

# *Gorenz and Associates, Ltd.*

*Certified Public Accountants*

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*Thomas R. Peffer, CPA*  
*Russell J. Rumbold II, CPA*

*Tim C. Custis, CPA*  
*Jason A. Hobnlin, CPA*

## **Communication with Those Charged with Governance**

To the Governing Board  
Henry-Stark Counties Special Education District No. 801  
Kewanee, Illinois

We have audited the basic financial statements (regulatory basis) of Henry-Stark Counties Special Education District No. 801 for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Governmental Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated January 13, 2020. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Matters

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Henry-Stark Counties Special Education District No. 801 are described in Note #1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The District's financial statements are prepared using the cash basis of accounting, and while some estimates are used to prepare the notes to financial statements, there are no estimates that we believe would cause a significant variance in the financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the disclosure of Pension Disclosures in Note #2 and the Other Post-Employment Benefits in Note #3 to the financial statements because they are subject to actuarial methods and assumptions.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 12, 2020.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Other Matters*

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the basis of accounting as described in Note #1 of the financial statements, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

*Restrictions on Use*

This information is intended solely for the information and use of the Board of Education and management of Henry-Stark Counties Special Education District No. 801 and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Gorenz and Associates, Ltd.*

Peoria, Illinois  
November 12, 2020

*Henry-Stark Counties Special Education District No. 801*

*Kewanee, Illinois*

*Annual Financial Report  
and Other Financial Information*

*June 30, 2020*

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801

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*Jason A. Hobulin, CPA*

## **Independent Auditor's Report**

To the Governing Board  
Henry-Stark Counties Special Education District No. 801  
Kewanee, Illinois

We have audited the accompanying financial statements of Henry-Stark Counties Special Education District No. 801 which are comprised of the Statement of Assets and Liabilities Arising from Cash Transactions as of June 30, 2020, and the related Statement of Revenues Received, Expenditures Disbursed, Other Sources (Uses) and Changes in Fund Balances (All Funds), the Statement of Revenues Received (All Funds), and the Statements of Expenditures Disbursed - Budget to Actual for the year then ended and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions prescribed and permitted by the Illinois State Board of Education. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note #1 of the financial statements, the financial statements are prepared by Henry-Stark Counties Special Education District No. 801 on the basis of the financial reporting provisions prescribed by the Illinois State Board of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the audit requirements of the State of Illinois.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note #1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of Henry-Stark Counties Special Education District No. 801 as of June 30, 2020, or changes in financial position for the year then ended.

***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of Henry-Stark Counties Special Education District No. 801 as of June 30, 2020, and the respective changes in regulatory basis financial position, and the respective budgetary comparison statements, in accordance with the financial reporting provisions of the Illinois State Board of Education as described in Note #1.

***Other Reporting Responsibilities***

***Supplemental Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Henry-Stark Counties Special Education District No. 801’s basic financial statements. The schedules listed in the table of contents as “Supplemental Information” are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Supplemental Information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 Supplemental Information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The 2019 comparative information shown in the Schedule of Expenditures of Federal Awards was subjected to auditing procedures applied by us and our report dated October 21, 2019 expressed an unqualified opinion that such information was fairly stated in all material respects in relation to the 2019 basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2020, on our consideration of Henry-Stark Counties Special Education District No. 801 internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Henry-Stark Counties Special Education District No. 801’s internal control over financial reporting and compliance.

*Goreng and Associates, Ltd.*

Peoria, Illinois  
November 12, 2020

# Gorenz and Associates, Ltd.

Certified Public Accountants

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Jason A. Hobulin, CPA

## 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

To the Governing Board  
Henry-Stark Counties Special Education District No. 801  
Kewanee, Illinois

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 Henry-Stark Counties Special Education District No. 801 as of and for the year ended June 30, 2020 and the related notes to the financial statements which collectively comprise Henry-Stark Counties Special Education District No. 801's basic financial statements, and have issued our report thereon dated November 12, 2020. Our report expressed an adverse opinion because the financial statements are not prepared in accordance with accounting principles generally accepted in the United States of America. However, the financial statements were found to be fairly stated on the cash basis of accounting, in accordance with regulatory reporting requirements prescribed by the Illinois State Board of Education, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Henry-Stark Counties Special Education District No. 801's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Henry-Stark Counties Special Education District No. 801's internal control. Accordingly we do not express an opinion on the effectiveness of Henry-Stark Counties Special Education District No. 801's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Henry-Stark Counties Special Education District No. 801's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

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

*Gorenz and Associates, Ltd.*

Peoria, Illinois  
November 12, 2020

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## **Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by The Uniform Guidance**

To the Governing Board  
Henry-Stark Counties Special Education District No. 801  
Kewanee, Illinois

### **Report on Compliance for Each Major Federal Program**

We have audited Henry-Stark Counties Special Education District No. 801's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020. Henry-Stark Counties Special Education District No. 801's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, contracts, and terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Henry-Stark Counties Special Education District No. 801's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Henry-Stark Counties Special Education District No. 801's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Henry-Stark Counties Special Education District No. 801's compliance with those requirements.

### **Opinion on Each Major Federal Program**

In our opinion, Henry-Stark Counties Special Education District No. 801 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

### Report on Internal Control Over Compliance

Management of Henry-Stark Counties Special Education District No. 801 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Henry-Stark Counties Special Education District No. 801's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Henry-Stark Counties Special Education District No. 801's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### *Purpose of this Report*

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Joreng and Associates, Ltd.*

Peoria, Illinois  
November 12, 2020

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801  
 STATEMENT OF ASSETS AND LIABILITIES  
 ARISING FROM CASH TRANSACTIONS  
JUNE 30, 2020

	<u>Account Groups</u>				Total (Memorandum Only)
	<u>Educational</u>	<u>Tort</u>	<u>Trust and Agency Funds</u>	<u>General Fixed Assets</u>	
<u>Assets</u>					
<u>Current Assets</u>					
Cash and Cash Equivalents	1,949,752	107,617	42,951		2,100,320
Prepaid Items	85,393				85,393
<u>Capital Assets</u>					
Buildings & Building Improvements				515,570	515,570
Capitalized Equipment				60,666	60,666
<b>Total Assets</b>	<b>2,035,145</b>	<b>107,617</b>	<b>42,951</b>	<b>576,236</b>	<b>2,761,949</b>
<u>Liabilities and Fund Balances</u>					
<u>Liabilities:</u>					
Due to Organizations			5,463		5,463
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>5,463</b>	<b>0</b>	<b>5,463</b>
<u>Fund Balances:</u>					
Reserved	39,328		37,488		76,816
Unreserved	1,995,817	107,617			2,103,434
Investments in General Fixed Assets				576,236	576,236
<b>Total Fund Balances</b>	<b>2,035,145</b>	<b>107,617</b>	<b>37,488</b>	<b>576,236</b>	<b>2,756,486</b>
<b>Total Liabilities and Fund Balances</b>	<b>2,035,145</b>	<b>107,617</b>	<b>42,951</b>	<b>576,236</b>	<b>2,761,949</b>

The accompanying notes are an integral part of these financial statements.

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801  
 STATEMENT OF REVENUES RECEIVED, EXPENDITURES DISBURSED,  
 OTHER SOURCES (USES) AND CHANGES IN FUND BALANCES (ALL FUNDS)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Educational	Total	Total (Memorandum Only)
Receipts:			
Local Sources	7,394,556	67,739	7,462,295
State Sources	928,099		928,099
Federal Sources	2,148,684		2,148,684
Total Direct Receipts	10,471,339	67,739	10,539,078
Receipts for On-Behalf Payments	3,850,234		3,850,234
Total Receipts	14,321,573	67,739	14,389,312
Disbursements:			
Instruction	4,658,631		4,658,631
Support Services	3,689,199	56,259	3,745,458
Community Services	5,699		5,699
Payments to Other Governmental Units	138,701		138,701
Total Direct Disbursements	8,492,230	56,259	8,548,489
Disbursements for On-Behalf Payments	3,850,234		3,850,234
Total Disbursements	12,342,464	56,259	12,398,723
Excess of Direct Receipts Over (Under) Direct Disbursements	1,979,109	11,480	1,990,589
Other Sources of Funds			0
Other (Uses) of Funds			0
Total Other Sources and (Uses) of Funds	0	0	0
Excess of Receipts and Other Sources of Funds Over (Under) Disbursements and Other Uses of Funds	1,979,109	11,480	1,990,589
Fund Balances - July 1, 2019	56,036	96,137	152,173
Fund Balances - June 30, 2020	2,035,145	107,617	2,142,762

The accompanying notes are an integral part of these financial statements.

