STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT

For the Year Ended June 30, 2017

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT

For the Year Ended June 30, 2017

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STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT

For the Year Ended June 30, 2017

AGENCY OFFICIALS

Board Members of the Illinois State Board of Education:

Current	**Left During the Audit Period**
James T. Meeks, Chairperson	Steven R. Gilford, Vice- Chairperson, through 1/15/17
Eligio Pimentel, Vice-Chairperson (Title effective 2/22/17)	Melinda A. LaBarre, Secretary, through 2/5/17
Cesilie Price, Secretary (Title effective 2/22/17)	John Sanders, through 11/18/16
Jason Barclay, effective 1/16/17 through 9/8/17	Curt Bradshaw, through 1/24/17
Ruth Cross, effective 1/25/17	Collin Hitt, effective 12/5/17 through 6/28/17
Lula Ford	
Craig Lindvahl	
Susie Morrison, effective 7/21/17	
Kevin Settle, effective 2/6/17	

State Superintendent of Education	Tony Smith, Ph.D.
Cabinet members:	
General Counsel	
Through 6/23/17	Stephanie Donovan
Interim through 8/14/17	Colette McCarty
Effective 8/15/17	Stephanie Jones
Chief Internal Auditor	
Through 8/29/17	Melissa Oller
Effective 9/18/17	Tassi Maton
Chief Education Officer	
Through 4/2/17	Vacant
Effective 4/3/17	Libia Gil
First Deputy Superintendent	Karen Corken
Chief Financial Officer	Robert Wolfe
Deputy Superintendent Teaching and Learning	Jason Helfer
Executive Director, Professional Capital	
Through 8/28/17	Sarah Hatfield
Chief Operations & Professional Capital Officer	
Effective 8/30/17	Melissa Oller
Chief Communications and Partnerships Officer	Jacklyn Rodgers
Division Administrator Information Technology	
Through 9/22/17	Brent Engelman
Effective 9/25/17 (Acting)	John Shake

The Illinois State Board of Education offices are located at the Alzina Building, 100 North First Street, Springfield, Illinois 62777-0001 and the James R. Thompson Center, 100 West Randolph Street, Suite 14-300, Chicago, Illinois 60601-3268.

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT

For the Year Ended June 30, 2017

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the Illinois State Board of Education was performed by Kerber, Eck & Braeckel LLP.

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

SUMMARY OF FINDINGS

The auditors identified a matter involving the Agency's internal control over financial reporting that they considered to be a material weakness. The material weakness is described in the accompanying Schedule of Findings as finding 2017-001, Financial Statement Reporting Error on pages 52-53 of this report.

FINANCIAL STATEMENT REPORT

SUMMARY - Continued

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with agency personnel at an exit conference on December 12, 2017. Attending were:

Illinois State Board of Education

Tony Smith, Ph. D.	State Superintendent of Education
Robert Wolfe	Chief Financial Officer
Melissa Oller	Chief Operations Officer
Libia Gil	Chief Education Officer
Stephanie Jones	General Counsel
Tassi Maton	Chief Internal Auditor
Sally Burton	Senior Internal Auditor
Steve Bunch	Division Administrator of Fiscal Support Services
Tim Imler	Division Administrator of Funding and Disbursements
Karen Corken	First Deputy Superintendent

Office of the Auditor General

Lisa Warden	Audit Manager

Kerber, Eck & Braeckel, LLP

Kate Ward	Partner
Deborah J. Ringer	Partner
Amanda Wells	Audit Manager

The response to the recommendation was provided by Tassi Maton in correspondence dated December 7, 2017.

Kerber, Eck & Braeckel LLP

CPAs and
Management Consultants

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Suite 200A
Springfield, IL 62704-6525
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Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

The Board Members of the
Illinois State Board of Education

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Illinois State Board of Education, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Illinois State Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

Other Locations

Belleville, IL • Carbondale, IL • Columbia, IL • Harrisburg, IL • Litchfield, IL • Cape Girardeau, MO • St. Louis, MO • Milwaukee, WI

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information for the Illinois State Board of Education, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements of the Illinois State Board of Education are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, the major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Illinois State Board of Education. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2017, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis, the budgetary comparison information for the General Fund, and the pension related 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 basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Illinois State Board of Education's basic financial statements. The accompanying supplementary information in the combining general fund schedules and combining nonmajor fund financial statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information in the combining general fund schedules and combining nonmajor fund financial statements as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2017, in the combining general fund schedules and combining nonmajor fund financial statements is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2017, on our consideration of the Illinois State Board of Education'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 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 Illinois State Board of Education'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 Agency 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
December 12, 2017

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
AS OF JUNE 30, 2017
(amounts expressed in thousands)

