

Henry-Stark Counties Special Education District No. 801

Kewanee, Illinois

*Annual Financial Report
and Other Financial Information*

June 30, 2021

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801

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Gorenz and Associates, Ltd.

Certified Public Accountants

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

*Russell J. Rumbold II, CPA
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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, 2021, 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 of the Illinois State Board of Education, as described in Note #1. 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, the financial statements are prepared by Henry-Stark Counties Special Education District No. 801 on the basis of the financial reporting provisions of 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 requirements of the Illinois State Board of Education.

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, 2021, or changes in net position or cash flows thereof 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 assets and liabilities arising from cash transactions of each fund of Henry-Stark Counties Special Education District No. 801 as of June 30, 2021, and their respective revenues received, expenditures disbursed, other sources (uses) and changes in fund balances, revenues received, and expenditures disbursed -budget to actual, for the year then ended in accordance with the financial reporting provisions of the Illinois State Board of Education as described in Note #1.

Other Matters

Other 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 Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2021, 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.

Gorenz and Associates, Ltd.

Peoria, Illinois
September 7, 2021

Gorenz and Associates, Ltd.

Certified Public Accountants

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

*Russell J. Rumbold II, CPA
Cory S. Cowan, 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, 2021 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 September 7, 2021. 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 modified 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 Henry-Stark Counties Special Education District No. 801'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
September 7, 2021

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801
STATEMENT OF ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
JUNE 30, 2021

	<u>Account Groups</u>			Total (Memorandum Only)
	<u>Educational</u>	Trust and Agency Funds	General Fixed Assets	
<u>Assets</u>				
<u>Current Assets</u>				
Cash and Cash Equivalents	2,407,975	36,581		2,444,556
Prepaid Items	99,635			99,635
<u>Capital Assets</u>				
Buildings & Building Improvements			515,570	515,570
Capitalized Equipment			23,437	23,437
Total Assets	2,507,610	36,581	539,007	3,083,198
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Total Liabilities	0	0	0	0
Fund Balances:				
Reserved	108,789	36,581		145,370
Unreserved	2,398,821			2,398,821
Investments in General Fixed Assets			539,007	539,007
Total Fund Balances	2,507,610	36,581	539,007	3,083,198
Total Liabilities and Fund Balances	2,507,610	36,581	539,007	3,083,198

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

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801
 STATEMENT OF ASSETS AND LIABILITIES
 ARISING FROM CASH TRANSACTIONS
JUNE 30, 2021

	<u>Account Groups</u>			Total (Memorandum Only)
	<u>Educational</u>	Trust and Agency Funds	General Fixed Assets	
<u>Assets/Liabilities for Student Activity Funds</u>				
<u>Current Assets</u>				
Student Activity Fund Cash and Investments	7,772			7,772
Total Current Assets for Student Activity Funds	7,772			7,772
<u>Current Liabilities</u>				
Fund Balance Reserved for Student Activity Funds	7,772			7,772
Total Liabilities and Fund Balance for Student Activity Funds	7,772			7,772
<u>Total Assets/Liabilities District and Student Activity Funds</u>				
Total Current Assets and Student Activity Funds	2,515,382	36,581		2,551,963
Total Capital Assets and Student Activity Funds	0	0	539,007	539,007
Reserved Fund Balance and Student Activity Funds	116,561	36,581		153,142
Unreserved Fund Balance and Student Activity Funds	2,398,821	0		2,398,821
Investments in General Fixed Assets			539,007	539,007
Total Liabilities and Fund Balance and Student Activity Funds	2,515,382	36,581	539,007	3,090,970

