STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT

For the Year Ended June 30, 2021

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, 2021

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STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT

For the Year Ended June 30, 2021

AGENCY OFFICIALS

State Superintendent of Education	Dr. Carmen I. Ayala
Executive staff:	
Legal Officer	
Through 6/8/21	Trisha Olson
Acting Legal Officer	
Effective 6/9/21	Kristen Kennedy
Internal Audit Officer	Tassi Maton
Education Officer	Dr. Ernesto Matias
Financial Officer	Robert Wolfe
Operating Officer	Melissa Oller
Policy & Communications Officer	Irma Snopek
Research & Evaluation Officer	Dr. Brenda M. Dixon

BOARD OFFICERS

Chairperson	Darren Reisberg
Vice-Chairperson	Dr. Donna S. Leak
Secretary	
Through 12/20/20	Dr. Cristina Pacione-Zayas
12/21/20 through 2/4/21	Vacant
Effective 2/5/21	Jaime Guzman

GOVERNING BOARD MEMBERS

Member	Dr. Christine Benson
Member	Dr. David Lett
Member (thru 1/11/21)	Jane Quinlan
Member (thru 4/30/21)	Jacqueline Robbins
Member	Susie Morrison
Member (effective 2/5/21)	Roger Eddy
Member	Vacant

AGENCY OFFICES

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

James R. Thompson Center
100 W. Randolph Street, Suite 14-300
Chicago, Illinois 60601

Alzina Building
100 N. First Street
Springfield, Illinois 62777

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT

For the Year Ended June 30, 2021

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the Illinois State Board of Education (Agency) 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

Number of	Current Report	Prior Report(s)
Findings	2	1
Repeated Findings	1	0
Prior Recommendations Implemented or Not Repeated	0	0

SCHEDULE OF FINDINGS

Item No.	Page	Last/First Reported	Description	Finding Type
			CURRENT FINDINGS	
2021-001	61	N/A	Evidenced-Based Funding Formula Error	Material Weakness and Noncompliance
2021-002	64	2020/2020	Lack of Census Data Reconciliations	Significant Deficiency

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT

For the Year Ended June 30, 2021

EXIT CONFERENCE

The report was discussed with Agency personnel at an exit conference on June 1, 2022. Attending were:

Representing Illinois State Board of Education

Dr. Carmen Ayala, State Superintendent
Tassi Maton, Internal Audit Officer
Melissa Oller, Operating Officer
Jeremy Duffy, Legal Officer
Brenda Dixon, Research & Evaluation Officer
Irma Snopek, Policy & Communications Officer
Robert Wolfe, Financial Officer
Regina Toland, Director of Fiscal Support Services
Miguel Calderon, Director of Human Resources
Scott Norton, Director of Software Solutions
Maureen Font, Director of Data Strategies and Analytics
Sally Burton, Internal Audit III

Representing Kerber, Eck & Braeckel LLP

Josh Shugart, Partner
Amanda Wells, Senior Manager

Representing the Office of the Auditor General

Janis Van Durme, Health and Human Services Audit Manager
Dan Nugent, Technical Specialist

The responses to the recommendations were provided by Tassi Maton, in correspondence dated May 27, 2022.

Kerber, Eck & Braeckel LLP
3200 Robbins Road
Suite 200A
Springfield, IL 62704

P 217.789.0960
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Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

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

Report on the 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 State of Illinois, Illinois State Board of Education (Agency), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 of the Agency, as of June 30, 2021, 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 to the financial statements, the financial statements of the Agency are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, the major fund, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the Agency. These financial statements do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2021, and the respective changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are 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, the pension related required supplementary information, and the other postemployment benefits required supplementary information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the 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 Agency'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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information (Agency Officials) has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2022, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Restricted Use of this Auditor's Report

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

SIGNED ORIGINAL ON FILE

Springfield, Illinois
June 6, 2022

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
AS OF JUNE 30, 2021
(amounts expressed in thousands)

	General Fund	Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Net Position
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Unexpended appropriations	$ 357,221	$ 12,000	$ 369,221	$ -	$ 369,221
Cash and cash equivalents	113	29,226	29,339	-	29,339
Securities lending collateral equity with State Treasurer	-	1,175	1,175	-	1,175
Due from federal government	-	762,109	762,109	-	762,109
Due from local governments	138	378	516	-	516
Other receivables	415	1,189	1,604	-	1,604
Due from other State funds	249	3,843	4,092	-	4,092
Due from component units of the State	-	9	9	-	9
Inventories	-	948	948	-	948
Loans receivable	-	560	560	-	560
Prepaid expenses	-	-	-	1,292	1,292
Capital assets not being depreciated	-	-	-	1,063	1,063
Capital assets net of depreciation	-	-	-	32,748	32,748
Total assets	358,136	811,437	1,169,573	35,103	1,204,676
Deferred outflows of resources - SERS pensions	-	-	-	35,925	35,925
Deferred outflows of resources - TRS pensions	-	-	-	1,483	1,483
Deferred outflows of resources - OPEB	-	-	-	39,434	39,434
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 358,136	$ 811,437	$ 1,169,573	$ 111,945	$ 1,281,518
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Accounts payable and accrued liabilities	$ 22,396	$ 35,623	$ 58,019	$ -	$ 58,019
Obligations under securities lending of State Treasurer	-	1,175	1,175	-	1,175
Due to federal government	8	1,074	1,082	-	1,082
Due to local governments	1,197,845	743,424	1,941,269	-	1,941,269
Due to other State fiduciary funds	-	32	32	-	32
Due to other State funds	1,497	10,927	12,424	-	12,424
Due to component units of the State	1,304	1,869	3,173	-	3,173
Unearned revenue	-	817	817	-	817
Compensated absences, current portion	-	-	-	45	45
Capital lease obligations, current portion	-	-	-	21	21
Reorganization incentive, current portion	-	-	-	11	11
OPEB liability, current portion	-	-	-	4,263	4,263
Compensated absences, long-term portion	-	-	-	4,057	4,057
Reorganization incentive, long-term portion	-	-	-	11	11
Net pension liability - SERS, long-term portion	-	-	-	164,144	164,144
Net pension liability -TRS, long-term portion	-	-	-	3,601	3,601
OPEB liability, long-term portion	-	-	-	198,018	198,018
Total liabilities	1,223,050	794,941	2,017,991	374,171	2,392,162
Deferred inflows of resources - unavailable revenue - federal government	-	154,609	154,609	(154,609)	-
Deferred inflows of resources - SERS pensions	-	-	-	6,450	6,450
Deferred inflows of resources - TRS pensions	-	-	-	23,711	23,711
Deferred inflows of resources - OPEB	-	-	-	28,460	28,460
Total liabilities and deferred inflows of resources	1,223,050	949,550	2,172,600	278,183	2,450,783
FUND BALANCES (DEFICITS)/NET POSITION (DEFICIT)					
Fund Balances:					
Nonspendable	-	948	948	(948)	-
Restricted	-	2,694	2,694	(2,694)	-
Committed	-	17,855	17,855	(17,855)	-
Assigned	-	8,725	8,725	(8,725)	-
Unassigned	(864,914)	(168,335)	(1,033,249)	1,033,249	-
Net investment in capital assets	-	-	-	33,790	33,790
Restricted net position	-	-	-	4,899	4,899
Unrestricted net position	-	-	-	(1,207,954)	(1,207,954)
Total Fund Balances (Deficits)/Net Position	(864,914)	(138,113)	(1,003,027)	$ (166,238)	$ (1,169,265)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)/NET POSITION	$ 358,136	$ 811,437	$ 1,169,573		

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, 2021
(amounts expressed in thousands)

Total Fund deficit - governmental funds		$ (1,003,027)
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.		33,811
Prepaid expenses for governmental activities are current uses of financial resources for funds.		1,292
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	$ 35,925	
Deferred outflows of resources - TRS pensions	1,483	
Deferred outflows of resources - OPEB	39,434	
		76,842
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the governmental funds.		154,609
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	(6,450)	
Deferred inflows of resources - TRS pensions	(23,711)	
Deferred inflows of resources - OPEB	(28,460)	
		(58,621)
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	$ (4,102)	
Capital lease obligations	(21)	
Reorganization incentive	(22)	
Net pension liability - SERS	(164,144)	
Net pension liability - TRS	(3,601)	
OPEB liability	(202,281)	
		(374,171)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ (1,169,265)

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, 2021
(amounts expressed in thousands)