	General Fund	Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Net Position
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Unexpended appropriations	$ 1,259,488	$ 4,687	$ 1,264,175	$ -	$ 1,264,175
Cash and cash equivalents	8	17,777	17,785	-	17,785
Securities lending collateral equity with State Treasurer	-	630	630	-	630
Due from federal government	-	347,647	347,647	-	347,647
Due from local governments	564	411	975	-	975
Other receivables	1,518	7,982	9,500	-	9,500
Due from other Agency funds	-	6,614	6,614	(6,614)	-
Due from other State funds	-	8	8	-	8
Inventories	-	2,713	2,713	-	2,713
Loans receivable	-	2,994	2,994	-	2,994
Prepaid expenses	-	-	-	14,076	14,076
Capital assets not being depreciated	-	-	-	1,063	1,063
Capital assets net of depreciation	-	-	-	35,460	35,460
Total assets	1,261,578	391,463	1,653,041	43,985	1,697,026
Deferred outflows of resources - SERS pensions	-	-	-	27,564	27,564
Deferred outflows of resources - TRS pensions	-	-	-	10,476	10,476
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 1,261,578	$ 391,463	$ 1,653,041	82,025	1,735,066
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Accounts payable and accrued liabilities	$ 58,976	$ 41,223	$ 100,199	$ -	$ 100,199
Obligations under securities lending of State Treasurer	-	630	630	-	630
Due to federal government	-	132	132	-	132
Due to local governments	1,972,719	333,102	2,305,821	-	2,305,821
Due to other State fiduciary funds	6	-	6	-	6
Due to other Agency funds	6,614	-	6,614	(6,614)	-
Due to other State funds	2,498	9,766	12,264	-	12,264
Due to component units of the State	3,545	1,852	5,397	-	5,397
Unearned revenue	-	1,083	1,083	-	1,083
Compensated absences, current portion	-	-	-	94	94
Capital lease obligations, current portion	-	-	-	11	11
Reorganization incentive, current portion	-	-	-	3,007	3,007
Compensated absences, long-term portion	-	-	-	2,891	2,891
Capital lease obligations, long-term portion	-	-	-	38	38
Reorganization incentive, long-term portion	-	-	-	2,011	2,011
Net pension liability - SERS, long-term portion	-	-	-	142,504	142,504
Net pension liability -TRS, long-term portion	-	-	-	60,553	60,553
Total liabilities	2,044,358	387,788	2,432,146	204,495	2,636,641
Deferred inflows of resources - unavailable revenue - federal government	-	83,954	83,954	(83,954)	-
Deferred inflows of resources - SERS pensions	-	-	-	8,859	8,859
Deferred inflows of resources - TRS pensions	-	-	-	9,445	9,445
Total liabilities and deferred inflows of resources	2,044,358	471,742	2,516,100	138,845	2,654,945
FUND BALANCES (DEFICIT)/NET POSITION (DEFICIT)					
Fund Balances:					
Nonspendable	-	2,713	2,713	(2,713)	-
Restricted	-	424	424	(424)	-
Committed	-	13,643	13,643	(13,643)	-
Assigned	-	5,230	5,230	(5,230)	-
Unassigned	(782,780)	(102,289)	(885,069)	885,069	-
Net investment in capital assets	-	-	-	36,474	36,474
Restricted net position	-	-	-	3,439	3,439
Unrestricted net position	-	-	-	(959,792)	(959,792)
Total Fund Deficit/Net Deficit	(782,780)	(80,279)	(863,059)	$ (56,820)	$ (919,879)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND DEFICIT	$ 1,261,578	$ 391,463	$ 1,653,041		

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, 2017
(amounts expressed in thousands)

Total Fund deficit - governmental funds		$ (863,059)
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.		36,523
Prepaid expenses for governmental activities are current uses of financial resources for funds.		14,076
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	$ 27,564	
Deferred outflows of resources - TRS pensions	10,476	38,040
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the governmental funds.		83,954
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	$ (8,859)	
Deferred inflows of resources - TRS pensions	(9,445)	(18,304)
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	$ (2,985)	
Capital lease obligations	(49)	
Reorganization incentive	(5,018)	
Net pension liability - SERS	(142,504)	
Net pension liability - TRS	(60,553)	
		(211,109)
NET DEFICIT FROM GOVERNMENTAL ACTIVITIES		$ (919,879)

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 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2017
(amounts expressed in thousands)

	General Fund	Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Activities
EXPENDITURES/EXPENSES					
Program expense - education	$ 6,317,078	$ 2,570,940	$ 8,888,018	$ (7,181)	$ 8,880,837
Debt service - principal	3	3	6	(6)	-
Debt service - interest	1	1	2	-	2
Capital outlays	2,943	4,317	7,260	(7,260)	-
Total Expenditures/Expenses	6,320,025	2,575,261	8,895,286	(14,447)	8,880,839
PROGRAM REVENUES					
Charges for services:					
Licenses and fees	1	6,193	6,194	-	6,194
Total charges for services	1	6,193	6,194	-	6,194
Operating grant revenue:					
Federal	-	2,299,118	2,299,118	8,569	2,307,687
Refunds	-	(1,624)	(1,624)	-	(1,624)
Total operating grant revenue	-	2,297,494	2,297,494	8,569	2,306,063
Net Program Deficit	(6,320,024)	(271,574)	(6,591,598)	23,016	(6,568,582)
GENERAL REVENUES					
Interest	-	74	74	-	74
Other revenues	5	185	190	(23)	167
Total General Revenues	5	259	264	(23)	241
OTHER SOURCES (USES) OF FINANCIAL RESOURCES					
Appropriations from State resources	7,244,888	276,141	7,521,029	-	7,521,029
Reappropriations to Fiscal Year 2018	-	(4,391)	(4,391)	-	(4,391)
Lapsed appropriations	(24,600)	(5,964)	(30,564)	-	(30,564)
Receipts collected and transmitted to State Treasury	(6,058)	(459)	(6,517)	-	(6,517)
Amount of SAMS transfers-out	27	-	27	-	27
Transfers-out	(355)	-	(355)	-	(355)
Capital lease financing	11	44	55	(55)	-
Net Other Sources (Uses) of Financial Resources	7,213,913	265,371	7,479,284	(55)	7,479,229
Net change in fund balances/net position	893,894	(5,944)	887,950	22,938	910,888
Fund Deficit/Net Deficit, July 1, 2016	(1,676,674)	(75,221)	(1,751,895)	(78,872)	(1,830,767)
Change in inventories	-	886	886	(886)	-
FUND DEFICITS/NET DEFICIT, JUNE 30, 2017	$ (782,780)	$ (80,279)	$ (863,059)	$ (56,820)	$ (919,879)

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, 2017
(amounts expressed in thousands)

Net Change in Fund Balances - governmental funds		$ 887,950
Change in inventories		886
		888,836
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 capital outlays exceeded depreciation and amortization in the current period.		3,814
Deferred outflows of resources related to pension liability in the Statement of Activities that do not provide current financial resources are not reported in the governmental funds. This amount represents the increase in deferred outflows over the prior year.		21,844
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.		6
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.		(55)
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 decrease in unavailable revenue over the prior year.		8,546
Deferred inflows of resources related to pension liability 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.		3,083
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:		
Increase in prepaid expenses	$ 13,260	
Decrease in compensated absences	60	
Decrease in reorganization incentive	3,640	
Increase in net pension liability - SERS	(25,433)	
Increase in net pension liability - TRS	(6,713)	(15,186)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 910,888

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

1. Organization

The Illinois State Board of Education (the 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 State Comptroller's Office) 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 share 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' Comprehensive Annual Financial Report (CAFR) may be obtained by writing to the State Comptroller's Office, Division of Financial Reporting, 325 West Adams Street, Springfield, Illinois, 62704-1871.

(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' CAFR. 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, 2017, 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 intergovernmental 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) Shared Fund Presentation) of the State:

General - This is the State's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The 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, Common School - 412, School Infrastructure - 568, and Budget Stabilization - 686).

