

School District U-46
Elgin, Illinois
November 4, 2019

The Finance Committee of the Board of Education met at 5:33 p.m. in Room 140 of the Educational Services Center, 355 East Chicago Street, Elgin, Illinois, to present and discuss the Fiscal Year 2019 Audit were Board members John Devereux and Melissa Owens. Also in attendance were Board Members Sue Kerr and Eva Porter as well as Tony Sanders, Chief Executive Officer, John George, Partner RSM US LLP., Katie Barry, Senior Manager RSM US LLP., Steve Burger, Assistant Superintendent for Elementary Schools Instruction and Equity, Dale Burnidge, Director of Financial Operations, Dr. Josh Carpenter, Assistant Superintendent for Teaching and Learning, Robyn Cornelissen, Financial Controller, Dr. Suzanne Johnson, Deputy Superintendent for Instruction, Dr. Jeff King, Deputy Superintendent of Operations/Chief School Business Official, Lela Majstorovic, Assistant Superintendent for Secondary Schools Instruction and Equity, and Dr. Ushma Shah, Assistant Superintendent for Elementary Schools Instruction and Equity.

1. Open Meeting and Introduction

Ms. Owens opened the meeting and everyone present stated their name and title.

2. Presentation and Discussion of the Fiscal Year 2019 Audit

Mr. George stated his team starts the audit with management in the planning phase to ensure they have the timeline correct. They complete a risk assessment to understand where the different transactions have happened and the areas that are going to be focused on. Mr. George stated they operate on a risk based audit approach wherein they focus their time on areas showing most risk.

Ms. Barry spoke specifically about the type of work that is done. Ms. Barry stated they look to see what has changed over the year and do walkthroughs of the summaries to make sure the controls are operating as they should be. Ms. Barry stated they pull a lot of invoices from bank statements and specific payroll requests. Ms. Barry stated when the financial statements are looked at a lot of the large numbers are associated with the pensions and the OPEB (Other Post-Employment Benefits) plans which are mostly derived from actuarial evaluations. Ms. Barry stated they test the underlying census data for completeness and accuracy. Ms. Barry stated there are two plans that the district has; there is a statewide plan Teacher's Health Insurance Security (THIS) which is the most significant liability outside of the general obligation bonds and there is the district plan which pertains to benefits that are available to employees after they retire.

Ms. Barry went on to discuss the single audit which is associated with federal dollars that the district receives. Ms. Barry stated the district is required to have an audit under the Uniform Guidance as it spends more than \$750,000.00 a year. The district's federal expenditures are in excess of \$30 million. Ms. Barry stated three programs were tested this year specifically the Child Nutrition Cluster, the Preschool Expansion Grant, and Medicaid. Ms. Barry stated samples are being pulled specifically for each one of those programs and testing them according to the compliance supplement. Mr. George stated the coverage based on the risk assessment was 43% of the total federal expenditures. Mr. George stated

the programs that are tested cover 43% by making selections within the three programs and the dollars spent within those three programs make up the 43% of the total federal awards.

Ms. Barry went on to explain the Comprehensive Annual Financial Report. Ms. Barry stated the district submits the Comprehensive Annual Financial Report to receive the Certificate of Excellence with the Association of School Business Officials.

Ms. Barry stated RSM issues the Financial Statement Opinion which is listed on pages one and two of the Financial Report. Ms. Barry discussed the Statement of Net Position and the Statement of Activities for year ended June 30, 2019 (listed on pages 12 and 13 of the Financial Statement) which includes the Capital Assets of the district (non-current assets that are not reflected on the monthly information), long term debt obligations (general obligation bonds, post-employment liability benefits, and pension liabilities) that are reflected on the statements. This year there was an increase of \$67.3 million from last year. Overall, the ending net position for the district on the government-wide financial statement basis is a positive \$47.2 million.

Ms. Barry stated the general funds include education fund, the operations and maintenance fund, the working cash fund, transportation fund, debt service fund, and the other non-major governmental funds which are comprised of IMRF and the capital projects fund. If we were to focus on the general fund since that is the main operating account of the district, there is an increase in the fund balance of \$26.7 million so in total the general fund ending fund balance is \$279.4 million. These statements do not include the capital assets or the long term debt or any of the pension or OPEB liabilities that were discussed previously.

Ms. Barry stated in working with ISBE the student activity funds are now going to be a part of the Education Fund. In next year's financial statements, the \$3.4 million the district is currently reflecting in its Student Activity Fund will be moved into the Education Fund. In response to Ms. Kerr, Mr. Burnidge stated the district will not have these accounts in the monthly statements and will only have effects on the reporting aspect.

Ms. Barry went over the dollars as it pertained to the pension and OPEB liabilities as those are significant estimates included in the financial statements. Ms. Barry stated the pension liability for IMRF is \$59 million, the pension liability for TRS decreased to \$23.6 million, the OPEB liability for the district's plan was \$25.7 million and the total OPEB liability for THIS was \$243 million. Ms. Barry stated TRS decreased \$42.9 million from last year due to the fact the state has a larger proportionate share. In total, the TRS pension liability for fiscal year 2019 was \$77.9 billion. The state's proportionate share was \$98.56 million. Ms. Barry stated the state's proportionate share increased from last year which is why the district's liability decreased.

Ms. Barry stated THIS is a bit different as the total liability for THIS was \$26.3 billion. Mr. Barry stated the difference is due to the state's proportionate share being only 57%. The state is not picking up as much for THIS or OPEB as they are for the pension, leaving the district with a higher percentage to pay as compared to the pensions.

In response to Ms. Kerr, Mr. George stated the fluctuation is caused by the percentage on the federal program salaries for TRS dropping from 38% to about 10% and the exclusion of that not being factored into the contributions that the district has.

In response to Mr. Devereux, Mr. George stated it is the district's pension portion of the funded shortfall that is showing up as it is a net pension liability and an unfunded liability. Ms. Barry stated with TRS there is an allocation because it is a cost sharing plan where the district's proportionate share is all based on the percentage that is being paid into that plan. Ms. Barry stated with IMRF it is a single employer plan making it different as that valuation is specific to the district.


3. Public Participation

There were no public comments.

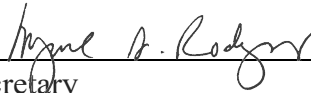
4. Adjournment

Mr. Devereux adjourned the meeting.

Approved this 16th day of December, 2019



President



Secretary