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801  
 STATEMENT OF REVENUES RECEIVED (ALL FUNDS)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Educational</u>	<u>Tort</u>	<u>Total (Memorandum Only)</u>
<b>Receipts From Local Sources:</b>			
Tuition:			
Special Ed - Tuition From Other LEAs (In State)	7,379,594		7,379,594
Interest on Investments	11,611	963	12,574
Other Receipts from Local Sources:			
Payments from Other LEAs	3,351		3,351
Other Local Revenue		66,776	66,776
<b>Total Receipts from Local Sources</b>	<b>7,394,556</b>	<b>67,739</b>	<b>7,462,295</b>
<b>Receipts From State Sources:</b>			
Unrestricted Grants-in-Aid:			
Evidence Based Funding Formula - Sec. 18-8.15	927,521		927,521
Restricted Grants-in-Aid:			
State Free Lunch and Breakfast	578		578
<b>Total Receipts from State Sources</b>	<b>928,099</b>	<b>0</b>	<b>928,099</b>
<b>Receipts From Federal Sources:</b>			
Restricted Grants-in-Aid Received Directly from the Federal Government Through the State:			
Food Service			
National School Lunch Program	19,210		19,210
School Breakfast Program	11,250		11,250
Federal - Special Education:			
Pre-School Flow Through	57,746		57,746
I.D.E.A.-Flow Through	1,858,527		1,858,527
Medicaid Matching - Administrative Outreach	81,391		81,391
Medicaid Matching - Fee for Service Program	120,560		120,560
<b>Total Receipts from Federal Sources</b>	<b>2,148,684</b>	<b>0</b>	<b>2,148,684</b>
<b>Total Direct Receipts</b>	<b>10,471,339</b>	<b>67,739</b>	<b>10,539,078</b>

The accompanying notes are an integral part of these financial statements.

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801  
STATEMENT OF EXPENDITURES DISBURSED  
BUDGET TO ACTUAL  
EDUCATIONAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Actual	Budget	Variance with Budget
Expenditures Disbursed:			
Instruction:			
Special Education Programs:			
Salaries	3,211,447	3,584,270	372,823
Employee Benefits	791,913	830,617	38,704
Purchased Services	106,937	109,450	2,513
Supplies and Materials	83,236	88,275	5,039
Other Objects	1,925	2,000	75
Non-Capitalized Equipment	62,650	63,500	850
Total Special Education Programs	<u>4,258,108</u>	<u>4,678,112</u>	<u>420,004</u>
Special Education Programs Pre-K:			
Salaries	320,846	0	(320,846)
Employee Benefits	78,133	0	(78,133)
Supplies and Materials	1,544	0	(1,544)
Total Special Education Programs Pre-K	<u>400,523</u>	<u>0</u>	<u>(400,523)</u>
Total Instruction	<u>4,658,631</u>	<u>4,678,112</u>	<u>19,481</u>
Supporting Services:			
Support Services - Pupils:			
Attendance and Social Work Services:			
Salaries	646,149	634,485	(11,664)
Employee Benefits	92,694	99,572	6,878
Purchased Services	436	500	64
Supplies and Materials	637	700	63
Non-Capitalized Equipment	2,487	2,500	13
Total Attendance and Social Work Services	<u>742,403</u>	<u>737,757</u>	<u>(4,646)</u>
Health Services:			
Purchased Services	163,975	159,200	(4,775)
Supplies and Materials	128	150	22
Total Health Services	<u>164,103</u>	<u>159,350</u>	<u>(4,753)</u>
Psychological Services:			
Salaries	548,225	543,887	(4,338)
Employee Benefits	69,902	80,791	10,889
Purchased Services	11,608	5,000	(6,608)
Supplies and Materials	13	7,550	7,537
Total Psychological Services	<u>629,748</u>	<u>637,228</u>	<u>7,480</u>

The accompanying notes are an integral part of these financial statements.

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801  
 STATEMENT OF EXPENDITURES DISBURSED  
 BUDGET TO ACTUAL  
 EDUCATIONAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Actual	Budget	Variance with Budget
Speech Pathology and Audiology Services:			
Salaries	546,790	551,038	4,248
Employee Benefits	102,428	99,089	(3,339)
Purchased Services	542	550	8
Supplies and Materials	3,676	3,700	24
Other Objects	1,800	2,000	200
Total Speech Pathology and Audiology Services:	<u>655,236</u>	<u>656,377</u>	<u>1,141</u>
Total Support Services-Pupils	<u>2,191,490</u>	<u>2,190,712</u>	<u>(778)</u>
Support Services-Instructional Staff:			
Improvement of Instruction Services:			
Salaries	520,563	524,395	3,832
Employee Benefits	241,533	235,239	(6,294)
Purchased Services	52,061	56,000	3,939
Supplies and Materials	2,601	2,700	99
Non-Capitalized Equipment	959	1,000	41
Total Improvement of Instructional Services	<u>817,717</u>	<u>819,334</u>	<u>1,617</u>
Total Support Services-Instructional Staff	<u>817,717</u>	<u>819,334</u>	<u>1,617</u>
Support Services-General Administration:			
Special Area Administration Services:			
Salaries	176,141	175,960	(181)
Employee Benefits	52,508	50,006	(2,502)
Purchased Services	49,897	52,444	2,547
Supplies and Materials	11,359	10,000	(1,359)
Other Objects	26,919	30,000	3,081
Non-Capitalized Equipment	3,845	4,000	155
Total Service Area Administrative Services	<u>320,669</u>	<u>322,410</u>	<u>1,741</u>
Total Support Services-General Administration	<u>320,669</u>	<u>322,410</u>	<u>1,741</u>
Support Services-School Administration:			
Office of the Principal Services:			
Salaries	84,326	85,014	688
Employee Benefits	26,051	26,410	359
Supplies and Materials	18,031	18,031	0
Total Office of the Principal Service	<u>128,408</u>	<u>129,455</u>	<u>1,047</u>
Other Support Services-School Administration:			
Purchased Services	1,500	1,500	0
Total Other Support Services-School Administration	<u>1,500</u>	<u>1,500</u>	<u>0</u>
Total Support Services-School Administration	<u>129,908</u>	<u>130,955</u>	<u>1,047</u>

The accompanying notes are an integral part of these financial statements.



HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801  
 STATEMENT OF EXPENDITURES DISBURSED  
 BUDGET TO ACTUAL  
 EDUCATIONAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Actual</u>	<u>Budget</u>	<u>Variance with Budget</u>
Support Services-Business:			
Fiscal Services:			
Salaries	39,333	37,610	(1,723)
Employee Benefits	11,065	10,989	(76)
Purchased Services	11,348	12,875	1,527
Supplies and Materials	807	5,000	4,193
Other Objects	9,815	10,000	185
Total Fiscal Services	<u>72,368</u>	<u>76,474</u>	<u>4,106</u>
Operation and Maintenance of Plant Services:			
Salaries	16,620	16,475	(145)
Employee Benefits	1,375	1,260	(115)
Purchased Services	71,897	74,815	2,918
Supplies and Materials	6,132	7,000	868
Total Operation and Maintenance of Plant Services	<u>96,024</u>	<u>99,550</u>	<u>3,526</u>
Food Services:			
Purchased Services	45,278	51,000	5,722
Total Food Services	<u>45,278</u>	<u>51,000</u>	<u>5,722</u>
Total Support Services-Business	<u>213,670</u>	<u>227,024</u>	<u>13,354</u>
Support Services-Central:			
Direction of Central Support Services:			
Purchased Services	14,972	17,000	2,028
Total Direction of Central Support Services	<u>14,972</u>	<u>17,000</u>	<u>2,028</u>
Information Services:			
Purchased Services	225	250	25
Supplies and Materials	548	550	2
Total Information Services	<u>773</u>	<u>800</u>	<u>27</u>
Total Support Service-Central	<u>15,745</u>	<u>17,800</u>	<u>2,055</u>
Total Supporting Services	<u>3,689,199</u>	<u>3,708,235</u>	<u>19,036</u>
Community Services:			
Salaries	5,621	0	(5,621)
Employee Benefits	78	0	(78)
Total Community Services	<u>5,699</u>	<u>0</u>	<u>(5,699)</u>

The accompanying notes are an integral part of these financial statements.