	General Fund	Nonmajor Funds	Total Governmental Funds	Adjustments	Statement of Activities
EXPENDITURES/EXPENSES					
Program expense - education	$ 8,945,675	$ 3,331,287	$ 12,276,962	$ 22,134	$ 12,299,096
Debt service - principal	-	30	30	(30)	-
Debt service - interest	-	6	6	-	6
Capital outlays	1,970	2,944	4,914	(4,914)	-
Total Expenditures/Expenses	8,947,645	3,334,267	12,281,912	17,190	12,299,102
PROGRAM REVENUES					
Charges for services:					
Licenses and fees	1	4,804	4,805	-	4,805
Total charges for services	1	4,804	4,805	-	4,805
Operating grant revenue:					
Federal	15	3,281,100	3,281,115	35,717	3,316,832
Refunds	-	(931)	(931)	-	(931)
Total operating grant revenue	15	3,280,169	3,280,184	35,717	3,315,901
Net Program Deficit	(8,947,629)	(49,294)	(8,996,923)	18,527	(8,978,396)
GENERAL REVENUES					
Interest	-	26	26	-	26
Other revenues	2	-	2	-	2
Total General Revenues	2	26	28	-	28
OTHER SOURCES (USES) OF FINANCIAL RESOURCES					
Appropriations from State resources	9,163,998	41,732	9,205,730	-	9,205,730
Reappropriations to Fiscal Year 2022	(221,963)	(25,732)	(247,695)	-	(247,695)
Lapsed appropriations	(24,939)	-	(24,939)	-	(24,939)
Receipts collected and transmitted to State Treasury	(7,755)	-	(7,755)	-	(7,755)
Amount of SAMS transfers-out	147	-	147	-	147
Transfers-in	-	1,366	1,366	(260)	1,106
Transfers-out	-	(260)	(260)	260	-
Net Other Sources (Uses) of Financial Resources	8,909,488	17,106	8,926,594	-	8,926,594
Net change in fund balances/net position	(38,139)	(32,162)	(70,301)	18,527	(51,774)
Fund Balances (Deficits)/Net Position, July 1, 2020	(826,775)	(105,201)	(931,976)	(185,515)	(1,117,491)
Change in inventories	-	(750)	(750)	750	-
FUND BALANCES (DEFICITS)/NET POSITION, JUNE 30, 2021	$ (864,914)	$ (138,113)	$ (1,003,027)	$ (166,238)	$ (1,169,265)

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, 2021

Net Change in Fund Balances - governmental funds		$ (70,301)
Change in inventories		(750)
		(71,051)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation and amortization expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation and amortization exceeded capital outlays in the current period.		(362)
Deferred outflows of resources related to pension and OPEB liabilities in the Statement of Activities that do not provide current financial resources are not reported in the governmental funds. This amount represents the decrease in deferred outflows over the prior year.		(5,823)
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.		30
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.		35,717
Deferred inflows of resources related to pension and OPEB liabilities in the Statement of Activities that do not use current financial resources are not reported in the governmental funds. This amount represents the decrease in deferred inflows over the prior year.		22,193
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:		
Decrease in prepaid expenses	$ (163)	
Increase in compensated absences	(466)	
Decrease in reorganization incentive	138	
Increase in net pension liability - SERS	(18,427)	
Increase in net pension liability - TRS	(507)	
Increase in OPEB liability	(13,053)	(32,478)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ (51,774)

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

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

1. Organization

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

The Agency is organized to provide leadership, assistance, resources and advocacy so that every student is prepared to succeed in careers and postsecondary education and 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' Annual Comprehensive Financial Report may be obtained by accessing the Office of State Comptroller's website - https://illinoiscomptroller.gov/financial-data/find-a-report/comprehensive-reporting/comprehensive-annual-financial-report/.

(b) Basis of Presentation

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

The financial statements of the Agency are intended to present the net position and the changes in net position of only that portion of the governmental activities, the major fund, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the Agency. They do not purport to, and do not, present fairly the net position of the State of Illinois as of June 30, 2021, and the changes in its net position for the year then ended in conformity with accounting principles generally accepted in the United States of America. A brief description of the Agency's government-wide and fund financial statements is as follows:

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

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

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

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

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

General - This is the State's primary operating fund. It accounts for all financial resources of the general government, except those 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 three primary sub-accounts (General Revenue – 001, Education Assistance – 007, and Common School – 412) and two secondary sub-accounts (School Infrastructure – 568 and Fund for the Advancement of Education – 640).

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

(d) Shared Fund Presentation

The financial statement presentation for the General Revenue (001), Education Assistance (007), Common School (412), School Infrastructure (568) and the Fund for the Advancement of Education (640) Accounts of the General Fund; the Drivers Education Fund (031), the Capital Development Fund (141) and the School Construction Fund (143) represent only the portion of the shared funds that can be directly attributed to the operations of the Agency. Financial statements for total fund operations of the shared State funds are presented in the State of Illinois' Annual Comprehensive Financial Report.

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

Unexpended Appropriations

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

Appropriations from State Resources

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

Reappropriations to Future Year(s)

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

Lapsed Appropriations

Lapsed appropriations are the legally adopted appropriations less net warrants issued for the 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 Office of State Comptroller in accordance with statutory provisions from the corresponding fund during the fiscal year per SAMS records in which a legally adopted appropriation was not charged.

(e) Eliminations

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

(f) Cash and Cash Equivalents

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

(g) Inventories

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

(h) Prepaid Expenses

Payments made to vendors and subrecipients which benefit periods subsequent to the year ended June 30, 2021 are reported as expenditures in governmental funds and as prepaid expenses in the government-wide statement of net position.

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

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

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

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

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

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

(j) Capital Assets

Capital assets, which include property, plant and equipment, and intangible assets, are reported at cost. Contributed assets are reported at 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

(k) Compensated Absences

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

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

(l) Pensions

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

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

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense and expenditures associated with the Agency's contribution requirements, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported within the separately issued plan financial statements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with terms of the plan. Investments are reported at fair value. The governmental fund financial statements report pension expenditures for amounts paid to the pension plan and changes in the beginning and ending balances of amounts owed to the pension plan.

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

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

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

(n) Deferred Outflows/Inflows of Resources

A deferred outflow/inflow of resources is a consumption/acquisition of net 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 and OPEB liability reported as explained in Note 9 and Note 10, respectively. In addition, the Agency has recorded deferred inflows of resources in the fund financial statements in connection with unavailable revenues.

(o) Fund Balances

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

Nonspendable - This consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Agency's nonspendable fund balance consists of amounts for inventories.

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

(p) Net Position

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

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

Restricted - This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. As of June 30, 2021 (amounts expressed in thousands), the Board had net position restricted by enabling legislation of $3,593 for Education and $358 for Child Nutrition. When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first, then unrestricted resources when they are needed.

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

(q) Use of Estimates

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

(r) Adoption of New Accounting Pronouncements

Effective for the year ending June 30, 2021, the Agency adopted 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 criteria 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 beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The implementation of this statement had no financial impact on the Agency's net position or results of operations.

Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, is intended to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The implementation of this statement had no financial impact on the Agency's net position or results of operations.

The portion of Statement No. 93, *Replacement of Interbank Offered Rates*, which is intended to address accounting and financial reporting implications that result from the replacement of an interbank offered rate as an appropriate benchmark interest rate. The implementation of this statement had no financial impact on the Agency's net position or results of operations.

(s) Future Adoption of GASB Statements

Effective for the year ending June 30, 2022, the Agency will adopt the following GASB statements:

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.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which is intended to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) simplify accounting for interest cost incurred before the end of a construction period.

The portion of Statement No. 92, *Omnibus 2020*, which is intended to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements related to (a) intra-entity transfers of assets, (b) reporting assets accumulated for defined benefit postemployment benefits provided through plans that are not administered through trusts that meet specified criteria, (c) applicability of certain requirements of Statement No. 84 to postemployment benefit arrangements, (d) exception to acquisition value in a government acquisition and (e) nonrecurring fair value measurements.

The portion of Statement No. 93, Replacement of Interbank Offered Rates, which is intended to the remove the London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate.

The portion of Statement 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*, which is intended to enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

Effective for the year ending June 30, 2023, the Agency will adopt the following GASB statements:

Statement No. 91, *Conduit Debt Obligations*, which is intended to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availablility Payment Arrangements*, which is intended to improve financial reporting by addressing issues related to public-private and public-public partnerships (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs).

