



**SPECIAL EDUCATION DISTRICT
OF McHENRY COUNTY
STATE OF ILLINOIS**

ANNUAL FINANCIAL REPORT

JUNE 30, 2023

SPECIAL EDUCATION DISTRICT OF McHENRY COUNTY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Special Education District of McHenry County
Woodstock, Illinois

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying basic financial statements of

Special Education District of McHenry County (SEDOM)

as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

Unmodified Opinion on Regulatory Cash Basis of Accounting

In our opinion, the accompanying financial statements present fairly, in all material respects, the assets and liabilities arising from cash transactions of the Special Education District of McHenry County as of June 30, 2023, and the revenue it received and expenditures it paid for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Illinois State Board of Education as described in Note 2.

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 section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Special Education District of McHenry County as of June 30, 2023, or changes in financial position and cash flows thereof for the year then ended.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Special Education District of McHenry County and to meet our other ethical responsibilities,

in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Special Education District of McHenry County on the basis of accounting practices prescribed or permitted by the Illinois State Board of Education to demonstrate compliance with the Illinois State Board of Education's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Also as described in Note 2, the Special Education District of McHenry County prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Change in Accounting Principle

As described in Note 12 to the financial statements, SEDOM implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices prescribed or permitted by, and to demonstrate compliance with, the Illinois State Board of Education's regulatory basis of accounting and budget laws. 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Governmental Template's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Special Education District of McHenry County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Special Education District of McHenry County's ability to continue as a going concern for a reasonable period of time.

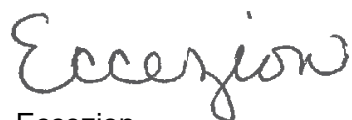
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2023 on our consideration of the Special Education District of McHenry County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Special Education District of McHenry County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Special Education District of McHenry County's internal control over financial reporting and compliance.

Restriction on Use

This report is intended solely for the information and use of management, the Board of Education, others within SEDOM, and the Illinois State Board of Education and is not intended to be and should not be used by anyone other than these specified parties.



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McHenry, Illinois
October 13, 2023



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 Board of Education
Special Education District of McHenry County
Woodstock, 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 basic financial statements of

Special Education District of McHenry County (SEDOM)

as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Special Education District of McHenry County's basic financial statements, and have issued our report thereon dated October 13, 2023. Our opinion was adverse because the financial statements are not prepared in accordance with generally accepted accounting principles. However, the financial statements were found to be fairly stated on the cash basis of accounting, in accordance with regulatory reporting requirements established by the Illinois State Board of Education, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Special Education District of McHenry County'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 Special Education District of McHenry County's internal control. Accordingly, we do not express an opinion on the effectiveness of the Special Education District of McHenry County's internal control.

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

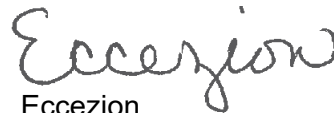
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 the Special Education District of McHenry County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 SEDOM's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SEDOM's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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McHenry, Illinois
October 13, 2023

BASIC FINANCIAL STATEMENTS

SPECIAL EDUCATION DISTRICT OF MCHENRY COUNTY
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS - REGULATORY BASIS
ALL FUNDS AND ACCOUNT GROUPS
AT JUNE 30, 2023

<u>ASSETS</u>	<u>EDUCATIONAL</u>	<u>OPERATIONS AND MAINTENANCE</u>	<u>DEBT SERVICES</u>	<u>TRANSPOR- TATION</u>	<u>GENERAL FIXED ASSETS</u>	<u>GENERAL LONG-TERM DEBT</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
Cash and Cash Equivalents	\$ 1,069,368	\$ 525,358	\$ 4,290	\$ 4,084	\$ -	\$ -	\$ 1,603,100
Investments	1,091,284	806,786	6,214	5,916	-	-	1,910,200
Capital Assets							
Land	-	-	-	-	22,338	-	22,338
Building and Building Improvements	-	-	-	-	3,400,583	-	3,400,583
Capitalized Equipment	-	-	-	-	2,424,425	-	2,424,425
Amount Available in Debt Services Fund	-	-	-	-	-	10,504	10,504
Amount to be Provided for Payment on Long-Term Debt	-	-	-	-	-	(10,504)	(10,504)
Total Assets	\$ 2,160,652	\$ 1,332,144	\$ 10,504	\$ 10,000	\$ 5,847,346	\$ -	\$ 9,360,646
<u>LIABILITIES AND FUND BALANCE</u>							
LIABILITIES							
Current Liabilities							
Payroll Deductions and Withholdings	\$ 98	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 98
Total Current Liabilities	\$ 98	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 98
Total Liabilities	\$ 98	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 98
FUND BALANCE							
Investment in General Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ 5,847,346	\$ -	\$ 5,847,346
Fund Balance							
Reserved	25,250	-	-	-	-	-	25,250
Unreserved	2,135,304	1,332,144	10,504	10,000	-	-	3,487,952
Total Fund Balance	\$ 2,160,554	\$ 1,332,144	\$ 10,504	\$ 10,000	\$ 5,847,346	\$ -	\$ 9,360,548
Total Liabilities and Fund Balance	\$ 2,160,652	\$ 1,332,144	\$ 10,504	\$ 10,000	\$ 5,847,346	\$ -	\$ 9,360,646