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801  
 STATEMENT OF EXPENDITURES DISBURSED  
 BUDGET TO ACTUAL  
 EDUCATIONAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Actual</u>	<u>Budget</u>	<u>Variance with Budget</u>
Payments to Other Governmental Units (In-State):			
Payments for Special Education Programs:			
Other Objects	138,701	65,000	(73,701)
Total Payments for Spec. Ed. Programs	<u>138,701</u>	<u>65,000</u>	<u>(73,701)</u>
Total Direct Disbursements	<u>8,492,230</u>	<u>8,451,347</u>	<u>(40,883)</u>

The accompanying notes are an integral part of these financial statements.

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801  
 STATEMENT OF EXPENDITURES DISBURSED  
 BUDGET TO ACTUAL  
 TORT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Actual</u>	<u>Budget</u>	<u>Variance with Budget</u>
Expenditures Disbursed:			
Support Services:			
Support Services-General Administration			
Workers' Compensation or Workers' Occupation Disease Act Payments:			
Purchased Services	19,839	19,900	61
Unemployment Insurance Payments:			
Purchased Services	1,168	1,100	(68)
Insurance Payments (regular or self-insurance):			
Purchased Services	15,015	15,100	85
Educational, Inspectional, Supervisory Services Related to Loss Prevention or Reduction:			
Purchased Services	14,051	14,051	0
Legal Services:			
Purchased Services	6,186	5,000	(1,186)
<b>Total Direct Disbursements</b>	<u>56,259</u>	<u>55,151</u>	<u>(1,108)</u>

The accompanying notes are an integral part of these financial statements.

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

Note #1 - Summary of Significant Accounting Policies

The District's accounting policies conform to the cash basis of accounting as defined by the Illinois State Board of Education Audit Guide.

A. Principles Used to Determine the Scope of the Reporting Entity

The District's reporting entity includes the District's governing board and all related organizations for which the District exercises oversight responsibility.

Component Units

The criteria to be considered a component unit are, but are not limited to, whether Henry-Stark Counties Special Education District No. 801, exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

No other entities have been determined to be part of the reporting entity after applying the manifesting of oversight, scope of public service, and special financing relationships criteria and are, therefore, excluded from the accompanying financial statements because the District does not control the assets, operations, or management of any other entities. In addition, the District is not aware of any entity which would exercise such oversight as to result in the District being considered a component unit of the entity.

B. Basis of Presentation - Fund Accounting

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets and liabilities (arising from cash transactions), fund balance, revenue received, and expenditures disbursed. The District maintains individual funds required by the State of Illinois. The various funds are summarized by type in the financial statements. These funds are grouped as required for reports filed with the Illinois State Board of Education.

District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following funds and account groups are used by the District:

Governmental Funds -

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related liabilities (arising from cash transactions) are accounted for through governmental funds.

The Educational Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The Tort Fund accounts for financial resources held by the District to be used for tort immunity and tort judgment purposes.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds.

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

Note #1 - Summary of Significant Accounting Policies (cont'd.)

B. Basis of Presentation - Fund Accounting (cont'd.)

The Agency Funds include the Student Activities Funds. They account for assets held by the District as agent for the students. These funds are custodial in nature and do not involve the measurement of the results of operations. The amount due to the activity fund organization is equal to the assets.

The Flexible Benefit Plan Fund and the Health Insurance Deductible Reimbursement Plan are Trust Funds. They account for assets held by the District as an agent for the teachers and other employees of the District. These funds are custodial in nature and do not involve the measurement of the results of operations. The net assets available for benefits are shown as a reserved fund balance in these financial statements.

Governmental and Funds - Measurement Focus

The financial statements of all Governmental Funds focus on the measurement of spending or "financial flow" and the determination of changes in financial position rather than upon net income determination. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (cash receipts and other financing sources) and decreases (cash disbursements and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

General Fixed Assets and General Long-Term Debt Account Group

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. The District records purchases of property and equipment as expenditures of various funds when paid. The District adopted a formal capitalization policy wherein fixed assets or additions greater than \$5,000 are charged to capital outlay. Purchases greater than \$500, yet less than \$5,000, that have lives that extend beyond one year are classified as non-capitalized equipment. Purchases less than \$500 that are consumed within the fiscal year are treated as supplies. The District follows state and federal grant guidelines where applicable. The District maintains a detailed list of property and equipment purchased for insurance purposes.

No depreciation has been provided on fixed assets in these financial statements. The Illinois State Board of Education's Annual Financial Report (ISBE Form SD50-35/JA50-60) includes depreciation of \$20,687 and accumulated depreciation totaling \$221,952. Depreciation has been computed over the estimated useful lives of the assets using the straight-line method.

The estimated useful lives are as follows:

Buildings	
Permanent	50 years
Temporary	20 years
Infrastructure Improvements other than Building	20 years
Capitalized Equipment	3-10 years

Long-term liabilities expected to be financed from Debt Services Funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds. Proceeds from sales of bonds are included as receipts in the appropriate fund on the date received. Related principal payable in the future is recorded at the same time in the General Long-Term Debt Account Group. During the fiscal year ended June 30, 2020, there were no long-term liabilities.

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

Note #1 - Summary of Significant Accounting Policies (cont'd.)

B. Basis of Presentation - Fund Accounting (cont'd.)

The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results or operations.

C. Basis of Accounting

Basis of accounting refers to when revenues received and expenditures disbursed are recognized in the account and how they are reported in the financial statements. The District maintains its accounting records for all funds and account groups on the cash basis of accounting under guidelines prescribed by the Illinois State Board of Education. Accordingly, revenues are recognized and recorded in the accounts when cash is received. In the same manner, expenditures are recognized and recorded upon the disbursement of cash. Assets of a fund are only recorded when a right to receive cash exists which arises from a previous cash transaction. Liabilities of a fund, similarly, result from previous cash transactions.

Cash-basis financial statements omit recognition of receivables and payables and other accrued and deferred items that do not arise from previous cash transactions.

D. Budgets and Budgetary Accounting

The budget for all Governmental Funds is prepared on the cash basis of accounting, which is the same basis that is used in financial reporting. This allows for comparability between budget and actual amounts. This is an acceptable method in accordance with Chapter 105, Section 5, Paragraph 17.1 of the Illinois Compiled Statutes. The original budget was passed on August 8, 2019, and was later amended on June 18, 2020. The budget lapses at the end of each fiscal year.

The District follows these procedures in establishing the budgetary data reflected on the financial statements:

1. Prior to July 1, the Director submits to the Governing Board a proposed operating budget for the fiscal year commencing on that date. The operating budget includes proposed expenditures disbursed and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to September 1, the budget is legally adopted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year.
5. The Governing Board may make transfers between the various items in any fund not exceeding in the aggregate 10% of the total of such fund as set forth in the budget.
6. The Governing Board may amend the budget (in other ways) by the same procedures required of its original adoption.

E. Cash and Cash Equivalents

Cash includes amounts in demand deposits and time deposit (savings) accounts. Cash equivalents include amounts in time deposits and other investments with original maturities of less than 90 days.

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

Note #1 - Summary of Significant Accounting Policies (cont'd.)