Statement No. 96, *Subscription-Based Information Technology Arrangements*, which is intended to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments).

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 $29.339 million at June 30, 2021. These deposits are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the Agency does not own individual securities. Detail on the nature of these deposits is available within the State of Illinois' Annual Comprehensive Financial Report.

4. Interfund Balances and Activity

Balances Due From/To Other Funds

The following balances (amounts expressed in thousands) at June 30, 2021 represent amounts due from other State of Illinois funds:

Fund	Due from other State funds	Description/Purpose
General	$ 249	Grants for educational purposes.
Nonmajor	3,843	Grants for educational purposes.
Total	$ 4,092	

The following balances (amounts expressed in thousands) at June 30, 2021 represent amounts due to other State of Illinois funds:

Fund	Due to other State fiduciary funds	Due to other State funds	Description/Purpose
General	$ -	$ 1,497	Due to other State funds for grants for educational purposes and for purchases of services.
Nonmajor	32	10,927	Due to other State fiduciary funds for retirement costs and due to other State funds for grants for educational purposes, for federal food service programs and for purchases of services.
Total	$ 32	$ 12,424	

Transfers From/To Other Funds

Interfund transfers-in (amounts expressed in thousands) for the year ended June 30, 2021 were as follows:

Fund	Agency Funds	State funds	Total	Description/Purpose
Nonmajor	$ 260	$ 1,106	$1,366	Transfers from state funds pursuant to statute and from other State funds for Lottery ticket revenues
Total	$ 260	$ 1,106	$1,366	

Interfund transfers-out (amounts expressed in thousands) for the year ended June 30, 2021 were as follows:

Fund	Agency Funds	State funds	Total	Description/Purpose
General	$ -	$ 147	$ 147	Transfers from General Revenue Account per State appropriation
Nonmajor	260	-	260	Transfers from other Agency funds pursuant to statute
Total	$ 260	$ 147	$ 407	

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

The following balances (amounts expressed in thousands) at June 30, 2021 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 From	Due To	
Component Unit	Nonmajor Funds	General Fund	Nonmajor Funds
Northeastern Illinois University	$ -	$ -	$ 487
Western Illinois University	-	-	137
Illinois State University	3	24	754
Northern Illinois University	-	375	31
Southern Illinois University	-	584	364
University of Illinois	6	321	96
Total	$ 9	$ 1,304	$ 1,869

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, 2021, 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, 2021, 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. As of June 30, 2021, this program had no loans receivable outstanding.

Loans receivable (amounts expressed in thousands) at June 30, 2021 consisted of the following:

Program	Balance
School Technology Revolving Loan Program	$ 560
Total	$ 560

Please see note 16 for a description of an error identified subsequent to the Agency's fiscal year-end.

7. Capital Assets

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Additions	Deletions	Net Transfers	Balance June 30, 2021
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	5,970	121	1,066	-	5,025
Capital leases - equipment	116	-	17	-	99
Internally generated Software	57,501	4,793	-	-	62,294
Total capital assets being depreciated/amortized	64,023	4,914	1,083	-	67,854
Less accumulated depreciation/amortization:					
Buildings	344	6	-	-	350
Equipment	4,588	479	1,049	-	4,018
Capital leases - equipment	73	25	17	-	81
Internally generated Software	25,908	4,749	-	-	30,657
Total accumulated depreciation/amortization	30,913	5,259	1,066	-	35,106
Total capital assets being depreciated/amortized, net	33,110	(345)	17	-	32,748
Governmental activity capital assets, net	$ 34,173	$ (345)	$ 17	$ -	$ 33,811

Depreciation expense and amortization for governmental activities (amounts expressed in thousands) for the year ended June 30, 2021 was charged to the Education function for an amount of $5,259.

8. Long-Term Obligations

Changes in Long-Term Obligations

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2021 were as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Amounts Due Within One Year
Compensated absences	$ 3,636	$ 2,716	$ 2,250	$ 4,102	$ 45
Capital lease obligations	51	-	30	21	21
Reorganization incentive	160	5	143	22	11
Net pension liability - SERS	145,717	18,427	-	164,144	-
Net pension liability – TRS	3,094	507	-	3,601	-
OPEB liability	189,228	13,053	-	202,281	4,263
Total	$341,886	$ 34,708	$ 2,423	$374,171	$ 4,340

Compensated absences will be 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 $99 and $81, 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, 2021 were as follows:

Year Ending June 30	Principal	Interest	Total
2022	$ 21	$ 2	$ 23
Total	$ 21	$ 2	$ 23

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, 2021 were as follows:

Year Ending June 30	Amount
2022	$ 11
2023	11
Total	$ 22

9. Pension Plan

Defined Benefit Pension Plan

Plan Description

Substantially all of the Agency's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS) or the Teachers' Retirement System (TRS), which are pension trust funds in the State of Illinois reporting entity. SERS is a single-employer defined benefit pension trust fund in which State employees participate except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. SERS is governed by article 14 of the Illinois Pension Code (40 ILCS 5/1, et al.). TRS is the administrator of a cost-sharing multiple-employer public employee defined benefit pension plan with a "special funding situation" as described below. TRS provides coverage to personnel in positions that require a certification under the teacher certification law that are employed by public school districts in Illinois (excluding Chicago), special districts and certain State agencies. There are 851 local school districts, 129 special districts, and 10 other State agencies that contribute to the TRS plan as of the measurement date June 30, 2020. The State of Illinois, as a nonemployer contributing entity, is legally mandated to make contributions to TRS, thus creating a special funding relationship with the plan. TRS is governed by article 16 of the Illinois Pension Code.

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

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

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

Benefit Provisions

State Employees' Retirement System
SERS provides retirement benefits based on the member's final average compensation and the number of years of service credit that have been established. The retirement benefit formula available to general State employees that are covered uner the Federal Social Security Act is 1.67% for each year of service and for noncovered employees it is 2.2% for each year of service. The maximum retirement annuity payable is 75% of final average compensation as calculated under the regular formula. The minimum monthly retirement annuity payable is $15 for each year of covered service and $25 for each year of noncovered service.

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

<table>
<tr><th>Regular Formula Tier 1</th><th>Regular Formula Tier 2</th></tr>
<tr><td>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 ½ 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.</td><td>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 ½ 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 ½ 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 ½ 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 2020 rate is $115,929.

If the member retires before age 67 with a reduced retirement benefit, he/she will receive a pension increase of 3% or ½ 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.</td></tr>
</table>

Additionally, the Plan provides an alternative retirement formula for State employees in high-risk jobs, such as State policemen, fire fighters, and security employees. Employees qualifying for benefits under the alternative formula may retire at an earlier age depending on membership in Tier 1 or Tier 2. The retirement formula is 2.5% for each year of covered service and 3.0% for each year of non-covered service. The maximum retirement annuity payable is 80% of final average compensation as calculated under the alternative formula.

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

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

Teachers' Retirement System
TRS provides retirement benefits, whereby, most members retire under a formula that provides 2.2% of final average salary up to a maximum of 75% with 34 years of service. Under Tier 1, a member qualifies for an age retirement annuity after reaching age 62 with 5 years of credited service, age 60 with 10 years of credited service, or age 55 with 20 years of credited service. If a member retires between the ages of 55 and 60 with fewer than 35 years of service, the annuity will be reduced ½ 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 ½ of the Consumer Price Index with the adjustment applied to the original benefit are provided to Tier 2 retirees. Disability and death benefits are also provided by TRS.

Contributions

State Employees' Retirement System
Contribution requirements of active employees and the State are established in accordance with Chapter 40, section 5/14-133 of the Illinois Compiled Statutes. Member contributions are based on fixed percentages of covered payroll ranging between 4.00% and 12.50%. Employee contributions are fully refundable, without interest, upon withdrawal from State employment. Tier 1 members contribute based on total annual compensation. Tier 2 members contribute based on an annual compensation rate not to exceed $106,800 with limitations for future years increased by the lesser of 3% or ½ of the annual percentage increase in the Consumer Price Index. For 2021, this amount was $116,740.

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 2021, 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 2021, the employer contribution rate was 54.831%. The Agency's contribution amount for Fiscal Year 2021 was $0.832 million. In addition, the Agency recorded $10.657 million of revenue and expenditures in the General Revenue account of the General Fund to account for on-behalf payments made by SERS for Agency employees.