The Notes to Financial Statements are an integral part of this statement.

SPECIAL EDUCATION DISTRICT OF MCHENRY COUNTY
STATEMENT OF REVENUE RECEIVED, EXPENDITURES DISBURSED, OTHER
FINANCING SOURCES (USES), AND CHANGES IN FUND BALANCES -
ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	EDUCATIONAL	OPERATIONS AND MAINTENANCE	DEBT SERVICES	TRANSPOR- TATION	TOTAL (MEMORANDUM ONLY)
REVENUE RECEIVED					
Local Sources	\$ 745,126	\$ 257,556	\$ -	\$ -	\$ 1,002,682
State Sources	113,613	-	-	-	113,613
Federal Sources	14,825	-	-	-	14,825
State Retirement Contributions	262,952	-	-	-	262,952
	<u>\$ 1,136,516</u>	<u>\$ 257,556</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,394,072</u>
EXPENDITURES DISBURSED					
Instruction	\$ 692,615	\$ -	\$ -	\$ -	\$ 692,615
Support Services	513,509	235,300	-	-	748,809
State Retirement Contributions	262,952	-	-	-	262,952
	<u>\$ 1,469,076</u>	<u>\$ 235,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,704,376</u>
EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED OVER EXPENDITURES DISBURSED	\$ (332,560)	\$ 22,256	\$ -	\$ -	\$ (310,304)
FUND BALANCE - JULY 1, 2022	<u>2,493,114</u>	<u>1,309,888</u>	<u>10,504</u>	<u>10,000</u>	<u>3,823,506</u>
FUND BALANCE - JUNE 30, 2023	<u>\$ 2,160,554</u>	<u>\$ 1,332,144</u>	<u>\$ 10,504</u>	<u>\$ 10,000</u>	<u>\$ 3,513,202</u>

The Notes to Financial Statements are an integral part of this statement.

SPECIAL EDUCATION DISTRICT OF MCHENRY COUNTY
STATEMENT OF REVENUE RECEIVED
ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

REVENUE RECEIVED	<u>EDUCATIONAL</u>	<u>OPERATIONS AND MAINTENANCE</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
Local Sources			
Tuition			
Adult Tuition from Pupils or Parents (In State)	\$ 1,070	\$ -	\$ 1,070
Interest on Investments	5,976	-	5,976
District/School Activity Income			
Student Activity Funds Revenues	82,509	-	82,509
Services Provided Other Districts	89,857	-	89,857
Payments from Other Districts	548,965	-	548,965
Other Local Revenues	16,749	257,556	274,305
Total Local Sources	<u>\$ 745,126</u>	<u>\$ 257,556</u>	<u>\$ 1,002,682</u>
State Sources			
Unrestricted Grants-In-Aid			
Evidence-Based Funding	\$ 113,613	\$ -	\$ 113,613
Total State Sources	<u>\$ 113,613</u>	<u>\$ -</u>	<u>\$ 113,613</u>
Federal Sources			
Restricted Grants-In-Aid Received Directly from the Federal Government through the State			
Medicaid Matching Funds - Administrative Outreach	\$ 14,825	\$ -	\$ 14,825
Total Federal Sources	<u>\$ 14,825</u>	<u>\$ -</u>	<u>\$ 14,825</u>
Total Direct Revenue	<u><u>\$ 873,564</u></u>	<u><u>\$ 257,556</u></u>	<u><u>\$ 1,131,120</u></u>

The Notes to Financial Statements are an integral part of this statement.