F. Investments

Investments are stated at cost or amortized cost, which approximates market. The District, under 30 ILCS 235/2, may legally invest in all securities guaranteed by the full faith and credit of the United States, as well as interest-bearing savings accounts, certificates of deposit, or time deposits constituting direct obligations of banks insured by FDIC and savings and loan associates insured by FSLIC. The District may also invest in short-term obligations of the Federal National Mortgage Association, the Public Treasurer's Investment Pool, and all interest-bearing obligations of the State of Illinois.

G. Inventories

Inventory consists of expendable supplies held for consumption. The cost is recorded as an expenditure disbursed at the time the individual inventory items are purchased.

H. Total Memorandum Only

The "Total Memorandum Only" column represents the aggregation (by addition) of the line-item amounts reported for each fund type and account group. No consolidations or other eliminations were made in arriving at the totals; thus, they do not present consolidated information.

These totals are presented only to facilitate financial analysis and are not intended to reflect the financial position or results of operations of the District as a whole.

Note #2 - Pension Disclosures

The District contributes to two defined benefit pension plans: the Teachers Retirement System (TRS), and the Illinois Municipal Retirement Fund (IMRF). TRS is administered by the TRS board of trustees and is a cost sharing multiple employer plan. IMRF is administered by IMRF board of trustees and is an agent multiple-employer public employee retirement system. The benefits, benefit levels, employee contributions and employer contributions for both plans are governed by Illinois Compiled Statutes and can only be amended by the Illinois General Assembly. The aggregate employer recognized pension expense on a cash basis for the year ended June 30, 2020, was \$42,953.

A. Teacher's Retirement System of the State of Illinois

**Plan description**

The employer participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The TRS Board of Trustees is responsible for the System's administration. The District employed 188 TRS members during the current fiscal year.

TRS issues a public financial report that can be obtained at <https://www.trsil.org/financial/cafrs/fy2019>; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling (888)678-3675, option 2.

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

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Note #2 – Pension Disclosures (cont'd.)

A. Teacher's Retirement System of the State of Illinois (cont'd.)

**Benefits provided**

TRS provides retirement, disability, and death benefits. Tier 1 members have TRS or reciprocal system service prior to January 1, 2011. Tier 1 members qualify for retirement benefits at age 62 with five years of service, at age 60 with 10 years, or age 55 with 20 years. The benefit is determined by the average of the four highest years of creditable earnings within the last 10 years of creditable service and the percentage of average salary to which the member is entitled. Most members retire under a formula that provides 2.2 percent of final average salary up to a maximum of 75 percent with 34 years of service. Disability and death benefits are also provided.

Tier 2 members qualify for retirement benefits at age 67 with 10 years of service, or a discounted annuity can be paid at age 62 with 10 years of service. Creditable earnings for retirement purposes are capped and the final average salary is based on the highest consecutive eight years of creditable service rather than the last four. Disability provisions for Tier 2 are identical to those of Tier 1. Death benefits are payable under a formula that is different from Tier 1.

Essentially all Tier 1 retirees receive an annual 3 percent increase in the current retirement benefit beginning January 1 following the attainment of age 61 or on January 1 following the member's first anniversary in retirement, whichever is later. Tier 2 annual increases will be the lesser of three percent of the original benefit or one-half percent of the rate of inflation beginning January 1 following attainment of age 67 or on January 1 following the member's first anniversary in retirement, whichever is later.

Public Act 100-0023, enacted in 2017, creates an optional Tier 3 hybrid retirement plan, but it has not yet gone into effect. Public Act 100-0587, enacted in 2018, requires TRS to offer two temporary benefit buyout programs that expire of June 30, 2021. One program allows retiring Tier 1 members to receive a partial lump-sum payment in exchange for accepting a lower delayed annual increase. The other allows inactive vested Tier 1 and 2 members to receive a partial lump-sum payment in lieu of a retirement annuity. Both programs began in 2019 and are funded by bonds issued by the State of Illinois.

**Contributions**

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

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2020, was 9.0 percent of creditable earnings. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the employer.

**On behalf contributions to TRS.** The state of Illinois makes employer pension contributions on behalf of the employer. For the year ended June 30, 2020, State of Illinois contributions recognized by the employer were based on the state's proportionate share of the collective NPL associated with the employer, and the employer recognized revenue and expenditures of \$3,806,604 in pension contributions from the State of Illinois.

**2.2 formula contributions.** Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2020, were calculated to be \$28,440. \$28,440 was actually paid toward this obligation in the current fiscal year.



HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

Note #2 – Pension Disclosures (cont'd.)

A. Teacher's Retirement System of the State of Illinois (cont'd.)

**Federal and special trust fund contributions.** When TRS members are paid from federal and special trust funds administered by the employer, there is a statutory requirement for the employer to pay an employer pension contribution from those funds. Under Public Act 100-0340, the federal and special trust fund contribution rate is the total employer normal cost beginning with the year ended June 30, 2018.

Previously, employer contributions for employees paid from federal and special trust funds were at the same rate as the state contribution rate to TRS and were much higher.

For the year ended June 30, 2020, the employer pension contribution was 10.66 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2020, salaries totaling \$-0- were paid from federal and special trust funds that required no employer contributions.

**Employer retirement cost contributions.** Under GASB Statement No. 68, contributions that an employer is required to pay because of a TRS member retiring are categorized as specific liability payments. The employer is required to make a one-time contribution to TRS for members granted salary increases over 6 percent if those salaries are used to calculate a retiree's final average salary.

A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2020, the employer paid \$4,687 to TRS for employer contributions due on salary increases in excess of 6 percent and \$-0- for sick leave days granted in excess of the normal annual allotment.

**Pension Expense**

For the year ended June 30, 2020, the employer recognized TRS pension expense of \$33,127 on a cash basis under this plan.

B. Illinois Municipal Retirement Fund

**Plan Description.**

The District's defined benefit pension plan for non-certified employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The District's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information, for the plan as a whole, but not for individual employers. That report is available for download at <https://www.imrf.org/en/publications-and-archive/annual-financial-reports>.

**Benefits provided.**

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2020

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Note #2 – Pension Disclosures (cont'd.)

B. Illinois Municipal Retirement Fund (cont'd.)

All three IMRF benefit plans have two tiers. Employees hired before January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of:

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

**Employees covered by benefit terms.**

At December 31, 2019, the following employees were covered by the benefit terms:

Retirees or Beneficiaries currently receiving benefits	30
Inactive employees entitled to but not yet receiving benefits	78
Active employees	<u>86</u>
Total Members	194

**Contributions.**

As set by statute, the District's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The District's annual contribution rate for calendar year 2019 was 0.75%. The total employer contribution paid for 2019 was \$9,154. The District's contribution rate for the calendar year 2020 is 0.77%. The actual contributions paid during the fiscal year ended June 30, 2020 were \$9,826. The District also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Note #3 – Other Post-Employment Benefits

The District participates in two Post Employment benefit plans Other than Pensions. The two plans are the Teacher's Health Insurance Security (THIS) Fund and their own health insurance plan. All IMRF employers are required by State statutes to allow retirees to continue on their health plans.

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

Note #3 – Other Post-Employment Benefits (cont'd.)

A. Teacher Health Insurance Security

The employer participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit post-employment healthcare plan that was established by the Illinois legislature for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants not enrolled in Medicare may participate in the state-administered participating provider option plan or choose from several managed care options. Annuitants who are enrolled in Medicare Parts A and B may be eligible to enroll in a Medicare Advantage plan.

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

**On behalf contributions to the THIS Fund**

The state of Illinois makes employer retiree health insurance contributions on behalf of the employer. State contributions are intended to cover the actuarial costs to the THIS Fund that are not covered by contributions from active members which were 1.24 percent of pay for the year ended June 30, 2020. State of Illinois contributions were \$43,680, and the employer recognized revenue and expenditures of this amount during the year.

**Employer contributions to the THIS Fund**

The employer also makes contributions to the THIS Fund. The employer THIS Fund contribution was 0.92 percent during the year ended June 30, 2020. For the year ended June 30, 2020, the employer paid \$45,112 to the THIS Fund, which was 100 percent of the required contribution. Additionally, the District paid \$2,334 to complete the prior year's required contribution.