<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, 2021 was 9.0% of salary. Employer contributions are made by or on behalf of employers from several sources. The State of Illinois provides the largest source of contributions through State appropriations. Employers also make contributions of 0.58% of total creditable earnings for the 2.2 benefit formula change and for teachers who are paid from federal funds. Additionally, employers contribute their portion of any excess salary increase or sick leave costs due as defined within Chapter 40, section 5/16 of the Illinois Compiled Statutes.

For TRS, employee contributions are fully refundable, without interest, upon withdrawal from applicable employment. For Tier 1 members, there is no annual compensation limit on contributions. For Tier 2 members, annual compensation on which contributions are taken cannot exceed $106,800. This amount increases annually by the lesser of 3% or ½ of the annual percentage increase in the Consumer Price Index. For 2021, this amount was $116,740. The Agency's contribution for Fiscal Year 2021 was $1.057 million. The Agency recognized revenue and expenditures in the General Revenue account of the General Fund of $30.239 million in pension contributions from the State.

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

<u>State Employees' Retirement System</u>
At June 30, 2021 the Agency reported a liability of $164.144 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, 2020 (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, 2020. As of the current year measurement date of June 30, 2020, the Agency's proportion was 0.4708%, which was an increase of 0.0344% from its proportion measured as of the prior year measurement date of June 30, 2019.

For the year ended June 30, 2021, the Agency recognized pension expense of $17.692 million.

At June 30, 2021, the Agency reported deferred outflows and deferred inflows of resources related to the pension liability, as of the measurement date of June 30, 2020, from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 419	$ 644
Changes of assumptions	3,463	968
Net difference between projected and actual investment earnings on pension plan investments	912	-
Changes in proportion	19,642	4,838
Agency contributions subsequent to the measurement date	11,489	-
Total	$ 35,925	$ 6,450

$11.489 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, 2022. 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
2022	$ 4,715
2023	6,233
2024	5,010
2025	2,028
Total	$ 17,986

Teachers' Retirement System

At June 30, 2021, the Agency reported a liability of $3.601 million for its proportionate share of the TRS net pension liability on the statement of net position. The State's proportionate share of the pension liability (as a nonemployee contributing entity in a special funding situation) of the Agency was $282.050 million as of the measurement date. The total net pension liability for the Agency's employees participating in the TRS was $285.651 million as of the measurement date.

The net pension liability was measured as of June 30, 2020 (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, 2019, and rolled forward to June 30, 2020. 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, 2020. At June 30, 2020, the measurement date, the Agency's proportionate share was 0.00418% for the TRS plan, which was a 0.00036% increase from its proportion measured at the prior year measurement date of June 30, 2019.

For the year ended June 30, 2021, the Agency recognized $(10.278) million through pension expense. At June 30, 2021, the Agency reported deferred outflows and deferred inflows of resources related to the pension liability, as of the measurement date of June 30, 2020, from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 35	$ 1
Changes of assumptions	15	38
Net difference between projected and actual investment earnings on pension plan investments	107	-
Changes in proportion	269	23,672
Agency contributions subsequent to the measurement date	1,057	-
Total	$ 1,483	$ 23,711

$1.057 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, 2022. 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
2022	$ (9,784)
2023	(9,341)
2024	(4,246)
2025	64
2026	22
Total	$ (23,285)

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	06/30/20	06/30/19*
Measurement date	06/30/20	06/30/20
Actuarial cost method	Entry Age	Entry Age
Actuarial assumptions:		
Investment rate of return	6.75%	7.00%
Projected salary increases**	2.75% - 7.17%	4.00% - 9.50%
Inflation rate	2.25%	2.50%
Postretirement benefit increases		
Tier 1	3%, compounded	3%, compounded
Tier 2	Lesser of 3% or ½ of CPI^, on original benefit	1.25% not compounded
Retirement age experience study^^	July 2015 - June 2018	July 2014 - June 2017
Mortality^^^		
SERS	Pub-2010 General and Public Safety Healthy Retiree mortality tables, sex distinct, with rates projected to 2018 generational mortality improvement factors were updated to projection scale MP-2018	
TRS	RP - 2014 with future mortality improvements on a fully generational basis using projection table MP-2017	

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

* The total pension liability is based on an actuarial valuation date of June 30, 2019, 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 using the best estimates of geometric real rates of return for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation, calculated as of the measurement date of June 30, 2020, the best estimates of the geometric real rates of return are summarized in the following table:

	SERS	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	23.00%	5.50%
Developed Foreign Equity	13.00%	5.90%
Emerging Market Equity	8.00%	7.80%
Private Equity	7.00%	7.50%
Intermediate Investment Grade Bonds	14.00%	1.10%
Long-term Government Bonds	4.00%	1.10%
TIPS	4.00%	1.00%
High Yield and Bank Loans	5.00%	3.70%
Opportunistic Debt	8.00%	4.70%
Emerging Market Debt	2.00%	2.70%
Real Estate	10.00%	3.20%
Infrastructure	2.00%	3.90%
Total	100.00%	

Teachers' Retirement System

The long-term expected rate of return assumption on pension plan investments under the TRS plan was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020, 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	16.50%	6.10%
U.S. Equities Small/Mid Cap	2.30%	7.20%
International Equities Developed	12.20%	7.00%
Emerging Market Equities	3.00%	9.40%
U.S. Bonds Core	7.00%	2.20%
U.S. Bonds High Yield	2.50%	4.10%
International Debt Developed	3.10%	1.50%
Emerging International Debt	3.20%	4.50%
Real Estate	16.00%	5.70%
Private Debt	5.20%	6.30%
Hedge Funds	10.00%	4.30%
Private Equity	15.00%	10.50%
Infrastructure	4.00%	6.20%
Total	100.00%	

Discount Rate

State Employees' Retirement System

A discount rate of 6.35% 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 6.75% and a municipal bond rate of 2.45%, 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 contributions will be made based on the statutorily required rates under Illinois law. Based on these assumptions, it has been determined that the pension plan's fiduciary net position and future contributions will be sufficient to finance the benefit payments through the year 2075 for SERS. As a result, the long-term expected rate of return on pension plan investments has been applied to projected benefit payments through the year 2075, at which time the municipal bond rate has been applied to all remaining benefit payments.

Teachers' Retirement System

A discount rate of 7.00% was used to measure the total pension liability. This single blended discount rate was based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.45%, 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 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 2122. As a result, the long-term expected rate of return on pension plan investments has been applied to projected benefit payments through the year 2122, at which time the municipal bond rate has been applied to all remaining benefit payments.

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 5.35%	Discount Rate 6.35%	1% Increase 7.35%
Agency's proportionate share of the SERS net pension liability	$ 198,420	$ 164,144	$ 135,971

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Agency's proportionate share of the TRS net pension liability	$ 4,371	$ 3,601	$ 2,967

Payables to the pension plan

At June 30, 2021, the Agency reported a payable of $32 thousand to SERS for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2021.

10. Post-Employment Benefits

Plan Description

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

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

Benefits Provided

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

Funding Policy and Annual Other Postemployment Benefit Cost

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

For Fiscal Year 2021, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $12,260.64 ($6,910.32 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and $15,224.16 ($6,449.28 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

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

The total OPEB liability, as reported at June 30, 2021, was measured as of June 30, 2020, with an actuarial valuation as of June 30, 2019. At June 30, 2021, the Agency recorded a liability of $202.281 million for its proportionate share of the State's total OPEB liability. The Agency's portion of the OPEB liability was based on the Agency's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2020. As of the current year measurement date of June 30, 2020, the Agency's proportion was .4775%, which was an increase of .0463% from its proportion measured as of the prior year measurement date of June 30, 2019.

The Agency recognized OPEB expense for the year ended June 30, 2021, of $21.591 million. In addition, the Agency recorded $2.730 million of revenue and expenditures in the General Revenue account of the General Fund to account for contributions to SEGIP for Agency employees that were paid from statewide General Fund appropriations. At June 30, 2021, the Agency reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2020, from the following sources (amounts expressed in thousands):

Deferred outflows of resources	
Differences between expected and actual experience	$ 1,145
Changes in assumptions	5,528
Changes in proportion and differences between employer contributions and proportionate share of contributions	28,498
Agency contributions subsequent to the measurement date	4,263
Total deferred outflows of resources	$ 39,434

Deferred inflows of resources	
Differences between expected and actual experience	$ 2,178
Changes in assumptions	20,314
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,968
Total deferred inflows of resources	$ 28,460

The amounts reported as deferred outflows of resources related to OPEB resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (amounts expressed in thousands):

Year Ending June 30	
2022	$ (1,271)
2023	1,043
2024	4,522
2025	2,190
2026	227
Total	$ 6,711

Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified. The actuarial valuation for the SEGIP was based on SERS and TRS active, inactive, and retiree data as of June 30, 2019, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2019.