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 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 capital leases are reported as other financing sources.

Significant revenue sources which are susceptible to accrual include intergovernmental 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), Common School (412), School Infrastructure (568), and Budget Stabilization (686) Accounts of the General Fund; the Drivers Education Fund (031), the School Construction Fund (143), and the Fund for the Advancement of Education (640) 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' CAFR.

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 warrants issued between July and September annually in accordance with the Statewide Accounting Management System (SAMS) records plus any liabilities relating to obligations re-appropriated to the subsequent fiscal year.

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 15 month period from July to September 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 State Comptroller's Office 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) 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.

(f) 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 and 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.

(g) Prepaid Expenses

For governmental funds, prepaid expenses are recognized when paid.

(h) 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.

(i) Capital Assets

Capital assets, which include property, plant and equipment, and intangible assets, are reported at cost. Contributed assets are reported at estimated fair value at the time received. Capital assets are depreciated and amortized using the straight-line method. 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

(j) 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.

(k) 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.

(l) Deferred Outflows/Inflows of Resources

A deferred outflow/inflow of resources is a consumption/acquisition of net position 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 reported and explained in Note 9. In addition, the Agency has recorded deferred inflows of resources in the fund financial statements in connection with unavailable revenues.

(m) 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 and private organization grants.

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.

(n) 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."

(o) 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.

(p) Adoption of New Accounting Pronouncements

Effective for the year ending June 30, 2017, the Agency adopted the following GASB statements:

The portion of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* which addresses accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68. The implementation of this statement had no financial impact on the Agency's net position or results of operations.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* which replaces Statement No. 43 and addresses the financial reports of defined benefit other postemployment benefit (OPEB) plans that are administered through trusts that meet specified criteria. This statement follows the framework for financial reporting of defined benefit OPEB plans in Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. This statement requires more extensive note disclosures and Required Supplementary Information (RSI) related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. This statement also sets forth note disclosure requirements for defined contribution OPEB plans. The implementation of this statement had no financial impact on the Agency's net position or results of operations.

Statement No. 77, *Tax Abatement Disclosures,* which is intended to improve financial reporting by requiring disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this statement had no financial impact on the Agency's net position or results of operations.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of Statement No. 68. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local government employers whose employees are provided with such pensions. This statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employees through a cost-sharing multiple-employer defined benefit pension plan that is not a state or local governmental pension plan, is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The implementation of this statement had no financial impact on the Agency's net position or results of operations.

Statement No. 79, *Certain External Investment Pools and Pool Participants*, which establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Only the portion of this statement related to certain provisions on portfolio quality, custodial credit risk and shadow pricing was implemented effective for the year ending June 30, 2017. The implementation of this statement had no financial impact on the Agency's net position or results of operations.

Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*, which amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of this statement had no financial impact on the Agency's net position or results of operations.

Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73,* which addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of this statement had no financial impact on the Agency's net position or results of operations.

(q) Future Adoption of GASB Statements

Effective for the year ending June 30, 2018, the Agency will adopt the following GASB statements:

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which replaces the requirements of Statement No. 45 and requires governments to report a liability on the face of the financial statements for the OPEB they provide. This statement requires governments in all types of OPEB plans to present more extensive note disclosures and RSI about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements.

Statement No. 81, *Irrevocable Split-Interest Agreements*, which improves accounting and financial reporting guidance for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Statement No. 85, *Omnibus 2017*, which is intended to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits.

Statement No 86, *Certain Debt Extinguishment Issues*, which is intended to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole purpose of extinguishing debt. In addition, this statement improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

Effective for the year ending June 30, 2019, the Agency will adopt the following GASB statement:

Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) and establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs.

Effective for the year ending June 30, 2020, the Agency will adopt the following GASB statements:

Statement No. 84, *Fiduciary Activities*, which is intended to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. In addition, this Statement establishes critieria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component untis and postemployments benefit arrangements that are fiduciary activities.

Statement No. 87, *Leases*, which is intended to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources and or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

The Agency has not yet determined the impact of adopting these statements on its financial statements.

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 $17.79 million at June 30, 2017. 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' CAFR.

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 2017, 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 2017 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 2017 resulting from a default of the borrowers or Deutsche Bank AG.

During Fiscal Year 2017, 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, 2017 arising from securities lending agreements to the various funds of the State. The total allocated to the Agency at June 30, 2017 was $0.63 million.

4. Interfund Balances and Activity

Balances Due To/From Other Funds

The following balances (amounts expressed in thousands) at June 30, 2017 represent amounts due from other Agency and State of Illinois funds:

Fund	Due from other Agency funds	Due from other State funds	Description/Purpose
Nonmajor	$ 6,614	$ 8	Grants for educational purposes.
Total	$ 6,614	$ 8	

The following balances (amounts expressed in thousands) at June 30, 2017 represent amounts due to other State fiduciary, Agency and State of Illinois funds:

Fund	Due to other State fiduciary funds	Due to other Agency funds	Due to other State funds	Description/Purpose
General	$ 6	$ 6,614	$ 2,498	Due to other State fiduciary funds for group insurance costs, to other Agency funds for educational purposes, and to other State funds for grants for educational purposes and for purchases of services.
Nonmajor	-	-	9,766	Due to other State funds for grants for educational purposes, for federal food service programs and for purchases of services.
Total	$ 6	$ 6,614	$ 12,264	

Transfers to Other Funds

Interfund transfers-out (amounts expressed in thousands) for the year ended June 30, 2017 were as follows:

Fund	Transfers-out to other State funds	Description/Purpose
General	$ 355	Transfers to other State funds for grants for educational purposes.

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

The following balances (amounts expressed in thousands) at June 30, 2017 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:

	Due to	
Component Unit	General Fund	Nonmajor Funds
Governors State University	$ 294	$ -
Northeastern Illinois University	-	334
Western Illinois University	20	101
Illinois State University	1,450	565
Northern Illinois University	823	678
Southern Illinois University	87	94
University of Illinois	871	80
Total	$ 3,545	$ 1,852

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, 2017, 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, 2017, 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 of 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 disaster or school building condemnation 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.