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, 2021

	Educational	Tort	Total (Memorandum Only)
Receipts:			
Local Sources	7,745,071		7,745,071
State Sources	928,074		928,074
Federal Sources	226,000		226,000
Total Direct Receipts	8,899,145	0	8,899,145
Receipts for On-Behalf Payments	4,325,593		4,325,593
Total Receipts	13,224,738	0	13,224,738
Disbursements:			
Instruction	4,480,825		4,480,825
Support Services	3,881,324		3,881,324
Payments to Other Governmental Units	172,148		172,148
Total Direct Disbursements	8,534,297	0	8,534,297
Disbursements for On-Behalf Payments	4,325,593		4,325,593
Total Disbursements	12,859,890	0	12,859,890
Excess of Direct Receipts Over (Under) Direct Disbursements	364,848	0	364,848
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	364,848	0	364,848
Fund Balances without Student Activity Funds - July 1, 2020	2,035,145	107,617	2,142,762
Other Changes in Fund Balance - Increases (Decreases)	107,617	(107,617)	0
Fund Balances without Student Activity Funds - June 30, 2021	2,507,610	0	2,507,610

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, 2021

	Educational	Tort	Total (Memorandum Only)
Student Activity Fund Balance - July 1, 2020	5,463		5,463
Receipts - Student Activity Funds			
Total Student Activity Direct Receipts	4,734		4,734
Disbursements - Student Activity Funds			
Total Student Activity Fund Disbursements	2,425		2,425
Excess Direct Receipts Over(Under) Direct Disbursements	2,309		2,309
Student Activity Fund Balance - June 30, 2021	7,772		7,772
Receipts (with Student Activity Funds):			
Local Sources	7,749,805		7,749,805
State Sources	928,074		928,074
Federal Sources	226,000		226,000
Total Direct Receipts	8,903,879	0	8,903,879
Receipts for On-Behalf Payments	4,325,593		4,325,593
Total Receipts (with Student Activity Funds)	13,229,472	0	13,229,472
Disbursements (with Student Activity Funds):			
Instruction	4,485,559		4,485,559
Support Services	3,881,324		3,881,324
Payments to Other Governmental Units	172,148		172,148
Total Direct Disbursements	8,539,031	0	8,539,031
Disbursements for On-Behalf Payments	4,325,593		4,325,593
Total Disbursements (with Student Activity Funds)	12,864,624	0	12,864,624
Excess of Direct Receipts Over (Under) Direct Disbursements	364,848	0	364,848
Other Sources/Uses of Funds (with Student Activity Funds):			
Other Sources of Funds:			
Total Other Sources of Funds	0	0	0
Other (Uses) of Funds:			
Total Other Uses of Funds	0	0	0
Total Other Sources and (Uses) of Funds	0	0	0
Fund Balances (All sources) - June 30, 2021	2,515,382	0	2,515,382

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, 2021

	Educational	Total (Memorandum Only)
Receipts From Local Sources:		
Tuition:		
Special Ed - Tuition From Other LEAs (In State)	7,727,785	7,727,785
Interest on Investments	14,952	14,952
Student Activity Fund Revenues	4,734	
Other Receipts from Local Sources:		
Payments from Other LEAs	2,334	2,334
Total Receipts from Local Sources (without Student Activity Funds)	7,745,071	7,745,071
Total Receipts from Local Sources (with Student Activity Funds)	7,749,805	
Receipts From State Sources:		
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	553	553
Total Receipts from State Sources	928,074	928,074
Receipts From Federal Sources:		
Restricted Grants-in-Aid Received Directly from the Federal Government Through the State:		
Food Service		
National School Lunch Program	14,018	14,018
School Breakfast Program	8,310	8,310
Medicaid Matching - Administrative Outreach	122,901	122,901
Medicaid Matching - Fee for Service Program	75,973	75,973
Other Federal	4,798	4,798
Total Receipts from Federal Sources	226,000	226,000
Total Direct Receipts (without Student Activity Funds)	8,899,145	8,899,145
Total Direct Receipts (with Student Activity Funds)	8,903,879	

