

School District U-46
Elgin, Illinois
November 2, 2020

The Finance Committee of the Board of Education met at 4:30 p.m. via Zoom and made available to the public in Room 140 of the Educational Services Center, 355 East Chicago Street, Elgin, Illinois, to present and discuss the Fiscal Year 2020 Audit. In attendance were Board members John Devereux, and Melissa Owens. Also in attendance were Board Members Sue Kerr, Eva Porter, and Kate Thommes as well as Tony Sanders, Superintendent, Dale Burnidge, Director of Financial Operations, Robyn Cornelissen, Financial Controller, Dr. Suzanne Johnson, Deputy Superintendent for Instruction, Dr. Jeff King, Deputy Superintendent of Operations/Chief School Business Official, Lisa Jackson, Coordinator for Assessment and Accountability, and Katie Barry, Senior Manager from RSM.

1. Open Meeting and Introduction

Ms. Owens opened the meeting and stated everyone present.

2. Presentation and Discussion of Fiscal Year 2020 Audit

Ms. Barry stated the preliminary fieldwork began the week of July 13, 2020. Ms. Barry stated for the audit, they are looking through payroll records ensuring people are paid at an appropriate rate, were added to the system correctly as well as making sure invoices were properly approved, reviewing Board minutes, performing preliminary analytical procedures in order to build their audit plan in completing a risk assessment. Ms. Barry stated they performed detailed testing, generating several samples that were provided by the District's Finance Department. Ms. Barry proceeded with providing the results of the audit. For both Northern Kane County Regional Career and Technical Education System and School District U-46, there are the budgeted financial statements as well as the report to the Board. Ms. Barry went through the report to the Board to go over the highlights.

Ms. Barry stated for the district's financial statements, RSM issued an unmodified opinion which is the good clean opinion. When it comes to the basic financial statements, Ms. Barry stated there are really two sets of financial statements within the district's statement. There are the governmental activities, which are the ones that include all of the non-current assets such as Capital Assets and all of the non-current liabilities (pension obligations, OPEB (OTHER POST-EMPLOYMENT BENEFITS) obligations, and debt obligations). Ms. Barry stated overall, the governmental activities increased \$80.6 million from the prior year. The reason for the increase is due to the reconciliation on report page 18, which goes through all of the financial statement components. When performing the audit, Ms. Barry stated they look at the risk areas. The risky areas are those that include estimates. When looking at the District's financial statements, Ms. Barry stated estimates are listed when it discusses pension liabilities, which are TRS and IMRF, the OPEB liabilities which is the single plans of the district as well as THIS (Teacher's Health Insurance Security). Ms. Barry stated when it comes to the pensions and the OPEB, it is helpful to know how much of the plans the district is funding. The big one is THIS, which is the state OPEB plan. The overall liability for that plan is \$27.7 billion of which the states funds 57%. The district's proportion of that \$27.7 billion is \$255 million. It increased from about \$12

million from last year but if we compare the OPEB to the TRS the overall TRS has a liability of \$81.1 billion. Ms. Barry stated the difference is that the state funds 98.6% of that. Therefore, when you look at the overall liability on your financial statements it is only \$27.7 million. The state is picking up the majority of the TRS liability whereas the THIS liability is more on the district's shoulder to fund.

Ms. Barry stated one of the other significant estimates that are in the district's financial statements is the district's self-insurance accrual which is tied into the single employer district plan. When that information is reviewed during the audit, Ms. Barry stated they are looking at the reports that the district gets to ensure the year-end liability and accrual that is listed is appropriate.

Ms. Barry stated the last significant estimate in the district's financial statements is the property tax allowance. It is 1.3% of the district's levy. Ms. Barry stated if applied incorrectly, it could lead to a material adjustment to the financial statements. Ms. Barry stated overall, based on all the estimates that are in the financial statements, based on all of our audit procedures, all of them appear reasonable. Ms. Barry stated they did not have any adjustments associated with those estimates.

The next set of statements are the fund financial statements. The fund financial statements consist of the education fund, the operations and maintenance fund, debt service fund, all of the funds that are budgeted for. Ms. Barry stated the general fund had an increase in balance of \$14.8 million to an ending fund balance of \$294.2 million. Ms. Barry stated the debt service fund was pretty consistent with prior years and that all of the other government funds increased by about \$7.4 million from the prior year. The last footnote in the financial statements is the upcoming standards that are to be implemented in the future. Ms. Barry stated due to COVID, GASB (Government Accounting Standards Board) delayed the implementation of a number of the outstanding pronouncements. The standard that was supposed to be effective for this year GASB 84 (fiduciary activities) was delayed one more year. Ms. Barry stated the district is now budgeting for the student activity accounts because those are now placed within the education fund rather than a separate standalone account. Ms. Barry stated the other standards that will impact the district in the future is the Lease standard, which is GASB 87. Ms. Barry stated it will not be effective for a couple more years, but it is one that could impact the district's financial statements when the right-to-use assets are captured.

Ms. Barry went on to discuss the audit for Northern Kane County Regional Career and Technical Education System. This will be the last year U-46 will have an audit for Northern Kane before District 301 becomes its administrator. Ms. Barry stated this audit is on a cash basis of accounting. It will not have the non-current assets and long-term obligations as the district's audit does. Ms. Barry stated an unmodified opinion was issued on the financial statements. Northern Kane County Regional Career and Technical Education System did not have a single audit this year as they did not spend more than \$750,000.00 in federal awards.

Ms. Barry stated the Board Report for Northern Kane County Regional Career and Technical Education System is very similar to that of the District's in that there were no disagreements with management and no significant issues that were discussed.

In response to Ms. Kerr, Mr. Burnidge stated the Chromebooks are not depreciated due to the low cost per device.

In response to Ms. Kerr, Ms. Barry stated the pensions are factoring in all of the active employees as well as all of the employees that have retired. In response to Ms. Kerr, Ms. Barry stated the discount rates have been consistent over the last few years and further stated the discount rates for both 2020 and 2019 was 7.25%. Ms. Barry stated the highest discount rate percentage was in 2017 and 2018, which was 7.5%.

3. Public Participation

There were no public comments.

4. Adjournment

Ms. Owens adjourned the meeting.

Approved this 14th day of December 2020.

Susan E Kerr
President

Myrae D. Rodger
Secretary