**Further information on the THIS Fund**

The publicly available financial report of the THIS Fund may be found on the website of the Illinois Auditor General (<http://www.auditor.illinois.gov/Audit-Reports/ABC-List.asp>). The current reports are listed under "Central Management Services" (<http://www.auditor.illinois.gov/Audit-Reports/CMS-THISF.asp>). Reports prior to FY2013 are available under "Healthcare and Family Services" (<http://www.auditor.illinois.gov/Audit-Reports/HEALTHCARE-FAMILY-SERVICES-Teacher-Health-Ins-Sec-Fund.asp>).

B. Post-Retirement Health Care Plan

The District provides post-retirement health care benefits for the retirees and their dependents. All retirees are eligible to continue their health coverage under the District's self-funded health insurance plan. The retirees are responsible for a portion of the entire premium payment to secure coverage. The District finances the plan on a pay-as-you-go basis. The Unfunded Actuarial Liability has not been determined as of June 30, 2020.

*Plan Description.* The District administers a single-employer defined benefit healthcare plan. The Educational support employees who contribute to IMRF are eligible for post-retirement medical coverage. The plan does not have a trust fund and therefore does not issue a separate publicly available financial report.

*Funding Policy.* The contribution requirements of the District may be amended by the School Board. Current policy is for the District to pay for post-retirement medical insurance benefits or premiums as they occur. The District requires retirees to contribute 100% of the premium for their desired coverage. The premiums are established for the employee/retiree group, which currently range from \$656 per month for individual coverage to \$2,251 per month for family coverage. Although, with regard to retirees, this amount contains an implied rate subsidy by the District through the blended premium covering all current employees and retirees, there is no actuarial valuation performed to determine the amount of such subsidy.

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

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Note #3 – Other Post-Employment Benefits (cont'd.)

B. Post-Retirement Health Care Plan (cont'd.)

*Contributions Made.* Because the retiree premium established is paid entirely by retiree contributions, there is no net cash outflow by the District related to these benefits when paid. Therefore, there are no cash-basis expenditures reported by the District in regard to the plan benefits for retirees.

Note #4 – Fund Balance Reporting

In accordance with Government Accounting Standards, fund balances are classified into five major classifications: Nonspendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance.

**Nonspendable** - The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

**Restricted** - The restricted fund balance classification refers to amounts that are subject to outside restrictions not controlled by the entity, such as restrictions imposed by creditors, grantors, contributors, laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The District's Tort Fund is, by definition, restricted for specified purposes.

**Committed** - The committed fund balance classification refers to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority (the Governing Board). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of formal action it employed to previously commit those amounts.

The Governing Board commits fund balance by making motions or passing resolutions to adopt policies or to approve contracts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** - The assigned fund balance classification refers to amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed. Intent may be expressed by the Governing Board itself by assigning amounts to be used for specific purposes.

**Unassigned** - The unassigned fund balance classification is the residual classification for amounts in the general fund (Educational) for amounts that have not been restricted, committed, or assigned to specific purposes within the general funds.

It is the District's policy to consider restricted resources to have been spent first when an expenditure is incurred for which both restricted and unrestricted (i.e. committed, assigned or unassigned fund balances) are available, followed by committed and then assigned fund balances. Unassigned amounts are used only after the other resources have been used.

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

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Note #4 – Fund Balance Reporting

The District follows the regulatory basis of reporting fund balances under guidelines prescribed by the Illinois State Board of Education, which is a special purpose reporting framework. The regulatory basis reports Reserved and Unreserved fund balance. See Note #5 below for more detail.

Note #5 - Regulatory Fund Balances

The District follows the regulatory basis of reporting fund balances under guidelines prescribed by the Illinois State Board of Education, which consists of Reserved and Unreserved Fund Balances. Reserved Fund Balances results when constraints placed on fund balance use is either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. Unreserved Fund Balances consists of fund balance that does not meet the criteria of the preceding category.

The District has the following categories of reserved fund balances:

1. Trust and Agency Funds

The District had two trust accounts for their Flexible Benefit Plan and their Health Insurance Deductible Reimbursement Plan which totaled \$37,488 as of June 30, 2020. This balance is included in the financial statements as reserved in the Trust and Agency Fund.

2. State Grants

Proceeds from state grants and the related expenditures have been included in the Educational Fund. Expenditures disbursed exceeded revenue received for those specific purposes, resulting in no reserved fund balance.

3. Federal Grants

Proceeds from federal grants and the related expenditures have been included in the Educational Fund. Expenditures disbursed exceeded revenue received for those specific purposes, resulting in no reserved fund balance.

4. IMRF/Social Security

The District has assessed member districts for IMRF and Social Security expenditures. As of June 30, 2020, revenues received exceeded expenditures disbursed, resulting in a reserved balance of \$39,328.

When both reserved and unreserved resources are available for use, it is the District's policy to use reserved resources first to finance qualifying activities, then unreserved resources as they are needed.

Note #6 - Construction Commitments

The District had no construction commitments outstanding as of June 30, 2020.

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

Note #7 – General Fixed Asset Account Group

A summary of changes in general fixed assets follows:

	Balance <u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions*</u>	Balance <u>June 30, 2020</u>
Permanent Buildings	515,570	0	0	515,570
Capitalized Equipment:				
10-Year Equipment	<u>60,666</u>	<u>0</u>	<u>0</u>	<u>60,666</u>
	<u>576,236</u>	<u>0</u>	<u>0</u>	<u>576,236</u>

\* To remove fully depreciated equipment.

Note #8 - Debt Service Requirements

There were no debt service requirements as of June 30, 2020.

Note #9 - Deposits and Investments

The District is allowed to invest in securities as authorized by the District's Investment Policy, Section 2.5 of the Public Funds Investment Act (30 ICS 235), and Section 8-7 of the School Code of Illinois (105 ILCS 5). These include the following items:

- (1) bonds, notes, certificates of indebtedness, treasury bills, or other securities now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest;
- (2) interest-bearing savings accounts, interest-bearing certificates of deposits, interest-bearing time deposits, or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act;
- (3) short term obligations of corporations organized in the United States with assets exceeding \$500,000,000;
- (4) money market mutual funds registered under the Investment Company Act of 1940;
- (5) short term discount obligations of the Federal National Mortgage Association;
- (6) dividend-bearing share accounts, share certificate accounts, or class of share accounts of a credit union chartered under the laws of this State or the laws of the United States and is located within the State of Illinois;
- (7) a Public Treasurer's Investment Pool created under Section 17 of the State Treasurer Act;
- (8) the Illinois School District Liquid Asset Fund Plus;
- (9) repurchase agreements of government securities;
- (10) any investment as authorized by the Public Funds Investment Act, and Acts amendatory thereto.

**Custodial Credit Risk Related to Deposits with Financial Institutions**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's general investment policy requires all amounts deposited or invested with financial institutions in excess of any insurance limit shall be collateralized by securities eligible for District investment or any other high-quality, interest-bearing security rated at least AA/Aa by one or more standard rating services to include Standard & Poor's, Moody's, or Fitch. The market value of the pledged securities shall equal or exceed the portion of the deposit requiring collateralization.

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

Note #9 - Deposits and Investments (cont'd.)

The District's investment policy states the preferred method for safekeeping of collateral is to have securities registered in the District's name and held by a third-party custodian. Safekeeping practices should qualify for the Governmental Accounting Standards Board's Statement III, Category I, the highest recognized safekeeping procedures.

As of June 30, 2020, none of the District's deposits were exposed to custodial credit risk.

**Investments**

As of June 30, 2020, the District had no investments.

Note #10 - Self-Insurance Plan

All employees of the District are covered under the State of Illinois Unemployment Insurance Act. The District elected to be self-insured, and therefore, is liable to the State for any payments made to an unemployed worker claiming benefits.

Note #11 - Contingencies

The District has received funding from state and federal grants in the current and prior years, which are subject to audits by the granting agencies. The board believes any adjustments that may arise from these audits will be insignificant to District operations.