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, 2021

	Actual	Budget	Variance with Budget
Expenditures Disbursed:			
Instruction:			
Special Education Programs:			
Salaries	3,228,054	3,278,103	50,049
Employee Benefits	689,121	714,744	25,623
Purchased Services	85,712	107,650	21,938
Supplies and Materials	81,139	86,150	5,011
Other Objects	1,950	2,025	75
Non-Capitalized Equipment	41,674	49,000	7,326
Total Special Education Programs	<u>4,127,650</u>	<u>4,237,672</u>	<u>110,022</u>
Special Education Programs Pre-K:			
Salaries	280,888	280,000	(888)
Employee Benefits	71,604	71,000	(604)
Supplies and Materials	683	1,000	317
Total Special Education Programs Pre-K	<u>353,175</u>	<u>352,000</u>	<u>(1,175)</u>
Student Activity Fund Expenditures	2,425	2,500	75
Total Instruction (Without Student Activity Funds)	<u>4,480,825</u>	<u>4,589,672</u>	<u>108,847</u>
Total Instruction (With Student Activity Funds)	<u>4,483,250</u>	<u>4,592,172</u>	<u>108,922</u>
Supporting Services:			
Support Services - Pupils:			
Attendance and Social Work Services:			
Salaries	665,249	662,619	(2,630)
Employee Benefits	90,969	86,105	(4,864)
Purchased Services	17	100	83
Supplies and Materials	1,300	2,000	700
Total Attendance and Social Work Services	<u>757,535</u>	<u>750,824</u>	<u>(6,711)</u>
Health Services:			
Purchased Services	162,486	171,700	9,214
Total Health Services	<u>162,486</u>	<u>171,700</u>	<u>9,214</u>
Psychological Services:			
Salaries	528,234	531,098	2,864
Employee Benefits	87,592	83,828	(3,764)
Purchased Services	3,561	4,000	439
Supplies and Materials	4,358	6,050	1,692
Total Psychological Services	<u>623,745</u>	<u>624,976</u>	<u>1,231</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, 2021

	<u>Actual</u>	<u>Budget</u>	<u>Variance with Budget</u>
Speech Pathology and Audiology Services:			
Salaries	592,331	606,060	13,729
Employee Benefits	105,500	107,172	1,672
Purchased Services	5,801	6,750	949
Supplies and Materials	11,297	13,500	2,203
Other Objects	2,025	2,025	0
Total Speech Pathology and Audiology Services:	<u>716,954</u>	<u>735,507</u>	<u>18,553</u>
Total Support Services-Pupils	<u>2,260,720</u>	<u>2,283,007</u>	<u>22,287</u>
Support Services-Instructional Staff:			
Improvement of Instruction Services:			
Salaries	537,348	538,653	1,305
Employee Benefits	308,031	284,843	(23,188)
Purchased Services	25,567	101,963	76,396
Supplies and Materials	5,843	7,700	1,857
Non-Capitalized Equipment	1,399	1,500	101
Total Improvement of Instructional Services	<u>878,188</u>	<u>934,659</u>	<u>56,471</u>
Total Support Services-Instructional Staff	<u>878,188</u>	<u>934,659</u>	<u>56,471</u>
Support Services-General Administration:			
Special Area Administration Services:			
Salaries	193,862	193,760	(102)
Employee Benefits	44,254	54,755	10,501
Purchased Services	46,007	84,700	38,693
Supplies and Materials	15,495	15,000	(495)
Other Objects	26,660	30,000	3,340
Non-Capitalized Equipment	0	2,000	2,000
Total Service Area Administrative Services	<u>326,278</u>	<u>380,215</u>	<u>53,937</u>
Tort Immunity Services:			
Purchased Services	69,595	71,000	1,405
Total Tort Immunity Services	<u>69,595</u>	<u>71,000</u>	<u>1,405</u>
Total Support Services-General Administration	<u>395,873</u>	<u>451,215</u>	<u>55,342</u>
Support Services-School Administration:			
Office of the Principal Services:			
Salaries	84,815	86,843	2,028
Employee Benefits	26,653	27,251	598
Supplies and Materials	20,441	20,500	59
Total Office of the Principal Service	<u>131,909</u>	<u>134,594</u>	<u>2,685</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, 2021

