STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT

For the Year Ended June 30, 2024

Performed as Special Assistant Auditors for the Auditor General, State of Illinois

SIKICH.COM

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
FINANCIAL AUDIT
For the year ended June 30, 2024

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Other Reports Issued Under a Separate Cover

The Illinois State Board of Education's *State Compliance Examination* for the Two Years Ended June 30, 2024, will be issued under a separate cover.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
FINANCIAL AUDIT
For the Year Ended June 30, 2024

AGENCY OFFICIALS

State Superintendent of Education	Dr. Tony Sanders
Chief of Staff	Dr. Kimako Patterson
Chief Legal Officer (10/01/23 – Present)	Kristen Kennedy
Chief Legal Officer (Interim) (07/01/23 – 09/30/23)	Kristen Kennedy
Chief Internal Audit Officer	Tassi Maton
Chief Education Officer – Instruction	Jason Helfer
Chief Education Officer – Operations (05/28/24 – Present)	Jennifer Saba
Chief Education Officer – Operations (07/01/23 – 06/28/24)	Krish Mohip
Chief Financial Officer	Dr. Matthew Seaton
Chief Operating Officer (01/01/25 – Present)	Miguel Calderon
Chief Operating Officer (07/01/23 – Present)	Melissa Oller
Chief Policy & Communications Officer	Irma Snopek
Chief Information Officer	Edobor Efam
Chief Advisor to Early Childhood Transition	Ann Whalen

BOARD OFFICERS

Chairperson	Dr. Steven Isoye
Vice-Chairperson	Dr. Donna S. Leak
Secretary	Dr. Christine Benson

GOVERNING BOARD MEMBERS

Member	Dr. James D. Anderson
Member	Dr. Anna Grassellino
Member	Dr. Patricia Marie Nugent
Member	Roger Eddy

GOVERNING BOARD MEMBERS (Continued)

Member (07/21/23 – Present)	Laura Gonzalez
Member (07/01/23 – 07/20/23)	Vacant
Member	Dr. Sherly Chavarria

AGENCY OFFICERS

The Illinois State Board of Education's primary administrative offices are located at:

555 W. Monroe Street, Suite 900
Chicago, Illinois 60661

Alzina Building
100 N. First Street
Springfield, Illinois 62777

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
FINANCIAL AUDIT
For the year ended June 30, 2024

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the Illinois State Board of Education (Agency) was performed by Sikich CPA LLC.

Based on their audit, the auditors expressed an unmodified opinion on the Agency's basic financial statements.

SUMMARY OF FINDINGS

Number of	**Current Report**	**Prior Report**
Findings	2	1
Repeated Findings	1	0
Prior Recommendations Implemented or Not Repeated	0	3

SCHEDULE OF FINDINGS

Item No.	Page	Last/First Reported	Description	Finding Type
			Current Findings	
2024-001	56	2023/2023	Lack of Adequate Controls over the Review of Internal Controls over Service Providers	Significant Deficiency
2024-002	59	New	Inadequate Controls over Information Technology General Controls	Significant Deficiency

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on January 10, 2025.

Attending were:

Illinois State Board of Education
Dr. Tony Sanders, State Superintendent
Dr. Kimako Patterson, Chief of Staff
Kristen Kennedy, Chief Legal Officer

FINANCIAL STATEMENTS REPORT (Continued)

EXIT CONFERENCE (Continued)

Illinois State Board of Education – Continued
Colette McCarty, Deputy Legal Officer
Matt Seaton, Chief Financial Officer
Regina Toland, Director of Fiscal Support Services
Irma Martinez Snopek, Policy and Communications Officer
Miguel Calderon, Chief Operating Officer
Madan Damodaran, Director of Software Solutions
Edobor Efam, Chief Technology Officer
Tassi Maton, Chief Internal Audit Officer
Matthew Ulmer, Internal Auditor III

Office of the Auditor General
Lisa Warden, Audit Manager

Sikich CPA, LLC
Amy Sherwood, Principal
Danielle Caldwell, Senior Manager
Shannon Leach, Manager

The responses to the recommendations were provided by Tassi Maton, Chief Internal Audit Officer, in a correspondence dated January 13, 2025.

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INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

The Board Members of the
State of Illinois, Illinois State Board of Education

Report on the Audit of the Financial Statements

Opinions

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Illinois State Board of Education (Agency), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Agency, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 2, the financial statements of the Agency are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the Agency. They do not purport to, and do not, present fairly the financial position of the State of Illinois, as of June 30, 2024, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 fraud or error.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards,* we:

- exercise professional judgement and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management's discussion and analysis, the budgetary comparison information for the General Fund, the pension related required supplementary information, and the other postemployment benefits required supplementary information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of basic financial reporting for placing the financial statements of the Agency in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying supplementary information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole, as listed in the Table of Contents.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the agency officials page but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2025, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Restricted Use of this Auditor's Report

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Comptroller, Board members of the Illinois State Board of Education, and the Agency's management, and is not intended to be and should not be used by anyone other than these specified parties.

SIGNED ORIGINAL ON FILE

Springfield, Illinois
January 14, 2025

FINANCIAL STATEMENTS

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
AS OF JUNE 30, 2024
(amounts expressed in thousands)

	General Fund	Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Net Position
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Unexpended appropriations	$ 194,081	$ 2,500	$ 196,581	$ -	$ 196,581
Cash and cash equivalents	13,958	41,664	55,622	-	55,622
Securities lending collateral equity with State Treasurer	-	753	753	-	753
Due from federal government	-	839,511	839,511	-	839,511
Due from local governments	66,362	-	66,362	-	66,362
Other receivables	2,895	2,878	5,773	-	5,773
Due from other Agency funds	2,269	778	3,047	(3,047)	-
Due from other State funds	56	407	463	-	463
Due from component units of the State	-	10	10	-	10
Inventories	-	836	836	-	836
Loans receivable	-	412	412	-	412
Prepaid expenses	-	-	-	1,455	1,455
Capital assets not being depreciated	-	-	-	1,063	1,063
Capital assets net of depreciation	-	-	-	28,217	28,217
Total assets	279,621	889,749	1,169,370	27,688	1,197,058
Deferred outflows of resources - SERS pensions	-	-	-	23,699	23,699
Deferred outflows of resources - TRS pensions	-	-	-	1,597	1,597
Deferred outflows of resources - OPEB	-	-	-	39,987	39,987
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 279,621	$ 889,749	$ 1,169,370	$ 92,971	$ 1,262,341
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Accounts payable and accrued liabilities	$ 34,168	$ 47,411	$ 81,579	$ -	$ 81,579
Obligations under securities lending of State Treasurer	-	753	753	-	753
Due to federal government	-	271	271	-	271
Due to local governments	1,172,028	789,693	1,961,721	-	1,961,721
Due to other State fiduciary funds	-	3	3	-	3
Due to other Agency funds	582	2,465	3,047	(3,047)	-
Due to other State funds	2,553	15,404	17,957	-	17,957
Due to component units of the State	1,593	4,588	6,181	-	6,181
Unearned revenue	-	785	785	-	785
Long-term obligations:					
Due within one year	-	-	-	5,606	5,606
Due subsequent to one year	-	-	-	234,110	234,110
Total liabilities	1,210,924	861,373	2,072,297	236,669	2,308,966
Deferred inflows of resources - unavailable revenue - federal government	-	153,293	153,293	(153,293)	-
Deferred inflows of resources - SERS pensions	-	-	-	20,522	20,522
Deferred inflows of resources - TRS pensions	-	-	-	1,096	1,096
Deferred inflows of resources - OPEB	-	-	-	104,665	104,665
Total liabilities and deferred inflows of resources	1,210,924	1,014,666	2,225,590	209,659	2,435,249
FUND BALANCES (DEFICITS)/NET POSITION (DEFICIT)					
Fund Balances:					
Nonspendable	-	836	836	(836)	-
Restricted	-	15,564	15,564	(15,564)	-
Committed	-	21,643	21,643	(21,643)	-
Unassigned	(931,303)	(162,960)	(1,094,263)	1,094,263	-
Net investment in capital assets	-	-	-	25,286	25,286
Restricted net position	-	-	-	16,422	16,422
Unrestricted net position	-	-	-	(1,214,616)	(1,214,616)
Total Fund Balances (Deficits)/Net Position	(931,303)	(124,917)	(1,056,220)	$ (116,688)	$ (1,172,908)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)/NET POSITION	$ 279,621	$ 889,749	$ 1,169,370		

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION
AS OF JUNE 30, 2024
(amounts expressed in thousands)

Total Fund deficit - governmental funds		$ (1,056,220)
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		29,280
Prepaid expenses for governmental activities are current uses of financial resources for funds.		1,455
Deferred outflows of resources related to pensions are not reported in the governmental funds since they do not provide current financial resources. These deferred outflows of resources consist of the following:		
Deferred outflows of resources - SERS pensions	$ 23,699	
Deferred outflows of resources - TRS pensions	1,597	
Deferred outflows of resources - OPEB	39,987	
		65,283
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the governmental funds.		153,293
Deferred inflows of resources related to pensions are not reported in the government funds since they do not use current financial resources. These deferred inflows of resources consist of the following:		
Deferred inflows of resources - SERS pensions	(20,522)	
Deferred inflows of resources - TRS pensions	(1,096)	
Deferred inflows of resources - OPEB	(104,665)	
		(126,283)
Some liabilities reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds. These liabilities consist of:		
Compensated absences	(3,969)	
Lease obligations	(3,945)	
SBITAs	(49)	
Reorganization incentive	(1,183)	
Net pension liability - SERS	(144,001)	
Net pension liability - TRS	(2,298)	
OPEB liability	(84,271)	
		(239,716)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ (1,172,908)

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2024
(amounts expressed in thousands)