Note #12 - Expenditures in Excess of Budget

For the fiscal year ended June 30, 2020, Educational Fund expenditures of \$8,492,230 exceeded the budget of \$8,451,347 and Tort Fund expenditures of \$56,259 exceeded the budget of \$55,151.

Note #13 - Joint Agreements/Member Districts

The District administers grants and programs for the benefit of its member district's pupils. The member districts are Annawan Community Unit District No. 226, Bureau Valley Community Unit District No. 340, Cambridge Community Unit District No. 227, Galva Community Unit District No. 224, Geneseo Community Unit District No. 228, Kewanee Community Unit District No. 229, Wethersfield Community Unit District No. 230, Bradford Community Unit District No. 1, and Stark County Community Unit District No. 100. The member districts do not have an equity interest in the District. The member districts are separately audited and are not included in these financial statements.

Note #14 - Risk Management - Claims and Judgments

Significant losses are covered by commercial insurance for all major programs: property, liability, and worker's compensation. During the year ended June 30, 2020, there were no significant reductions in insurance coverage. Also, there have been no settlement amounts that have exceeded insurance coverage in the last three years.

The District is insured under a retrospectively rated policy for worker's compensation coverage, for which the initial premium may be adjusted based on actual experience. Adjustments in premiums are recorded when paid or received. During the year ended June 30, 2020, there were no significant adjustments in premiums based on actual experience.

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

Note #15 – Commitments

Unpaid Teacher's Contracts - Teacher's contracts for services rendered during the school year for teachers electing twelve-month pay schedules are recorded in the fiscal year when such checks are drawn. At June 30, 2020, the total amount of unpaid teacher's contracts for services performed during the year ended June 30, 2020, amounted to \$756,795.

Vacation Pay – Vacation pay is considered to be an expenditure in the year paid. Eligible administrators and support staff receive vacation pay. At June 30, 2020, the estimated unused vacation pay liability is \$-0-.

Sick Pay – Sick pay is considered to be an expenditure in the year paid. Accumulated sick pay benefits are available to eligible employees to use in future years. Sick pay does not vest if not used during the term of employment with the District.

Termination Benefits – The District offers eligible certified staff members an early retirement incentive. If an eligible certified employee gives the District an irrevocable notice of retirement by March 1<sup>st</sup> of any year up to four years prior to the year of retirement, the District shall pay a six percent retirement incentive, inclusive of all other increases, for each remaining year of service. As of June 30, 2020, District's estimated liability was \$98,040. The District agreed to pay a portion of the Teacher's Health Insurance Security (THIS) fund payments until qualified retirees reach the age of 65. For the fiscal year ended June 30, 2020, the District paid \$4,327 in THIS premiums. Future premium amounts are undeterminable.

The District entered into an operating lease agreement with the Village of Atkinson for the lease of property used as an alternative school. The current lease term ends November 30, 2021. Monthly lease payments of \$2,917 are paid out of the Educational Fund.

The District entered into operating lease agreement with Advanced Business Systems for the lease of copiers. The lease commitment extends through July 2022. The agreement calls for base monthly rental payments of \$178 from the Educational Fund.

The District entered into operating lease agreement with Advanced Business Systems for the lease of copiers. The lease commitment extends through May 2021. The agreement calls for base monthly rental payments of \$389 from the Educational Fund.

The District entered into an operating lease agreement with Neopost Leasing, Inc. for the lease of a postage meter. The current lease term extends through July 2021. The agreement calls for quarterly rental payments of \$465 from the Educational Fund.

Total operating lease payments made during the year ended June 30, 2020 were \$43,198.

Future obligations under the above leases:

F.Y.E. June 30, 2021 - \$43,273

F.Y.E. June 30, 2022 - \$16,719

F.Y.E. June 30, 2023 - \$178

Note #16 – Deficit Fund Balances and Changes in Fund Balances

There were no deficit fund balances as of June 30, 2020.

Note #17 – Interfund Activity

No interfund loans or transfers occurred during the fiscal year ended June 30, 2020.



HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

Note #18 – Related Party Transactions

The District provides numerous special education and support services for member districts and assesses members based on student and/or educator participation. Both the tuition assessments and the related expenditures are included in these financial statements.

Note #19 – Prepaid Items

The District prepays employee insurance premiums one month in advance. Premiums are subsequently reimbursed to the District through employee withholdings. The prepaid premiums as of June 30, 2020, \$85,393 are reported as Prepaid Items in Statement of Assets and Liabilities Arising from Cash Transactions.

Note #20 – Subsequent Events

The District evaluates events and transactions that occur subsequent to year-end for potential recognition or disclosure in the financial statements through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

Note #21 – COVID-19 Impact

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's operations and finances. The District anticipates increased costs due to efforts to comply with CDC and IDPH guidelines. The District also recognizes that a delay in certain revenues may occur. Given the daily evolution of the COVID-19 outbreak and the global and local responses to curb its spread, the District is not able to estimate the effects on its operation or financial condition.

SUPPLEMENTAL INFORMATION

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801  
 COMBINING SCHEDULE OF ASSETS, LIABILITIES, FUND BALANCE  
 AND OTHER CREDITS ARISING FROM CASH TRANSACTIONS

ALL TRUST AND AGENCY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Student Council Activities Fund	Life Skills 229 Activities Fund	Cross Categorical Activities Fund	Flexible Benefit Plan Fund	Health Insurance		Total
					Deductible	Reimbursement Plan	
<u>ASSETS</u>							
Cash	4,158	881	424	18,278	19,210		42,951
Total Assets							
<u>LIABILITIES</u>							
Due to other Organizations	4,158	881	424	-	-		5,463
<u>FUND BALANCE AND OTHER CREDITS</u>							
Net Assets Available for Benefits	-	-	-	18,278	19,210		37,488
<u>TOTAL LIABILITIES, FUND BALANCE, AND OTHER CREDITS</u>	4,158	881	424	18,278	19,210		42,951

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801  
 SCHEDULE OF CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCE  
 STUDENT COUNCIL ACTIVITIES FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Beginning Balance	Increases	Decreases	Ending Balance
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	4,010.18	413.10	265.00	4,158.28
Total Assets	<u>4,010.18</u>	<u>413.10</u>	<u>265.00</u>	<u>4,158.28</u>
<b><u>LIABILITIES (Due to other Organizations)</u></b>				
ExCel Student Activity	4,010.18	413.10	265.00	4,158.28
Total Liabilities (Due to other Organizations)	<u>4,010.18</u>	<u>413.10</u>	<u>265.00</u>	<u>4,158.28</u>
<b><u>FUND BALANCE</u></b>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b><u>TOTAL LIABILITIES AND FUND BALANCE</u></b>	<u>4,010.18</u>	<u>413.10</u>	<u>265.00</u>	<u>4,158.28</u>

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801  
 SCHEDULE OF CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCE  
 LIFE SKILLS 228 ACTIVITIES FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<u>ASSETS</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Cash and Cash Equivalents	234.74	0.00	234.74	0.00
Total Assets	<u>234.74</u>	<u>0.00</u>	<u>234.74</u>	<u>0.00</u>
 <u>LIABILITIES (Due to other Organizations)</u>				
Life Skills Activity	234.74	0.00	234.74	0.00
Total Liabilities (Due to other Organizations)	<u>234.74</u>	<u>0.00</u>	<u>234.74</u>	<u>0.00</u>
 <u>FUND BALANCE</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
 <u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>234.74</u>	<u>0.00</u>	<u>234.74</u>	<u>0.00</u>

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801  
 SCHEDULE OF CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCE  
 LIFE SKILLS 229 ACTIVITIES FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Beginning Balance	Increases	Decreases	Ending Balance
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	2,963.21	1,371.69	3,454.20	880.70
Total Assets	<u>2,963.21</u>	<u>1,371.69</u>	<u>3,454.20</u>	<u>880.70</u>
<b><u>LIABILITIES (Due to other Organizations)</u></b>				
Life Skills Activity	2,963.21	1,371.69	3,454.20	880.70
Total Liabilities (Due to other Organizations)	<u>2,963.21</u>	<u>1,371.69</u>	<u>3,454.20</u>	<u>880.70</u>
<b><u>FUND BALANCE</u></b>				
	0.00	0.00	0.00	0.00
<b><u>TOTAL LIABILITIES AND FUND BALANCE</u></b>	<u>2,963.21</u>	<u>1,371.69</u>	<u>3,454.20</u>	<u>880.70</u>