	<u>Actual</u>	<u>Budget</u>	<u>Variance with Budget</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>133,409</u>	<u>136,094</u>	<u>2,685</u>
Support Services-Business:			
Fiscal Services:			
Salaries	38,553	38,553	0
Employee Benefits	11,531	11,570	39
Purchased Services	9,304	10,875	1,571
Supplies and Materials	377	5,500	5,123
Other Objects	10,178	10,500	322
Total Fiscal Services	<u>69,943</u>	<u>76,998</u>	<u>7,055</u>
Operation and Maintenance of Plant Services:			
Salaries	15,783	16,810	1,027
Employee Benefits	1,290	1,417	127
Purchased Services	62,536	68,700	6,164
Supplies and Materials	5,457	6,200	743
Total Operation and Maintenance of Plant Services	<u>85,066</u>	<u>93,127</u>	<u>8,061</u>
Food Services:			
Purchased Services	41,623	51,000	9,377
Total Food Services	<u>41,623</u>	<u>51,000</u>	<u>9,377</u>
Total Support Services-Business	<u>196,632</u>	<u>221,125</u>	<u>24,493</u>
Support Services-Central:			
Direction of Central Support Services:			
Purchased Services	14,923	20,000	5,077
Total Direction of Central Support Services	<u>14,923</u>	<u>20,000</u>	<u>5,077</u>
Information Services:			
Purchased Services	1,031	1,150	119
Supplies and Materials	548	600	52
Total Information Services	<u>1,579</u>	<u>1,750</u>	<u>171</u>
Total Support Service-Central	<u>16,502</u>	<u>21,750</u>	<u>5,248</u>
Total Supporting Services	<u>3,881,324</u>	<u>4,047,850</u>	<u>166,526</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, 2021

	<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	172,148	90,000	(82,148)
Total Payments for Spec. Ed. Programs	<u>172,148</u>	<u>90,000</u>	<u>(82,148)</u>
Total Payments to Other Governmental Units	<u>172,148</u>	<u>90,000</u>	<u>(82,148)</u>
Total Direct Disbursements (without Student Activity Funds)	<u>8,534,297</u>	<u>8,727,522</u>	<u>193,225</u>
Total Direct Disbursements (with Student Activity Funds)	<u>8,536,722</u>	<u>8,730,022</u>	<u>193,300</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, 2021

Note #1 - Summary of Significant Accounting Policies

The District's accounting policies conform to the modified 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 Educational Fund includes the Student Activity Funds. These funds are used to account for financial resources used for student programs.

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, 2021

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

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

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 \$16,959 and accumulated depreciation totaling \$197,375. 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, 2021, there were no long-term liabilities.

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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. However, one payment for Teachers Retirement was made in June 2021 for July 2021 crossing fiscal years which is shown on the Statement of Assets and Liabilities as a Prepaid Items under a modified cash-basis.

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 6, 2020, and was later amended on June 17, 2021. 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, 2021

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. Change in Accounting Principle

During the year ended, June 30, 2021, the District implemented Government Accounting Standards Board Statement No. 84 – Fiduciary Activities, as interpreted by the Illinois State Board of Education (ISBE). The new standard changed the definition of Fiduciary Funds, specifically, Student Activity Funds had previously been treated as Agency Funds of the District. Under the new definitions the Student Activity Funds are required to be included in the General Fund (the Educational Fund) of the District. Under the ISBE interpretation in this regulatory basis report, the Student Activity funds are being shown separately within the Educational Fund Statements.

I. 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, 2021, was \$38,325.

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

JUNE 30, 2021

Note #2 –Pension Disclosures (cont'd)

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.

TRS issues a publicly available financial report that can be obtained at <https://www.trsil.org/financial/cafrs/fy2020>; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling 888-678-3675, option 2.

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 consecutive 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.

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 highest four. Disability provisions for Tier 2 are identical to those of Tier 1. Death benefits are payable under a formula that is different than 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, 2024. 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.