	General Fund	Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Activities
EXPENDITURES/EXPENSES					
Program expense - education	$ 10,415,009	$ 4,781,613	$ 15,196,622	$ (5,848)	$ 15,190,774
Debt service - principal	967	954	1,921	(1,921)	-
Debt service - interest	74	74	148	-	148
Capital outlays	2,197	1,547	3,744	(3,744)	-
Total Expenditures/Expenses	10,418,247	4,784,188	15,202,435	(11,513)	15,190,922
PROGRAM REVENUES					
Charges for services:					
Licenses and fees	1	6,331	6,332	-	6,332
Total charges for services	1	6,331	6,332	-	6,332
Operating grant revenue:					
Federal	4,348	4,722,483	4,726,831	41,218	4,768,049
Refunds	-	3,175	3,175	-	3,175
Total operating grant revenue	4,348	4,725,658	4,730,006	41,218	4,771,224
Net Program Deficit	(10,413,898)	(52,199)	(10,466,097)	52,731	(10,413,366)
GENERAL REVENUES					
Interest	-	212	212	-	212
Other revenues	27	284	311	-	311
Total General Revenues	27	496	523	-	523
OTHER SOURCES (USES) OF FINANCIAL RESOURCES					
Appropriations from State resources	10,564,841	35,000	10,599,841	-	10,599,841
Reappropriations to Fiscal Year 2025	(127,324)	(25,000)	(152,324)	-	(152,324)
Lapsed appropriations	(19,652)	-	(19,652)	-	(19,652)
Receipts collected and transmitted to State Treasury	(27,549)	-	(27,549)	-	(27,549)
Amount of SAMS transfers-out	1,202	-	1,202	-	1,202
Transfers-in	-	1,600	1,600	(1,600)	-
Transfers-out	(1,600)	-	(1,600)	1,600	-
Lease financing	73	-	73	(73)	-
Net Other Sources (Uses) of Financial Resources	10,389,991	11,600	10,401,591	(73)	10,401,518
Net change in fund balances/net position	(23,880)	(40,103)	(63,983)	52,658	(11,325)
Fund Balances (Deficits)/Net Position, July 1, 2023	(907,423)	(85,391)	(992,814)	(168,769)	(1,161,583)
Change in inventories	-	577	577	(577)	-
FUND BALANCES (DEFICITS)/NET POSITION, JUNE 30, 2024	$ (931,303)	$ (124,917)	$ (1,056,220)	$ (116,688)	$ (1,172,908)

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Net Change in Fund Balances - governmental funds		$ (63,983)
Change in inventories		577
		(63,406)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation and amortization expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation and amortization exceeded capital outlays in the current period.		(5,329)
Deferred outflows of resources related to pension and OPEB liabilities in the Statement of Activities that do not provide current financial resources are not reported in the governmental funds. This amount represents the decrease in deferred outflows over the prior year.		(13,418)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		1,921
Some capital additions were financed through other financing arrangements. In governmental funds these other financing arrangements are considered a source of financing, but in the Statement of Net Position, the lease obligation is reported as a liability.		(73)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. This amount represents the increase in unavailable revenue over the prior year.		41,218
Deferred inflows of resources related to pension and OPEB liabilities in the Statement of Activities that do not use current financial resources are not reported in the governmental funds. This amount represents the decrease in deferred inflows over the prior year.		28,414
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 governmental funds. These activities consist of:		
Decrease in prepaid expenses	$ (6,016)	
Increase in compensated absences	(62)	
Increase in reorganization incentive	(1,183)	
Decrease in net pension liability - SERS	6,025	
Decrease in net pension liability - TRS	1,111	
Increase in OPEB liability	(527)	(652)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ (11,325)

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

1. Organization

The Illinois State Board of Education (Agency) is a part of the executive branch of government of the State of Illinois (State) and operates under the authority of and review by the Illinois General Assembly. The Agency operates under a budget approved by the General Assembly in which resources primarily from the State's General Fund and other funds are appropriated for the use of the Agency. Activities of the Agency are subject to the authority of the Office of the Governor, the State's chief executive officer, and other departments of the executive and legislative branches of government (such as the Department of Central Management Services, the Governor's Office of Management and Budget, the State Treasurer's Office, and the Office of the State Comptroller) as defined by the Illinois General Assembly. All funds appropriated to the Agency and all other cash received are under the custody and control of the State Treasurer.

The Agency is organized to provide leadership, assistance, resources and advocacy so that every student is prepared to succeed in careers and postsecondary education and shares accountability for doing so with districts and schools.

2. Summary of Significant Accounting Policies

The financial statements of the Agency have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

(a) Financial Reporting Entity

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

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

2) Fiscal dependence on the primary government and the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based upon the required criteria, the Agency has no component units and is not a component unit of any other entity. However, because the Agency is not legally separate from the State of Illinois, the financial statements of the Agency are included in the financial statements of the State of Illinois. The State of Illinois' Annual Comprehensive Financial Report may be obtained by accessing the State Comptroller Office's website – https://illinoiscomptroller.gov/financial-reports-data/find-a-report/comprehensive-reporting/annual-comprehensive-financial-report/.

(b) Basis of Presentation

The financial activities of the Agency, which consist only of governmental activities, are reported under the education function in the State of Illinois' Annual Comprehensive Financial Report. For its reporting purposes, the Agency has combined the fund and government-wide financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column.

The financial statements of the Agency are intended to present the net position and the changes in net position of only that portion of the governmental activities, the major fund, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the Agency. They do not purport to, and do not, present fairly the net position of the State of Illinois as of June 30, 2024, and the changes in its net position for the year then ended in conformity with accounting principles generally accepted in the United States of America. A brief description of the Agency's government-wide and fund financial statements is as follows:

Government-wide Statements: The government-wide statement of net position and statement of activities report the overall financial activity of the Agency. Eliminations have been made to minimize the double-counting of internal activities of the Agency. The financial activities of the Agency consist only of governmental activities, which are primarily supported by appropriations from State and Federal operating grant revenues.

The statement of net position presents the assets, deferred outflows of resources, liabilities and deferred inflows of resources of the Agency's governmental activities with the difference being reported as net position. The assets and liabilities are presented in order of their relative liquidity by class of asset or liability with liabilities whose average maturities are greater than one year reported in two components - the amount due within one year and the amount due in more than one year.

The statement of activities presents a comparison between direct expenses and program revenues for the education function of the Agency's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Agency's funds. The emphasis on fund financial statements is on major governmental funds, which is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Agency administers the following major governmental funds (or portions thereof in the case of shared funds - see Note 2 (d)):

General - This is the State's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund. The services which are administered by the Agency and accounted for in the General Fund include, among others, social assistance, education (other than institutions of higher education), and health and social services. Certain resources obtained from federal grants and used to support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements. The Agency's General Fund grouping contains four primary sub-accounts (General Revenue – 001, Education Assistance – 007, Common School – 412, and Advancement of Education - 640) and two secondary sub-accounts (State Cure – 324, and School Infrastructure – 568).

Additionally, the Agency reports the following governmental fund types:

Special Revenue - Transactions related to resources obtained from specific revenue sources (other than debt service and capital projects) that are legally restricted or committed to expenditures for specific purposes are accounted for in special revenue funds. All Agency administered State and federal trust funds are included in the Special Revenue Funds grouping.

Capital Projects - Transactions related to resources obtained principally from proceeds of general and special obligation bond issues that are restricted, committed or assigned to the acquisition or construction of major capital facilities.

(c) Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the Agency gives (or receives) value without directly receiving (or giving) equal value in exchange, include federal and State grants. Revenue from grants and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on formal debt issues, claims and judgments, and compensated absences are recorded only when the payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under right-to-use lease assets and subscription-based information technology arrangements are reported as other financing sources.

Significant revenue sources which are susceptible to accrual include Federal operating grants. All revenue sources including fees and other miscellaneous revenues are considered to be measurable and available only when cash is received.

(d) Shared Fund Presentation

The financial statement presentation for the General Revenue (001), Education Assistance (007), State Cure (324), Common School (412), School Infrastructure (568) and Advancement of Education (640) Accounts of the General Fund; the Drivers Education Fund (031) and the Capital Development Fund (141) represent only the portion of the shared funds that can be directly attributed to the operations of the Agency. Financial statements for total fund operations of the shared State funds are presented in the State of Illinois' Annual Comprehensive Financial Report.

In presenting these financial statements, certain unique accounts are used for the presentation of shared funds. The following accounts are used in these financial statements to present the Agency's portion of shared funds:

Unexpended Appropriations

This "asset" account represents lapse period transactions processed by the Office of the State Comptroller after June 30 annually, in accordance with the Statewide Accounting Management System (SAMS) records, plus any liabilities relating to obligations re-appropriated to the subsequent fiscal year and voucher, interfund payment, and mandatory SAMS transfer transactions held by the Office of the State Comptroller at June 30.

Appropriations from State Resources

This "other financing source" account represents the final legally adopted appropriation according to SAMS records.

Reappropriations to Future Year(s)

This contra revenue account reduces current year appropriations by the amount of the reappropriation to reflect the State's realignment of the budgetary needs to the subsequent year and avoid double counting of a portion of the appropriation in more than one fiscal year.

Lapsed Appropriations

Lapsed appropriations are the legally adopted appropriations less net warrants issued for the 14 month period from July to August of the following year and reappropriations to subsequent years according to SAMS records.

Receipts Collected and Transmitted to State Treasury

This "other financing use" account represents all cash receipts received during the fiscal year from SAMS records.

Amount of SAMS Transfers-Out

This "other financing source" account represents cash transfers made by the Office of the State Comptroller in accordance with statutory provisions from the corresponding fund during the fiscal year per SAMS records in which a legally adopted appropriation was not charged.

(e) Eliminations

Eliminations have been made in the government-wide statement of net position to minimize the "grossing-up" effect on assets and liabilities within the governmental activities' column of the Agency. As a result, amounts reported in the governmental funds balance sheet as interdepartmental interfund receivables and payables have been eliminated in the government-wide statement of net position. Amounts reported in the governmental funds balance sheet statement of net position as receivable from or payable to fiduciary funds have been included in the government-wide statement of net position as receivable from and payable to external parties, rather than as internal balances.

(f) Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term, highly liquid investments readily convertible to cash with maturities of less than 90 days at the time of purchase and consist principally of deposits held in the State Treasury. Cash and cash equivalents also include cash on hand and in transit.

(g) Inventories

For governmental funds, the Agency recognizes the costs of inventories as expenditures when purchased. At year end, physical counts are taken of significant inventories, consisting primarily of agricultural commodities, paper, printing and office supplies. Inventories are valued at cost, principally on the first-in, first-out (FIFO) method. Inventories reported in governmental funds do not reflect current appropriable resources and, therefore, the Agency records an equivalent portion of fund balance as nonspendable. Commodities are valued at the value assigned to the commodities by the donor, the U.S. Department of Agriculture.

(h) Prepaid Expenses

Payments made to vendors and subrecipients which benefit periods subsequent to the year ended June 30, 2024 are reported as expenditures in governmental funds and as prepaid expenses in the government-wide statement of net position.

(i) Interfund Transactions and Transactions with State of Illinois Component Units

The Agency has the following types of interfund transactions between funds of the Agency and funds of other State agencies:

Services provided and used - sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the governmental funds balance sheet and government-wide statement of net position.

Reimbursements - repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

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

The Agency also has activity with various component units of the State of Illinois for professional services received and payments for State and federal programs.

(j) Capital Assets

Capital assets, which include property, plant and equipment, and intangible assets, are reported at cost. Contributed assets are reported at acquisition value at the time received. Right-to-use lease assets and subscription-based information technology arrangements (SBITAs) are recorded at cost based on the present value of expected payments over the lease or SBITA term plus any payments made to the lessor at or before the commencement of the lease or SBITA term and certain direct costs that are ancillary charges necessary to place the asset into service. Capital assets, right-to-use lease assets, and SBITAs are depreciated and amortized using the straight-line method over the following estimated useful lives or over the lease or SBITA term. Intangible assets (internally generated computer software) are assets that do not have a physical existence, are non-financial in nature, are not in a monetary form, and have a useful life of over one year.