Loans receivable (amounts expressed in thousands) at June 30, 2017 consisted of the following:

Program	Balance
School Technology Revolving Loan Program	$ 2,954
Temporary Relocation Expenses Revolving Grant Program	40
Total	$ 2,994

7. Capital Assets

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	Deletions	Net Transfers	Balance June 30, 2017
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
Equipment	6,013	274	160	-	6,127
Capital leases - equipment	-	55	-	-	55
Internally generated software	43,490	6,931	-	-	50,421
Total capital assets being depreciated/amortized	49,939	7,260	160	-	57,039
Less accumulated depreciation/amortization:					
Buildings	309	9	-	-	318
Equipment	5,190	340	160	-	5,370
Capital leases - equipment	-	8	-	-	8
Internally generated software	12,794	3,089	-	-	15,883
Total accumulated depreciation/amortization	18,293	3,446	160	-	21,579
Total capital assets being depreciated/amortized, net	31,646	3,814	-	-	35,460
Governmental activity capital assets, net	$ 32,709	$ 3,814	$ -	$ -	$ 36,523

Depreciation expense and amortization for governmental activities (amounts expressed in thousands) for the year ended June 30, 2017 was charged to the Education function for an amount of $3,446.

8. Long-Term Obligations

Changes in Long-Term Obligations

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2017 were as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Amounts Due Within One Year
Compensated absences	$ 3,045	$ 2,159	$ 2,219	$ 2,985	$ 94
Capital lease obligations	-	55	6	49	11
Reorganization incentive	8,658	559	4,199	5,018	3,007
Net pension liability - SERS	117,071	25,433	-	142,504	-
Net pension liability - TRS	53,840	6,713	-	60,553	-
Total	$ 182,614	$ 34,919	$ 6,424	$211,109	$ 3,112

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

Capital Lease Obligations

The Agency leases office equipment with a historical cost and accumulated depreciation (amounts expressed in thousands) of $55 and $8, respectively, under capital leases arrangements. Although lease terms vary, certain leases are renewable subject to appropriation by the General Assembly. If renewal is reasonably assured, leases requiring appropriation by the General Assembly are considered non-cancelable leases for financial reporting. Future minimum lease payments (amounts expressed in thousands) at June 30, 2017 were as follows:

Year Ending June 30	Principal	Interest	Total
2018	$ 11	$ 5	$ 16
2019	10	3	13
2020	10	2	12
2021	10	1	11
2022	8	-	8
Total	$ 49	$ 11	$ 60

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, 2017 were as follows:

Year Ending June 30	Amount
2018	$ 3,007
2019	1,761
2020	125
2021	125
Total	$ 5,018

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. The 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.). The 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 850 local school districts, 126 special districts, and 16 other State agencies that contribute to the TRS plan as of the measurement date June 30, 2016. 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) 785-2340 or www.srs.illinois.gov.
- Teachers' Retirement System, 2815 West Washington Street, P.O. Box 19253, Springfield, Illinois, 62794-9253, (217) 753-0311 or www.trsil.org.

Benefit Provisions

State Employee Retirement System

SERS provides retirement benefits based on the member's final average compensation and the number of years of credited service that have been established. The retirement benefit formula available to general State employees is 1.67% for each year of covered service and 2.2% for each year of noncovered 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 $15.00 for each year of covered employment and $25.00 for each year of noncovered employment.

Participants 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 2016 rate is $111,572. 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 the System. 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, age 55 with 20 years of credited service, or between the ages of 55 and 60 with fewer than 35 years of service (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 Employee 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 2017, this amount was $112,408.

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 2017, 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 2017, the employer contribution rate was 44.568%. The Agency's contribution amount for Fiscal Year 2017 was $0.97 million. In addition, the Agency recorded $6.831 million as on-behalf revenue and expenditures in the General Revenue account (GR) of the General Fund to account for payments made by SERS for GR funded positions of the Agency.

<u>Teachers' Retirement System</u>
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, 2017 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 the cost of the Early Retirement Option and 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 2017, this amount was $112,408. The Agency's contribution for Fiscal Year 2017 was $3.09 million.

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

<u>State Employee Retirement System</u>
At June 30, 2017, the Agency reported a liability of $142.50 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, 2016 (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, 2016. As of the current year measurement date of June 30, 2016, the Agency's proportion was 0.4173%, which was a decrease of 0.0007% from its proportion measured as of the prior year measurement date of June 30, 2015.

For the year ended June 30, 2017, the Agency recognized pension expense of $15.43 million. At June 30, 2017, the Agency reported deferred outflows and deferred inflows of resources related to the pension liability from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 218	$ 3,485
Changes of assumptions	21,905	-
Net difference between projected and actual investment earnings on pension plan investments	3,025	-
Changes in proportion	1,444	5,374
Agency contributions subsequent to the measurement date	972	-
Total	$ 27,564	$ 8,859

$0.97 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, 2018. 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
2018	$ 5,112
2019	4,423
2020	4,754
2021	3,444
Total	$ 17,733

Teachers' Retirement System

At June 30, 2017, the Agency reported a liability of $60.55 million for its proportionate share of the TRS net pension liability on the statement of net position. The net pension liability was measured as of June 30, 2016 (current year measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, and rolled forward to June 30, 2016. 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, 2016. At June 30, 2016, the measurement date, the Agency's proportionate share was 0.0767% for the TRS plan, which was a 0.0055% decrease from its proportion measured at the prior year measurement date of June 30, 2015.

For the year ended June 30, 2017, the Agency recognized pension expense of $2.67 million. At June 30, 2017, the Agency reported deferred outflows and deferred inflows of resources related to the pension liability, as of the measurement date of June 30, 2016, from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 448	$ 41
Changes of assumptions	5,200	-
Net difference between projected and actual investment earnings on pension plan investments	1,711	-
Changes in proportion	32	9,404
Agency contributions subsequent to the measurement date	3,085	-
Total	$ 10,476	$ 9,445

$3.09 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, 2018. 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
2018	$ (1,473)
2019	(1,473)
2020	(279)
2021	1,060
2022	111
Total	$ (2,054)

