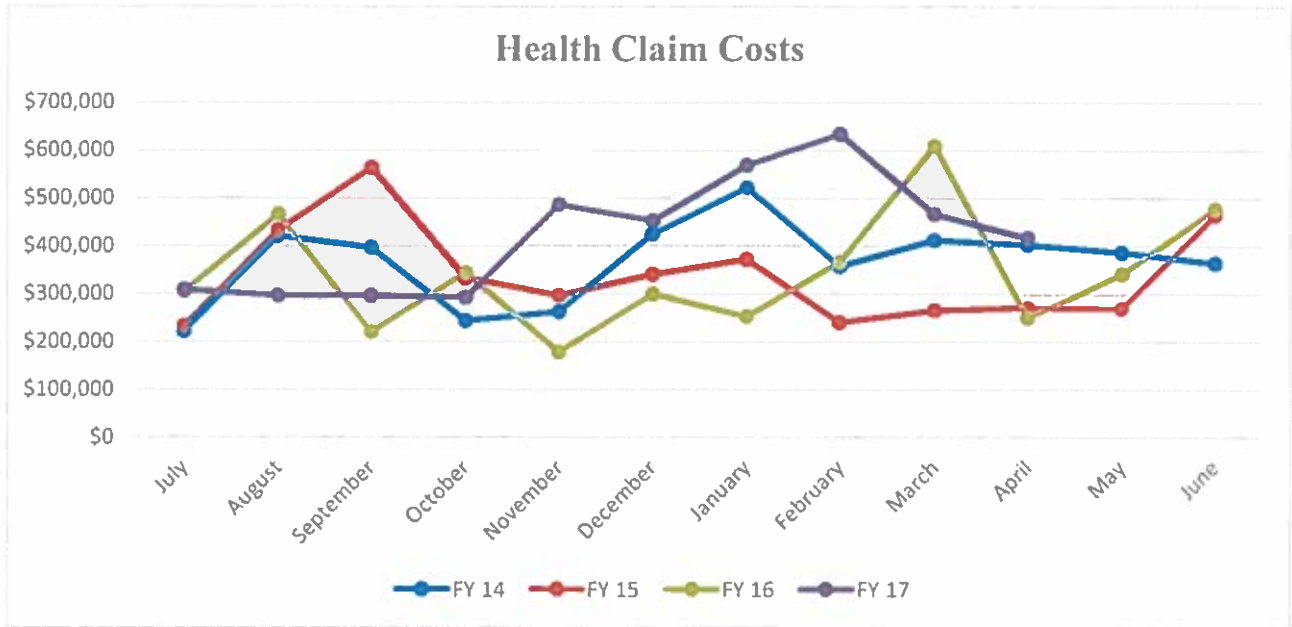


**Health Claims** – The April 2017 health claims (\$416,898) were once again higher than the similar months in previous three claim years. See the purple (FY 17) line in the chart below. These first ten months of the new FY 17 fiscal year are trending considerably higher than FY 16 and we are currently \$929,382 higher than we were at this time last year.

As is repeatedly mentioned in the past Dixon USD #170 is and has been self-insured for over 30 years. That means that the District utilizes a third party administrator, in our case IPMG, to process and pay claims based on the District’s Health Plan and then purchases excess reimbursement coverage for claimants who exceed \$125,000 per year (there is also an additional aggregating specific of another \$112,000 obligation to the District for claims over the \$125,000 threshold). We have received \$228,441 in excess reimbursement so far this fiscal year. Even with higher claim costs this year, being self-insured remains a very cost effective method of providing health coverage.

**Health Insurance Claim Costs**

	<u>FY 14</u>	<u>FY 15</u>	<u>FY 16</u>	<u>FY 17</u>	<u>Difference FY 16 v. FY 17</u>
July	\$222,162	\$231,894	\$304,875	\$308,581	\$3,706
August	\$421,391	\$432,872	\$466,102	\$295,643	(\$170,458)
September	\$397,066	\$563,910	\$220,212	\$296,759	\$76,547
October	\$243,165	\$332,572	\$343,562	\$291,870	(\$51,692)
November	\$262,462	\$296,013	\$177,750	\$485,458	\$307,709
December	\$424,641	\$339,803	\$298,825	\$452,775	\$153,950
January	\$521,242	\$371,855	\$251,916	\$569,301	\$317,384
February	\$357,697	\$240,010	\$366,194	\$634,151	\$267,957
March	\$411,642	\$264,983	\$609,034	\$465,978	(\$143,056)
April	\$402,767	\$270,826	\$249,562	\$416,898	\$167,335
May	\$386,683	\$269,454	\$341,218		
June	<u>\$363,790</u>	<u>\$464,321</u>	<u>\$477,279</u>		
Totals	\$4,414,708	\$4,078,512	\$4,106,528	\$4,217,413	\$929,382



**State of Illinois Mandated Categorical Payments - We have finally received our first FY 17 categorical payments** for Special Education: Private Facility Tuition, Funding for Children Requiring Sp. Ed. Services and Personnel or for Transportation: Reg./Voc. and Special Education. FRIS status shows that the second and third payments have been disbursed, but not yet processed by the Comptroller's Office while the fourth payment is scheduled.