Capitalization thresholds and the estimated useful lives are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life
Land	$ 100,000	n/a
Land Improvements	25,000	n/a
Site Improvements	25,000	3-50 years
Buildings	100,000	10-60 years
Building Improvements	25,000	10-45 years
Equipment	5,000	3-25 years
Intangible (internally generated computer software)	1,000,000	20 years
Right-to-use-lease assets	25,000	Lease Term
SBITAs	25,000	SBITA Term

(k) Compensated Absences

The liability for compensated absences reported in the government-wide statement of net position consists of unpaid, accumulated vacation and sick leave balances for Agency employees. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g., Social Security and Medicare taxes).

Legislation that became effective January 1, 1998 capped the paid sick leave for all State Employees' Retirement System members at December 31, 1997. Employees continue to accrue twelve sick days per year, but will not receive monetary compensation for any additional time earned after December 31, 1997. Sick days earned between 1984 and December 31, 1997 (with a 50% cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997 will be converted to service time for purposes of calculating employee pension benefits.

(l) Pensions

In accordance with the Agency's adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27,* the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense have been recognized in the government-wide financial statements.

The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of service and the plans' fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expenses, current year benefit changes, and other changes in plan fiduciary net position less employee contributions and projected earnings on plan investments. Additionally, the total pension expense includes the annual recognition of outflows and inflows of resources due to pension assets and liabilities.

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense and expenditures associated with the Agency's contribution requirements, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported within the separately issued plan financial statements.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with terms of the plan. Investments are reported at fair value. The governmental fund financial statements report pension expenditures for amounts paid to the pension plan and changes in the beginning and ending balances of amounts owed to the pension plan.

(m) Postemployment Benefits Other Than Pensions ("OPEB")

The State provides health, dental, vision and life insurance benefits for certain retirees and their dependents through the State Employees Group Insurance Program ("SEGIP"). The total OPEB liability, deferred outflows of resources, deferred inflows of resources, expense, and expenditures associated with the program have been determined through an actuarial valuation using certain actuarial assumptions as applicable to the current measurement period. (See Note 10).

The OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and OPEB expense have been recognized in the government-wide financial statements. The governmental fund financial statements report OPEB expenditures for amounts paid for OPEB and changes in the beginning and ending balances of amounts owed for OPEB.

(n) Deferred Outflows/Inflows of Resources

A deferred outflow/inflow of resources is a consumption/acquisition of net assets that is applicable to a future reporting period. The Agency has recorded deferred outflows/inflows of resources in the government-wide financial statements in connection with the net pension liability and OPEB liability as explained in Note 9 and Note 10, respectively. In addition, the Agency has recorded deferred inflows of resources in the fund financial statements in connection with unavailable revenues.

(o) Fund Balances

In the fund financial statements, governmental funds report fund balances in the following categories:

Nonspendable - This consists of 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 Agency's nonspendable fund balance consists of amounts for inventories.

Restricted - This consists of amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. The Agency's restricted fund balances consist of amounts restricted by enabling legislation.

Committed - This consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Agency's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Agency removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Agency's highest level of decision-making authority rests with the Illinois State legislature and the Governor. The State passes "Public Acts" to commit its fund balances. The Agency's committed fund balances consist of amounts that are restricted through enabling legislation but have been subject to fund sweeps in previous years and, therefore, have been classified as committed.

Assigned - This consists of net amounts that are constrained by the Agency's intent to be used for specific purposes, but that are neither restricted nor committed. Fund balance assignments can only be removed or changed by action of the General Assembly. The Agency's assigned fund balances consist of amounts for indirect cost recovery of Federal monies.

Unassigned - This consists of residual fund balance (deficit) that has not been restricted, committed, or assigned within the general fund and deficit fund balances of other governmental funds.

In governmental funds, when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the Agency's policy is generally to first apply the expenditure toward restricted fund balance and then to other, less restrictive classifications - committed, assigned, and then unassigned fund balances.

(p) Net Position

In the government-wide statement of net position, net position is displayed in three components as follows:

Net Investment in Capital Assets - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted - This consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

(q) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Deposits

The State Treasurer is the custodian of the State's cash and cash equivalents for funds maintained in the State Treasury.

Deposits in the custody of the State Treasurer, including cash on hand or in transit, totaled $55.622 million at June 30, 2024. These deposits are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the Agency does not own individual securities. Detail on the nature of these deposits is available within the State of Illinois' Annual Comprehensive Financial Report.

4. Interfund Balances and Activity

Balances Due From/To Other Funds

The following balances (amounts expressed in thousands) at June 30, 2024 represent amounts due from other Agency funds and from other State of Illinois funds:

Fund	Due from other Agency funds	Due from other State funds	Description/Purpose
General	$ 2,269	$ 56	Grants for educational purposes.
Nonmajor	778	407	Grants for educational purposes.
Total	$ 3,047	$ 463	

The following balances (amounts expressed in thousands) at June 30, 2024 represent amounts due to other State of Illinois funds:

Fund	Due to other State Fiduciary funds	Due to other Agency funds	Due to other State funds	Description/Purpose
General	$ -	$ 582	$ 2,553	Due to other Agency funds and other State funds for grants for educational purposes and for purchases of services.
Nonmajor	3	2,465	15,404	Due to other State fiduciary funds for retirement payments. Due to other Agency funds and other State funds for grants for educational purposes, for federal food service programs and for purchases of services.
Total	$ 3	$ 3,047	$ 17,957	

5. Balances and Activity Between the Agency and State of Illinois Component Units

The following balances (amounts expressed in thousands) at June 30, 2024 represent amounts due to discretely presented component units of the State of Illinois for payments for professional services and for State and federal grant programs:

Component Unit	Due From Nonmajor Funds	Due To General Fund	Due To Nonmajor Funds
Governors State University	$ -	$ -	$ 18
Northeastern Illinois University	-	40	277
Western Illinois University	-	-	142
Illinois State University	-	288	785
Northern Illinois University	-	734	1,260
Southern Illinois University	-	150	39
University of Illinois	10	381	2,067
Total	$ 10	$ 1,593	$ 4,588

6. Loans Receivable

The Agency administers four programs that provide loans to schools for various educational purposes.

- School District Emergency Financial Assistance Program - This program is available to provide school districts with emergency financial assistance. As of June 30, 2024, this program had no loans receivable outstanding.

- Charter Schools Revolving Loan Program - This program is designed to encourage and financially support high quality charter schools throughout Illinois. Loans are available to charter schools in the initial years of their charters. As of June 30, 2024, this program had no loans receivable outstanding.

- School Technology Revolving Loan Program - This program is designed to provide school districts with the technology tools and research-proven software to help all their students achieve the Illinois Learning Standards, especially in reading and mathematics. Three-year loans are available to school districts through this program to assist in achieving these goals.

- Temporary Relocation Expenses Revolving Grant Program - This program is available to pay school district emergency relocation expenses incurred as a result of fire, earthquake, tornado, or other natural or man-made disasters or school building condemnations made by a Regional Office of Education and approved by the State Superintendent of Education. The purpose of the program is to assist school districts in providing a safe, temporary environment for learning. As of June 30, 2024, this program had no loans receivable outstanding.

Loans receivable (amounts expressed in thousands) at June 30, 2024 consisted of the following:

Program	Balance
School Technology Revolving Loan Program	$ 412

7. Capital Assets

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2024 was as follows:

	Balance July 1, 2023	Additions	Deletions	Net Transfers	Balance June 30, 2024
Capital assets not being depreciated:					
Land	$ 1,063	$ -	$ -	$ -	$ 1,063
Total capital assets not being depreciated	1,063	-	-	-	1,063
Capital assets being depreciated/amortized:					
Buildings	436	-	-	-	436
Right-to-use lease – buildings	9,464	-	-	-	9,464
Equipment	4,059	239	17	-	4,281
Right-to-use lease - equipment	30	-	30	-	-
Internally generated software	69,486	3,432	-		72,918
Subscription-based information technology arrangements	316	73	-	-	389
Total capital assets being depreciated/amortized	83,791	3,744	47	-	87,488
Less accumulated depreciation/amortization:					
Buildings	359	9	53	53	368
Right-to-use lease - buildings	3,785	1,893	-	-	5,678
Equipment	3,667	198	17	-	3,848
Right-to-use lease - equipment	20	10	30	-	-
Internally generated software	42,265	6,790	-	-	49,055
Subscription-based information technology arrangements	149	173	-	-	322
Total accumulated depreciation/amortization	50,245	9,073	100	53	59,271
Total capital assets being depreciated/amortized, net	33,546	(5,329)	(53)	(53)	28,217
Governmental activity capital assets, net	$ 34,609	$ (5,329)	$ (53)	$ (53)	$ 29,280

Depreciation expense and amortization for governmental activities (amounts expressed in thousands) for the year ended June 30, 2024 was charged to the Education function for an amount of $9,073.

8. Long-Term Obligations

Changes in Long-Term Obligations

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2024 were as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Amounts Due Within One Year
Compensated absences	$ 3,907	$ 2,986	$ 2,924	$ 3,969	$ 28
Leases	5,842	-	1,897	3,945	1,943
Subscription-based information technology arrangements	-	73	24	49	23
Reorganization incentive	-	1,213	30	1,183	128
Net pension liability - SERS	150,026	-	6,025	144,001	-
Net pension liability - TRS	3,409	-	1,111	2,298	-
OPEB liability	83,744	527	-	84,271	3,484
Total	$246,928	$ 4,799	$ 12,011	$239,716	$ 5,606

Compensated absences will be liquidated by the applicable governmental funds that account for the salaries and wages of the related employees.

Leases

The Agency has entered into various leases for office facilities with remaining lease terms of two years. Although lease terms vary, certain leases are renewable subject to appropriation by the General Assembly. If renewals are reasonably assured, leases requiring appropriation by the General Assembly are considered noncancelable leases for financial reporting purposes. The renewal and termination options are not included in the right-to-use asset or lease liability balance until they are reasonably certain of exercise.

At June 30, 2024, right to use assets under leases (amounts expressed in thousands) are as follows:

	Balance June 30, 2024
Buildings	$ 9,464
	9,464
Less: Accumulated amortization	5,678
	$ 3,786

Future minimum commitments for non-cancelable leases (amounts expressed in thousands) as of June 30, 2024, are as follows:

Year Ending June 30	Principal	Interest
2025	$ 1,943	$ 91
2026	2,002	32
Total minimum lease payments	$ 3,945	$ 123

Subscription-Based Information Technology Arrangements (SBITAs)

The Agency has entered into various SBITAs with remaining contract terms of one to two years. Although subscription terms vary, certain agreements are renewable subject to appropriation by the General Assembly. If renewal is reasonably assured, agreements requiring appropriations by the General Assembly are considered noncancelable agreements for financial reporting purposes. The renewal and termination options are not included in the subscription asset or subscription liability balance until they are reasonably certain of exercise.