SPECIAL EDUCATION DISTRICT OF MCHENRY COUNTY
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL
EDUCATIONAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	BUDGET	ACTUAL
EXPENDITURES DISBURSED		
Instruction		
Special Education Programs		
Salaries	\$ 20,000	\$ 6,937
Employee Benefits	12,000	30,224
Purchased Services	26,743	132,703
	<u>\$ 58,743</u>	<u>\$ 169,864</u>
Truant Alternative and Optional Programs		
Salaries	\$ 316,928	\$ 294,643
Employee Benefits	56,975	50,126
Purchased Services	40,300	63,240
Supplies and Materials	55,500	32,468
Capital Outlay	1,000	-
	<u>\$ 470,703</u>	<u>\$ 440,477</u>
Student Activity		
Other Objects	\$ -	\$ 82,274
	<u>\$ -</u>	<u>\$ 82,274</u>
Total Instruction	<u>\$ 529,446</u>	<u>\$ 692,615</u>
Support Services		
Pupils		
Attendance and Social Work Services		
Salaries	\$ 70,890	\$ 98,953
Employee Benefits	3,575	3,225
Purchased Services	950	178
Supplies and Materials	150	22
	<u>\$ 75,565</u>	<u>\$ 102,378</u>
Speech Pathology and Audiology Services		
Salaries	\$ 18,364	\$ 10,349
Employee Benefits	1,250	150
Purchased Services	68,792	68,083
Supplies and Materials	3,000	631
	<u>\$ 91,406</u>	<u>\$ 79,213</u>
Other Support Services - Pupils		
Salaries	\$ 1,600	\$ -
Employee Benefits	19,333	-
	<u>\$ 20,933</u>	<u>\$ -</u>
Total Support Services - Pupils	<u>\$ 187,904</u>	<u>\$ 181,591</u>
Instructional Staff		
Improvement of Instruction Services		
Purchased Services	\$ 15,000	\$ 4,404
	<u>\$ 15,000</u>	<u>\$ 4,404</u>
Total Support Services - Instructional Staff	<u>\$ 15,000</u>	<u>\$ 4,404</u>

The Notes to Financial Statements are an integral part of this statement.

SPECIAL EDUCATION DISTRICT OF MCHENRY COUNTY
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL
EDUCATIONAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	BUDGET	ACTUAL
EXPENDITURES DISBURSED (Continued)		
Support Services (Continued)		
General Administration		
Executive Administration Services		
Salaries	\$ 101,872	\$ 102,128
Employee Benefits	40,713	43,968
Purchased Services	30,500	47,268
Supplies and Materials	1,600	1,532
Other Objects	1,000	2,145
	<u>\$ 175,685</u>	<u>\$ 197,041</u>
 Total Support Services - General Administration	 <u>\$ 175,685</u>	 <u>\$ 197,041</u>
 Business		
Fiscal Services		
Salaries	\$ 42,641	\$ 45,241
Employee Benefits	12,575	7,746
Purchased Services	16,000	23,199
Supplies and Materials	1,000	1,308
	<u>\$ 72,216</u>	<u>\$ 77,494</u>
Internal Services		
Purchased Services	\$ 1,000	\$ -
Supplies and Materials	-	975
	<u>\$ 1,000</u>	<u>\$ 975</u>
 Total Support Services - Business	 <u>\$ 73,216</u>	 <u>\$ 78,469</u>
 Central		
Information Services		
Purchased Services	\$ 23,314	\$ 30,229
Supplies and Materials	-	468
	<u>\$ 23,314</u>	<u>\$ 30,697</u>
Staff Services		
Purchased Services	\$ 16,712	\$ 21,307
	<u>\$ 16,712</u>	<u>\$ 21,307</u>
 Total Support Services - Central	 <u>\$ 40,026</u>	 <u>\$ 52,004</u>
 Total Support Services	 <u>\$ 491,831</u>	 <u>\$ 513,509</u>
 Total Direct Expenditures	 <u><u>\$ 1,021,277</u></u>	 <u><u>\$ 1,206,124</u></u>

The Notes to Financial Statements are an integral part of this statement.

