,328
Other objects	101,000	80,657	(20,343)	78,178
Total Operations and Maintenance of Plant Services	<u>4,584,944</u>	<u>4,433,199</u>	<u>(151,745)</u>	<u>4,163,796</u>
Total Support Services	<u>4,584,944</u>	<u>4,433,199</u>	<u>(151,745)</u>	<u>4,163,796</u>
Total Expenditures	<u>4,584,944</u>	<u>4,433,199</u>	<u>(151,745)</u>	<u>4,163,796</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(175,332)</u>	<u>92,427</u>	<u>267,759</u>	<u>115,970</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	750,000	750,000	-
Transfers out	-	(750,000)	(750,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ (175,332)</u>	<u>92,427</u>	<u>\$ 267,759</u>	<u>115,970</u>
FUND BALANCE - BEGINNING OF YEAR		<u>496,691</u>		<u>380,721</u>
FUND BALANCE - END OF YEAR		<u>\$ 589,118</u>		<u>\$ 496,691</u>

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES RECEIVED, EXPENDITURES DISBURSED  
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		Variance Over (Under) Budget	2017
	Original and Final Budget	Actual		Actual
<b>REVENUES</b>				
Local Sources				
General tax levy	\$ 11,088,176	\$ 11,370,312	\$ 282,136	\$ 10,363,887
Earnings on investments	15,000	33,676	18,676	12,145
Total Local Sources	<u>11,103,176</u>	<u>11,403,988</u>	<u>300,812</u>	<u>10,376,032</u>
Total Revenues	<u>11,103,176</u>	<u>11,403,988</u>	<u>300,812</u>	<u>10,376,032</u>
<b>EXPENDITURES</b>				
Payments to Other Governmental Units				
Other objects	-	95,572	95,572	108,898
Total Payments to Other Governmental Units	<u>-</u>	<u>95,572</u>	<u>95,572</u>	<u>108,898</u>
Debt Service				
Interest	3,358,173	3,318,125	(40,048)	5,311,397
Principal	7,401,951	7,345,000	(56,951)	4,494,934
Other objects	3,000	2,335	(665)	2,775
Total Debt Service	<u>10,763,124</u>	<u>10,665,460</u>	<u>(97,664)</u>	<u>9,809,106</u>
Total Expenditures	<u>10,763,124</u>	<u>10,761,032</u>	<u>(2,092)</u>	<u>9,918,004</u>
NET CHANGE IN FUND BALANCES	<u>\$ 340,052</u>	642,956	<u>\$ 302,904</u>	458,028
FUND BALANCE - BEGINNING OF YEAR		<u>5,674,199</u>		<u>5,216,171</u>
FUND BALANCE - END OF YEAR		<u>\$ 6,317,155</u>		<u>\$ 5,674,199</u>

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
 TRANSPORTATION FUND  
 SCHEDULE OF REVENUES RECEIVED, EXPENDITURES DISBURSED  
 AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
 YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		Variance Over (Under) Budget	2017
	Original and Final Budget	Actual		Actual
<b>REVENUES</b>				
Local Sources				
General tax levy	\$ 1,657,080	\$ 1,693,710	\$ 36,630	\$ 1,749,686
Transportation fees from pupils or parents	15,000	14,782	(218)	5,735
Transportation fees from co-curricular activities	10,000	15,892	5,892	19,691
Other local revenues	21,500	1,201	(20,299)	-
Earnings on investments	-	4,110	4,110	1,321
	1,703,580	1,729,695	26,115	1,776,433
State Sources				
Transportation - regular	1,311,614	1,686,371	374,757	700,903
Transportation - special education	2,618,127	2,500,051	(118,076)	1,600,918
	3,929,741	4,186,422	256,681	2,301,821
Total State Sources	3,929,741	4,186,422	256,681	2,301,821
Total Revenues	5,633,321	5,916,117	282,796	4,078,254
<b>EXPENDITURES</b>				
Support Services				
Pupil Transportation Services				
Salaries	2,473,246	2,403,539	(69,707)	2,291,763
Employee benefits	475,301	484,945	9,644	467,176
Purchased services	657,520	772,367	114,847	788,652
Supplies and materials	410,782	441,590	30,808	401,911
Capital outlay	714,433	651,200	(63,233)	660,907
Other objects	10,000	3,607	(6,393)	3,498
	4,741,282	4,757,248	15,966	4,613,907
Total Support Services	4,741,282	4,757,248	15,966	4,613,907
Debt Service				
Capital leases - interest	-	49,025	49,025	48,485
Capital leases - principal	-	669,338	669,338	603,374
	-	718,363	718,363	651,859
Total Debt Service	-	718,363	718,363	651,859
Total Expenditures	4,741,282	5,475,611	734,329	5,265,766