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	06/30/16	06/30/15*
Measurement date	06/30/16	06/30/16
Actuarial cost method	Entry Age	Entry Age
Actuarial assumptions:		
Investment rate of return	7.00%	7.00%
Projected salary increases**	3.25% - 7.67%	3.25% - 9.25%
Inflation rate	2.75%	2.50%
Postretirement benefit increases		
Tier 1	3%, compounded	3%, compounded
Tier 2	Lesser of 3% or ½ of CPI^, on original benefit	1.25% not compounded
Retirement age experience study^^	July 2009 - June 2013	July 2011 - June 2014
Mortality^^^		
SERS	105 percent of the RP 2014 Healthy Annuitant table, sex distinct, with rates projected to 2015; generational mortality improvement factors were added	
TRS	RP - 2014 with future mortality improvements on a fully generational basis using projection table MP-2014	

* The total pension liability is based on an actuarial valuation date of June 30, 2015, rolled-forward to the measurement date using generally accepted actuarial procedures.
** 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 based on the simulated average 20-year annualized geometric 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. 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, 2016, the best estimates of the geometric real rates of return as summarized in the following table:

	SERS	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	23%	5.80%
Developed Foreign Equity	13%	6.10%
Emerging Market Equity	7%	8.50%
Private Equity	9%	7.40%
Hedge Funds	3%	3.60%
Intermediate Investment Grade Bonds	11%	1.60%
Long-term Government Bonds	3%	1.60%
TIPS	5%	1.30%
High Yield and Bank Loans	5%	4.80%
Opportunistic Debt	4%	4.80%
Emerging Market Debt	2%	4.10%
Real Estate	10%	4.50%
Infrastructure	5%	5.90%
Total	100%	5.04%

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, 2016, that were used by the actuary are summarized in the following table:

	TRS	
Asset Class	Target Allocation	Long-Term Expected Real Rates of Return
U.S. Equities Large Cap	14%	6.94%
U.S. Equities Small/Mid Cap	4%	8.09%
International Equities Developed	14%	7.46%
Emerging Market Equities	4%	10.15%
U.S. Bonds Core	11%	2.44%
International Debt Developed	5%	1.70%
Real Estate	15%	5.44%
Commodities (Real Return)	11%	4.28%
Hedge Funds (Absolute Return)	8%	4.16%
Private Equity	14%	10.63%
Total	100%	

Discount Rate

State Employee Retirement System

A discount rate of 6.64% 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 of 2.85%, 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 member contributions will be made at the current contribution rate and that contributions will be made based on the statutorily required rates under Illinois law. Based on these assumptions, the pension plan's fiduciary net position and future contributions will be sufficient to finance the benefit payments through the year 2072 for SERS. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2072, and the municipal bond rate was applied to all benefit payments after that date for SERS.

Teachers' Retirement System

A discount rate of 6.83% was used to measure the total pension liability. 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 will be sufficient to finance the benefit payments through the year 2079 and for the benefit payments after the year 2128. For the period of 2080 through 2128, projected plan assets do not cover benefit payments. As a result, the municipal bond rate was applied to all benefit payments during the 49-year period of 2080 through 2128 and the long-term expected rate of return on pension plan investments was applied to projected benefit payments for all remaining periods for the liability calculation.

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 5.64%	Discount Rate 6.64%	1% Increase 7.64%
Agency's proportionate share of the SERS net pension liability	$ 171,989	$ 142,504	$ 118,444

	1% Decrease 5.83%	Discount Rate 6.83%	1% Increase 7.83%
Agency's proportionate share of the TRS net pension liability	$ 74,059	$ 60,553	$ 49,523

10. Post-Employment Benefits

The State provides health, dental, vision and life insurance benefits for retirees and their dependents in a program administered by the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, 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 also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes $5,000.

The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as an expenditure by the State in the Illinois' CAFR. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of post-employment benefits provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Central Management Services. A copy of the financial statements of the Department of Central Management Services may be obtained by writing to the Department of Central Management Services, 715 Stratton Building, 401 South Spring Street, Springfield, Illinois, 62606-4100.

11. Fund Deficits

The following funds had deficit balances at June 30, 2017 (amounts expressed in thousands):

	Governmental Activities
General Revenue Account (001)	$ 782,780
Drivers Education Fund (031)	18,750
S.B.E. Federal Department of Education Fund (561)	83,535

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'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, 2017.

13. Commitments and Contingencies

(a) Operating Leases

The Agency leases real property under terms of noncancelable operating lease agreement that requires the Agency to make minimum lease payments plus pay a pro rata share of certain operating costs. Rent expense was $2.54 million for the year ended June 30, 2017.

The following is a schedule of future minimum lease payments (amounts expressed in thousands):

Year Ending June 30	Amount
2018	$ 2,034
2019	2,034
2020	2,034
2021	2,034
Total	$ 8,136

(b) 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, 2017, 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.

(c) Litigation

The Agency has received notice of intent to file a claim against the State of Illinois in the Court of Claims for personal injury stemming from tainted chicken tenders allegedly consumed by students. 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. Subsequent Event

On July 6, 2017 the State of Illinois passed a full operating budget for FY18 (P.A. 100-0023) and a supplemental bill (P.A. 100-0021) to be used for FY17 expenditures. The supplemental bill provided additional appropriations for administrative, mandated, and State grant expenses.

SUPPLEMENTARY INFORMATION

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
COMBINING SCHEDULE OF ACCOUNTS - GENERAL FUND
AS OF JUNE 30, 2017
(amounts expressed in thousands)

	General Revenue Account (001)	Common School Account (412)	School Infrastructure Account (568)	Budget Stabilization Account (686)	Total
ASSETS					
Unexpended appropriations	$ 1,259,476	$ -	$ 12	$ -	$ 1,259,488
Cash and cash equivalents	8	-	-	-	8
Due from local governments	564	-	-	-	564
Other receivables	1,518	-	-	-	1,518
TOTAL ASSETS	$ 1,261,566	$ -	$ 12	$ -	$ 1,261,578
LIABILITIES					
Accounts payable and accrued liabilities	$ 58,967	$ -	$ 9	$ -	$ 58,976
Due to local governments	1,972,719	-	-	-	1,972,719
Due to other State fiduciary funds	6	-	-	-	6
Due to other Agency funds	6,614	-	-	-	6,614
Due to other State funds	2,495	-	3	-	2,498
Due to component units of the State	3,545	-	-	-	3,545
Total liabilities	2,044,346	-	12	-	2,044,358
FUND DEFICIT					
Unassigned	(782,780)	-	-	-	(782,780)
Total fund deficit	(782,780)	-	-	-	(782,780)
TOTAL LIABILITIES AND FUND DEFICIT	$ 1,261,566	$ -	$ 12	$ -	$ 1,261,578