SPECIAL EDUCATION DISTRICT OF MCHENRY COUNTY
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL
OPERATIONS AND MAINTENANCE FUND
FOR THE YEAR ENDED JUNE 30, 2023

	BUDGET	ACTUAL
EXPENDITURES DISBURSED		
Support Services		
Business		
Direction of Business Support Services		
Salaries	\$ -	\$ 15,000
Employee Benefits	-	1,147
	\$ -	\$ 16,147
Operation and Maintenance of Plant Services		
Purchased Services	\$ 102,044	\$ 144,144
Supplies and Materials	59,000	75,009
Capital Outlay	75,000	-
	\$ 236,044	\$ 219,153
Total Support Services - Business	\$ 236,044	\$ 235,300
Total Support Services	\$ 236,044	\$ 235,300
Total Direct Expenditures	\$ 236,044	\$ 235,300

The Notes to Financial Statements are an integral part of this statement.

SPECIAL EDUCATION DISTRICT OF MCHENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - DESCRIPTION OF JOINT AGREEMENT

The Special Education District of McHenry County (SEDOM) is a joint agreement district organized under Section 10-22.31 of the Illinois School Code for the purpose of providing education and services for children with disabilities of its member school districts as defined and mandated by the provisions of the Illinois School Code.

Public school districts located all, or in part, in McHenry County, Illinois are eligible for membership.

The following districts are members of SEDOM at June 30, 2023:

District No.	District Name
2	Nippersink
12	Johnsburg
15	McHenry Elementary plus Junior High
18	Riley
19	Alden-Hebron
36	Harrison
50	Harvard
154	Marengo High
156	McHenry High
157	Richmond Burton High
165	Marengo-Union

The Governing Board of Directors consists of one board of education member from each participating district. The Governing Board of Directors meets generally twice a year to amend the Articles of Joint Agreement, elect Executive Board Members, and approve budgets.

The Executive Board shall be chosen from the members of the SEDOM Governing Board of Directors, from the members of the participating district boards of education, or from the Superintendents of Schools of the member districts and shall consist of seven (7) members, at least two (2) of these from high school or unit districts, at least two (2) of these from elementary school districts, and at least one (1) board of education member.

Day to day operations of SEDOM are administered by the Executive Director who reports to the Executive Board and the Governing Board of Directors. His/her specific duties and responsibilities are established by the Executive Board.

If available, each member district may provide at least one classroom for SEDOM programs and is to be reimbursed for expenses incurred in providing each classroom at a rate determined by the Executive Board.

Programs and services supplied by SEDOM are those established by the Board of Directors. Such programs are intended to be only those that the member districts cannot, or find difficult to, provide individually. Services provided include instructional, support, diagnostic, therapeutic, administrative and transportation.

Income is derived from State and Federal Aid, administrative assessments, tuition, and fees for services based on cost as determined by the Executive Board.

Procedures for withdrawal of a member board of education from the Joint Agreement will be in accordance with the Illinois School Code (See Sections 5/10-22.31 and 5/7-6) and consistent with the requirements and rules adopted by the Illinois State Board of Education.

NOTES TO FINANCIAL STATEMENTS (Continued)

The Joint Agreement may be dissolved by the approval of a written resolution by all of the member boards of education. For dissolution to take effect, all such resolutions must be adopted within a twelve-month period. Dissolution will be effective on July 1 following the approval of a written resolution by all of the member boards, or on such other July 1 as all of the member boards' resolutions authorize.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation – Fund Accounting

The accounts of SEDOM 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. SEDOM maintains individual funds required by the State of Illinois.

These funds are grouped as required for reports filed with the Illinois State Board of Education. 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 SEDOM:

Educational Fund – The Educational Fund is the general operating fund of SEDOM. It is used to account for all transactions that are not specifically covered in another fund. Certain expenditures that must be charged to this fund include the direct costs of instructional programs, health and attendance services, lunch programs, all costs of administration, and related insurance costs. Certain revenues that must be credited to this fund include tuition and services provided to other LEAs.

Operations and Maintenance Fund – The Operations and Maintenance Fund is used to account for costs of maintaining, improving, or repairing school buildings and property, renting buildings and property for school purposes, or paying of premiums for insurance on school buildings. Revenue received for operations and maintenance purposes from any source must be deposited into this fund.

Debt Services Fund – The Debt Services Fund is used to account for all principal, interest, and administrative costs associated with the bond issuance to fund the replacement of the roof at SEDOM Center as well accounting for capital leases and other long-term debt. Operations of this fund are generally financed by billings assessed on the member school districts or transfers from other funds.

Transportation Fund – The Transportation Fund is used to account for the costs associated with transporting pupils for any purpose. Revenue received for transportation purposes from any source must be deposited into this fund.