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

Note #2 –Pension Disclosures (cont'd)

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

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, 2021, state of Illinois contributions recognized by the employer were based on the state's proportionate share of the pension expense associated with the employer, and the employer recognized revenue and expenditures of \$4,279,623 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, 2021, were calculated to be \$28,418. \$28,418 was actually paid toward this obligation in the current fiscal year.

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, 2021, the employer pension contribution was 10.41 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2021, salaries totaling \$-0- were paid from federal and special trust funds that required employer contributions of \$-0-, \$-0- of these contributions were actually paid in the current fiscal year.

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, 2021, the employer paid \$-0- 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, 2021, the employer recognized TRS pension expense of \$28,418 on a cash basis under this plan.

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801
 NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

Note #2 – Pension Disclosures (cont'd)

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.

All three IMRF benefit plans have two tiers. Tier 2 benefits are lower than Tier 1, and cost about 40% less to provide. All IMRF members initially hired on or after January 1, 2011, are in Tier 2.

Both the member and the employer contribute toward retirement benefits. Members contribute a percentage of their salary as established by the Pension Code. The percentage depends on the plan in which the member participates.

Note #2 – Pension Disclosures (cont'd)

Regular members contribute 4.5%. SLEP and ECO members contribute 7.5%. Members also have the option of making voluntary after-tax contributions up to 10% of their salary. Employer contribution rates are actuarially calculated annually for each employer. Employers pay most of the cost for member and survivor pensions and all of the cost for supplemental retirement, death, and disability benefits. All contributions are pooled for investment purposes.

Since 1982, investment returns account for 65% of IMRF revenue.

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, 2020, the following employees were covered by the benefit terms:

Retirees or Beneficiaries currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	90
Active employees	<u>81</u>
Total Members	203

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

Note #2 – Pension Disclosures (cont'd)

B. Illinois Municipal Retirement Fund (cont'd)

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 2020 was 0.77%. The total employer contribution paid for 2020 was \$9,932. The District's contribution rate for the calendar year 2021 is 0.79%. The actual contributions paid during the fiscal year ended June 30, 2021 were \$9,907. 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.

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, 2021. State of Illinois contributions were \$45,970 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, 2021. For the year ended June 30, 2021, the employer paid \$45,019 to the THIS Fund, which was 99.87 percent of the 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>).

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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

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

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, 2021.

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

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

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 \$557 per month for individual coverage to \$2,306 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.

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. The District had no non spendable resources as of June 30, 2021.

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 Trust and Agency Funds are, 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.

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

Note #4 – Fund Balance Reporting (cont'd)

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. The District assessed member districts for Tort expenditures. The Governing Board has assigned \$108,789 for this purpose.

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.

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 \$36,581 as of June 30, 2021. 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.

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801
 NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

Note #5 - Regulatory Fund Balances- (cont'd)

4. IMRF/Social Security

The District has assessed member districts for IMRF and Social Security expenditures. The revenue received and expenditures disbursed have been included in the Educational Fund. As of June 30, 2021, expenditures expenses exceeded revenue received, resulting in no reserved balance.

5. Tort

The District has assessed member districts for Tort expenditures. The revenues received and expenditures disbursed for this purpose have been included in the Educational Fund. As of June 30, 2021, revenues received exceeded disbursements, resulting in a reserved balance of \$108,789.

6. Student Activity Funds

The District has Student Activity Funds that are included in the Educational Fund balance. The beginning of the year balance of \$5,463 which had been shown as a Trust and Agency fund balance has been added to the beginning fund balance in the Educational Fund. The net revenue over expenditures resulted in a reserved balance as of June 30, 2021 of \$7,772.

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, 2021.