At June 30, 2024, subscription assets under SBITAs (amounts expressed in thousands) are as follows:

	Balance June 30, 2024
Subscription assets	$ 389
Less: Accumulated amortization	322
	$ 67

Future minimum commitments for SBITAs (amounts expressed in thousands) as of June 30, 2024, are as follows:

Year Ending June 30	Principal	Interest
2025	$ 23	$ 2
2026	26	1
Total minimum lease payments	$ 49	$ 3

Reorganization Incentive

The Agency has various incentives for school districts which reorganize under the School Code. These incentives include: the General State Aid Differential Incentive, which compares the General State Aid payment received by the newly formed district to the total amount of General State Aid the original districts would have received if filing separately; the Salary Differential incentive, which compares teachers' salaries for the year prior to the reorganization; and the $4,000 Per Certified Staff Differential, which provides $4,000 for each full-time certified staff member of the newly formed district.

Future requirements (amounts expressed in thousands) under these incentives as of June 30, 2024 are as follows:

Year Ending June 30	Amount
2025	$ 128
2026	352
2027	352
2028	351
Total	$ 1,183

9. Pension Plan

Defined Benefit Pension Plan

Plan Description

Substantially all of the Agency's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS) or the Teachers' Retirement System (TRS), which are pension trust funds in the State of Illinois reporting entity. SERS is a single-employer defined benefit pension trust fund in which State employees participate except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. SERS is governed by article 14 of the Illinois Pension Code (40 ILCS 5/1, et al.). TRS is the administrator of a cost-sharing multiple-employer public employee defined benefit pension plan with a "special funding situation" as described below. TRS provides coverage to personnel in positions that require a certification under the teacher certification law that are employed by public school districts in Illinois (excluding Chicago), special districts and certain State agencies. There are 851 local school districts, 135 special districts, and 9 State agencies that contribute to the TRS plan as of the measurement date June 30, 2023. The State of Illinois, as a nonemployer contributing entity, is legally mandated to make contributions to TRS, thus creating a special funding relationship with the plan. TRS is governed by article 16 of the Illinois Pension Code.

Both plans consist of two tiers of contribution requirements and benefit levels based on when an employee was hired. Members who first become an employee and participate under any of the State's retirement plans on or after January 1, 2011 are members of Tier 2, while Tier 1 consists of employees hired before January 1, 2011 or those who have service credit prior to January 1, 2011. The provisions below apply to both Tier 1 and 2 members, except where noted.

Both plans also issue a publicly available financial report that includes financial statements and required supplementary information for that plan. Those reports are available on the respective plan websites or may be obtained by writing or calling the plan as follows:

- State Employees' Retirement System, 2101 South Veterans Parkway, P.O. Box 19255, Springfield, Illinois, 62794-9255, (217) 785-7444 or www.srs.illinois.gov.
- Teachers' Retirement System, 2815 West Washington Street, P.O. Box 19253, Springfield, Illinois, 62794-9253, (877) 927-5877 or www.trsil.org .

Benefit Provisions

State Employees' Retirement System
SERS provides retirement benefits based on the member's final average compensation and the number of years of service credit that have been established. The retirement benefit formula available to general State employees that are covered uner the Federal Social Security Act is 1.67% for each year of service and for noncovered employees it is 2.2% for each year of service. The maximum retirement annuity payable is 75% of final average compensation as calculated under the regular formula.

The minimum monthly retirement annuity payable is $15 for each year of covered service and $25 for each year of noncovered service.

Members in SERS under the regular formula Tier 1 and Tier 2 receive the following levels of benefits based on the respective age and years of service credits.

Regular Formula Tier 1	Regular Formula Tier 2
A member must have a minimum of eight years of service credit and may retire at: • Age 60, with 8 years of service credit. • Any age, when the member's age (years and whole months) plus years of service credit (years and whole months) equal 85 years (1,020 months) (Rule of 85) with eight years of credited service. • Between ages 55-60 with 25-30 years of service credit (reduced 1/2 of 1% for each month under age 60). The retirement benefit is based on final average compensation and credited service. Final average compensation is the 48 highest consecutive months of service within the last 120 months of service. Under the Rule of 85, a member is eligible for the first 3% increase on January 1 following the first full year of retirement, even if the member is not age 60. If the member retires at age 60 or older, he/she will receive a 3% pension increase every year on January 1, following the first full year of retirement. If the member retires before age 60 with a reduced retirement benefit, he/she will receive a 3% pension increase every January 1 after the member turns age 60 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.	A member must have a minimum of 10 years of credited service and may retire at: • Age 67, with 10 years of credited service. • Between ages 62-67 with 10 years of credited service (reduced 1/2 of 1% for each month under age 67). The retirement benefit is based on final average compensation and credited service. For regular formula employees, final average compensation is the average of the 96 highest consecutive months of service within the last 120 months of service. The retirement benefit is calculated on a maximum salary of $106,800. This amount increases annually by 3% or 1/2 of the Consumer Price Index, whichever is less. If the member retires at age 67 or older, he/she will receive a pension increase of 3% or 1/2 of the Consumer Price Index for the preceding calendar year, whichever is less, every year on January 1, following the first full year of retirement. The Calendar Year 2023 rate is $123,489 If the member retires before age 67 with a reduced retirement benefit, he/she will receive a pension increase of 3% or 1/2 of the Consumer Price Index for the preceding calendar year, whichever is less, every January 1 after the member turns age 67 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.

Additionally, the Plan provides an alternative retirement formula for State employees in high-risk jobs, such as State policemen, fire fighters, and security employees. Employees qualifying for benefits under the alternative formula may retire at an earlier age depending on membership in Tier 1 or Tier 2.

The retirement formula is 2.5% for each year of covered service and 3.0% for each year of non-covered service. The maximum retirement annuity payable is 80% of final average compensation as calculated under the alternative formula.

SERS also provides occupational and nonoccupational (including temporary) disability benefits. To be eligible for nonoccupational (including temporary) disability benefits, an employee must have at least eighteen months of credited service to the System. The nonoccupational (including temporary) disability benefit is equal to 50% of the monthly rate of compensation of the employee on the date of removal from the payroll. Occupational disability benefits are provided when the member becomes disabled as a direct result of injuries or diseases arising out of and in the course of State employment. The monthly benefit is equal to 75% of the monthly rate of compensation on the date of removal from the payroll. This benefit amount is reduced by Workers' Compensation or payments under the Occupational Diseases Act.

Occupational and nonoccupational death benefits are also available through SERS. Certain nonoccupational death benefits vest after eighteen months of credited service. Occupational death benefits are provided from the date of employment.

Teachers' Retirement System

TRS provides retirement benefits, whereby, most members retire under a formula that provides 2.2% of final average salary up to a maximum of 75% with 34 years of service. Under Tier 1, a member qualifies for an age retirement annuity after reaching age 62 with 5 years of credited service, age 60 with 10 years of credited service, or age 55 with 20 years of credited service. If a member retires between the ages of 55 and 60 with fewer than 35 years of service, the annuity will be reduced 1/2 percent for each month under age 60. The retirement benefit is based on the final average salary, which is the average salary for the highest four consecutive years within the last ten years of creditable service. Annual automatic increases equal to 3% are provided to essentially all retirees. Under Tier 2, a member qualifies for an age retirement annuity after reaching age 62 with 10 years of credited service, at a discounted rate, or age 67 with 10 years of credited service. The retirement benefit is based on the final average salary, which for Tier 2 is the average salary for the highest eight consecutive years within the last ten years of creditable service. Annual automatic increases equal to the lesser of 3% or 1/2 of the Consumer Price Index with the adjustment applied to the original benefit are provided to Tier 2 retirees. Disability and death benefits are also provided by TRS.

Contributions

State Employees' Retirement System

Contribution requirements of active employees and the State are established in accordance with Chapter 40, section 5/14-133 of the Illinois Compiled Statutes. Member contributions are based on fixed percentages of covered payroll ranging between 4.00% and 12.50%. Employee contributions are fully refundable, without interest, upon withdrawal from State employment. Tier 1 members contribute based on total annual compensation. Tier 2 members contribute based on an annual compensation rate not to exceed $106,800 with limitations for future years increased by the lesser of 3% or 1/2 of the annual percentage increase in the Consumer Price Index. For 2024, this amount was $125,774.

The State is required to make payment for the required departmental employer contributions, all allowances, annuities, any benefits granted under Chapter 40, Article 5/14 of the ILCS and all administrative expenses of the System to the extent specified in the ILCS. State law provides that the employer contribution rate be determined based upon the results of each annual actuarial valuation.

For Fiscal Year 2024, the required employer contributions were computed in accordance with the State's funding plan. This funding legislation provides for a systematic 50-year funding plan with an ultimate goal to achieve 90% funding of the plan's liabilities. In addition, the funding plan provided for a 15-year phase-in period to allow the State to adapt to the increased financial commitment. Since the 15-year phase-in period ended June 30, 2010, the State's contribution will remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved. For Fiscal Year 2024, the employer contribution rate was 52.657%. The Agency's contribution amount for Fiscal Year 2024 was $0.737 million. In addition, the Agency recorded $10.672 million of revenue and expenditures in the General Revenue account of the General Fund to account for on-behalf payments made by SERS for Agency employees.

Teachers' Retirement System

The State maintains the primary responsibility for funding TRS. The Illinois Pension Code, as appended by Public Act 88-0593 and subsequent acts, provides that for years 2010 through 2045, the minimum contribution to TRS for each fiscal year be an amount determined to be sufficient to bring the total assets of TRS up to 90% funding. Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The active member contribution rate for the year ended June 30, 2024 was 9.0% of salary. Employer contributions are made by or on behalf of employers from several sources. The State of Illinois provides the largest source of contributions through State appropriations. Employers also make contributions of 0.58% of total creditable earnings for the 2.2 benefit formula change and for teachers who are paid from federal funds. Additionally, employers contribute their portion of any excess salary increase or sick leave costs due as defined within Chapter 40, section 5/16 of the Illinois Compiled Statutes.

For TRS, employee contributions are fully refundable, without interest, upon withdrawal from applicable employment. For Tier 1 members, there is no annual compensation limit on contributions. For Tier 2 members, annual compensation on which contributions are taken cannot exceed $106,800. This amount increases annually by the lesser of 3% or 1/2 of the annual percentage increase in the Consumer Price Index. For 2024, this amount was $125,774. The Agency's contribution for Fiscal Year 2024 was $1.448 million. The Agency recognized revenue and expenditures in the General Revenue account of the General Fund of $16.710 million in pension contributions from the State.

Pension liability, deferred outflows of resources, deferred inflows of resources and expense related to pensions.