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801  
 SCHEDULE OF CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCE  
 CROSS CATEGORICAL ACTIVITIES FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<u>ASSETS</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Cash and Cash Equivalents	0.00	494.74	70.70	424.04
Total Assets	<u>0.00</u>	<u>494.74</u>	<u>70.70</u>	<u>424.04</u>
 <u>LIABILITIES (Due to other Organizations)</u>				
Cross Categorical Account	0.00	494.74	70.70	424.04
Total Liabilities (Due to other Organizations)	<u>0.00</u>	<u>494.74</u>	<u>70.70</u>	<u>424.04</u>
 <u>FUND BALANCE</u>				
	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
 <u>TOTAL LIABILITIES AND FUND BALANCE</u>				
	<u>0.00</u>	<u>494.74</u>	<u>70.70</u>	<u>424.04</u>

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801  
 SCHEDULE OF REVENUE RECEIVED, EXPENDITURES DISBURSED AND  
 CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS -  
 FIDUCIARY FUND TYPE - EXPENDABLE TRUST FUND -  
 FLEXIBLE BENEFIT PLAN FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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Revenue Received:	
Contributions by and on Behalf of Employees	<u>18,794</u>
Total Revenue Received	18,794
Expenditures Disbursed:	
Claims	<u>15,940</u>
Total Expenditures Disbursed	<u>15,940</u>
Excess (Deficiency) of Revenue Received Over Expenditures Disbursed	2,854
Net Assets Available for Benefits at July 1, 2019	<u>15,424</u>
Net Assets Available for Benefits at June 30, 2020	<u><u>18,278</u></u>



HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801  
 SCHEDULE OF REVENUE RECEIVED, EXPENDITURES DISBURSED AND  
 CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS -  
 FIDUCIARY FUND TYPE - EXPENDABLE TRUST FUND -  
 HEALTH INSURANCE DEDUCTIBLE REIMBURSEMENT PLAN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Revenue Received:	
Contributions by Employer	<u>40,196</u>
Total Revenue Received	40,196
Expenditures Disbursed:	
Claims	<u>38,304</u>
Total Expenditures Disbursed	<u>38,304</u>
Excess (Deficiency) of Revenue Received Over Expenditures Disbursed	1,892
Net Assets Available for Benefits at July 1, 2019	<u>17,318</u>
Net Assets Available for Benefits at June 30, 2020	<u><u>19,210</u></u>

**ANNUAL FEDERAL FINANCIAL COMPLIANCE REPORT (COVER SHEET)**  
**DISTRICT/JOINT AGREEMENT**  
**Year Ending June 30, 2020**

DISTRICT/JOINT AGREEMENT NAME <b>Henry-Stark Counties Special Education</b>	RCDT NUMBER <b>28-037-8010-60</b>	CPA FIRM 9-DIGIT STATE REGISTRATION NUMBER <b>066-005027</b>	
ADMINISTRATIVE AGENT IF JOINT AGREEMENT (as applicable) <b>T. Gregory Wetheim</b>		NAME AND ADDRESS OF AUDIT FIRM <b>Gorenz and Associates, Ltd.</b> <b>4200 N Knoxville Ave.</b> <b>Peoria</b>	
ADDRESS OF AUDITED ENTITY <i>(Street and/or P.O. Box, City, State, Zip Code)</i> <b>1318 W. Sixth Street, PO Box 597</b> <b>Kewanee</b>		E-MAIL ADDRESS: <b>tpeffer@gorenzcpa.com</b>	
<b>61443</b>		NAME OF AUDIT SUPERVISOR <b>Thomas R. Pepper, CPA</b>	
		CPA FIRM TELEPHONE NUMBER <b>309-685-7621</b>	FAX NUMBER <b>309-685-4758</b>

**THE FOLLOWING INFORMATION MUST BE INCLUDED IN THE SINGLE AUDIT REPORT:**

- A copy of the CPA firm's most recent peer review report and acceptance letter has been submitted to ISBE (either with the audit or under separate cover).
- Financial Statements including footnotes (Title 2 CFR §200.510 (a))
- Schedule of Expenditures of Federal Awards including footnotes (Title 2 CFR §200.510 (b))
- Independent Auditor's Report on the Financial Statements (Title 2 CFR §200.515 (a))
- Independent Auditor's Report on Internal Control Over Financial Reporting and Compliance Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* (Title 2 CFR §200.515 (b))
- Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by Uniform Guidance (Title 2 CFR §200.515 (c))
- Schedule of Findings and Questioned Costs (Title 2 CFR §200.515 (d))
- Summary Schedule of Prior Audit Findings (Title 2 CFR §200.511 (b))
- Corrective Action Plan on LEA letterhead (Title 2 CFR §200.511 (c))

**THE FOLLOWING INFORMATION IS HIGHLY RECOMMENDED TO BE INCLUDED:**

- A Copy of the Federal Data Collection Form (Title 2 CFR §200.512 (b))
- A Copy of each Management Letter

**Henry-Stark Counties Special Education District No. 801**  
**RCDT 28-037-8010-60**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ending June 30, 2020**

Federal Grantor/Pass-Through Grantor, Program Title & Major Program Designation	CFDA Number (A)	ISBE Project Number (B)	Receipts/Revenues		Expenditures/Disbursements		Obligations/ Encumbrances (G)	Final Status (H)	Budget (I)
			Prior to 6/30/19 (C)	7/01/19- 6/30/20 (D)	Prior to 6/30/19 (E)	7/01/19- 6/30/20 (F)			
U.S. Department of Agriculture - Pass-through program from Illinois State Board of Education									
National School Lunch Program	10.555	19-4210-00	20,232	4,732	20,232	4,732	24,964	N/A	
National School Lunch Program	10.555	20-4210-00		14,478		14,478	14,478	N/A	
School Breakfast Program	10.553	19-4220-00	10,999	2,748	10,999	2,748	13,747	N/A	
School Breakfast Program	10.553	20-4220-00		8,502		8,502	8,502	N/A	
<b>Total U.S. Department of Agriculture</b>			<u>31,231</u>	<u>30,460</u>	<u>31,231</u>	<u>30,460</u>	<u>61,691</u>		
U.S. Department of Education - Pass-through program from Illinois State Board of Education									
(M) IDEA - Preschool Flow-Through	84.173	19-4600-00	49,842	57,746	87,863	19,725	107,588	107,588	
(M) IDEA - Flow-Through	84.027	19-4620-00	<u>1,006,322</u>	<u>1,858,527</u>	<u>2,224,475</u>	<u>640,374</u>	<u>2,864,849</u>	<u>2,864,849</u>	
<b>Total U.S. Department of Education and IDEA Cluster</b>			<u>1,056,164</u>	<u>1,916,273</u>	<u>2,312,338</u>	<u>660,099</u>	<u>2,972,437</u>		
<b>Total Illinois State Board of Education</b>			<u>1,087,395</u>	<u>1,946,733</u>	<u>2,343,569</u>	<u>690,559</u>	<u>3,034,128</u>		
U.S. Department of Health and Human Services- Pass-Through Program from the Illinois Department of Healthcare and Family Services									
Medicaid Administrative Outreach	93.778	19-4991-00	54,766	12,021	69,569		69,569	N/A	
Medicaid Administrative Outreach	93.778	20-4991-00		69,370		128,520	128,520	N/A	
<b>Total U.S. Department of Health and Human Services - Pass Through Program from the Illinois Department of Healthcare and Family Services</b>			<u>54,766</u>	<u>81,391</u>	<u>69,569</u>	<u>128,520</u>	<u>198,089</u>		
<b>Total U.S. Department of Health and Human Services</b>			<u>54,766</u>	<u>81,391</u>	<u>69,569</u>	<u>128,520</u>	<u>198,089</u>		
<b>Total Federal Awards</b>			<u>1,142,161</u>	<u>2,028,124</u>	<u>2,413,138</u>	<u>819,079</u>	<u>3,232,217</u>		

(M) Indicates Major Federal Financial Assistance Program.  
(1) Project not complete as of June 30, 2020.