(Continued)

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
TRANSPORTATION FUND  
SCHEDULE OF REVENUES RECEIVED, EXPENDITURES DISBURSED  
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		Variance Over (Under) Budget	2017
	Original and Final Budget	Actual		Actual
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 892,039</u>	<u>\$ 440,506</u>	<u>\$ (451,533)</u>	<u>\$ (1,187,512)</u>
OTHER FINANCING SOURCES				
Sale of capital assets	-	21,500	21,500	12,500
Capital leases	-	651,200	651,200	641,436
Total Other Financing Sources	-	672,700	672,700	653,936
NET CHANGE IN FUND BALANCES	<u>\$ 892,039</u>	1,113,206	<u>\$ 221,167</u>	(533,576)
FUND BALANCE - BEGINNING OF YEAR		641,577		1,175,153
FUND BALANCE - END OF YEAR		<u>\$ 1,754,783</u>		<u>\$ 641,577</u>

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
MUNICIPAL RETIREMENT/SOCIAL SECURITY FUND  
SCHEDULE OF REVENUES RECEIVED, EXPENDITURES DISBURSED  
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		Variance Over (Under) Budget	2017
	Original and Final Budget	Actual		Actual
<b>REVENUES</b>				
Local Sources				
General tax levy	\$ 2,146,178	\$ 1,085,918	\$ (1,060,260)	\$ 1,027,852
Social Security/Medicare tax levy	-	1,085,359	1,085,359	1,027,411
Personal property replacement taxes	20,000	20,000	-	20,000
Earnings on investments	100	580	480	239
<b>Total Local Sources</b>	<b>2,166,278</b>	<b>2,191,857</b>	<b>25,579</b>	<b>2,075,502</b>
<b>Total Revenues</b>	<b>2,166,278</b>	<b>2,191,857</b>	<b>25,579</b>	<b>2,075,502</b>
<b>EXPENDITURES</b>				
Instruction				
Regular programs	222,000	227,747	5,747	215,797
Special education programs	292,100	306,018	13,918	276,934
Remedial and supplemental programs	9,000	9,839	839	8,646
Interscholastic programs	41,000	39,945	(1,055)	38,337
Summer school programs	6,800	5,905	(895)	6,580
Gifted programs	4,300	4,384	84	4,122
Bilingual programs	71,000	75,714	4,714	68,943
Truant alternative and optional programs	1,000	-	(1,000)	-
<b>Total Instruction</b>	<b>647,200</b>	<b>669,552</b>	<b>22,352</b>	<b>619,359</b>
Support Services				
Pupils				
Attendance and social work services	10,000	8,963	(1,037)	9,227
Guidance services	15,500	15,358	(142)	14,842
Health services	56,900	53,228	(3,672)	53,843
Psychological services	9,500	7,879	(1,621)	8,841
Speech pathology and audiology services	8,500	8,503	3	8,028
Other support services - pupils	80,000	69,217	(10,783)	75,647
<b>Total Pupils</b>	<b>180,400</b>	<b>163,148</b>	<b>(17,252)</b>	<b>170,428</b>
Instructional Staff				
Improvement of instruction services	38,000	38,051	51	35,840
Educational media services	72,000	70,173	(1,827)	68,021
<b>Total Instructional Staff</b>	<b>110,000</b>	<b>108,224</b>	<b>(1,776)</b>	<b>103,861</b>

(Continued)