State Employees' Retirement System

At June 30, 2024 the Agency reported a liability of $144.001 million for its proportionate share of the State's net pension liability for SERS on the statement of net position. The net pension liability was measured as of June 30, 2023 (current year measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.
The Agency's portion of the net pension liability was based on the Agency's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2023.

As of the current year measurement date of June 30, 2023, the Agency's proportion was 0.4350%, which was a decrease of 0.0289% from its proportion measured as of the prior year measurement date of June 30, 2022.

For the year ended June 30, 2024, the Agency recognized pension expense of $11.818 million.

At June 30, 2024, the Agency reported deferred outflows and deferred inflows of resources related to the pension liability, as of the measurement date of June 30, 2023, from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,719	$ -
Changes of assumptions	1,791	8,830
Net difference between projected and actual investment earnings on pension plan investments	3,095	-
Changes in proportion	3,685	11,692
Agency contributions subsequent to the measurement date	11,409	-
Total	$ 23,699	$ 20,522

$11.409 million reported as deferred outflows of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows (amounts expressed in thousands):

Year Ending June 30	SERS
2025	$ (2,010)
2026	(4,962)
2027	(727)
2028	(533)
Total	$ (8,232)

Teachers' Retirement System

At June 30, 2024, the Agency reported a liability of $2.298 million for its proportionate share of the TRS net pension liability on the statement of net position. The State's proportionate share of the pension liability (as a nonemployee contributing entity in a special funding situation) of the Agency was $198.319 million as of the measurement date. The total net pension liability for the Agency's employees participating in the TRS was $200.617 million as of the measurement date.

The net pension liability was measured as of June 30, 2023 (current year measurement date), and the total pension liability used to calculate the net pension liability was based on census data as of June 30, 2022, and rolled forward to June 30, 2023. The Agency's portion of the net pension liability was based on the Agency's contributions relative to the contributions of all participating TRS employers and the State during the year ended June 30, 2023. At June 30, 2023, the measurement date, the Agency's proportionate share was 0.00270% for the TRS plan, which was a 0.00136% decrease from its proportion measured at the prior year measurement date of June 30, 2022.

For the year ended June 30, 2024, the Agency recognized $(3.266) million through pension expense. At June 30, 2024, the Agency reported deferred outflows and deferred inflows of resources related to the pension liability, as of the measurement date of June 30, 2023, from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 9	$ 9
Changes of assumptions	8	2
Net difference between projected and actual investment earnings on pension plan investments	-	-
Changes in proportion	132	1,085
Agency contributions subsequent to the measurement date	1,448	-
Total	$ 1,597	$ 1,096

$1.448 million reported as deferred outflows of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows (amounts expressed in thousands):

Year Ending June 30	TRS
2025	$ (190)
2026	(222)
2027	(198)
2028	(216)
2029	(121)
Total	$ (947)

Actuarial Methods and Assumptions

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

	SERS	**TRS**
Valuation date	06/30/23	06/30/23*
Measurement date	06/30/23	06/30/23
Actuarial cost method	Entry Age	Entry Age
Actuarial assumptions:		
Investment rate of return	6.75%	7.00%
Projected salary increases**	2.50% - 7.41%	3.75% - 8.75%
Inflation rate	2.25%	2.50%
Postretirement benefit increases		
Tier 1	3%, compounded	3%, compounded
Tier 2	Lesser of 3% or ½ of CPI^, on original benefit	1.125% not compounded
Retirement age experience study^^	July 2018 - June 2021	July 2017 - June 2020
Mortality^^^		
SERS	Pub-2010 General and Public Safety Healthy Retiree mortality tables, sex distinct, with rates projected to 2021 generational mortality improvement factors were updated to projection scale MP-2021	
TRS	PubT-2010 adjusted for TRS experience with future mortality improvements on a fully generational basis using projection table MP-2020	

Note: the above actuarial assumptions were used to calculate the total pension liability as of the current year measurement data and are consistent with the actuarial assumptions used to calculate the total pension liability as of the prior year measurement except for the following:

	SERS	**TRS**
Projected salary increases**	2.75% - 7.17%	3.50% - 8.50%
Inflation rate		2.25%
Retirement age experience study^^	July 2015 - June 2018	
Mortality^^^	Pub-2010 General and Public Safety Healthy Retiree mortality tables, sex distinct, with rates projected to 2018 generational mortality improvement factors were updated to projection scale MP-2018	

* The total pension liability is presented in the June 30, 2023, actuarial valuation is based on census data as of June 30, 2022, rolled-forward to the measurement date.
** Includes inflation rate listed.
^ Consumer Price Index
^^ The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined.
^^^ Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee.

State Employees' Retirement System
The long-term expected real rate of return on pension plan investments was determined using the best estimates of geometric real rates of return for each major asset class. These returns 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. For each major asset class that is included in the pension plan's target asset allocation, calculated as of the measurement date of June 30, 2023, the best estimates of the geometric real rates of return are summarized in the following table:

	SERS	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	23.00%	4.60%
Developed Foreign Equity	13.00%	5.30%
Emerging Market Equity	8.00%	6.20%
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Private Equity	9.00%	7.80%
Investment Grade Bonds	15.00%	0.20%
Long-term Government Bonds	5.00%	0.60%
TIPS	3.00%	0.20%
High Yield Bonds	2.00%	2.20%
Private Debt	9.00%	5.10%
Real Estate	10.00%	5.20%
Infrastructure	3.00%	5.50%
Total	100.00%	

Teachers' Retirement System

The long-term expected rate of return assumption on pension plan investments under the TRS plan 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 expenses 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 as of June 30, 2023, that were used by the actuary are summarized in the following table:

	TRS	
Asset Class	Target Allocation	Long-Term Expected Real Rates of Return
Global Equity	37.00%	5.35%
Private Equity	15.00%	8.03%
Income	26.00%	4.32%
Real Assets	18.00%	4.60%
Diversifying Strategies	4.00%	3.40%
Total	100.00%	

Discount Rate

State Employees' Retirement System

A discount rate of 6.59% was used to measure the total pension liability. The June 30, 2023 single blended discount rate was based on the expected rate of return on pension plan investments of 6.75% and a municipal bond rate of 3.86%, based on an index of 20 year general obligation bonds with an average AA credit rating as published by the Federal Reserve. The projection of cash flows used to determine this single discount rate assumed that 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 the statutory contributions and the member rate. Based on these assumptions, the pensions plan's fiduciary net position and future contributions will be sufficient to finance the benefit payments through the year 2077.

As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2077, and the municipal bond rate was applied to all benefit payments after that date.

Teachers' Retirement System
A discount rate of 7.00% was used to measure the total pension liability. This single blended discount rate was based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate, based on an index of 20 year general obligation bonds as published by The Bond Buyer, as of the end of the current fiscal year. 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 these assumptions, the pension plan's fiduciary net position and future contributions was projected to be available to make all projected future benefit payments as of June 30, 2023. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2023.

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

The net pension liabilities for SERS and TRS were calculated using the stated discount rate, as well as what the net pension liabilities would be if they were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate as shown below (amounts expressed in thousands):

	1% Decrease 5.59%	Discount Rate 6.59%	1% Increase 7.59%
Agency's proportionate share of the SERS net pension liability	$ 175,396	$ 144,001	$ 118,034

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Agency's proportionate share of the TRS net pension liability	$ 2,829	$ 2,298	$ 1,858

10. Post-Employment Benefits

Plan Description

The State Employees Group Insurance Act of 1971 ("Act"), as amended, authorizes the Illinois State Employees Group Insurance Program ("SEGIP") to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all of the Agency's full-time employees are members of SEGIP. Members receiving monthly benefits from the SERS and the TRS are eligible for these other post-employment benefits ("OPEB"). The eligibility provisions for each of the retirement systems are defined within Note 9. Certain TRS members eligible for coverage under SEGIP include: certified teachers employed by certain State agencies, executives employed by the Board of Education, regional superintendents, regional assistant superintendents, TRS employees and members with certain reciprocal service.

The Department of Central Management Services administers these benefits for annuitants with the assistance of the public retirement systems sponsored by the State (SERS and TRS). The State recognizes SEGIP OPEB benefits as a single-employer defined benefit plan. The plan does not issue a stand-alone financial report.

Benefits Provided

The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and the various unions representing the State's and the university component units' employees in accordance with limitations established in the Act. Therefore, the benefits provided and contribution amounts are subject to periodic change. Coverage through SEGIP becomes secondary to Medicare after Medicare eligibility has been reached. Members must enroll in Medicare Parts A and B to receive the subsidized SEGIP premium available to Medicare eligible participants. The Act requires the State to provide life insurance benefits for annuitants equal to their annual salary as of the last day of employment until age 60, at which time, the benefit amount becomes $5,000.

Funding Policy and Annual Other Postemployment Benefit Cost

OPEB offered through SEGIP are financed through a combination of retiree premiums, State contributions and Federal government subsidies from the Medicare Part D program. Contributions are deposited in the Health Insurance Reserve Fund, which covers both active State employees and retirement members. Annuitants may be required to contribute towards health and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the SERS do not contribute toward health and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health and vision benefits. All annuitants are required to pay for dental benefits regardless of retirement date. The Director of Central Management Services shall, on an annual basis, determine the amount the State shall contribute toward the basic program of group health benefits. State contributions are made primarily from the General Revenue Account of the General Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree health insurance benefit and a separate trust has not been established for the funding of OPEB.

For fiscal year 2024, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $13,409.76 ($7,210.56 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and $16,622.40 ($6,423.36 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

Total OPEB liability, deferred outflows of resources, deferred inflows of resources and expense related to OPEB

The total OPEB liability, as reported at June 30, 2024, was measured as of June 30, 2023 with an actuarial valuation as of June 30, 2022. At June 30, 2024, the Agency recorded a liability of $84.271 million for its proportionate share of the State's total OPEB liability. The Agency's portion of the OPEB liability was based on the Agency's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2023. As of the current year measurement date of June 30, 2023, the Agency's proportion was .4893%, which was a decrease of .0010% from its proportion measured as of the prior year measurement date of June 30, 2022.

The Agency recognized OPEB expense for the year ended June 30, 2024, of $(13.397) million. At June 30, 2024, the Agency reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2023, from the following sources (amounts expressed in thousands):

Deferred outflows of resources		
Differences between expected and actual experience	$	1,465
Changes in assumptions		262
Changes in proportion and differences between employer contributions and proportionate share of contributions		34,776
Agency contributions subsequent to the measurement date		3,484
Total deferred outflows of resources	$	39,987
Deferred inflows of resources		
Differences between expected and actual experience	$	17,398
Changes in assumptions		61,428
Changes in proportion and differences between employer contributions and proportionate share of contributions		25,839
Total deferred inflows of resources	$	104,665

The amounts reported as deferred outflows of resources related to OPEB resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (amounts expressed in thousands):

Year Ending June 30	
2025	$ (22,141)
2026	(24,051)
2027	(17,250)
2028	(4,610)
2029	(110)
Total	$ (68,162)

Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified. The actuarial valuation for the SEGIP was based on SERS and TRS active, inactive, and retiree data as of June 30, 2022, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2022.