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, 2017
(amounts expressed in thousands)

	General Revenue Account (001)	Common School Account (412)	School Infrastructure Account (568)	Budget Stabilization Account (686)	Total
REVENUES					
Licenses and fees	$ 1	$ -	$ -	$ -	$ 1
Other revenues	5	-	-	-	5
Total revenues	6	-	-	-	6
EXPENDITURES					
Education	2,705,841	3,611,012	225	-	6,317,078
Debt service:					
Principal	3	-	-	-	3
Interest	1	-	-	-	1
Capital outlays	2,943	-	-	-	2,943
Total expenditures	2,708,788	3,611,012	225	-	6,320,025
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(2,708,782)	(3,611,012)	(225)	-	(6,320,019)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES					
Appropriations from State resources	3,632,276	3,611,012	600	1,000	7,244,888
Lapsed appropriations	(24,225)	-	(375)	-	(24,600)
Receipts collected and transmitted to State Treasury	(6,058)	-	-	-	(6,058)
Amount of SAMS transfers-out	27	-	-	-	27
Transfers-out	(355)	-	-	-	(355)
Capital lease financing	11	-	-	-	11
Net other sources (uses) of financial resources	3,601,676	3,611,012	225	1,000	7,213,913
NET CHANGE IN FUND BALANCES	892,894	-	-	1,000	893,894
Fund deficit, July 1, 2016	(1,675,674)	-	-	(1,000)	(1,676,674)
FUND DEFICIT, JUNE 30, 2017	$ (782,780)	$ -	$ -	$ -	$ (782,780)

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
COMBINING BALANCE SHEET - NONMAJOR FUNDS
AS OF JUNE 30, 2017
(amounts expressed in thousands)

	Special Revenue Funds					
	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)	S.B.E. Federal Department of Agriculture Fund (410)
ASSETS						
Unexpended appropriations	$ -	$ 4,687	$ -	$ -	$ -	$ -
Cash and cash equivalents	3,569	-	1,102	4,626	1,897	1,015
Securities lending collateral equity with State Treasurer	-	-	-	-	-	-
Due from federal government	-	-	-	-	-	20,100
Due from local governments	-	-	-	-	-	-
Other receivables	-	-	-	-	-	7,587
Due from other Agency funds	1,130	-	-	993	-	-
Due from other State funds	-	-	-	-	-	-
Inventories	-	-	-	-	-	2,713
Loans receivable	-	-	-	-	-	-
TOTAL ASSETS	$ 4,699	$ 4,687	$ 1,102	$ 5,619	$ 1,897	$ 31,415
LIABILITIES						
Accounts payable and accrued liabilities	$ 66	$ 1	$ -	$ 216	$ -	$ 18,253
Obligations under securities lending of State Treasurer	-	-	-	-	-	-
Due to federal government	-	-	-	-	-	5
Due to local governments	1	23,409	-	26	-	9,557
Due to other State funds	-	-	-	-	-	202
Due to component units of the State	-	27	-	-	-	1
Unearned revenue	-	-	-	-	-	407
Total liabilities	67	23,437	-	242	-	28,425
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - federal government	-	-	-	-	-	4
Total deferred inflows of resources	-	-	-	-	-	4
FUND BALANCES (DEFICIT)						
Nonspendable	-	-	-	-	-	2,713
Restricted	-	-	-	147	-	277
Committed	4,632	-	1,102	-	1,897	-
Assigned	-	-	-	5,230	-	-
Unassigned	-	(18,750)	-	-	-	(4)
Total fund balances (deficit)	4,632	(18,750)	1,102	5,377	1,897	2,986
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)	$ 4,699	$ 4,687	$ 1,102	$ 5,619	$ 1,897	$ 31,415

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
COMBINING BALANCE SHEET - NONMAJOR FUNDS
AS OF JUNE 30, 2017
(amounts expressed in thousands)

	Special Revenue Funds				
	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)	School Technology Revolving Loan Fund (569)
ASSETS					
Unexpended appropriations	$ -	$ -	$ -	$ -	$ -
Cash and cash equivalents	51	11	2,340	27	2,160
Securities lending collateral equity with State Treasurer	-	-	-	-	630
Due from federal government	-	211	327,336	-	-
Due from local governments	-	-	411	-	-
Other receivables	-	-	387	-	8
Due from other Agency funds	-	-	4,491	-	-
Due from other State funds	-	-	8	-	-
Inventories	-	-	-	-	-
Loans receivable	-	-	-	-	2,954
TOTAL ASSETS	$ 51	$ 222	$ 334,973	$ 27	$ 5,752
LIABILITIES					
Accounts payable and accrued liabilities	$ -	$ 82	$ 22,418	$ -	$ -
Obligations under securities lending of State Treasurer	-	-	-	-	630
Due to federal government	-	8	119	-	-
Due to local governments	-	122	299,987	-	-
Due to other State funds	-	-	9,544	-	-
Due to component units of the State	-	10	1,814	-	-
Unearned revenue	-	-	676	-	-
Total liabilities	-	222	334,558	-	630
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - federal government	-	-	83,950	-	-
Total deferred inflows of resources	-	-	83,950	-	-
FUND BALANCES (DEFICIT)					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	51	-	-	27	5,122
Assigned	-	-	-	-	-
Unassigned	-	-	(83,535)	-	-
Total fund balances (deficit)	51	-	(83,535)	27	5,122
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)	$ 51	$ 222	$ 334,973	$ 27	$ 5,752

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
COMBINING BALANCE SHEET - NONMAJOR FUNDS
AS OF JUNE 30, 2017
(amounts expressed in thousands)