Valuation date	06/30/19
Measurement date	06/30/20
Actuarial cost method	Entry Age Normal
Inflation rate	2.25%
Projected salary increases*	2.50% - 12.25%
Healthcare cost trend rate:	
Medical & Rx (Pre-Medicare & Post-Medicare)	8.25% grading down 0.25% per year over 16 years to 4.25% in year 2037. There is no additional trend rate adjustment due to the repeal of the Excise Tax.
Dental and Vision	4.0% grading up 0.25% in the first year to 4.25% through 2037.
Retirees' share of benefit-related costs	Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5% for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100% of the required dependent premium. Premiums for plan year 2020 and 2021 are based on actual premiums. Premiums after 2021 were projected based on the same healthcare cost trend rates applied to per capita claim costs.

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

Inflation Rate	2.50%
Projected Salary Increases*	2.75% - 12.25%

Healthcare Cost Trend Rate: Medical and Rx (Pre-Medicare)	8.00% grading down 0.50% in the first year to 7.50%, then grading down 0.11% in the second year to 7.39%, followed by grading down of 0.50% per year over 5 years to 4.89% in year 7
Medical and RX (Post – Medicare)	9.00% grading down 0.50% per year over 9 years to 4.50%
Dental and Vision	6.00% grading down 0.50% per year over 3 years to 4.50%

* Dependent upon service and participation in the respective retirement systems. Includes inflation rate listed.

Additionally, the demographic assumptions used in this OPEB valuation are identical to those used in the June 30, 2019 valuations for SERS and TRS as follows:

	Retirement Age Experience Study^	**Mortality^^**
SERS	July 2015 – June 2018	Pub-2010 General and Public Safety Healthy Retiree mortality tables, sex distinct, with rates projected to 2018; generational mortality improvement factors were updated to projection scale MP-2018
TRS	July 2014 – June 2017	RP-2014 with future mortality improvements on a fully generational basis using projection table MP-2017

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

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

Discount rate

Retirees contribute a percentage of the premium rate based on service at retirement. The State contributes additional amounts to cover claims and expenses in excess of retiree contributions. Because plan benefits are financed on a pay-as-you-go basis, the single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. A single discount rate of 3.13% at June 30, 2019, and 2.45% at June 30, 2020, used to measure the total liability.

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

The following presents the plan's total OPEB liability, calculated using a Single Discount Rate of 2.45%, as well as what the plan's total OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (3.45%) or lower (1.45%) than the current rate (amounts expressed in thousands):

	1% Decrease 1.45%	Current Single Discount Rate Assumption 2.45%	1% Increase 3.45%
Agency's proportionate share of total OPEB liability	$ 238,102	$ 202,281	$ 173,712

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

The following presents the plans total OPEB liability, calculated using the healthcare cost trend rates as well as what the plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or lower, than the current healthcare cost trend rates (amounts in table expressed in thousands). The key trend rates are 8.25% in 2021 decreasing to an ultimate trend rate of 4.25% in 2037.

	1% Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
Agency's proportionate share of total OPEB liability	$ 169,339	$ 202,281	$ 245,476

11. Fund Deficits

The following funds had deficit balances at June 30, 2021 (amounts expressed in thousands):

	Governmental Activities
General Revenue Account (001)	$ (822,362)
Education Assistance Account (007)	(42,552)
Drivers Education Fund (031)	(13,750)
S.B.E Federal Agency Services Fund (560)	(100)
S.B.E. Federal Department of Education Fund (561)	(154,485)

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.

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

The Agency's risk management activities for self-insurance, unemployment insurance and workers' compensation are financed through appropriations to the Illinois Department of Central Management Services and are accounted for in the General Fund of the State. The claims are not considered to be a liability of the Agency; and accordingly, have not been reported in the Agency's financial statements for the year ended June 30, 2021.

13. Commitments and Contingencies

(a) Operating Leases

The Agency leases real property, office and computer equipment, and other assets under terms of noncancelable operating lease agreements that require the Agency to make minimum lease payments plus pay a pro rata share of certain operating costs. Rent expense was $2.856 million for the year ended June 30, 2021.

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

Year Ending June 30	Amount
2022	$ 2,056
2023	2,056
2024	2,034
2025	2,034
2026	2,034
Total	$ 10,214

(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, 2021, 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

A class action complaint has been filed against the Agency and the Chicago Public Schools claiming that the school system and the Agency violated the rights of special education students whose native language is not English by not providing translation and interpreter services during meetings and dispute resolution proceedings. The parties have entered into a Confidential Settlement Team Sheet that proposes to settle all issues except attorney's fees. The Agency recently authorized settlement authority to settle the matter.

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

A complaint has been filed against the Agency, six school districts and one Superintendent of schools in her individual capacity, alleging denial of educational funds for 11 children placed at a residential facility. The complaint includes request for preliminary injunction and declaratory judgment, along with breach of contract claim, and quantum merit claim, in connection with multiple school districts' failure to enroll the children residing at the residential facility for provision of educational services, which reportedly has been unpaid. The court ruled in the Agency's favor and Plaintiffs filed a motion to reconsider. If the court reconsider's the decision, the Agency could be liable for the costs of the education services and/or attorney's fees.

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

14. Securities Lending Transactions

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

During Fiscal Year 2021, 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 2021 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 2021 resulting from a default of the borrowers or Deutsche Bank AG.

During Fiscal Year 2021, 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, 2021 arising from securities lending agreements to the various funds of the State. The total allocated to the Agency at June 30, 2021 was $1.175 million.

15. Coronavirus Pandemic Implications

The coronavirus pandemic, declared a state of emergency in 2020, continued to impact the Agency. During Fiscal Year 2021, the Agency received COVID-19 related funding from the U.S. Department of Agriculture and U.S. Department of Education which was passed through to subrecipients and other State of Illinois Agencies. The Agency expended the following under COVID-19 related programs through June 30, 2021:

	In Millions
U.S Department of Agriculture	
School Breakfast Program	$ 2,017
National School Lunch Program	4,571
Child and Adult Care Food Program	18,144
Summer Food Service Program	92,858
U.S. Department of Education	
Education Stabilization Relief	849,538
Total COVID-19 Program Expenditures	$ 967,128

16. Subsequent Event

The Illinois State Board of Education is responsible for the administration of Evidence-Based Funding (EBF) as per 105 ILCS 18-8.15. EBF is the State of Illinois' primary funding formula for public education. It is designed to ensure that each organizational unit is guaranteed each year to receive the amount of EBF it received in the prior year, provided sufficient appropriations, plus the unit's equitable portion of new funding made available based upon its Percentage of Adequacy. The Percentage of Adequacy is the ratio of available funds over its adequacy target. The adequacy target is constructed based on enrollment data and 34 cost factors that identify an amount of funding necessary to provide education in each organizational unit.

A coding error was made by an Agency contractor in spring 2018 during the development of the enrollment verification system used for EBF calculations. The system was used in the verification of enrollment data for Fiscal Year 2019 EBF calculations. The coding error resulted in the overstatement of the enrollment of students attending state-authorized charter schools in districts with more than one state-authorized charter school. The coding error multiplied the students at each state-authorized charter school by the total count of state-authorized charter schools in the district, instead of only counting them once. The EBF formula counts the current year tier funding in the next year's Base Funding Minimum, so that meant that the incorrect enrollment count compounded in each subsequent year after 2019. Chicago Public Schools was the only organizational unit impacted by this coding error, as it is the only organizational unit with more than one state-authorized charter school within its boundaries.

The coding error resulted in overstated payments to Chicago Public Schools of $6,726,771 in Fiscal Year 2019, $17,910,724 in Fiscal Year 2020, $17,910,724 in Fiscal Year 2021, and $44,964,721 in Fiscal Year 2022 for a cumulative total of $87,512,940. The overstated payments to Chicago Public Schools resulted in cumulative underpayments of $10 or more to 762 organizational units totaling $87,516,314. Public Act 102-0698 provided a Fiscal Year 2022 supplemental appropriation in the amount of $87,517,000 to make all 762 organizational units whole for the underpayments caused by the coding error. The Agency recorded a liability of $42.552 million, representing the amount through June 30, 2021, in the Education Assistance Account (007) to account for the error. As of May 26, 2022, the Agency was in discussions with Chicago Public Schools regarding repayment to the Agency of the overpayment Chicago Public Schools received. As the resolution has not been determined, the Agency did not record an associated receivable in the financial statements.