Valuation date	06/30/22
Measurement date	06/30/23
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Inflation rate	2.25%
Projected salary increases*	2.50% - 12.75%
Discount rate	3.69% as of June 30, 2022 and 3.86% as of June 30, 2023
Healthcare cost trend rate:	
Medical & Rx Pre-Medicare – QCHP**	Trend rates start at 8.00% in 2025 decreasing by 0.25% per year to an ultimate trend rate of 4.25% in year 2040.
Post Medicare – MAPD ***	Trend rates are 0.00% in years 2025 to 2028. 19.42% from 2029 to 2033, then 6.08% in 2034 decreasing ratably to an ultimate trend rate of 4.25% in 2040.

Retirees' share of benefit-related costs	Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5% for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100% of the required dependent premium. Premiums for plan year 2023 and 2024 are based on actual premiums. Premiums after 2024 were projected based on the same healthcare cost trend rates applied to per capita claim costs.

Note: the above actuarial assumptions were used to calculate the OPEB liability as of the current year measurement date and are consistent with the actuarial assumptions used to calculate the OPEB liability as of the prior year measurement date except for the following:

Healthcare cost trend rate:	
Medical & Rx (Pre-Medicare & Post-Medicare)	1.80% grading up 6.20% in the first year to 8.00%, then grading down 0.25% per year to an ultimate trend of 4.25% in the year 2038. There is no additional trend rate adjustment due to the repeal of Excise Tax.
Medical & Rx (Post-Medicare)	-7.56% grading up to 15.56%in the first year to 8.00%, then grading down 0.25% per year to an ultimate trend of 4.25% in year 2038
Dental and Vision	3.75% grading up 0.25% in the first year to 4.00% through 2038.

* Dependent upon service and participation in the respective retirement systems. Includes inflation rate listed.
** Quality Care Health Plan
*** Medicare Advantage Prescription Drug

Additionally, the demographic assumptions used in this OPEB valuation are identical to those used in the June 30, 2022 valuations for SERS and TRS as follows:

	Retirement Age Experience Study^	**Mortality^^**
SERS	July 2018– June 2021	Pub-2010 General and Public Safety Healthy Retiree mortality tables, sex distinct, with rates projected to 2021 generational mortality improvement factors were updated to projection scale MP-2021
TRS	July 2017 – June 2020	Pub-2010 adjusted for TRS experience for future mortality improvements on a fully generational basis using projection table MP-2020

^ The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined.

^^ Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee.

Discount rate

Retirees contribute a percentage of the premium rate based on service at retirement. The State contributes additional amounts to cover claims and expenses in excess of retiree contributions. Because plan benefits are financed on a pay-as-you-go basis, the single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. A single discount rate of 3.69% at June 30, 2022, and 3.86% at June 30, 2023, was used to measure the total OPEB liability.

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

The following presents the plan's total OPEB liability, calculated using a Single Discount Rate of 3.86%, as well as what the plan's total OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (4.86%) or lower (2.86%) than the current rate (amounts expressed in thousands):

	1% Decrease 2.86%	Current Single Discount Rate Assumption 3.86%	1% Increase 4.86%
Agency's proportionate share of total OPEB liability	$ 93,461	$ 84,271	$ 76,406

Sensitivity of the Total OPEB liability to Changes in the Healthcare Cost Trend Rate

The following presents the plan's total OPEB liability, calculated using the healthcare cost trend rates as well as what the plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or lower, than the current healthcare cost trend rates (amounts in table expressed in thousands). The key trend rates are 8.00% in 2025 decreasing to an ultimate trend rate of 4.25% in 2040.

	1% Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
Agency's proportionate share of total OPEB liability	$ 73,956	$ 84,271	$ 96,970

a) Current healthcare trend rates - Pre-Medicare per capita costs: 9.63% in 2024, 8.00% in 2025, decreasing by 0.25% per year to an ultimate rate of 4.25% in 2040. Post-Medicare per capita costs: 0.00% in 2024 to 2028, 19.42% from 2029 to 2033, 6.08% in 2034 decreasing ratably to an ultimate trend rate of 4.25% in 2040.

b) One percentage point decrease in current healthcare trend rates - Pre-Medicare per capita costs: 8.63% in 2024, 7.00% in 2025, decreasing by 0.25% per year to an ultimate rate of 3.25% in 2040. Post-Medicare per capita costs: 0.00% in 2024 to 2028, 18.42% from 2029 to 2033, 5.08% in 2034 decreasing ratably to an ultimate trend rate of 3.25% in 2040.

c) One percentage point increase in current healthcare trend rates - Pre-Medicare per capita costs: 10.63% in 2024, 9.00% in 2025, decreasing by 0.25% per year to an ultimate rate of 5.25% in 2040. Post-Medicare per capita costs: 0.00% in 2024 to 2028, 20.42% from 2029 to 2033, 7.08% in 2034 decreasing ratably to an ultimate trend rate of 5.25% in 2040.

11. Fund Deficits

The following funds had deficit balances at June 30, 2024 (amounts expressed in thousands):

	Governmental Activities
General Revenue Account (001)	$ (643,644)
Education Assistance Account (007)	(335,128)
Drivers Education Fund (031)	(10,000)
S.B.E Federal Agency Services Fund (560)	(438)
S.B.E. Federal Department of Education Fund (561)	(152,298)

These deficits are expected to be recovered from future years' State appropriations and federal funds.

12. Risk Management

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation and natural disasters. The State retains the risk of loss (i.e., self-insured) for these risks.

The Agency is exposed to various risks of loss related to employee health and dental insurance programs. The State uses the Health Insurance Reserve Fund to account for employee health and dental insurance benefit programs, which are partially self-funded. The Department of Central Management Services administers and reports the Health Insurance Reserve Fund.

Liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claims liabilities are based upon the estimated ultimate cost of settling the claims including specific, incremental claim adjustment expenses, salvage, and subrogation and considering the effects of inflation and recent claim settlement trends including frequency and amount of payouts and other economic and social factors.

The Agency’s risk management activities for self-insurance, unemployment insurance and workers’ compensation are financed through appropriations to the Illinois Department of Central Management Services and are accounted for in the General Fund of the State. The claims are not considered to be a liability of the Agency; and accordingly, have not been reported in the Agency’s financial statements for the year ended June 30, 2024.

13. Commitments and Contingencies

(a) Federal Funding

The Agency receives federal grants which are subject to review and audit by federal grantor agencies. Certain costs could be questioned as not being an eligible expenditure under the terms of the grants. At June 30, 2024, there were no material questioned costs that have not been resolved with the federal awarding agencies. However, questioned costs could still be identified during audits to be conducted in the future. Management of the Agency believes there will be no material adjustments to the federal grants and, accordingly, has not recorded a provision for possible repayment.

(b) Litigation

A suit has been filed in the Court of Claims alleging breach of contract and loss of wages related to the Agency’s refusal to pay for services claimed to have been rendered under contract. The Agency asserts that payment was lawfully withheld under the contract because of failure to perform. If the Court of Claims finds in favor of the Plaintiff, the Agency will be liable for loss of wages plus attorney’s fees and costs.

A complaint has been filed against the Agency which alleges the Agency violated the Plaintiff’s rights under the Family and Medical Leave Act (FMLA) of 1993 when the Agency terminated the Plaintiff's employment for absences in December 2019 and January 2020. The Agency asserts it did not violate the rights by interfering with the FMLA rights because proper procedures were not followed to notify the Agency of the absences and the Agency had already started the disciplinary process by the time the Plaintiff requested FMLA documentation. If the court finds in favor of the Plaintiff, the Agency could be liable for backpay, prejudgment interest, liquidated damages (a form of punitive damages) and attorney fees. There may be a request for reinstatement.

A suit has been filed against the Agency seeking an Emergency Temporary Restraining Order (TRO), declaratory action and a permanent injunction relating to the closure of the three non-public special education facilities that were operating without the Agency’s approval. The TRO was granted in October 2023. The Plaintiff originally sought money damages in addition to the attorney’s fees and costs. However, in the Second Amended Complaint filed in July 2024, money damages were not included in the relief sought, but attorney’s fees and costs remain in in the request for relief, along with the request for Permanent Injunctions.

In addition, the Agency is involved in a number of legal proceedings and claims that cover a wide range of other matters. The ultimate results of these lawsuits and other proceedings against the Agency cannot be predicted with certainty; however, the Agency does not expect such matters to have a material effect on the financial position of the Agency.

14. Securities Lending Transactions

The State Treasurer lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The State Treasurer has, through a Securities Lending Agreement, authorized Deutsche Bank AG to lend the State Treasurer's securities to broker-dealers and banks pursuant to a form of loan agreement.

During Fiscal Year 2024, Deutsche Bank AG lent U.S. Agency securities and U.S. Treasury securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate fair value of the loaned securities. Loans are marked to market daily. If the fair value of collateral falls below 100%, the borrower must provide additional collateral to raise the fair value to 100%.

The State Treasurer did not impose any restrictions during Fiscal Year 2024 on the amount of loans of available, eligible securities. In the event of borrower default, Deutsche Bank AG provides the State Treasurer with counterparty default indemnification. In addition, Deutsche Bank AG is obligated to indemnify the State Treasurer if Deutsche Bank AG loses any securities, collateral or investments of the State Treasurer in Deutsche Bank AG's custody. There were no losses during Fiscal Year 2024 resulting from a default of the borrowers or Deutsche Bank AG.

During Fiscal Year 2024, the State Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank AG and marked to market daily at no less than 102%. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The State Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent.

In accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, paragraph 9, the Office of the State Treasurer has allocated the assets and obligations at June 30, 2024 arising from securities lending agreements to the various funds of the State. The total allocated to the Agency at June 30, 2024 was $0.753 million.