	Special Revenue Funds			Capital Projects Fund	
	Temporary Relocation Expenses Revolving Grant Fund (605)	**Fund for the Advancement of Education (640)**	**State Charter School Commission Fund (674)**	**School Construction Fund (143)**	**Total**
ASSETS					
Unexpended appropriations	$ -	$ -	$ -	$ -	$ 4,687
Cash and cash equivalents	403	-	576	-	17,777
Securities lending collateral equity with State Treasurer	-	-	-	-	630
Due from federal government	-	-	-	-	347,647
Due from local governments	-	-	-	-	411
Other receivables	-	-	-	-	7,982
Due from other Agency funds	-	-	-	-	6,614
Due from other State funds	-	-	-	-	8
Inventories	-	-	-	-	2,713
Loans receivable	40	-	-	-	2,994
TOTAL ASSETS	$ 443	$ -	$ 576	$ -	$ 391,463
LIABILITIES					
Accounts payable and accrued liabilities	$ -	$ -	$ 187	$ -	$ 41,223
Obligations under securities lending of State Treasurer	-	-	-	-	630
Due to federal government	-	-	-	-	132
Due to local governments	-	-	-	-	333,102
Due to other State funds	-	-	20	-	9,766
Due to component units of the State	-	-	-	-	1,852
Unearned revenue	-	-	-	-	1,083
Total liabilities	-	-	207	-	387,788
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - federal government	-	-	-	-	83,954
Total deferred inflows of resources	-	-	-	-	83,954
FUND BALANCES (DEFICIT)					
Nonspendable	-	-	-	-	2,713
Restricted	-	-	-	-	424
Committed	443	-	369	-	13,643
Assigned	-	-	-	-	5,230
Unassigned	-	-	-	-	(102,289)
Total fund balances (deficit)	443	-	369	-	(80,279)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)	$ 443	$ -	$ 576	$ -	$ 391,463

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR FUNDS
For the Year Ended June 30, 2017
(amounts expressed in thousands)

	Special Revenue Funds					
	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)	S.B.E. Federal Department of Agriculture Fund (410)
REVENUES						
Federal government	$ -	$ -	$ -	$ 4,672	$ -	$ 836,804
Licenses and fees	4,482	-	-	-	701	-
Interest	-	-	-	-	-	-
Other revenues	-	-	-	161	-	24
Refunds	(10)	-	-	-	-	(228)
Total revenues	4,472	-	-	4,833	701	836,600
EXPENDITURES						
Education	3,067	18,750	-	3,484	-	835,841
Debt service:						
Principal	-	-	-	3	-	-
Interest	-	-	-	1	-	-
Capital outlays	202	-	-	754	-	697
Total expenditures	3,269	18,750	-	4,242	-	836,538
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,203	(18,750)	-	591	701	62
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	-	18,750	-	-	-	-
Reappropriations to Fiscal Year 2018	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-
Capital lease financing	-	-	-	44	-	-
Net other sources (uses) of financial resources	-	18,750	-	- 44	-	-
NET CHANGE IN FUND BALANCES	1,203	-	-	635	701	62
Fund balances (deficit), July 1, 2016	3,429	(18,750)	1,102	4,742	1,196	2,038
Change in inventories	-	-	-	-	-	886
FUND BALANCES (DEFICIT), JUNE 30, 2017	$ 4,632	$ (18,750)	$ 1,102	$ 5,377	$ 1,897	$ 2,986

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR FUNDS
For the Year Ended June 30, 2017
(amounts expressed in thousands)

	Special Revenue Funds					
	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)**	**School Technology Revolving Loan Fund (569)**	**Temporary Relocation Expenses Revolving Grant Fund (605)**
REVENUES						
Federal government	$ -	$ 1,899	$ 1,455,743	$ -	$ -	$ -
Licenses and fees	-	-	-	-	-	-
Interest	-	-	-	-	74	-
Other revenues	-	-	-	-	-	-
Refunds	-	-	(1,386)	-	-	-
Total revenues	-	1,899	1,454,357	-	74	-
EXPENDITURES						
Education	-	1,494	1,460,700	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlays	-	-	2,664	-	-	-
Total expenditures	-	1,494	1,463,364	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	405	(9,007)	-	74	-
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	-	-	-	-	-	-
Reappropriations to Fiscal Year 2018	-	-	-	-	-	-
Lapsed appropriations	-	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	-	-	-	-	-
Capital lease financing	-	-	-	-	-	-
Net other sources (uses) of financial resources	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	-	405	(9,007)	-	74	-
Fund balances (deficit), July 1, 2016	51	(405)	(74,528)	27	5,048	443
Change in inventories	-	-	-	-	-	-
FUND BALANCES (DEFICIT), JUNE 30, 2017	$ 51	$ -	$ (83,535)	$ 27	$ 5,122	$ 443

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR FUNDS
For the Year Ended June 30, 2017
(amounts expressed in thousands)

	Special Revenue Funds		Capital Projects Fund	
	Fund for the Advancement of Education (640)	**State Charter School Commission Fund (674)**	**School Construction Fund (143)**	**Total**
REVENUES				
Federal government	$ -	$ -	$ -	$ 2,299,118
Licenses and fees	-	1,010	-	6,193
Interest	-	-	-	74
Other revenues	-	-	-	185
Refunds	-	-	-	(1,624)
Total revenues	-	1,010	-	2,303,946
EXPENDITURES				
Education	247,036	805	(237)	2,570,940
Debt service:				
Principal	-	-	-	3
Interest	-	-	-	1
Capital outlays	-	-	-	4,317
Total expenditures	247,036	805	(237)	2,575,261
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(247,036)	205	237	(271,315)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES				
Appropriations from State resources	253,000	-	4,391	276,141
Reappropriations to Fiscal Year 2018	-	-	(4,391)	(4,391)
Lapsed appropriations	(5,964)	-	-	(5,964)
Receipts collected and transmitted to State Treasury	-	-	(459)	(459)
Capital lease financing	-	-	-	44
Net other sources (uses) of financial resources	247,036	-	(459)	265,371
NET CHANGE IN FUND BALANCES	-	205	(222)	(5,944)
Fund balances (deficit), July 1, 2016	-	164	222	(75,221)
Change in inventories	-	-	-	886
FUND BALANCES (DEFICIT), JUNE 30, 2017	$ -	$ 369	$ -	$ (80,279)

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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
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, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Illinois State Board of Education's basic financial statements, and have issued our report thereon dated December 12, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Illinois State Board of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Illinois State Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Illinois State Board of Education'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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as item 2017-001, that we consider to be a material weakness.

Compliance and Other Matters

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

Illinois State Board of Education's Response to Finding

The Illinois State Board of Education's response to the finding identified in our audit is described in the accompanying schedule of findings. The Illinois State Board of Education's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Illinois State Board of Education'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 Illinois State Board of Education's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Springfield, Illinois
December 12, 2017

2017-001 Finding: Financial Statement Reporting Error

The Illinois State Board of Education's financial statements were materially misstated due to an overaccrual of liabilities.