SUPPLEMENTARY INFORMATION

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
COMBINING SCHEDULE OF ACCOUNTS - GENERAL FUND
AS OF JUNE 30, 2021
(amounts expressed in thousands)

	General Revenue Account (001)	Education Assistance Account (007)	Common School Account (412)	School Infrastructure Account (568)	Fund for the Advancement of Education (640)	Total
ASSETS						
Unexpended appropriations	$ 356,734	$ 483	$ -	$ 4	$ -	$ 357,221
Cash and cash equivalents	113	-	-	-	-	113
Due from local governments	138	-	-	-	-	138
Other receivables	415	-	-	-	-	415
Due from other State funds	249	-	-	-	-	249
TOTAL ASSETS	$ 357,649	$ 483	$ -	$ 4	$ -	$ 358,136
LIABILITIES						
Accounts payable and accrued liabilities	$ 21,913	$ 483	$ -	$ -	$ -	$ 22,396
Due to federal government	8	-	-	-	-	8
Due to local governments	1,155,328	42,517	-	-	-	1,197,845
Due to other State funds	1,493	-	-	4	-	1,497
Due to component units of the State	1,269	35	-	-	-	1,304
Total liabilities	1,180,011	43,035	-	4	-	1,223,050
FUND BALANCES (DEFICIT)						
Unassigned	(822,362)	(42,552)	-	-	-	(864,914)
Total fund balances (deficit)	(822,362)	(42,552)	-	-	-	(864,914)
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	$ 357,649	$ 483	$ -	$ 4	$ -	$ 358,136

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, 2021
(amounts expressed in thousands)

	General Revenue Account (001)	Education Assistance Account (007)	Common School Account (412)	School Infrastructure Account (568)	Fund for the Advancement of Education (640)	Total
REVENUES						
Federal government	$ 15	$ -	$ -	$ -	$ -	$ 15
Licenses and fees	1	-	-	-	-	1
Other revenues	2	-	-	-	-	2
Total revenues	18	-	-	-	-	18
EXPENDITURES						
Education	4,767,004	371,081	3,213,016	553	594,021	8,945,675
Capital outlays	1,970	-	-	-	-	1,970
Total expenditures	4,768,974	371,081	3,213,016	553	594,021	8,947,645
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(4,768,956)	(371,081)	(3,213,016)	(553)	(594,021)	(8,947,627)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	4,805,408	328,529	3,213,016	223,024	594,021	9,163,998
Reappropriations to fiscal year 2022	-	-	-	(221,963)	-	(221,963)
Lapsed appropriations	(24,444)	-	-	(495)	-	(24,939)
Receipts collected and transmitted to State Treasury	(7,692)	-	-	(63)	-	(7,755)
Amount of SAMS transfers-out	147	-	-	-	-	147
Net other sources (uses) of financial resources	4,773,419	328,529	3,213,016	503	594,021	8,909,488
NET CHANGE IN FUND BALANCES	4,463	(42,552)	-	(50)	-	(38,139)
Fund balances (deficits), July 1, 2020	(826,825)	-	-	50	-	(826,775)
FUND BALANCES (DEFICIT), JUNE 30, 2021	$ (822,362)	$ (42,552)	$ -	$ -	$ -	$ (864,914)

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
COMBINING BALANCE SHEET - NONMAJOR FUNDS
AS OF JUNE 30, 2021
(amounts expressed in thousands)

	Special Revenue					
	Teacher Certificate Fee Revolving Fund (016)	**Drivers Education Fund (031)**	**School District Emergency Financial Assistance Fund (130)**	**S.B.E. Special Purpose Trust Fund (144)**	**S.B.E. Teacher Certification Institute Fund (159)**	**S.B.E. Federal Department of Agriculture Fund (410)**
ASSETS						
Unexpended appropriations	$ -	$ 12,000	$ -	$ -	$ -	$ -
Cash and cash equivalents	8,605	-	1,002	10,869	944	2,062
Securities lending collateral equity with State Treasurer	-	-	-	-	-	-
Due from federal government	-	-	-	-	-	52,327
Due from local governments	-	-	-	-	-	4
Other receivables	-	-	-	-	-	230
Due from other State funds	3,000	-	-	-	-	1
Due from component units of the State	-	-	-	-	-	6
Inventories	-	-	-	-	-	948
Loans receivable	-	-	-	-	-	-
TOTAL ASSETS	$ 11,605	$ 12,000	$ 1,002	$ 10,869	$ 944	$ 55,578
LIABILITIES						
Accounts payable and accrued liabilities	$ 113	$ 55	$ -	$ 118	$ 7	$ 20,445
Obligations under securities lending of State Treasurer	-	-	-	-	-	-
Due to federal government	2	-	-	-	-	1,024
Due to local governments	-	25,669	-	-	-	32,744
Due to other State fiduciary funds	14	-	-	-	-	4
Due to other State funds	5	-	-	455	6	134
Due to component units of the State	3	26	-	-	-	3
Unearned revenue	-	-	-	-	-	206
Total liabilities	137	25,750	-	573	13	54,560
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - federal government	-	-	-	-	-	53
Total deferred inflows of resources	-	-	-	-	-	53
FUND BALANCES (DEFICIT)						
Nonspendable	-	-	-	-	-	948
Restricted	-	-	-	1,571	-	17
Committed	11,468	-	1,002	-	931	-
Assigned	-	-	-	8,725	-	-
Unassigned	-	(13,750)	-	-	-	-
Total fund balances (deficits)	11,468	(13,750)	1,002	10,296	931	965
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	$ 11,605	$ 12,000	$ 1,002	$ 10,869	$ 944	$ 55,578

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
COMBINING BALANCE SHEET - NONMAJOR FUNDS
AS OF JUNE 30, 2021
(amounts expressed in thousands)

	Special Revenue					
	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)
ASSETS						
Unexpended appropriations	$ -	$ -	$ -	$ -	$ -	$ -
Cash and cash equivalents	51	30	722	27	3,316	493
Securities lending collateral equity with State Treasurer	-	-	-	-	1,175	-
Due from federal government	-	509	709,273	-	-	-
Due from local governments	-	-	374	-	-	-
Other receivables	-	-	952	-	7	-
Due from other State funds	-	793	48	-	-	-
Due from component units of the State	-	-	3	-	-	-
Inventories	-	-	-	-	-	-
Loans receivable	-	-	-	-	560	-
TOTAL ASSETS	$ 51	$ 1,332	$ 711,372	$ 27	$ 5,058	$ 493
LIABILITIES						
Accounts payable and accrued liabilities	$ -	$ 784	$ 14,101	$ -	$ -	$ -
Obligations under securities lending of State Treasurer	-	-	-	-	1,175	-
Due to federal government	-	-	48	-	-	-
Due to local governments	-	346	684,665	-	-	-
Due to other State fiduciary funds	-	-	14	-	-	-
Due to other State funds	-	177	10,150	-	-	-
Due to component units of the State	-	25	1,812	-	-	-
Unearned revenue	-	-	611	-	-	-
Total liabilities	-	1,332	711,401	-	1,175	-
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - federal government	-	100	154,456	-	-	-
Total deferred inflows of resources	-	100	154,456	-	-	-
FUND BALANCES (DEFICIT)						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	51	-	-	27	3,883	493
Assigned	-	-	-	-	-	-
Unassigned	-	(100)	(154,485)	-	-	-
Total fund balances (deficits)	51	(100)	(154,485)	27	3,883	493
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	$ 51	$ 1,332	$ 711,372	$ 27	$ 5,058	$ 493

STATE OF ILLINOIS
ILLINOIS STATE BOARD OF EDUCATION
COMBINING BALANCE SHEET - NONMAJOR FUNDS
AS OF JUNE 30, 2021
(amounts expressed in thousands)