General Fixed Assets Account Group – The General Fixed Assets Account Group is used to record physical assets of SEDOM that have a long-term (i.e. more than one year) period of usefulness.

General Long-Term Debt Account Group – The General Long-Term Debt Account Group is used to record total long-term debt of SEDOM. SEDOM currently has no outstanding debt.

Measurement Focus

The financial statements of all funds, except the two account groups, 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

NOTES TO FINANCIAL STATEMENTS (Continued)

on their balance sheets. Their reported fund balance (net current assets) is considered a measure of “available spendable resources”. 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 Groups

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. Fixed assets used in operations are accounted for in the General Fixed Assets Account Group rather than in the funds. Long-term liabilities expected to be financed from the funds are accounted for in the General Long-Term Debt Account Group, not in the funds.

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 of operations.

B. *Basis of Accounting*

Basis of accounting refers to when revenues received and expenditures disbursed are recognized in the accounts and how they are reported on the financial statements. SEDOM 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.

Proceeds from sales of bonds are included as other financing sources in the appropriate fund on the date received. Related bond principal payable in the future is recorded at the same time in the General Long-Term Debt Account Group.

If SEDOM utilized accounting principles generally accepted in the United States of America, the basic financial statements would be replaced with government-wide financial statements and fund financial statements. The government-wide financial statements would be presented on the accrual basis of accounting. The fund financial statements would use the modified accrual basis of accounting.

C. *Budgets and Budgetary Accounting*

The budget for all 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 5/17-1 of the Illinois Compiled Statutes. The original budget was passed on June 22, 2022.

For each fund, total fund disbursements may not legally exceed the budgeted disbursements. The budget lapses at the end of each fiscal year.

SEDOM follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the Director of Business Services submits to the Executive Board a proposed operating budget for the fiscal year commencing on that date. The operating budget includes proposed expenditures and the means of financing them.

NOTES TO FINANCIAL STATEMENTS (Continued)

2. A public hearing is conducted at a public meeting to obtain member districts' comments.
3. Prior to September 1, the budget is legally adopted through passage of a resolution by the Governing Board.
4. Formal budgetary integration is employed as a management control device during the year.
5. The Executive 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.

D. *Cash and Cash Equivalents*

Separate bank accounts are not maintained for all SEDOM funds. Instead, the funds maintain their balances in common accounts, with accounting records being maintained to show the portion of the common bank account balances attributable to each participating fund.

Occasionally certain of the funds participating in the common bank accounts will incur overdrafts (deficits) in the account. Such overdrafts in effect constitute cash borrowed from other SEDOM funds and are, therefore, interfund loans which have not been authorized by board action.

No SEDOM fund had a cash overdraft at June 30, 2023.

SEDOM has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

E. *Investments*

Investments are stated at the lower of cost or market. Gains or losses on the sale of investments are recognized upon realization.

F. *Inventories*

No inventory accounts are maintained to reflect the values of resale or supply items on hand. Instead, the costs of such items are charged to expense when purchased. The value of SEDOM's inventories is not deemed to be material.

G. *Interfund Activity*

Interfund activity is reported either as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate. All other interfund transactions are treated as transfers.

H. *General Fixed Assets*

General fixed assets have been acquired for general governmental purposes. At the time of purchase, assets are recorded as disbursements in the funds for which the asset was purchased and capitalized at cost in the General Fixed Assets Account Group. Donated general fixed assets are stated at estimated fair market value as of the date of acquisition. Depreciation accounting is not considered applicable. SEDOM's capitalization threshold for fixed assets is \$500. The policy for establishing the useful lives of fixed assets is established by the Illinois State Board of Education.

NOTES TO FINANCIAL STATEMENTS (Continued)

I. *Lease Arrangements*

SEDOM recognizes a right-to-use liability and asset for various lease and subscription-based IT agreements right-to-use assets (right-to-use asset) in the financial statements.

At the commencement of a lease, SEDOM initially measures the right-to-use liability at the total of payments expected to be made during the agreement term. Subsequently, the right-to-use liability is reduced by the lease payments made. The right-to-use asset is initially measured as the initial amount of the right-to-use liability, adjusted for payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the right-to-use asset is amortized on a straight-line basis over the lease or subscription-based IT agreement.

The term includes the noncancellable period of the lease. Payments included in the measurement of the lease or subscription-based IT agreement are composed of fixed payments and purchase option prices that SEDOM is reasonably certain to exercise.