During our audit, we noted the Agency improperly accrued liabilities in the amount of $ 94.2 million. This misstatement related to fiscal year 2018 expenditures for mandated categorical grant programs that were incorrectly included in the fiscal year 2017 liability. The misstatement was identified during the financial audit and subsequently corrected by Agency personnel.

According to GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*, governmental entities may engage in "expenditure-driven" grant programs that are government-mandated. Under these grant programs, a recipient organization cannot qualify for grant resources without first incurring allowable costs. The grantor agency has no liability until the recipient organization has incurred costs in accordance with the program. Additionally, the Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/3001) requires State agencies to establish and maintain a system 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. Good internal control procedures require adequate management oversight and review of accounting policies and procedures as well as an overall review of financial reporting for accuracy and compliance with generally accepted accounting principles.

Agency officials stated the item noted above represented an error in the liability calculation for payables from future year appropriations. This error was not appropriately identified during the review process.

Failure to exercise due care during the financial reporting review process could lead to future misstatements of the Agency's financial statements. (Finding Code No. 2017-001)

Recommendation

We recommend the Agency exercise due care when performing internal control procedures to assess the risk of material misstatements of the Agency's financial statements and to identify such misstatements during the financial statement preparation and review process.

Agency Response

The Agency agrees with the finding. In order to ensure liabilities are properly recorded in future years, the Agency will incorporate questions into the detailed checklists utilized when preparing and reviewing Agency GAAP packages.

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Independent Accountant's Report on
Applying Agreed-Upon Procedures

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

The Board Members of the
Illinois State Board of Education

As Special Assistant Auditors for the Auditor General, we have performed each of the procedures enumerated below, which were agreed to by the Auditor General and the Illinois State Board of Education, solely to assist the users in evaluating management's assertion about the Illinois State Board of Education's (Agency) compliance with respect to the reporting, during the year ended June 30, 2017, of the statewide high school dropout rate by grade, level, sex, race; the annual student dropout rate of and the number of students who graduate from, transfer from, or otherwise leave bilingual programs; a critique and analysis of the status of education in Illinois; and each act or omission of a school district as a consequence of scheduled, approved visits and which constituted a failure by the district to comply with applicable State or federal laws or regulations pursuant to 105 ILCS 5/1A-4, 105 ILCS 5/26-2a, and 105 ILCS 5/26-3a. The Illinois State Board of Education is responsible for the said reporting pursuant to 105 ILCS 5/1A-4, 105 ILCS 5/26-2a, and 105 ILCS 5/26-3a. The sufficiency of these procedures is solely the responsibility of specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and our findings are as follows:

1. We reviewed the following articles of the School Code: 105 ILCS 5/1A-4, 105 ILCS 5/26-2a, and 105 ILCS 5/26-3a. We obtained and inspected the Fiscal Year 2016 Annual Report for the State Board of Education and verified the Annual Report complied with each of the following statutory requirements of the School Code:

    a. Using the most recently available data, the Illinois State Board of Education prepared and submitted to the General Assembly and the Governor on or before January 14, 2017 a report or reports of its findings and recommendations.

Other Locations
Belleville, IL • Carbondale, IL • Columbia, IL • Harrisburg, IL • Litchfield, IL • Cape Girardeau, MO • St. Louis, MO • Milwaukee, WI

b. The Annual Report contained a separate section which provides a critique and analysis of the status of education in Illinois and which identifies its specific problems and recommends express solutions therefor.

c. The Annual Report contained the following information for the preceding year ended June 30, 2016:

    i. Each act or omission of a school district of which the State Board of Education has knowledge as a consequence of scheduled, approved visits and which constituted a failure by the district to comply with applicable State or federal laws or regulations relating to public education
    ii. The name of such district
    iii. The date or dates on which the State Board of Education notified the school district of such act or omission
    iv. What action, if any, the school district took with respect thereto after being notified thereof by the State Board of Education.

d. The report included the statewide high school dropout rate by grade level, sex and race and the annual student dropout rate of and the number of students who graduate from, transfer from or otherwise leave bilingual programs. High school dropout data included aged-out.

We found no exceptions as a result of the procedures performed.

2. We obtained the list of school districts and agreed submission of student data in Student Information System (SIS) for a sample of 40 school districts.

   We found no exceptions as a result of the procedures performed.

3. We obtained the supporting file for the "2015-2016 High School Dropout Rates, by Grade Level, Gender, and Race/Ethnicity" prepared by the Agency. We agreed dropout data for 20 selected students from the Agency's supporting file of dropout data to SIS and 20 students selected from SIS to Agency's supporting file of dropout data.

   During our testing, we noted the exit description in the Agency's supporting file for dropout data and SIS did not agree for three students selected.

4. We compared dropout data totals per the Agency's supporting file of dropout data for the school year 2015-2016 to those on the 2016 Annual Report filed with the General Assembly and we agreed all dropout totals, by grade level, gender, and race/ethnicity on the supporting file to the report.

   We found no exceptions as a result of the procedures performed.

5. We obtained the supporting file for the “2015-2016 English Learner Students by Transition Status and School Year Outcome” prepared by the Agency. We compared bilingual education data for 20 selected students from the Agency’s supporting file of bilingual education data to SIS and 20 selected students from SIS to the Agency’s supporting file of bilingual education data.

   During our testing, we noted one student’s gender in SIS did not agree to the Agency’s supporting file of bilingual education data.

6. We compared bilingual education data totals per the Agency’s supporting file of bilingual education data for school year 2015-2016 to those on the 2016 Annual Report filed with the General Assembly. We agreed all bilingual education data totals, by transition status, on the file supporting file to the report.

   We found no exceptions as a result of the procedures performed.

7. We obtained the schedule of bilingual education data generated from the Statistical Analysis system (SAS). We compared bilingual education data totals per the SAS schedule to those on the 2016 Annual Report filed with the General Assembly. We agreed all bilingual education data totals, by transition status, on the SAS schedule to the report.

   We found no exceptions as a result of the procedures performed.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. For the purposes of this report, we were not engaged to and did not conduct an examination or review of the subject of this report, the objective of which would be the expression of an opinion or conclusion, respectively, on management’s assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Auditor General, Board members of the Illinois State Board of Education, and Agency 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
December 12, 2017