	Special Revemue		Capital Projects		
	State Charter School Commission Fund (674)	School STEAM Grant Program Fund (987)	Capital Development Fund (141)	School Construction Fund (143)	Total
ASSETS					
Unexpended appropriations	$ -	$ -	$ -	$ -	$ 12,000
Cash and cash equivalents	-	1,105	-	-	29,226
Securities lending collateral equity with State Treasurer	-	-	-	-	1,175
Due from federal government	-	-	-	-	762,109
Due from local governments	-	-	-	-	378
Other receivables	-	-	-	-	1,189
Due from other State funds	-	1	-	-	3,843
Due from component units of the State	-	-	-	-	9
Inventories	-	-	-	-	948
Loans receivable	-	-	-	-	560
TOTAL ASSETS	$ -	$ 1,106	$ -	$ -	$ 811,437
LIABILITIES					
Accounts payable and accrued liabilities	$ -	$ -	$ -	$ -	$ 35,623
Obligations under securities lending of State Treasurer	-	-	-	-	1,175
Due to federal government	-	-	-	-	1,074
Due to local governments	-	-	-	-	743,424
Due to other State fiduciary funds	-	-	-	-	32
Due to other State funds	-	-	-	-	10,927
Due to component units of the State	-	-	-	-	1,869
Unearned revenue	-	-	-	-	817
Total liabilities	-	-	-	-	794,941
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - federal government	-	-	-	-	154,609
Total deferred inflows of resources	-	-	-	-	154,609
FUND BALANCES (DEFICIT)					
Nonspendable	-	-	-	-	948
Restricted	-	1,106	-	-	2,694
Committed	-	-	-	-	17,855
Assigned	-	-	-	-	8,725
Unassigned	-	-	-	-	(168,335)
Total fund balances (deficits)	-	1,106	-	-	(138,113)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	$ -	$ 1,106	$ -	$ -	$ 811,437

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, 2021
(amounts expressed in thousands)

	Special Revenue					
	Teacher Certificate Fee Revolving Fund (016)	Drivers Education Fund (031)	School District Emergency Financial Assistance Fund (130)	S.B.E. Special Purpose Trust Fund (144)	S.B.E Teacher Certification Institute Fund (159)	S.B.E. Federal Department of Agriculture Fund (410)
REVENUES						
Federal government	$ -	$ -	$ -	$ 3,209	$ -	$ 862,558
Licenses and fees	4,101	-	-	13	690	-
Interest	-	-	-	-	-	-
Refunds	-	-	-	-	-	(227)
Total revenues	4,101	-	-	3,222	690	862,331
EXPENDITURES						
Education	2,264	13,750	-	3,804	709	861,141
Debt service:						
Principal	-	-	-	30	-	-
Interest	-	-	-	6	-	-
Capital outlays	573	-	-	337	-	877
Total expenditures	2,837	13,750	-	4,177	709	862,018
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,264	(13,750)	-	(955)	(19)	313
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	-	16,000	-	-	-	-
Reappropriations to Fiscal Year 2022	-	-	-	-	-	-
Transfers in	-	-	-	260	-	-
Transfers out	-	-	-	-	-	-
Net other sources (uses) of financial resources	-	16,000	-	- 260	-	-
NET CHANGE IN FUND BALANCES	1,264	2,250	-	(695)	(19)	313
Fund balances (deficits), July 1, 2020	10,204	(16,000)	1,002	10,991	950	1,402
Change in inventories	-	-	-	-	-	(750)
FUND BALANCES (DEFICITS), JUNE 30, 2021	$ 11,468	$ (13,750)	$ 1,002	$ 10,296	$ 931	$ 965

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, 2021
(amounts expressed in thousands)

	Special Revenue					
	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	$ -	$ 7,186	$ 2,408,147	$ -	$ -	$ -
Licenses and fees	-	-	-	-	-	-
Interest	-	-	-	-	26	-
Refunds	-	-	(704)	-	-	-
Total revenues	-	7,186	2,407,443	-	26	-
EXPENDITURES						
Education	-	7,190	2,442,437	-	-	(7)
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlays	-	-	1,157	-	-	-
Total expenditures	-	7,190	2,443,594	-	-	(7)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(4)	(36,151)	-	26	7
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	-	-	-	-	-	-
Reappropriations to Fiscal Year 2022	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Net other sources (uses) of financial resources	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	-	(4)	(36,151)	-	26	7
Fund balances (deficits), July 1, 2020	51	(96)	(118,334)	27	3,857	486
Change in inventories	-	-	-	-	-	-
FUND BALANCES (DEFICITS), JUNE 30, 2021	$ 51	$ (100)	$ (154,485)	$ 27	$ 3,883	$ 493

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, 2021
(amounts expressed in thousands)

	Special Revenue		Capital Projects		
	State Charter School Commission Fund (674)	School STEAM Grant Program Fund (987)	Capital Development Fund (141)	School Construction Fund (143)	Total
REVENUES					
Federal government	$ -	$ -	$ -	$ -	$ 3,281,100
Licenses and fees	-	-	-	-	4,804
Interest	-	-	-	-	26
Refunds	-	-	-	-	(931)
Total revenues	-	-	-	-	3,284,999
EXPENDITURES					
Education	(1)	-	-	-	3,331,287
Debt service:					
Principal	-	-	-	-	30
Interest	-	-	-	-	6
Capital outlays	-	-	-	-	2,944
Total expenditures	(1)	-	-	-	3,334,267
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1	-	-	-	(49,268)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES					
Appropriations from State resources	-	-	25,000	732	41,732
Reappropriations to Fiscal Year 2022	-	-	(25,000)	(732)	(25,732)
Transfers in	-	1,106	-	-	1,366
Transfers out	(260)	-	-	-	(260)
Net other sources (uses) of financial resources	(260)	1,106	-	-	17,106
NET CHANGE IN FUND BALANCES	(259)	1,106	-	-	(32,162)
Fund balances (deficits), July 1, 2020	259	-	-	-	(105,201)
Change in inventories	-	-	-	-	(750)
FUND BALANCES (DEFICITS), JUNE 30, 2021	$ -	$ 1,106	$ -	$ -	$ (138,113)

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

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

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the State of Illinois, Illinois State Board of Education (Agency), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated June 6, 2022.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 2021-001.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings as items 2021-001 and 2021-002 we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency described in the accompanying Schedule of Findings as item 2021-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item 2021-002 to be a significant deficiency.

Agency's Responses to the Findings

The Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Agency's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the 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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Springfield, Illinois
June 6, 2022

2021-001. **FINDING:** Evidence-Based Funding Formula Error

The Illinois State Board of Education (Agency) did not exercise adequate internal control over the State's Evidence-Based Funding Formula (Formula) or promptly disclose a significant known matter to the auditors.

The Formula directs how the Agency is to distribute Evidence-Based Funding to various Evidence-Based Funding Organizational Units (E-BFOUs), which includes school districts, alternative schools run by regional superintendents of education, and two laboratory schools across the State.

During fieldwork, we noted the following:

1) Agency management disclosed a coding error to us regarding enrollment counts within the Formula on April 22, 2022. Due to this error, the Agency made a significant overpayment to one school district and underpayments to other E-BFOUs. We proposed an adjusting journal entry of $42.552 million to increase the amount due (a liability) to the underpaid E-BFOUs at June 30, 2021, which was recorded by Agency management in the Agency's final financial statements. Further, we proposed the Agency's management develop additional footnote disclosure to address the amount due to the Agency from the overpaid school district, which was included within the Agency's final financial statements.

   In general, Article 18 of the School Code (105 ILCS 5) provides an established formula for the Agency to follow when distributing Evidence-Based Funding to E-BFOUs. In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Agency establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance events and transactions are properly recorded and accounted for to permit the preparation of reliable financial reports.

   Agency officials indicated a calculation – which had been developed by a vendor and not adequately reviewed by Agency management – used to determine enrollments of students at a school district with multiple State-authorized charter schools was not coded to eliminate duplicates; therefore, some students were duplicated fivefold or sevenfold within the enrollment data utilized in the Formula.

2) According to Agency management, they became aware of this problem in December 2021 while preparing a report for the Agency's Evidence-Based Funding Professional Review Panel. Agency management commenced an investigation of the problem and disclosed the existence of this matter to the Agency's governing board in mid-February 2022. However, we only became aware of this problem through public news reports and legislative hearings in early April 2022. Subsequently, we inquired of Agency officials on April 22, 2022, for additional

2021-001. **FINDING:** Evidence-Based Funding Formula Error

information about this undisclosed problem and the impact of the matter on the Agency's ongoing financial audit.