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
MUNICIPAL RETIREMENT/SOCIAL SECURITY FUND  
SCHEDULE OF REVENUES RECEIVED, EXPENDITURES DISBURSED  
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		Variance Over (Under) Budget	2017
	Original and Final Budget	Actual		Actual
General Administration				
Executive administration services	\$ 37,500	\$ 36,830	\$ (670)	\$ 35,282
Total General Administration	37,500	36,830	(670)	35,282
School Administration				
Office of the Principal services	188,500	194,121	5,621	184,140
Total School Administration	188,500	194,121	5,621	184,140
Business				
Direction of business support services	50,000	51,371	1,371	48,281
Operations and maintenance of plant services	432,500	432,655	155	424,390
Pupil transportation services	531,173	545,221	14,048	526,860
Total Business	1,013,673	1,029,247	15,574	999,531
Central				
Staff services	1,950	1,964	14	1,809
Total Central	1,950	1,964	14	1,809
Total Support Services	1,532,023	1,533,534	1,511	1,495,051
Total Expenditures	2,179,223	2,203,086	23,863	2,114,410
NET CHANGE IN FUND BALANCES	\$ (12,945)	(11,229)	\$ 1,716	(38,908)
FUND BALANCE - BEGINNING OF YEAR		43,168		82,076
FUND BALANCE - END OF YEAR		\$ 31,939		\$ 43,168

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
 CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES RECEIVED, EXPENDITURES DISBURSED  
 AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
 YEAR ENDED JUNE 30, 2018  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		Variance Over (Under) Budget	2017
	Original and Final Budget	Actual		Actual
<b>REVENUES</b>				
Local Sources				
Earnings on investments	\$ -	\$ 8,555	\$ 8,555	\$ 10,708
Contributions and donations	150,000	48,276	(101,724)	57,756
<b>Total Local Sources</b>	<b>150,000</b>	<b>56,831</b>	<b>(93,169)</b>	<b>68,464</b>
<b>Total Revenues</b>	<b>150,000</b>	<b>56,831</b>	<b>(93,169)</b>	<b>68,464</b>
<b>EXPENDITURES</b>				
Support Services				
Facilities Acquisition and Construction Services				
Purchased services	300,000	27,203	(272,797)	-
Supplies and materials	1,213,808	6,336	(1,207,472)	41,677
Capital outlay	-	1,371,252	1,371,252	1,169,324
<b>Total Support Services</b>	<b>1,513,808</b>	<b>1,404,791</b>	<b>(109,017)</b>	<b>1,211,001</b>
<b>Total Expenditures</b>	<b>1,513,808</b>	<b>1,404,791</b>	<b>(109,017)</b>	<b>1,211,001</b>
<b>(DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,363,808)</b>	<b>(1,347,960)</b>	<b>15,848</b>	<b>(1,142,537)</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	750,000	750,000	-
<b>Total Other Financing Sources</b>	<b>-</b>	<b>750,000</b>	<b>750,000</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (1,363,808)</b>	<b>(597,960)</b>	<b>\$ 765,848</b>	<b>(1,142,537)</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>-</b>	<b>1,763,797</b>	<b>-</b>	<b>2,906,334</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>-</b>	<b>\$ 1,165,837</b>	<b>-</b>	<b>\$ 1,763,797</b>

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
TORT FUND  
SCHEDULE OF REVENUES RECEIVED, EXPENDITURES DISBURSED  
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		Variance Over (Under) Budget	2017
	Original and Final Budget	Actual		Actual
<b>REVENUES</b>				
Local Sources				
General tax levy	\$ 801,657	\$ 820,314	\$ 18,657	\$ 760,818
Refund of prior years' expenditure	-	39,977	39,977	-
Total Local Sources	<u>801,657</u>	<u>860,291</u>	<u>58,634</u>	<u>760,818</u>
Total Revenues	<u>801,657</u>	<u>860,291</u>	<u>58,634</u>	<u>760,818</u>
<b>EXPENDITURES</b>				
Support Services				
General Administration				
Workers' compensation	457,661	457,661	-	525,179
Unemployment insurance payments	30,000	(1,568)	(31,568)	31,003
Insurance payments	255,698	242,877	(12,821)	255,443
Legal	-	9,000	9,000	5,228
Total Support Services	<u>743,359</u>	<u>707,970</u>	<u>(35,389)</u>	<u>816,853</u>
Total Expenditures	<u>743,359</u>	<u>707,970</u>	<u>(35,389)</u>	<u>816,853</u>
NET CHANGE IN FUND BALANCES	<u>\$ 58,298</u>	152,321	<u>\$ 94,023</u>	(56,035)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR		<u>(117,696)</u>		<u>(61,661)</u>
FUND BALANCE (DEFICIT) - END OF YEAR		<u>\$ 34,625</u>		<u>\$ (117,696)</u>



WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
STUDENT ACTIVITY FUNDS  
SCHEDULE OF REVENUES RECEIVED AND EXPENDITURES DISBURSED - CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2018

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	Cash Balance <u>July 1, 2017</u>	Revenues Received	Expenditures Disbursed	Cash Balance <u>June 30, 2018</u>
<b>High School</b>	\$ 137,467	\$ 640,480	\$ 638,333	\$ 139,614
<b>Middle Schools</b>				
Wauconda Middle School	56,601	84,968	75,594	65,975
Matthews Middle School	42,146	78,325	77,962	42,509
<b>Elementary Schools</b>				
Wauconda Grade School	58,212	36,246	37,972	56,486
Robert Crown Elementary	54,677	39,072	39,124	54,625
Cotton Creek School	<u>33,227</u>	<u>39,756</u>	<u>41,099</u>	<u>31,884</u>
<b>Total</b>	<u><u>\$ 382,330</u></u>	<u><u>\$ 918,847</u></u>	<u><u>\$ 910,084</u></u>	<u><u>\$ 391,093</u></u>

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
SCHEDULE OF ASSESSED VALUATIONS, TAX RATES, EXTENSIONS AND COLLECTIONS  
JUNE 30, 2018

WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2017

	TAX LEVY YEAR	
	2017	2016
ASSESSED VALUATION	\$ 754,853,162	\$ 720,682,751
TAX RATES		
Educational	3.691	3.730
Special Education	0.556	0.582
Building	0.609	0.611
Bond and Interest	1.573	1.488
Transportation	0.218	0.242
IMRF/Social Security	0.290	0.297
IMRF SEDOL	0.006	0.006
Working Cash	0.001	0.001
Tort	0.111	0.111
Total	7.055	7.068
TAX EXTENSION		
Educational	\$ 27,865,268	\$ 26,880,301
Special Education	4,196,984	4,194,374
Building	4,597,056	4,399,768
Bond and Interest	11,913,806	10,759,968
Transportation	1,645,580	1,744,052
IMRF/Social Security	2,189,074	2,147,634
IMRF SEDOL	46,182	45,172
Working Cash	7,549	7,207
Tort	837,887	799,958
Total	\$ 53,299,386	\$ 50,978,434
TAX COLLECTIONS:		
Year ended June 30,		
2017	\$ -	\$ 26,411,420
2018	27,869,327	24,310,977
Total	\$ 27,869,327	\$ 50,722,397
Percentage of Total Levy Collected to June 30, 2018	52.29%	99.50%

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
SCHEDULE OF PER CAPITA TUITION CHARGE  
AND AVERAGE DAILY ATTENDANCE  
JUNE 30, 2018

WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2017

	<u>2018</u>	<u>2017</u>
OPERATING COST PER PUPIL		
Average Daily Attendance (ADA)	<u>4,328.58</u>	<u>4,401.91</u>
Operating Costs		
Educational	\$ 46,456,179	\$ 44,073,479
Operations and maintenance	4,433,199	4,163,796
Debt Service	10,761,032	9,918,004
Transportation	5,475,611	5,265,766
Municipal Retirement/Social Security	2,203,086	2,114,410
Tort	<u>707,970</u>	<u>816,853</u>
Subtotal	<u>70,037,077</u>	<u>66,352,308</u>
Less Revenues/Expenditures of Non-regular Programs		
Summer school	138,658	157,610
Capital outlay	966,453	1,023,815
Payments to other governmental units	4,872,427	4,697,314
Non-capitalized equipment	154,296	600,875
Principal on long-term debt	<u>8,014,338</u>	<u>5,098,308</u>
Subtotal	<u>14,146,172</u>	<u>11,577,922</u>
Operating costs	<u>55,890,905</u>	<u>54,774,386</u>
Operating Cost Per Pupil - Based on ADA	<u>\$ 12,912</u>	<u>\$ 12,443</u>
TUITION CHARGE		
Operating Costs	\$ 55,890,905	\$ 54,774,386
Less - revenues from specific programs, such as special education or lunch programs	<u>9,709,729</u>	<u>7,219,904</u>
Net operating costs	46,181,176	47,554,482
Depreciation allowance	<u>3,559,199</u>	<u>3,475,336</u>
Allowable Tuition Costs	<u>\$ 49,740,375</u>	<u>\$ 51,029,818</u>
Tuition Charge Per Pupil - based on ADA	<u>\$ 11,491</u>	<u>\$ 11,593</u>