SEDOM monitors changes in circumstances that would require a remeasurement of its lease or subscription-based IT agreements and will remeasure the right-to-use asset and liability if certain changes occur that are expected to significantly affect the amount of the right-to-use liability. Right-to-use assets are reported with the General Fixed Asset account group and right-to-use liabilities are reported with the General Long-Term Debt account group in the Statement of Assets, Liabilities, and Fund Balances.

SEDOM does not currently have any agreements that fall under this type of arrangement.

J. *Governmental Fund Balances*

Governmental fund balances are reported as “reserved” because they are legally segregated for a specific future use. The remaining balances are “unreserved” fund balances. From time to time, the Board agrees to set aside or “designate” resources for future uses – such as for specific capital projects. These unreserved, designated balances are based on management’s tentative plans and can be changed.

K. *Total Memorandum Only*

The “Total Memorandum Only” column represents the aggregation (by addition) of the line item amounts reported for each fund and account group. No consolidating 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 SEDOM as a whole.

NOTE 3 - DEPOSITS, INVESTMENTS, AND FAIR VALUE MEASUREMENT

Deposits

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, SEDOM’s deposits may not be returned to it. SEDOM has a policy that all deposits and investments in excess of any insurance shall be collateralized by pledged securities and the market value of the pledged securities shall equal or exceed the portion of deposit requiring collateralization. As of June 30, 2023, deposits with financial institutions are fully insured or collateralized by securities held in SEDOM’s name.

Investments and Fair Value Measurements

SEDOM is allowed to invest in securities as authorized by the School Code of Illinois, Chapter 85, Sections 902 and 906; and Chapter 122, Section 8-7.

NOTES TO FINANCIAL STATEMENTS (Continued)

As of June 30, 2023, SEDOM had the following investments, maturities, and fair value measurements:

Types of Investment	Credit Quality/ Ratings	Segmented Time Distribution	Amount	Fair Value Measurement Using		Net Asset Value (NAV)
				Level 1	Level 2	
Certificate of Deposit	Not Rated	Less than 1 year	\$ 1,445,550	\$ -	\$ 1,445,550	\$ -
Certificate of Deposit	Not Rated	1 to 5 years	464,650	-	464,650	-
State Investment Pool	AAAm	Less than 1 year	141,485	-	-	141,485
Total Investments			\$ 2,051,685	\$ -	\$ 1,910,200	\$ 141,485

The fair value of investments in the State Investment Pool is the same as the value of pool shares (NAV). The State Investment Pool is not SEC-registered but does have regulatory oversight through the State of Illinois.

SEDOM categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities and certificates of deposit classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Interest Rate Risk. SEDOM does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments based on credit risk. SEDOM has an investment policy that would further limit its investment choices.

Concentration of Credit Risk. SEDOM places no specific limit on the amount SEDOM may invest in any one issuer.

NOTE 4 - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Land (Non-depreciable)	\$ 22,338	\$ -	\$ -	\$ 22,338
Building and Building Improvements	3,400,583	-	-	3,400,583
Capitalized Equipment	2,424,425	-	-	2,424,425
Total Capital Assets at historical cost	\$ 5,847,346	\$ -	\$ -	\$ 5,847,346
Less Accumulated Depreciation/Amortization				
Building and Building Improvements	\$ 2,074,186	\$ 78,693	\$ -	\$ 2,152,879
Capitalized Equipment	2,369,831	8,307	-	2,378,138
Total Accumulated Depreciation/Amortization	\$ 4,444,017	\$ 87,000	\$ -	\$ 4,531,017
Capital Assets, net	\$ 1,403,329	\$ (87,000)	\$ -	\$ 1,316,329

NOTE 5 - CHANGES IN GENERAL LONG-TERM DEBT

For the year ended June 30, 2023, there was no general long-term debt issued or retired.

NOTE 6 - DEFICIT FUND BALANCE

At June 30, 2023 no fund had a deficit fund balance.

NOTE 7 - RESERVED EQUITY

Student Activity funds

Cash receipts and related cash disbursements for these funds are accounted for in the Educational Fund. A portion of this fund's equity, \$25,250, represents the excess of cumulative receipts over cumulative disbursements, which is reserved for future student activity fund disbursements.

