

School District U-46
Elgin, Illinois
December 13, 2021

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 2021 Audit, Tax Levy and Abatement Review, and Bond Refunding. In attendance were Board members John Devereux, Sue Kerr, and Eva Porter as well as John George, Partner with RSM, Sarah Darnall, Audit Manager with RSM, Bob Lewis Senior Vice President, Managing Director with PMA Securities, LLC., Tony Sanders, Superintendent, Brian Lindholm, Chief of Staff, Suzanne Johnson, Deputy Superintendent of Instruction, Dale Burnidge, Director of Financial Operations, and Karla Jimenez, Director of School and Community Relations.

1. Open Meeting and Introduction

Mr. Devereux opened the meeting and stated everyone present.

Members of the Elgin Teachers Association Bargaining Team (ETA) joined the meeting at 4:33 p.m. along with Suzanne Johnson, Deputy Superintendent of Instruction.

2. Presentation and Discussion of the 2021 Audit

Mr. George stated the audit process began in July and rolled into preliminary fieldwork encompassing what transpired through the year in significant payment cycles, payroll, disbursements, and receipts. RSM performs tests and controls to ensure they are functioning as defined. In addition to the transaction cycle, RSM also plans an assessment of risk areas to focus on. Mr. George stated they obtain trial balances from management in order to perform tests on account balances to make sure the balances are adequately supported.

Ms. Darnall discussed the financial overview and single audit overview and stated RSM gave the district a clean audit opinion. Ms. Darnall discussed the liabilities of the district significantly decreased due to, in part, the IMRF liability to the district going down from a liability of \$30 million last year to a net pension asset of \$1.5 million this year mainly due to investment returns. Ms. Darnall stated the general operating fund of the district is very strong. Revenues have remained flat. Mr. George stated there were very strong financial results for fiscal year 2021 as the district continued to pay down on the bonds. Ms. Darnall stated there were no big variations from the prior year. Mr. George stated as the district pays off debt, the district's net position would improve. Ms. Darnall stated there are four components regarding pension liability, which are IMRF, TRS, and then there are two Other Post-Employment Benefits (OPEB) components – Teachers' Health Insurance Security (THIS) and the other is the district's plan. IMRF is the only one that significantly changed from last year due to the investment results. The others stayed relatively flat. Mr. George stated with all pension liabilities there is a significant number of assumptions involved, but a primary component is the investment returns which has a significant impact on both the net pension liability as a result total pension liability plus the assets equals the net pension liability. Mr. George stated there are four components from a pension liability, which are IMRF, TRS, and two OPEB components (T.H.I.S. and the district's plan).

Ms. Darnall discussed the single audit report and stated there are two major programs this year - Title I and the CARES Act funds. Ms. Darnall stated these two programs were deemed as major programs and in our testing did not indicate any deficiencies. There was a clean report on the single audit which is testing those expenditures. Mr. Burnidge stated with the amount of ESSER funds the district is receiving, he anticipates it will be one of programs that will be selected for the next two to three years due to the large amount of federal funds. The standards require that we test a certain percentage of those dollars. Mr. George stated they pick programs that are high risk or if there have been issues with those programs in prior years.

Mr. George stated the audit resulted in no unusual transactions, no difficulties, no disagreements, and no audit adjustments. Mr. George stated RSM also reports significant estimates and discussed what management's process was for those estimates and whether there were any issues. RSM reviewed the self-insurance accrual, the OPEB liability, and net pension liabilities. Mr. George stated there were no issues found with any significant estimates.

3. Tax Levy and Abatement Review

Mr. Burnidge discussed what next year's levy may look like due to the high CPI, inflation rate, and whether or not to continue with the abatement. Mr. Burnidge reviewed in detail the historical property tax revenue by levy year reflecting the total tax extension, total debt payments, total abatement, and total net tax revenue showing the percentage increase each year from 2014 to 2022. Mr. Burnidge discussed the net revenue from 2014 to 2021 and stated the net revenue has grown about 10 percent from \$300 to \$330 million. A 10% increase over seven years is about an annual average of 1.4%. For levy year 2021, Mr. Burnidge stated the estimated tax extension is \$297,920,525.00 and the district is planning on continuing the \$9.6 million abatement with a resolution coming forward to the Board in January. Looking at 2022 levy, Mr. Burnidge stated inflation is continuing to rise and is up to 6.8% as of November indicating the levy will be kept at 5% next year. Mr. Burnidge stated starting with the 2022 levy, the district's debt payments will drop due to paying off the Bond issues. Mr. Burnidge recommends stopping the abatement in levy year 2022 as the district would have paid off a significant amount of debt and the net would still result in a reduction in taxes.

Mr. Burnidge reviewed a property tax relief grant as another option. Mr. Burnidge stated the state would calculate the maximum possible abatement. Districts would be ranked by Adjusted Operating Tax Rate divided by Average Operating Tax Rate by Organization type (elementary, high school, or unit district). For fiscal year 2022, Mr. Burnidge stated there is \$49.7 million available and advised the district is ranked 87th for the order of funding which would make \$39.2 million the district's maximum possible grant; however, the districts above U-46 are eligible for \$166 million if they apply which would not allow the district any of the grant monies available.

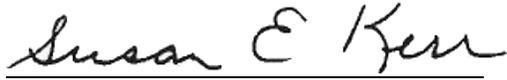
4. Bond Refunding Discussion

Mr. Lewis, III gave a summary of the 2021 Bonds and stated the average costs of issuance reduced by 30 percent resulting in a \$1.8 million of debt service savings. Mr. Lewis, III stated the savings reduces bond levy which goes to the benefit of the tax payers and not the district.

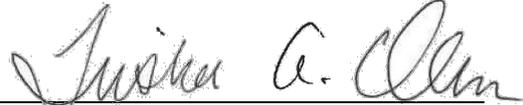
5. Public Participation
There were no public comments.

6. Adjournment
Mr. Devereux adjourned the meeting.

Approved this 7th day of February 2022.



President



Secretary