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
 SCHEDULE OF BONDED DEBT MATURITIES AND INTEREST  
 JUNE 30, 2018

Amount of Original Issue: \$ 14,860,000  
 Date of Issue: June 24, 2010  
 Type: Taxable General Obligation Limited School Bonds  
 Series 2010B

Fiscal Year Ended June 30	Interest Rate	Payment Principal	Interest	Fiscal Payment
2019	5.45%	\$ 925,000	\$ 787,987	\$ 1,712,987
2020	5.60%	1,000,000	737,574	1,737,574
2021	5.74%	1,085,000	681,574	1,766,574
2022	5.83%	1,170,000	619,295	1,789,295
2023	5.98%	830,000	551,084	1,381,084
2024	6.13%	880,000	501,450	1,381,450
2025	6.26%	930,000	447,550	1,377,550
2026	6.41%	990,000	389,332	1,379,332
2027	6.56%	1,055,000	325,873	1,380,873
2028	7.10%	1,125,000	256,665	1,381,665
2029	7.10%	1,205,000	176,790	1,381,790
2030	7.10%	1,285,000	91,235	1,376,235
<b>TOTAL</b>		<b>\$ 12,480,000</b>	<b>\$ 5,566,409</b>	<b>\$ 18,046,409</b>

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
 SCHEDULE OF BONDED DEBT MATURITIES AND INTEREST  
 JUNE 30, 2018

Amount of Original Issue: \$ 8,635,000  
 Date of Issue: September 26, 2012  
 Type: General Obligation Bond - Refunding Bonds  
 Series 2012

Fiscal Year Ended June 30	Interest Rate	Payment Principal	Interest	Fiscal Payment
2019	4.50%	\$ 1,760,000	\$ 349,200	\$ 2,109,200
2020	4.00%	6,750,000	270,000	7,020,000
TOTAL		<u>\$ 8,510,000</u>	<u>\$ 619,200</u>	<u>\$ 9,129,200</u>

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
 SCHEDULE OF BONDED DEBT MATURITIES AND INTEREST  
 JUNE 30, 2018

Amount of Original Issue: \$ 8,735,000  
 Date of Issue: February 21, 2013  
 Type: General Obligation Bond - Refunding Bonds  
 Series 2013

Fiscal Year Ended June 30	Interest Rate	Payment Principal	Interest	Fiscal Payment
2019	4.00%	\$ 6,060,000	\$ 242,400	\$ 6,302,400
TOTAL		\$ 6,060,000	\$ 242,400	\$ 6,302,400

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
 SCHEDULE OF BONDED DEBT MATURITIES AND INTEREST  
 JUNE 30, 2018

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Amount of Original Issue: \$ 8,325,000  
 Date of Issue: November 12, 2014  
 Type: General Obligation Bond - Refunding Bonds  
 Series 2014

Fiscal Year Ended June 30	Interest Rate	Payment Principal	Interest	Fiscal Payment
2019		\$ -	\$ 112,200	\$ 112,200
2020	3.00%	560,000	112,200	672,200
2021	3.00%	3,180,000	95,400	3,275,400
TOTAL		<u>\$ 3,740,000</u>	<u>\$ 319,800</u>	<u>\$ 4,059,800</u>

WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
 SCHEDULE OF BONDED DEBT MATURITIES AND INTEREST  
 JUNE 30, 2018

Amount of Original Issue: \$ 33,380,000  
 Date of Issue: January 29, 2015  
 Type: General Obligation Bond - Refunding Bonds  
 Series 2015

Fiscal Year Ended June 30	Interest Rate	Payment Principal	Interest	Fiscal Payment
2019		\$ -	\$ 1,560,000	\$ 1,560,000
2020		-	1,560,000	1,560,000
2021	5.00%	4,225,000	1,560,000	5,785,000
2022	5.00%	7,690,000	1,348,750	9,038,750
2023	5.00%	8,485,000	964,250	9,449,250
2024	5.00%	8,910,000	540,000	9,450,000
2025	5.00%	1,890,000	94,500	1,984,500
<b>TOTAL</b>		<b>\$ 31,200,000</b>	<b>\$ 7,627,500</b>	<b>\$ 38,827,500</b>