NOTE 8 - RETIREMENT FUND COMMITMENTS

A. *Teachers' Retirement System of the State of Illinois*

General Information About the Pension Plan

Plan Description

SEDOM 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 <http://www.trsil.org/financial/cafrs/fy2022>; 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 I members have TRS or reciprocal system service prior to January 1, 2011. Tier I members qualify for retirement benefits at age 62 with five years of service, at age 60 with ten 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 ten 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% of final average salary up to a maximum of 75% with 34 years of service. Disability and death benefits are also provided.

Tier II members qualify for retirement benefits at age 67 with ten years of service, or a discounted annuity can be paid at age 62 with ten 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 II are identical to those of Tier I. Death benefits are payable under a formula that is different from Tier I.

Essentially all Tier I retirees receive an annual 3% 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 II annual increases will be the lesser of 3% of the original benefit or ½% 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 III hybrid retirement plan, but it has not yet gone into effect. The earliest possible implementation date is July 1, 2020. Public Act 100-0587, enacted in 2018, requires TRS to offer two temporary benefit buyout programs that expire on June 30, 2026. 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

NOTES TO FINANCIAL STATEMENTS (Continued)

members to receive a partial lump-sum payment in lieu of a retirement annuity. Both programs began in 2019 and will be 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% 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, 2023 was 9.0% 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 SEDOM. For the year ended June 30, 2023, State of Illinois contributions recognized by SEDOM were based on the State's proportionate share of the collective net pension liability associated with SEDOM, and SEDOM recognized revenue and expenditures of \$258,728 in pension contributions from the State of Illinois.

2.2 Formula Contributions. Districts contribute 0.58% of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2023 were \$2,660

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, 2023, the District pension contribution was 10.49% of salaries paid from federal and special trust funds. For the year ended June 30, 2023, salaries totaling \$0 were paid from federal and special trust funds that required District contributions of \$0.

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% 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, 2023, SEDOM paid \$0 to TRS for employer contributions due on salary increases in excess of 6% and \$0 for sick leave days granted in excess of the normal annual allotment.

B. Illinois Municipal Retirement Fund

Plan Description

SEDOM's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. SEDOM's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public

NOTES TO FINANCIAL STATEMENTS (Continued)

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 Annual Comprehensive Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. That report is available for download at www.imrf.org.

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. 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 ten 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 ten 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

All appointed employees of a participating employer who are employed in a position normally requiring 600 hours (1,000 hours for certain employees hired after 1981) or more of work in a year are required to participate. As of December 31, 2022, the following employees were covered by the benefit terms:

Inactive plan members and beneficiaries currently receiving benefits	254
Inactive plan members entitled to but not yet receiving benefits	226
Active plan members	<u>3</u>
Total	<u>483</u>

Contributions

As set by statute, SEDOM'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. SEDOM's annual contribution rate for calendar year's 2022 and 2023 was 0.77% and 0.88%, respectively. For the fiscal year ended June 30, 2023, SEDOM contributed \$632 to the plan. SEDOM also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level.

NOTES TO FINANCIAL STATEMENTS (Continued)

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.

C. Social Security

Employees not qualifying for coverage under the Teachers' Retirement System of the State of Illinois or the Illinois Municipal Retirement Fund are considered "non-participating employees." These employees and those qualifying for coverage under the Illinois Municipal Retirement Fund are covered under Social Security. SEDOM paid the total required contribution for the current fiscal year.

NOTE 9 - POST EMPLOYMENT BENEFIT COMMITMENTS

Teacher Health Insurance Security Fund (THIS)

General Information About the OPEB Plan

Plan Description

SEDOM 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 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>). Prior reports are available under "Healthcare and Family Services" (<http://www.auditor.illinois.gov/Audit-Reports/HEALTHCARE-FAMILY-SERVICES-Teacher-Health-Ins-Sec-Fund.asp>).

Benefits Provided

The State of Illinois offers comprehensive health plan options, all of which include prescription drug and behavioral health coverage. The State of Illinois offers TCHP, HMO, and OAP plans.

- Teachers' Choice Health Plan (TCHP) benefit recipients can choose any physician or hospital for medical services; however, benefit recipients receive enhanced benefits, resulting in lower out-of-pocket costs, when receiving services from a TCHP in-network provider. TCHP has a nationwide network and includes CVS/Caremark for prescription drug benefits and Magellan Behavioral Health for behavioral health services.
- Health Maintenance Organizations (HMO) benefit recipients are required to stay within the health plan provider network. No out-of-network services are available. Benefit recipients will need to select a primary care physician (PCP) from a network of participating providers. The PCP will direct all healthcare services and make referrals to specialists and hospitalization.
- Open Access Plan (OAP) benefit recipients will have three tiers of providers from which to choose to obtain services. The benefit level is determined by the tier in which the healthcare provider is contracted.
 - Tier I offers a managed care network which provides enhanced benefits and operates like an HMO.