	1st Payment 9/30/2016 Disbursed 9/28/2016 Processed 4/21/2017	2nd Payment 12/30/2016 Disbursed 12/27/2016	3rd Payment 3/30/2017 Disbursed 3/28/2017	4th Payment 6/20/2017 Scheduled	Total
<b>Education Fund</b>					
3100 Sp. Ed. Private Facility	\$53,235	\$52,812	\$52,812	\$52,812	\$211,671
3105 Fund Child Require Sp. Ed.	\$89,282	\$89,282	\$89,282	\$89,282	\$357,128
3110 Sp. Ed. Personnel	<u>\$108,300</u>	<u>\$108,300</u>	<u>\$108,300</u>	<u>\$108,300</u>	<u>\$433,200</u>
	<b>\$250,817</b>	<b>\$250,394</b>	<b>\$250,394</b>	<b>\$250,394</b>	<b>\$1,001,999</b>
<b>Transportation Fund</b>					
3500 Reg. & Voc.	\$83,913	\$82,971	\$82,969	\$82,970	\$332,823
3510 Sp. Ed.	<u>\$140,742</u>	<u>\$138,690</u>	<u>\$140,330</u>	<u>\$140,330</u>	<u>\$560,092</u>
	<b>\$224,655</b>	<b>\$221,661</b>	<b>\$223,299</b>	<b>\$223,300</b>	<b>\$892,915</b>

Since we have already received 100% of our local property taxes from the 2015 levy extended in 2016 for the FY 17 school year there isn't much more revenue outstanding other than these categorical payments which are being severely delayed due to the state's backlog of owed payments.

We had a fund balance of \$772,377 in the Transportation Fund as of 6/30/16 at the end of FY 16. Since we were short of cash in the Transportation Fund going into April a loan from the Working Cash Fund, the District's "In-house Bank," required board action at the April 19, 2017 Board of Education meeting authorizing the Treasurer to transfer \$669,614.39 from the Working Cash to the Transportation Fund. This was a loan which will allowed us to meet our FY 17 Transportation

obligations and afford us some time to determine if, or when, the State of Illinois processes the remaining three categorical payments owed. With that resolution we are obligated to repay the Working Cash Fund back the amount borrowed.

**Activity Bus Lease** – Three years ago the District entered into a three year lease with Midwest Transit Equipment, Inc. for a 14 passenger Chevrolet/Collins activity bus for \$7,648/year. Due to the successful results of having this activity bus an analysis was done to see if a second bus would be cost effective. We entered into an additional three-year lease in 2015 (\$7,782 for each of the past three years) so we have had two buses in the fleet for the past two years.

There will be a recommendation that the Board authorize the administration to execute the attached agreements to enter into a three year lease for a 14 passenger 2017 Chevrolet/Collins activity bus with a lease payment for this bus is \$7,982/year. We will be retuning the 2014 bus and continue into the 2017/2018 school year with two activity buses. Provided will be a Leased Vehicle Assignment Agreement with Midwest Transit Equipment and a Municipal Lease Agreement for that activity bus to be leased through Santander Bank. A payment of \$7,982.00 will be due upon delivery and will be payable to Midwest Transit Equipment. The Municipal Lease Agreement amortization schedule includes payments for five years with full payout. An allowance for early termination (prior to 60 months) with an assignment of the buses, rights and obligations to Midwest Transit Equipment is also included. This agreement in conjunction with Santander's lease agreement allows our school district to assign the buses to Midwest Transit Equipment at the end of our agreed term (three years) as well as an addendum recommended by the District's legal counsel last time which removed the District of any obligation in the final two years in the event Midwest Transit can't meet their obligation for any unforeseen reasons.

**Municipalities Continuing Disclosure Cooperation Initiative (MCDC Initiative)** – Back in the September 2014 Business Report I reported the following: *We received a letter from Robert W. Baird & Co, the purchaser of the District's last few bond issuances, mentioning some discrepancies that will be reported to the Securities and Exchange Commission (SEC) as required by the Municipalities Continuing Disclosure Cooperation Initiative (MCDC Initiative). When I inquired further a Baird representative said sometimes the issuer (in this instance the District) would not require bond insurance, but the insurance could have been provided by others (i.e., underwriters) which could have made the deals more attractive to future purchasers. As it turns out there was an 1/17/13 Moody's downgrade from AA3 to A1 that was not on the Electronic Municipal Market Access (EMMA) which is the Municipal Securities Rulemaking Board and another 11/21/08 Moody's downgrade from AAA to AA3. She said that there are thousands of others issuers with similar situations and since they are using a "Bucket Method" of reporting to the SEC so we will fall in with that category and await a determination from the SEC.*

*Baird told our Speer Financial advisor the same thing and that they didn't feel the insurance downgrade was material, but wanted to make sure they were covered with the SEC. The underwriter had until September 10th to report and issuers had until December 1st to respond. Raphaliata McKenzie from Speer said a number of bond counsels are recommending that issuers wait at least a month after the underwriter filing on September 10, 2014 to see if the SEC will provide more guidance. The hope was that they would clarify their requirements and definition of materiality. As I know more I will report what is happening.*