WAUCONDA COMMUNITY UNIT SCHOOL DISTRICT NO. 118  
NOTES TO OTHER INFORMATION  
JUNE 30, 2018

**NOTE 1 – TEACHERS’ RETIREMENT SYSTEM (TRS) OF THE STATE OF ILLINOIS**

*Changes of Assumptions*

For the 2017 and 2016 measurement years, the assumed investment rate of return was 7.0 percent, including an inflation rate of 2.5 percent and a real return of 4.5 percent. Salary increases were assumed to vary by service credit.

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

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

**NOTE 2 – TEACHERS’ HEALTH INSURANCE SECURITY (THIS) FUND**

*Changes of Assumptions*

Amounts reported in 2016 reflect an investment rate of return of 7.00%, an inflation rate of 2.50% and salary increases that vary by amount of service credit. Amounts reported in 2015 reflect an investment rate of return of 7.50%, an inflation rate of 3.00% and real return of 4.50%, and salary increases that vary by service credit. In 2014, assumptions used were an investment rate of return of 7.50%, and inflation rate of 3.00% and real return of 4.50%, and salary increases of 5.75%.

**NOTE 3 – BUDGETS AND BUDGETARY ACCOUNTING**

The District follows procedures mandated by Illinois State law and District Board policy to establish the budgetary data reflected in its financial statements. The budget was passed September 21, 2017. The cash basis budgeted amounts in this report are the result of full compliance with the following procedures: The budget lapses at the end of each fiscal year.

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

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

**NOTE 4 – EXCESS OF EXPENDITURES OVER BUDGET**

For the year ended June 30, 2018, the Educational Account exceeded its budget by \$17,263,931. This was due to unbudgeted state on-behalf payments of \$17,702,493. The following funds also exceeded their budgets: the Transportation Fund by \$734,329 and the Municipal Retirement/Social Security Fund by \$23,863.

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**APPENDIX B**

**PROPOSED FORM OF OPINION OF BOND COUNSEL**

**[LETTERHEAD OF CHAPMAN AND CUTLER LLP]**

**[TO BE DATED CLOSING DATE]**

We hereby certify that we have examined certified copy of the proceedings (the “*Proceedings*”) of the Board of Education of Community Unit School District Number 118, Lake and McHenry Counties, Illinois (the “*District*”), passed preliminary to the issue by the District of its fully registered Taxable General Obligation Limited Tax Refunding School Bonds, Series 2019 (the “*Bonds*”), to the amount of \$ \_\_\_\_\_, dated \_\_\_\_\_, 2019, due serially on January 1 of the years and in the amounts and bearing interest as follows:

2020	\$	%
2021		%
2022		%
2023		%
2024		%
2025		%
2026		%
2027		%

and we are of the opinion that the Proceedings show lawful authority for said issue under the laws of the State of Illinois now in force.

We further certify that we have examined the form of bond prescribed for said issue and find the same in due form of law, and in our opinion said issue, to the amount named, is valid and legally binding upon the District, is payable from any funds of the District legally available for such purpose, and all taxable property in the District is subject to the levy of taxes to pay the same without limitation as to rate, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors’ rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion. The amount of said taxes that may be extended to pay the Bonds is limited as provided by the Property Tax Extension Limitation Law of the State of Illinois, as amended (the “*Law*”). The Law provides that the annual amount of said taxes to be extended to pay the Bonds and all other limited bonds (as defined in the Local Government Debt Reform Act of the State of Illinois, as amended) heretofore and hereafter issued by the District shall not exceed the debt service extension base (as defined in the Law) of the District.

It is our opinion that under present law, interest on the Bonds is includible in gross income of the owners thereof for federal income tax purposes. Ownership of the Bonds may result in other

federal income tax consequences to certain taxpayers. Bondholders should consult their own tax advisors concerning tax consequences of ownership of the Bonds.

We express no opinion herein as to the accuracy, adequacy or completeness of any information furnished to any person in connection with any offer or sale of the Bonds.

In rendering this opinion, we have relied upon certifications of the District with respect to certain material facts within the District's knowledge. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.