Note #7 - General Fixed Asset Account Group

A summary of changes in general fixed assets follows:

	Balance			Balance
	<u>June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2021</u>
Permanent Buildings	515,570	0	0	515,570
Capitalized Equipment:				
10-Year Equipment	<u>60,666</u>	<u>0</u>	<u>37,229</u>	<u>23,437</u>
	<u>576,236</u>	<u>0</u>	<u>37,229</u>	<u>539,007</u>

Note #8 - Debt Service Requirements

There were no debt service requirements as of June 30, 2021.

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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 ILCS 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.

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, 2021, \$256,581 of the District's deposits were uncollateralized.

Investments

As of June 30, 2021, the District had no investments.

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021, the District had no expenditures over budget.

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, 2021, 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, 2021, there were no significant adjustments in premiums based on actual experience.

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, 2021, the total amount of unpaid teacher's contracts for services performed during the year ended June 30, 2021, amounted to \$763,499.

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, 2021, 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.

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

Note #15 – Commitments (cont'd)

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 1st 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, 2021, District's estimated liability was \$233,023. 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, 2021, the District paid \$2,557 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, 2021 were \$43,662.

Future obligations under the above leases:

F.Y.E. June 30, 2022 - \$18,578

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, 2021.

The beginning Tort Fund Balance of \$107,617 has been included with the Educational Fund for the year ended June 30, 2021 due to the fund being an internal reserve from charges to districts as opposed to an external revenue restricted source. This is shown on Statement 2 as a Change in Fund Balance.

Note #17 – Interfund Activity

No interfund loans or transfers occurred during the fiscal year ended June 30, 2021.

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.

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

Note #19 – Prepaid Items

The District prepays employee insurance premiums one month in advance. Premiums are subsequently reimbursed to the District through employee withholdings. This insurance prepayment totals \$22,562 as of June 30, 2021. The District also made a prepaid Teachers Retirement (TRS) payment as of June 30, which totaled \$77,073. The prepaid premiums and TRS as of June 30, 2021 of \$99,635 are reported as Prepaid Items in Statement of Assets and Liabilities Arising from Cash Transactions.

Note #20 – COVID-19 Impact

The District is monitoring the global outbreak of the novel coronavirus (COVID-19). During the fiscal year certain operations of the district were affected by the pandemic. The district received and will continue to receive additional federal funding provided by legislation brought on by the coronavirus. The District believes the ultimate impact of the COVID-19 pandemic is likely to be determined by factors which are uncertain, unpredictable and outside of the District's control. The situation surrounding COVID-19 remains fluid, and if disruptions do arise, they could materially impact the District.

Note #21 – 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.

SUPPLEMENTAL INFORMATION

HENRY-STARK COUNTIES SPECIAL EDUCATION DISTRICT NO. 801
 COMBINING SCHEDULE OF REVENUES RECEIVED,
 EXPENDITURES DISBURSED, AND FUND BALANCE
 ALL STUDENT ACTIVITY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Student Council Activities Fund</u>	<u>Life Skills 229 Activities Fund</u>	<u>Cross Categorical Activities Fund</u>	<u>Total</u>
Beginning Activity Fund Balance, July 1, 2020	4,158	424	881	5,463
Revenues Received	1,683	-	3,051	4,734
Expenditures Disbursed	(720)	(63)	(1,642)	(2,425)
Ending Activity Fund Balances, June 30, 2021	<u>5,122</u>	<u>361</u>	<u>2,290</u>	<u>7,772</u>

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, 2021

	<u>Flexible Benefit Plan Fund</u>	<u>Health Insurance Deductible Reimbursement Plan</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	17,371	19,210	36,581
Total Assets	<u>17,371</u>	<u>19,210</u>	<u>36,581</u>
 <u>FUND BALANCE AND OTHER CREDITS</u>			
Net Assets Available for Benefits-Reserved Fund Balance	17,371	19,210	36,581
Total-Reserved Fund Balance	<u>17,371</u>	<u>19,210</u>	<u>36,581</u>
 <u>TOTAL LIABILITIES, FUND BALANCE, AND OTHER CREDITS</u>			
	<u>17,371</u>	<u>19,210</u>	<u>36,581</u>