The Illinois State Auditing Act (30 ILCS 5/3-12) requires the Agency aid and assist the Auditor General, or his designated representatives, in the exercise of his powers and duties, including performing the Agency's annual financial audit, which includes the prompt and timely disclosure of known events, conditions, and transactions which could impact either an ongoing audit or previously released audit.

Agency officials indicated the discovery of this problem was not reported earlier to the Auditor General or his representatives because the Agency had not fully quantified the total error, which did not occur until the very end of March 2022. The additional delay in communication was due to Agency management anticipating this would only require additional footnote disclosure, not an adjusting journal entry, within its financial statements, which they believed did not need to be shared until the additional footnote disclosure was prepared by the Agency.

Failure to ensure the accuracy of data used within the Formula resulted in several E-BFOUs receiving less Evidence-Based Funding than they were entitled to receive, one school district receiving a significant overpayment of its Evidence-Based Funding, and resulted in a material misstatement of the Agency's financial statements and hindered the overall accuracy of liabilities reported in the State's Annual Comprehensive Financial Report. Further, failure to timely disclose this problem to us delayed completion of the Agency's financial audit and could have hindered the timely completion of the State's annual financial audit. (Finding Code No. 2021-001)

RECOMMENDATION

We recommend the Agency implement controls, including adequate supervisory reviews, to ensure the formula for the State's Evidence-Based Funding grant program strictly complies with the applicable provisions of the School Code. Further, the Agency should comply with the Illinois State Auditing Act by the prompt and timely disclosure of known events, conditions, and transactions which could impact either an ongoing audit or previously released audit performed by the Auditor General, even if the full ramifications of the matter are not yet known.

2021-001. **FINDING:** Evidence-Based Funding Formula Error

AGENCY RESPONSE

The Agency agrees with the finding. The corrective actions that will be employed to ensure the accuracy of the Evidence-Based Funding are as follows:

- The Agency has initiated the process to pursue an independent audit of the Evidence-Based Funding Formula model.
- Independent compilations of enrollment totals will be conducted in order to validate the calculations from student-level counts to each E-BFOU's unit-level summaries. Matching these results will verify the accuracy of the totals.

2021-002. **FINDING:** Lack of Census Data Reconciliations

The Illinois State Board of Education (Agency) did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

Census data is demographic data (date of birth, gender, years of service, etc.) of the active, inactive, or retired members of a pension or OPEB plan. The accumulation of inactive or retired members' census data occurs before the current accumulation period of census data used in the plan's actuarial valuation (which eventually flows into each employer's financial statements), meaning the plan is solely responsible for establishing internal controls over these records and transmitting this data to the plan's actuary. In contrast, responsibility for active members' census data during the current period is split between the plan and each member's current employer(s). Initially, employers must accurately transmit census data elements of their employees to the plan. Then, the plan must record and retain these records for active employees and then transmit this census data to the plan's actuary.

We noted the Agency's employees are members of the State Employees' Retirement System of Illinois (SERS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans. Finally, we noted CMS' actuaries use SERS' census date records to prepare the OPEB actuarial valuation.

During testing, we noted the following:

1) The Agency had not performed an initial complete reconciliation of its census data recorded by SERS to its internal records to establish a base year of complete and accurate census data.
2) The Agency had not developed a process to annually obtain from SERS the incremental changes recorded by SERS and CMS in their census data records and reconcile these changes back the Agency's internal supporting records.

2021-002. **FINDING**: Lack of Census Data Reconciliations

For employers where their employees participate in plans with multiple-employer and cost-sharing features, the American Institute of Certified Public Accountants' *Audit and Accounting Guide: State and Local Governments* (AAG-SLG) (§ 13.177 for pensions and § 14.184 for OPEB) notes the determination of net pension/OPEB liability, pension/OPEB expense, and the associated deferred inflows and deferred outflows of resources depends on employer-provided census data reported to the plan being complete and accurate along with the accumulation and maintenance of this data by the plan being complete and accurate. To help mitigate the risk of the plan's actuary using incomplete or inaccurate census data within similar agent multiple-employer plans, the AAG-SLG (§ 13.181 (A-27) for pensions and § 14.141 for OPEB) recommends an employer annually reconcile its active members' census data to a report from the plan of census data submitted to the plan's actuary, by comparing the current year's census data file to both the prior year's census data file and its underlying records for changes occurring during the current year.

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Agency to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports.

Agency management indicated they were not aware of the reconciliation requirement prior to the time a fiscal year 2021 annual reconciliation should have been performed.

Failure to reconcile active members' census data reported to and held by SERS to the Agency's records could result in each plan's actuary relying on incomplete or inaccurate census data in the calculation of the Agency's pension and OPEB balances, which could result in a misstatement of these amounts. (Finding Code No. 2021-002, 2020-001)

2021-002. **FINDING**: Lack of Census Data Reconciliations

RECOMMENDATION

We recommend the Agency work with SERS to develop an annual reconciliation process of its active members' census data from its underlying records to a report from each plan of census data submitted to the SERS' actuary and CMS' actuary. After completing an initial full reconciliation, the Agency may limit the annual reconciliation to focus on the incremental changes to the census data file from the prior actuarial valuation, provided no risks are identified that incomplete or inaccurate reporting of census data may have occurred during prior periods. Any errors identified during this process should be promptly corrected by either the Agency or SERS, with the impact of these errors communicated to both SERS' actuary and CMS' actuary.

AGENCY RESPONSE

The Agency agrees with the finding. A solution is in place. On September 1, 2021, the Agency's Human Resources Department completed an annual reconciliation for active members' FY 21 census data in collaboration with SERS and CMS. This data will be used for FY22 and FY23 financial statements and the reconciliation of new members will continue in future years.

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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
State of Illinois, Illinois State Board of Education

As Special Assistant Auditors for the Auditor General, we have performed the procedures enumerated below on compliance with respect to the reporting, during the year ended June 30, 2021, 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 which were agreed to by the Auditor General and the State of Illinois, Illinois State Board of Education, solely to assist the users in evaluating management's assertion about the State of Illinois, Illinois State Board of Education's (Agency) compliance with the applicable State or federal laws or regulations noted above. The Agency is responsible for the said reporting pursuant to 105 ILCS 5/1A-4, 105 ILCS 5/26-2a, and 105 ILCS 5/26-3a. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated 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 2020 Annual Report for the Agency 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 Agency prepared and submitted to the General Assembly and the Governor on or before January 14, 2021 a report or reports of its findings and recommendations.

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

c. The Annual Report contained the following information for the preceding year ended June 30, 2020:

    i. Each act or omission of a school district of which the Agency 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; and
    iv. What action, if any, the school district took with respect thereto after being notified thereof by the Agency.

d. The Annual 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 the 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 "2019-2020 High School Dropout Rates, by Grade Level, Gender, and Race/Ethnicity" prepared by the Agency. We agreed dropout data for 40 selected students from the Agency's supporting file of dropout data to SIS and 40 students selected from SIS to Agency's supporting file of dropout data.

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

4. We compared dropout data totals per the Agency's supporting file of dropout data for the school year 2019-2020 to those on the 2020 Annual Report filed with the General Assembly and the Governor 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 "2019-2020 English Learner Students by Transition Status and School Year Outcome" prepared by the Agency. We compared bilingual education data for 40 selected students from the Agency's supporting file of bilingual education data to SIS and 40 selected students from SIS to the Agency's supporting file of bilingual education data.

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

6. We compared bilingual education data totals per the Agency's supporting file of bilingual education data for school year 2019-2020 to those on the 2020 Annual Report filed with the General Assembly and the Governor. We agreed all bilingual education data totals, by transition status, on the supporting file to the report.

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

7. We attempted to obtain the schedule of bilingual education data generated from the Statistical Analysis System (SAS) and compare bilingual education data totals per the SAS schedule to those on the 2020 Annual Report filed with the General Assembly and the Governor. However, it was discovered that the Agency's procedure for accumulating and reviewing the bilingual education data submitted on the Annual Report had changed. The Agency was able to, using the data provided per the Agency's Student Enrollment and ACCESS Assessment data warehouse tables, write a SQL code that generated a document with all the components and documentation needed for the Annual Report. This information was reviewed by multiple Agency personnel for accuracy and completeness prior to final publication.

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

We were engaged by the State of Illinois, Auditor General, to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectfully, on the subjects of this report and management's assertions. Accordingly, we do not express such opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We were required to be independent of the State of Illinois, Auditor General and State of Illinois, State Board of Education and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Auditor General, Board members of the State of Illinois, 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
June 6, 2022