SUPPLEMENTARY INFORMATION

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
COMBINING SCHEDULE OF ACCOUNTS - GENERAL FUND
AS OF JUNE 30, 2024
(amounts expressed in thousands)

	General Revenue Account (001)	Education Assistance Account (007)	State Cure Account (324)	Common School Account (412)	School Infrastructure Account (568)	Advancement of Education Account (640)	Total
ASSETS							
Unexpended appropriations	$ 193,730	$ 349	$ -	$ -	$ 2	$ -	$ 194,081
Cash and cash equivalents	3,956	754	4,348	4,900	-	-	13,958
Due from local governments	22,842	6,118	-	27,101	-	10,301	66,362
Other receivables	2,076	-	-	-	819	-	2,895
Due from other Agency funds	-	-	2,269	-	-	-	2,269
Due from other State funds	56	-	-	-	-	-	56
TOTAL ASSETS	$ 222,660	$ 7,221	$ 6,617	$ 32,001	$ 821	$ 10,301	$ 279,621
LIABILITIES							
Accounts payable and accrued liabilities	$ 33,818	$ 349	$ -	$ -	$ 1	$ -	$ 34,168
Due to local governments	830,028	342,000	-	-	-	-	1,172,028
Due to other Agency funds	582	-	-	-	-	-	582
Due to other State funds	283	-	2,269	-	1	-	2,553
Due to component units of the State	1,593	-	-	-	-	-	1,593
Total liabilities	866,304	342,349	2,269	-	2	-	1,210,924
FUND BALANCES (DEFICIT)							
Unassigned	(643,644)	(335,128)	4,348	32,001	819	10,301	(931,303)
Total fund balances (deficit)	(643,644)	(335,128)	4,348	32,001	819	10,301	(931,303)
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	$ 222,660	$ 7,221	$ 6,617	$ 32,001	$ 821	$ 10,301	$ 279,621

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GENERAL FUND
For the Year Ended June 30, 2024
(amounts expressed in thousands)

	General Revenue Account (001)	Education Assistance Account (007)	State Cure Account (324)	Common School Account (412)	School Infrastructure Account (568)	Advancement of Education Account (640)	Total
REVENUES							
Federal government	$ -	$ -	$ 4,348	$ -	$ -	$ -	$ 4,348
Licenses and fees	1	-	-	-	-	-	1
Other revenues	27	-	-	-	-	-	27
Total revenues	28	-	4,348	-	-	-	4,376
EXPENDITURES							
Education	5,472,849	851,249	4,799	3,213,017	32,522	840,573	10,415,009
Debt service:							
Principal	967	-	-	-	-	-	967
Interest	74	-	-	-	-	-	74
Capital outlays	2,197	-	-	-	-	-	2,197
Total expenditures	5,476,087	851,249	4,799	3,213,017	32,522	840,573	10,418,247
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(5,476,059)	(851,249)	(451)	(3,213,017)	(32,522)	(840,573)	(10,413,871)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES							
Appropriations from State resources	5,492,661	852,596	14,575	3,213,016	152,992	839,001	10,564,841
Reappropriations to fiscal year 2025	-	-	(9,776)	-	(117,548)	-	(127,324)
Lapsed appropriations	(19,169)	-	-	-	(483)	-	(19,652)
Receipts collected and transmitted to State Treasury	(22,501)	(3,347)	-	-	(1,701)	-	(27,549)
Amount of SAMS transfers-out	1,202	-	-	-	-	-	1,202
Transfers-out	(1,600)	-	-	-	-	-	(1,600)
Lease financing	73	-	-	-	-	-	73
Net other sources (uses) of financial resources	5,450,666	849,249	4,799	3,213,016	33,260	839,001	10,389,991
NET CHANGE IN FUND BALANCES	(25,393)	(2,000)	4,348	(1)	738	(1,572)	(23,880)
Fund balances (deficit), July 1, 2023	(618,251)	(333,128)	-	32,002	81	11,873	(907,423)
FUND BALANCES (DEFICIT), JUNE 30, 2024	$ (643,644)	$ (335,128)	$ 4,348	$ 32,001	$ 819	$ 10,301	$ (931,303)

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2024
(amounts expressed in thousands)

	Special Revenue					
	Teacher Certificate Fee Revolving Fund (016)	**Drivers Education Fund (031)**	**School District Emergency Financial Assistance Fund (130)**	**S.B.E. Special Purpose Trust Fund (144)**	**S.B.E. Teacher Certification Institute Fund (159)**	**Imagination Library of Illinois Fund (349)**
ASSETS						
Unexpended appropriations	$ -	$ 2,500	$ -	$ -	$ -	$ -
Cash and cash equivalents	14,914	-	1,002	15,279	1,003	34
Securities lending collateral equity with State Treasurer	-	-	-	-	-	7
Due from federal government	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Due from other Agency funds	46	-	-	732	-	-
Due from other State funds	-	-	-	-	-	-
Due from component units of the State	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Loans receivable	-	-	-	-	-	-
TOTAL ASSETS	$ 14,960	$ 2,500	$ 1,002	$ 16,011	$ 1,003	$ 41
LIABILITIES						
Accounts payable and accrued liabilities	$ 80	$ 8	$ -	$ 301	$ 5	$ -
Obligations under securities lending of State Treasurer	-	-	-	-	-	7
Due to federal government	-	-	-	-	-	-
Due to local governments	-	12,476	-	-	-	-
Due to other State fiduciary funds	-	-	-	2	-	
Due to other Agency funds	-	-	-	-	-	-
Due to other State funds	12	-	-	6	2	-
Due to component units of the State	15	16	-	213	-	-
Unearned revenue	-	-	-	-	-	-
Total liabilities	107	12,500	-	522	7	7
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - federal government	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	15,489	-	34
Committed	14,853	-	1,002	-	996	-
Unassigned	-	(10,000)	-	-	-	-
Total fund balances (deficits)	14,853	(10,000)	1,002	15,489	996	34
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	$ 14,960	$ 2,500	$ 1,002	$ 16,011	$ 1,003	$ 41

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2024
(amounts expressed in thousands)

	Special Revenue					
	Freedom Schools Fund (351)	**S.B.E. Federal Department of Agriculture Fund (410)**	**After-School Rescue Fund (512)**	**S.B.E. Federal Agency Services Fund (560)**	**S.B.E. Federal Department of Education Fund (561)**	**Charter Schools Revolving Loan Fund (567)**
ASSETS						
Unexpended appropriations	$ -	$ -	$ -	$ -	$ -	$ -
Cash and cash equivalents	3,094	1,134	51	22	775	27
Securities lending collateral equity with State Treasurer	-	-	-	-	-	-
Due from federal government	-	41,253	-	2,512	795,746	-
Other receivables	-	340	-	-	2,524	-
Due from other Agency funds	-	-	-	-	-	-
Due from other State funds	-	90	-	-	317	-
Due from component units of the State	-	10	-	-	-	-
Inventories	-	836	-	-	-	-
Loans receivable	-	-	-	-	-	-
TOTAL ASSETS	$ 3,094	$ 43,663	$ 51	$ 2,534	$ 799,362	$ 27
LIABILITIES						
Accounts payable and accrued liabilities	$ 399	$ 23,809	$ -	$ 277	$ 22,532	$ -
Obligations under securities lending of State Treasurer	-	-	-	-	-	-
Due to federal government	-	154	-	-	117	-
Due to local governments	426	18,316	-	1,436	757,039	-
Due to other State fiduciary funds	-	1	-	-	-	-
Due to other Agency funds	2,269	45	-	-	151	-
Due to other State funds	-	180	-	576	14,628	-
Due to component units of the State	-	130	-	245	3,969	-
Unearned revenue	-	170	-	-	615	-
Total liabilities	3,094	42,805	-	2,534	799,051	-
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - federal government	-	246	-	438	152,609	-
Total deferred inflows of resources	-	246	-	438	152,609	-
FUND BALANCES (DEFICITS)						
Nonspendable	-	836	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	-	-	51	-	-	27
Unassigned	-	(224)	-	(438)	(152,298)	-
Total fund balances (deficits)	-	612	51	(438)	(152,298)	27
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	$ 3,094	$ 43,663	$ 51	$ 2,534	$ 799,362	$ 27

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2024
(amounts expressed in thousands)

	Special Revenue			Capital Projects	
	School Technology Revolving Loan Fund (569)	**Temporary Relocation Expenses Revolving Grant Fund (605)**	**School STEAM Grant Program Fund (987)**	**Capital Development Fund (141)**	**Total**
ASSETS					
Unexpended appropriations	$ -	$ -	$ -	$ -	$ 2,500
Cash and cash equivalents	3,795	493	41	-	41,664
Securities lending collateral equity with State Treasurer	746	-	-	-	753
Due from federal government	-	-	-	-	839,511
Other receivables	14	-	-	-	2,878
Due from other Agency funds	-	-	-	-	778
Due from other State funds	-	-	-	-	407
Due from component units of the State	-	-	-	-	10
Inventories	-	-	-	-	836
Loans receivable	412	-	-	-	412
TOTAL ASSETS	$ 4,967	$ 493	$ 41	$ -	$ 889,749
LIABILITIES					
Accounts payable and accrued liabilities	$ -	$ -	$ -	$ -	$ 47,411
Obligations under securities lending of State Treasurer	746	-	-	-	753
Due to federal government	-	-	-	-	271
Due to local governments	-	-	-	-	789,693
Due to other State fiduciary funds	-	-	-	-	3
Due to other Agency funds	-	-	-	-	2,465
Due to other State funds	-	-	-	-	15,404
Due to component units of the State	-	-	-	-	4,588
Unearned revenue	-	-	-	-	785
Total liabilities	746	-	-	-	861,373
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - federal government	-	-	-	-	153,293
Total deferred inflows of resources	-	-	-	-	153,293
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	-	836
Restricted	-	-	41	-	15,564
Committed	4,221	493	-	-	21,643
Unassigned	-	-	-	-	(162,960)
Total fund balances (deficits)	4,221	493	41	-	(124,917)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	$ 4,967	$ 493	$ 41	$ -	$ 889,749

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2024
(amounts expressed in thousands)

	Special Revenue					
	Teacher Certificate Fee Revolving Fund (016)	**Drivers Education Fund (031)**	**School District Emergency Financial Assistance Fund (130)**	**S.B.E. Special Purpose Trust Fund (144)**	**S.B.E Teacher Certification Institute Fund (159)**	**Imagination Library of Illinois Fund (349)**
REVENUES						
Federal government	$ -	$ -	$ -	$ 5,743	$ -	$ -
Licenses and fees	4,686	-	-	835	810	-
Interest	-	-	-	-	-	34
Other revenues	-	-	-	284	-	-
Refunds	-	-	-	-	-	-
Total revenues	4,686	-	-	6,862	810	34
EXPENDITURES						
Education	3,321	10,000	-	6,684	923	1,600
Debt service:						
Principal	113	-	-	218	57	-
Interest	9	-	-	16	4	-
Capital outlays	76	-	-	166	-	-
Total expenditures	3,519	10,000	-	7,084	984	1,600
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,167	(10,000)	-	(222)	(174)	(1,566)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	-	10,000	-	-	-	-
Reappropriations to Fiscal Year 2025	-	-	-	-	-	-
Transfers in	-	-	-	-	-	1,600
Net other sources (uses) of				-		
financial resources	-	10,000	-	-	-	1,600
NET CHANGE IN FUND BALANCES	1,167	-	-	(222)	(174)	34
Fund balances (deficits), July 1, 2023	13,686	(10,000)	1,002	15,711	1,170	-
Change in inventories	-	-	-	-	-	-
FUND BALANCES (DEFICITS), JUNE 30, 2024	$ 14,853	$ (10,000)	$ 1,002	$ 15,489	$ 996	$ 34