NOTES TO FINANCIAL STATEMENTS (Continued)

- Tier II offers an expanded network of providers and is a hybrid plan operating like an HMO and PPO.
- Tier III covers all providers which are not in the managed care networks of Tiers I or II (i.e., out-of-network providers). Using Tier III can offer benefit recipients flexibility in selecting healthcare providers but involves higher out-of-pocket costs. Furthermore, benefit recipients who use out-of-network providers will be responsible for any amount that is over and above the charges allowed by the plan for services (i.e., allowable charges), which could result in substantial out-of-pocket costs. Benefit recipients enrolled in an OAP can mix and match providers and tiers.

Contributions

For the fiscal year ended June 30, 2023, the State Employees Group Insurance Act of 1971 (5 ILCS 375/6.6) requires that all active contributors of the TRS, who are not employees of a department, make contributions to the plan at a rate of .90% of salary and for every employer of a teacher to contribute an amount equal to .67% of each teacher's salary. For the fiscal year ended June 30, 2022, the employee contribution was 0.90% of salary and the employer contribution was .67% of each teacher's salary. The Department determines, by rule, the percentage required, which each year shall not exceed 105% of the percentage of salary actually required to be paid in the previous fiscal year. In addition, under the State Pension Funds Continuing Appropriations Act (40 ILCS 15/1.3), there is appropriated, on a continuing annual basis, from the General Revenue Fund, an account of the General Fund, to the State Comptroller for deposit in the Teachers' Health Insurance Security Fund (THIS), an amount equal to the amount certified by the Board of Trustees of TRS as the estimated total amount of contributions to be paid under 5 ILCS 376/6.6(a) in that fiscal year. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the employer. Total employer contributions for the fiscal year ended June 30, 2023 were \$2,958.

On-Behalf Contributions to THIS. The State of Illinois makes employer benefit contributions on behalf of SEDOM. For the year ended June 30, 2023, State of Illinois contributions recognized by SEDOM were based on the State's proportionate share of the collective net OPEB liability associated with SEDOM, and SEDOM recognized revenue and expenditures of \$4,224 in benefit contributions from the State of Illinois.

NOTE 10 - RISK MANAGEMENT

SEDOM is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

SEDOM is a member of the Collective Liability Insurance Cooperative (CLIC), a joint risk management pool of school districts through which property, general liability, automobile liability, crime, excess property, excess liability, and boiler and machinery coverage is provided in excess of specified limits for the members, acting as a single insurable unit.

The relationship between SEDOM and CLIC is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. SEDOM is contractually obligated to make all annual and supplementary contributions for CLIC, to report claims on a timely basis, cooperate with CLIC, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by CLIC. Members have a contractual obligation to fund any deficit of CLIC attributable to a membership year during which they were a member.

CLIC is responsible for administering the self-insurance program and purchasing excess insurance according to the direction of the Board of Directors. CLIC also provides its members with risk management services, including the defense of and settlement of claims, and establishes reasonable and necessary loss of reduction and prevention procedures to be followed by the members.

NOTES TO FINANCIAL STATEMENTS (Continued)

During the year ended June 30, 2023, there were no significant reductions in insurance coverage. Also, there have been no settlement amounts that have exceeded insurance coverage. SEDOM is insured under a retrospectively rated policy for worker's compensation coverage. Whereas 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, 2023, there were no significant adjustments in premiums based on actual experience.

NOTE 11 - CONTINGENCIES

SEDOM is not aware of any litigation which might have a material adverse effect on SEDOM's financial position.

NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLE

SEDOM has implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement establishes financial reporting standards related to subscriptions. Implementation of this standard results in recognizing the fair market value of the liability and asset at the commencement of the agreement. There have been no changes to the previously issued audited financial statements that were required on a retrospective basis.

NOTE 13 - SUBSEQUENT EVENTS

The Regional Safe School Program, currently operated by SEDOM under an agreement between SEDOM and the McHenry County Regional Office of Education, is reverting back to being operated by the McHenry County Regional Office of Education as of December 31, 2023. This will significantly reduce revenues and related expenditures incurred under this program.