I later reached out to Raphaliata McKenzie and Kevin McCanna from Speer Financial, Steve Richart from Hodges, Loizzi, Eisenhammer and Rodic and Lynda Given from Chapman and Cutler and they have all agreed that the SEC's MCDC initiative was a unique occurrence for which no one had any experience. And while it is taken by many to be merely the opportunity to admit to errors, if any occurred, it was actually a serious event with legal overtones related to federal securities law. I discussed this with all of the above and they report no clear direction on how to proceed but all agreed that this was a serious legal issue that may or may not be relevant to the District. A difficulty was that our specific situation is a very grey one. The vast majority of insurance rating downgrades were not reported to the SEC, but Baird chose to report ours. We had a bit of a quandary for which there is no precedent and for which the SEC has offered little guidance. It appeared as if we had three options from which the Board should decide on one strategy:

- 1) The first is to self-report on the theory that while this may not be material, since Baird reported it, the District is on a list somewhere at the SEC and it would be best to get on the self-reported list, so as to not stand out. The result should be as set forth in the enclosed settlement terms.
- 2) The second option is to do nothing, in the belief that this is not material. This is probably okay, but it does leave us on one list and not the other, so if the lists are compared, as is expected, the District stands out and there will likely be some discussion with the SEC, which may or may not result in some corrective action against the District.
- 3) The third option is to send a letter explaining that the information filing was not made but that in our opinion it is not material. This may work, however there is no factual basis for this and if the SEC refuses to accept the reasoning, then the District would not have correctly self-reported in a timely fashion.

We chose option #3 and submitted the following to the SEC:

**U.S. SECURITIES AND EXCHANGE COMMISSION DIVISION OF ENFORCEMENT:  
MUNICIPALITIES CONTINUING DISCLOSURE COOPERATION QUESTIONNAIRE**

In connection with the issuance of certain bonds, School District Number 170, Lee and Ogle Counties, Illinois (the "*District*") entered into certain continuing disclosure undertakings (collectively, the "*Undertaking*") pursuant to which the District agreed to disclose certain annual financial information and the occurrence of certain material events, including rating changes, to each Nationally Recognized Municipal Securities Information Repository (each, a "*NRMSIR*") or to the Municipal Securities Rulemaking Board (the "*MSRB*") and to any State repository.

In an official statement dated February 19, 2014, the District stated that it was in compliance with the Undertaking. In fact, the District has timely made all required annual financial information filings pursuant to the Undertaking. However, the District's underwriter for the 2014 bonds (Robert W. Baird Incorporated) has apparently reported to the Commission in its MCDC filing that the District failed to disclose one or more bond insurer downgrades pursuant to the Undertaking. The District believes this information was otherwise public using commonly available internet search engines and was available to institutional investors and rating agencies upon request, such that the information may have been taken into account in any pricing or rating of the bonds. Assuming the District was required to report this event, however, there is no evidence that the District was ever notified or even aware of the bond insurer downgrades. Thus, the District's failure to report these downgrades had no bearing on the District's likelihood of compliance with future undertakings.

The District is currently in compliance with its continuing disclosure undertakings and has adopted written procedures to assure that future filings continue to be complete and timely. Pursuant to those procedures, the Business Manager of the District is responsible for ensuring that complete and timely filings are made on EMMA and that disclosure of compliance with the continuing disclosure undertakings is accurately disclosed in future offering documents.

By submission of this Questionnaire, the District does not admit that any statement or representation in the official statement dated February 19, 2014, regarding prior compliance by the District with its continuing disclosure obligations constituted a material misstatement.

Last month Kyle Harding from Chapman and Cutler forwarded the email below to me on Friday, April 07, 2017:

**From:** MCD submissions <MCD submissions@SEC.GOV>  
**Subject:** Notice Related to MCD Initiative (In the Matter of Certain Municipal Securities Underwritings)  
**Date:** April 3, 2017 at 2:09:53 PM CDT  
**To:** "given@chapman.com" <given@chapman.com>

We have concluded our review of the submission pursuant to the Municipalities Continuing Disclosure Cooperation Initiative from Lee and Ogle Counties SD 170. Based on the information we have as of this date, **we do not intend to recommend an enforcement action by the U.S. Securities and Exchange Commission against Lee and Ogle Counties SD 170.** We are providing this notice under the guidelines set out in the final paragraph of Securities Act Release No. 5310, which states in part that the notice "must in no way be construed as indicating that the party has been exonerated or that no action may ultimately result from the staff's investigation." (The full text of Release No. 5310 can be found at: <http://www.sec.gov/divisions/enforce/wells-release.pdf>.)

It appears as if the matter is resolved as far as we are concerned, nothing further is expected of the District and there will be no further action. The sale of bonds and the ongoing responsibilities are very complex which require a lot of guidance by the professionals who work day-to-day in that arena.

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