**Henry-Stark Counties Special Education District No. 801**  
**28-037-8010-60**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)**

Year Ending June 30, 2020

**Note 1: Basis of Presentation<sup>5</sup>**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Henry-Stark Counties Special Education District No. 801 and is presented on the cash basis. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 2: Indirect Facilities & Administration costs<sup>6</sup>**

Auditee elected to use 10% de minimis cost rate? \_\_\_\_\_

YES

x

NO

**Note 3: Subrecipients**

Of the federal expenditures presented in the schedule, [Entity #XYZ] provided federal awards to subrecipients as follows:

Program Title/Subrecipient Name	Federal CFDA Number	Amount Provided to Subrecipient
None		

**Note 4: Non-Cash Assistance**

The following amounts were expended in the form of non-cash assistance by Henry-Stark Counties Special Education District No. 801 and should be included in the Schedule of Expenditures of Federal Awards:

NON-CASH COMMODITIES (CFDA 10.555)\*\*: \_\_\_\_\_

\$0

OTHER NON-CASH ASSISTANCE - DEPT. OF DEFENSE FRUITS & VEGETABLES \_\_\_\_\_

\$0

Total Non-Cash

\$0

**Note 5: Other Information**

Insurance coverage in effect paid with Federal funds during the fiscal year:

Property \_\_\_\_\_

\$0

Auto \_\_\_\_\_

\$0

General Liability \_\_\_\_\_

\$0

Workers Compensation \_\_\_\_\_

\$0

Loans/Loan Guarantees Outstanding at June 30: \_\_\_\_\_

\$0

District had Federal grants requiring matching expenditures \_\_\_\_\_

No

(Yes/No)

**Note 6 - Relationship to Basic Financial Statements and Program Financial Statements**

Federal awards received are reflected in the District's financial statements within the Educational Fund as receipts from federal sources. Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree with amounts reported in the Program Financial Report for programs which have filed final reports as of June 30, 2020 with ISBE.

\*\* The amount reported here should match the value reported for non-cash Commodities on the Indirect Cost Rate Computation page.

<sup>5</sup> This note is included to meet the Uniform Guidance requirement that the schedule include notes that describe the significant accounting policies used in preparing the schedule. (§200.510 (b)(6))

<sup>6</sup> The Uniform Guidance requires the Schedule of Expenditures of Federal Awards to note whether or not the auditee elected to use the 10% de minimis cost rate as covered in §200.414 Indirect (F&A) costs. §200.510 (b)(6)

Henry-Stark Counties Special Education District No. 801  
28-037-8010-60  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ending June 30, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

**FINANCIAL STATEMENTS**

Type of auditor's report issued: Adverse  
(Unmodified, Qualified, Adverse, Disclaimer)

**INTERNAL CONTROL OVER FINANCIAL REPORTING:**

- Material weakness(es) identified?            YES        X        None Reported
- Significant Deficiency(s) identified that are not considered to be material weakness(es)?            YES        X        None Reported
- Noncompliance material to the financial statements noted?            YES        X        NO

**FEDERAL AWARDS**

**INTERNAL CONTROL OVER MAJOR PROGRAMS:**

- Material weakness(es) identified?            YES        X        None Reported
- Significant Deficiency(s) identified that are not considered to be material weakness(es)?            YES        X        None Reported

Type of auditor's report issued on compliance for major programs: Unmodified  
(Unmodified, Qualified, Adverse, Disclaimer<sup>7</sup>)

Any audit findings disclosed that are required to be reported in accordance with §200.516 (a)?            YES        X        NO

**IDENTIFICATION OF MAJOR PROGRAMS:<sup>8</sup>**

CFDA NUMBER(S) <sup>9</sup>	NAME OF FEDERAL PROGRAM or CLUSTER <sup>10</sup>	AMOUNT OF FEDERAL PROGRAM
84.173	IDEA Pre-School Flow-Through	19,725
84.027	IDEA Flow-Through	640,374
	<b>Total Amount Tested as Major</b>	<b>\$660,099</b>

Total Federal Expenditures for 7/1/19-6/30/20 \$819,079

% tested as Major 80.59%

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.00

Auditee qualified as low-risk auditee?            YES        X        NO

<sup>7</sup> If the audit report for one or more major programs is other than unmodified, indicate the type of report issued for each program. Example: "Unmodified for all major programs except for [name of program], which was modified and [name of program], which was a disclaimer."

<sup>8</sup> Major programs should generally be reported in the same order as they appear on the SEFA.

<sup>9</sup> When the CFDA number is not available, include other identifying number, if applicable.

<sup>10</sup> The name of the federal program or cluster should be the same as that listed in the SEFA. For clusters, auditors are only required to list the name of the cluster.

Henry-Stark Counties Special Education District No. 801  
28-037-8010-60  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ending June 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS

1. FINDING NUMBER:<sup>11</sup>

2020- None

2. THIS FINDING IS:

New

Repeat from Prior Year?  
Year originally reported? \_\_\_\_\_

3. Criteria or specific requirement

4. Condition

5. Context<sup>12</sup>

6. Effect

7. Cause

8. Recommendation

9. Management's response<sup>13</sup>

<sup>11</sup> A suggested format for assigning reference numbers is to use the digits of the fiscal year being audited followed by a numeric sequence of findings. For example, findings identified and reported in the audit of fiscal year 2018 would be assigned a reference number of 2018-001, 2018-002, etc. The sheet is formatted so that only the number need be entered (1, 2, etc.)

<sup>12</sup> Provide sufficient information for judging the prevalence and consequences of the finding, such as relation to universe of costs and/or number of items examined and quantification of audit findings in dollars

<sup>13</sup> See §200.521 *Management decision* for additional guidance on reporting management's response.

Henry-Stark Counties Special Education District No. 801

28-037-8010-60

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ending June 30, 2020

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

1. FINDING NUMBER:<sup>14</sup> 2020- None 2. THIS FINDING IS:  New  Repeat from Prior year?  
Year originally reported? \_\_\_\_\_

3. Federal Program Name and Year: \_\_\_\_\_

4. Project No.: \_\_\_\_\_ 5. CFDA No.: \_\_\_\_\_

6. Passed Through: \_\_\_\_\_

7. Federal Agency: \_\_\_\_\_

8. Criteria or specific requirement (including statutory, regulatory, or other citation) \_\_\_\_\_

9. Condition<sup>15</sup> \_\_\_\_\_

10. Questioned Costs<sup>16</sup> \_\_\_\_\_

11. Context<sup>17</sup> \_\_\_\_\_

12. Effect \_\_\_\_\_

13. Cause \_\_\_\_\_

14. Recommendation \_\_\_\_\_

15. Management's response<sup>18</sup> \_\_\_\_\_

<sup>14</sup> See footnote 11.  
<sup>15</sup> Include facts that support the deficiency identified on the audit finding (§200.516 (b)(3))  
<sup>16</sup> Identify questioned costs as required by §200.516 (a)(3 - 4)  
<sup>17</sup> See footnote 12.  
<sup>18</sup> To the extent practical, indicate when management does not agree with the finding, questioned cost, or both

Henry-Stark Counties Special Education District No. 801  
28-037-8010-60  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS<sup>19</sup>  
Year Ending June 30, 2020

[If there are no prior year audit findings, please submit schedule and indicate NONE]

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u> <sup>20</sup>
There were no findings for the year ended June 30, 2019.		

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When possible, all prior findings should be on the same page

<sup>19</sup> Explanation of this schedule - §200.511 (b)

<sup>20</sup> Current Status should include one of the following:

- A statement that corrective action was taken
- A description of any partial or planned corrective action
- An explanation if the corrective action taken was significantly different from that previously reported or in the management decision received from the pass-through entity.