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2024
(amounts expressed in thousands)

	Special Revenue					
	Freedom Schools Fund (351)	**S.B.E. Federal Department of Agriculture Fund (410)**	**After-School Rescue Fund (512)**	**S.B.E. Federal Agency Services Fund (560)**	**S.B.E. Federal Department of Education Fund (561)**	**Charter Schools Revolving Loan Fund (567)**
REVENUES						
Federal government	$ 4,768	$ 1,042,875	$ -	$ 6,586	$ 3,662,511	$ -
Licenses and fees	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-
Refunds	-	(702)	-	(50)	3,927	-
Total revenues	4,768	1,042,173	-	6,536	3,666,438	-
EXPENDITURES						
Education	4,768	1,041,889	-	6,375	3,706,094	-
Debt service:						
Principal	-	151	-	-	415	-
Interest	-	12	-	-	33	-
Capital outlays	-	227	-	-	1,078	-
Total expenditures	4,768	1,042,279	-	6,375	3,707,620	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(106)	-	161	(41,182)	-
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	-	-	-	-	-	-
Reappropriations to Fiscal Year 2024	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Net other sources (uses) of financial resources	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	-	(106)	-	161	(41,182)	-
Fund balances (deficits), July 1, 2023	-	141	51	(599)	(111,116)	27
Change in inventories	-	577	-	-	-	-
FUND BALANCES (DEFICITS), JUNE 30, 2024	$ -	$ 612	$ 51	$ (438)	$ (152,298)	$ 27

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2024
(amounts expressed in thousands)

	Special Revenue			Capital Projects	
	School Technology Revolving Loan Fund (569)	Temporary Relocation Expenses Revolving Grant Fund (605)	School STEAM Grant Program Fund (987)	Capital Development Fund (141)	Total
REVENUES					
Federal government	$ -	$ -	$ -	$ -	$ 4,722,483
Licenses and fees	-	-	-	-	6,331
Interest	178	-	-	-	212
Other revenues	-	-	-	-	284
Refunds	-	-	-	-	3,175
Total revenues	178	-	-	-	4,732,485
EXPENDITURES					
Education	-	-	(41)	-	4,781,613
Debt service:					
Principal	-	-	-	-	954
Interest	-	-	-	-	74
Capital outlays	-	-	-	-	1,547
Total expenditures	-	-	(41)	-	4,784,188
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	178	-	41	-	(51,703)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES					
Appropriations from State resources	-	-	-	25,000	35,000
Reappropriations to Fiscal Year 2025	-	-	-	(25,000)	(25,000)
Transfers in	-	-	-	-	1,600
Net other sources (uses) of financial resources	-	-	-	-	11,600
NET CHANGE IN FUND BALANCES	178	-	41	-	(40,103)
Fund balances (deficits), July 1, 2023	4,043	493	-	-	(85,391)
Change in inventories	-	-	-	-	577
FUND BALANCES (DEFICITS), JUNE 30, 2024	$ 4,221	$ 493	$ 41	$ -	$ (124,917)

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

The Board Members of the
State of Illinois, Illinois State Board of Education

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Illinois State Board of Education (Agency), as of and for the year ended June 30, 2024, and the related notes to the financial statements, and we have issued our report thereon dated January 14, 2025.

Report on Internal Control Over Financial Reporting

Management of the Agency is responsible for establishing and maintaining effective internal control over financial reporting (internal control).

In planning and performing our audit of the financial statements, we considered the Agency's internal control as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2024-001 and 2024-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

Agency's Responses to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. The Agency's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

Restricted Use of this Report

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Comptroller, Board members of the Illinois State Board of Education, and the Agency's management and is not intended to be and should not be used by anyone other than these specified parties.

SIGNED ORIGINAL ON FILE

Springfield, Illinois
January 14, 2025

2024-001 **FINDING** (Lack of Adequate Controls over the Review of Internal Controls over Service Providers)

The Illinois State Board of Education (Agency) had not implemented adequate controls over its service providers.

The Agency utilized service providers for hosting services, credit card processing, and software as a service. We tested 14 service providers, noting the following:

- A documented agreement was not in place for one (7%) service provider.

- A requirement for a System and Organization Controls (SOC) report was not outlined in either a contract, or an addendum to a purchase order, for six (43%) service providers.

- An appropriate SOC report was not received by the Agency for one (7%) service provider. Thus, an adequate review of the testing performed and conclusions reached by the service provider's auditor could not be performed.

- The Agency did not obtain a complete SOC report for one (7%) service provider. Therefore, an adequate assessment of the SOC report could not be completed.

- The period covered by the SOC report and any subsequent bridge letter obtained for seven (50%) service providers did not cover part or all of the audit period.

- The Agency did not perform a full review of the subservice organizations for two (14%) service providers.

- The Complimentary User Entity Controls (CUECs) listed in the SOC report and which were applicable to the Agency were not adequately reviewed by the Agency for one (7%) service provider.

- The deviations noted within the SOC report were not adequately reviewed by the Agency for four (29%) service providers.

2024-001 **FINDING** (Lack of Adequate Controls over the Review of Internal Controls over Service Providers) (Continued)

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Provision) published by the National Institute of Standards and Technology (NIST), Maintenance and System and Service Acquisition sections, requires entities outsourcing their information technology environment or operations to obtain assurance over the entities' internal controls related to the services provided. Such assurance may be obtained through SOC reports.

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal administrative controls, to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and appropriation.

Agency officials indicated exceptions were due to lack of adequate staffing resources to complete the required procedures, as well as a lack of controls in place to ensure SOC reports were adequately identified, contracted for, reviewed, assessed and results addressed.

Without adequately controlling its use of service providers, the Agency does not have assurance the service providers' internal controls are adequate and operating effectively. (Finding Code No. 2024-001, 2023-001)

RECOMMENDATION

We recommend the Agency:

- Ensure all service providers have a documented agreement in place.
- Develop and implement procedures for ensuring a SOC report requirement is present in a contract or within an addendum to a purchase order.
- Obtain and review complete and appropriate SOC reports or conduct independent internal control review at least annually.
- Monitor and adequately document the operation of the CUECs and subservice organizations related to the Agency's operations.
- Conduct an analysis to determine the impact of noted deviations to the Agency's operations.
- Develop and implement procedures for ensuring SOC reports and/or corresponding bridge letters cover the entire audit period.

2024-001 **FINDING** (Lack of Adequate Controls over the Review of Internal Controls over Service Providers) (Continued)

AGENCY RESPONSE

The Agency agrees with the finding. The employee tasked with reviewing SOC reports has been updated on the lack of adequate controls and will adjust the relevant processes to:

- Ensure service providers have a documented agreement in place.
- Ensure SOC report requirements are present in the relevant terms and conditions for contracts and purchase orders.
- Obtain and adequately review complete and appropriate SOC reports for service providers.
- Monitor and adequately document the operation of the CUECs and subservice organizations.
- Conduct appropriate analyses to determine the impact of noted deviations on the Agency's operations.
- Ensure SOC reports and/or corresponding bridge letters cover the entire audit period.

2024-002 **FINDING** (Inadequate Controls over Information Technology General Controls)

The Illinois State Board of Education (Agency) failed to maintain adequate general information technology internal controls over its applications.

To determine whether internal controls over applications and data used to fulfill the Agency's mission and provide accountability were appropriate, auditors tested information technology general controls (ITGCs) for 13 Agency applications assessed to have a material impact to the Agency's financial information and/or operations. ITGCs help prevent unauthorized access, data breaches, and operational disruptions and include software implementation, user account creation, and data management. Strong ITGCs increase the integrity and reliability of information. Access provisioning audit procedures were performed for each application, while change management was tested for applications owned by the Agency and not a third party.

Change Management

Change control is the systematic approach to managing changes to an IT environment, applications, or data. The purpose is to prevent unnecessary and/or unauthorized changes, ensure all changes are documented, and minimize any disruptions due to system changes. We tested a sample of 95 changes across 13 applications. The Agency was unable to provide documentation to support 44 of 95 (46%) changes tested. As a result, we were unable to determine if the changes were properly requested, authorized, approved, and/or moved into production.

Access Provisioning

We tested the Agency's access provisioning procedures for a sample of 255 users across 13 applications. Our sample of 255 users was comprised of 154 existing users, 51 new-hired users, nine terminated users, and 41 users with administrative rights. We noted the following exceptions:

- Six of 154 (4%) existing users' access to the application was not needed to perform their job responsibilities.

- Six of 154 (4%) others identified by the Agency as existing users had separated from the Agency but were still defined as authorized users in the tested applications. Although access has been disabled, the Agency could not provide evidence it was disabled in a timely manner after separation from the Agency.

2024-002 **FINDING** (Inadequate Controls over Information Technology General Controls) (Continued)

- Two of 154 (1%) existing users did not respond to auditors' questions regarding user access. Therefore, auditors were unable to determine if users' access to the application was needed to perform job responsibilities.

- Of a sample of nine separated employees tested to determine why they had access to Agency applications, one user (11%) was still defined as an authorized user in the tested application. Although network domain access for this separated employee has been disabled, preventing access to applications, the Agency could not provide evidence that access was disabled in a timely manner after separation from the Agency.

- The Agency could not provide an explanation of the need for administrative level access for two of 41 (5%) administrative users tested.

Lastly, the Agency did not perform an annual review of user access to one of 13 (8%) applications tested.

Generally accepted information technology guidance endorses the development of well-designed and well-managed controls to protect computer systems and data, including regular reviews of user access rights.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Configuration Management section, requires entities to ensure applications are modified in a manner that promotes consistency, integrity, and security and ensure access is appropriate and timely terminated, and access reviews are conducted periodically.

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

Agency management indicated exceptions were due to employee turnover, failure to timely update user access tables within its applications, lack of sufficient retention period for documentation related to application changes, and lack of sufficient controls to ensure changes to applications and user access were fully documented and unnecessary or inappropriate access was prevented in a timely manner.

2024-002 **FINDING** (Inadequate Controls over Information Technology General Controls) (Continued)

Unauthorized access and changes could occur without the implementation of adequate controls and procedures. These deficiencies increase the risk that confidentiality, integrity, and availability of data could be compromised. (Finding Code 2024-002)

RECOMMENDATION

We recommend the Agency implement a system to ensure maintenance of proper documentation for all changes made to the Agency's applications. Additionally, we recommend the Agency ensure users' access to its applications is appropriate based on job responsibilities, timely remove access for users who are no longer with the Agency, maintain proper documentation for new hires' user access approvals, and ensure users with administrative access rights are appropriate. We further recommend the Agency promptly terminate inappropriate and unnecessary user access and maintain documentation to support the timeliness of changes to user access.

AGENCY RESPONSE

The Agency agrees with the finding. We acknowledge the importance of maintaining proper documentation and ensuring appropriate user access to our applications. We are committed to implementing appropriate measures to address the issues noted to improve our overall system security and documentation practices.