

School District U-46

Reports Required by the Uniform Guidance and
Government Auditing Standards

Year Ended June 30, 2018

Contents

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 <i>Government Auditing Standards</i>	1-2
Independent auditor's report on compliance for each major federal program; report on internal control over compliance and report on schedule of expenditures of federal awards required by the Uniform Guidance	3-4
Schedule of expenditures of federal awards	5-6
Notes to schedule of expenditures of federal awards	7
Schedule of findings and questioned costs	8-10
Summary schedule of prior audit findings	11
Corrective action plan	12



RSM US LLP

**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**

Members of the Board of Education
School District U-46
Elgin, 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 of America, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District U-46 (the District) as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 14, 2019. Our report contains an emphasis of matter paragraph for the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified in respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 the District'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 District's basic 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 determination of financial statement amounts. 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Chicago, Illinois
January 14, 2019

**Independent Auditor's Report on Compliance for Each
Major Federal Program; Report on Internal Control Over Compliance
and Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Members of the Board of Education
School District U-46
Elgin, Illinois

Report on Compliance for Each Major Federal Program

We have audited School District U-46's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the basic financial statements of the District, as of and for the year ended June 30, 2018, and have issued our report thereon dated January 14, 2019, which contained an emphasis of matter paragraph for the implementation of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified in respect to this matter. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

RSM US LLP

Chicago, Illinois
January 14, 2019

**School District U-46
Schedule of Expenditures of Federal Awards
As of June 30, 2018**

Federal Agency/ Pass-through Grantor/ Program or Cluster Name	CFDA Number	ISBE Project No./ Contract/Award No.	Total Federal Expenditures
U.S. Department of Education:			
Passed through Illinois State Board of Education:			
Title I Grants to Local Education Agencies:			
Title I : Low Income	84.010A	18-4300-00 17-4300-00	\$ 10,600,685 210,114 <hr/> 10,810,799
Title I: Other - IL Empower Grant	84.010A	18-4399-00	4,347
Total Title I Grants to Local Education Agencies			10,815,146
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Twenty-First Century Community Learning Centers:			
Title IV - 21st Century Community Learning Centers	84.287C	18-4421-15 17-4421-15	476,136 52,315 <hr/> 528,451
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Special Education Cluster (IDEA)			
Special Education - Preschool Grants:			
Pre-School Flow Through	84.173A	18-4600-00	158,235
Special Education - Grants to States:			
IDEA Flow Through	84.027A	18-4620-00	7,769,177
Special Education - Grants to States:			
IDEA Room & Board	84.027A	18-4625-00 17-4625-00	156,340 94,976 <hr/> 251,316
Total Special Education Cluster (IDEA)			8,178,728
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English Language Acquisition Grants:			
Title III : Immigrant Education Program (IEP)	84.365A	18-4905-00	34,833
Title III : Language Instruction Program - Limited English	84.365A	18-4909-00 17-4909-00	967,067 105,624 <hr/> 1,072,691
Total Title III : English Language Acquisition Grants			1,107,524
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Supporting Effective Instruction State Grants:			
Title II : Teacher Quality	84.367A	18-4932-00 17-4932-00	1,396,182 117,222 <hr/> 1,513,404
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Preschool Development Grants:			
Preschool Expansion Grant	84.419B	18-4902-00 17-4902-00	281,570 34,475 <hr/> 316,045
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Passed through Illinois Department of Human Services			
Rehabilitation Services - Vocational Rehabilitation Grants to States: Rehabilitation Services	84.126	H126A250018	214,415
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Passed through Northern Kane County Regional Career and Technical Education System:			
Career and Technical Education - Basic Grants to States: Perkins Secondary	84.048A	18-4745-00	380,709
Total U.S. Department of Education			23,054,422

School District U-46
Schedule of Expenditures of Federal Awards (Continued)
As of June 30, 2018

Federal Agency/ Pass-through Grantor/ Program or Cluster Name	CFDA Number	ISBE Project No./ Contract/Award No.	Total Federal Expenditures
U.S. Department of Agriculture: Passed through Illinois State Board of Education:			
Non-Cash USDA Foods	10.555	31045046022A1	\$ 782,701
Department of Defense Fruits and Vegetables	10.555	31045046022A1	459,068
National School Lunch Program	10.555	18-4210-00 17-4210-00	8,025,032 <u>1,749,307</u> 9,774,339
School Breakfast Program	10.553	18-4220-00 17-4220-00	1,770,218 <u>329,639</u> 2,099,857
Total Child Nutrition Cluster			13,115,965
Total U.S. Department of Agriculture			13,115,965
U.S. Department of Health and Human Services: Passed through Illinois Department of Healthcare and Family Services			
Medical Assistance Program	93.778	N/A	1,048,778
Total U.S. Department of Health and Human Services			1,048,778
Total Federal Awards			<u>\$ 37,219,165</u>

CFDA Catalog of Federal Domestic Assistance
See Notes to Schedule of Expenditures of Federal Awards

School District U-46

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2018

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of School District U-46 (the District) under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or fund balance of the District.

Note 2. Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. There were no federal awards expended for insurance at year-end. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

There were no loan programs or amounts passed through to subrecipients for the year ended June 30, 2018. For the year ended June 30, 2018, the District received \$1,241,769 of noncash assistance in the form of food commodities that is included under the Department of Agriculture passed through the Illinois State Board of Education (CFDA #10.555).

Note 3. Indirect Cost Rate

The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4. Catalog of Federal Domestic Assistance (CFDA) Totals

Total federal expenditures for CFDA Numbers with multiple ISBE project numbers are as follows:

CFDA Number	2018
84.010A	\$ 10,815,146
84.027	8,020,493
10.365A	1,107,524
10.555	11,016,108

School District U-46

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes No

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010A	Title I Grants to Local Education Agencies
84.010A	Title I: Low Income
84.010A	Title I: Other – IL Empower Grant
84.173A	Special Education (IDEA) Cluster:
84.027A	Special Education – Preschool Grants: Preschool Flow Through
84.027A	Special Education – Grants to States: IDEA Flow Through
84.027A	Special Education – Grants to States: IDEA Room and Board
84.367A	Supporting Effective Instruction State Grants:
84.367A	Title II: Teacher Quality

Dollar threshold used to distinguish between type A and type B programs: \$1,116,575

Auditee qualified as low-risk auditee? Yes No

School District U-46

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2018**

II. Financial Statement Findings

(A) Internal Control
No matters were reported

(B) Compliance Findings
No matters were reported.

III. Federal Award Findings

(A) Internal Control
No matters were reported.

(B) Compliance Findings

Finding 2018-001: Improper Removal of Student from Cohort Data

Federal Program:

Title I Grants to Local Education Agencies awarded by the Department of Education under CFDA number 84.010A. Passed through the Illinois State Board of Education under award numbers 18-4300-00, 17-4300-00, and 18-4399-00.

Criteria:

Per the Elementary and Secondary Education Act of 1965 (2015), to remove a student from a cohort for the reason of the student's transfer to another school, the District must obtain confirmation from the receiving school that the student enrolled.

Condition:

The District removed a student from its enrollment data (cohort groups) without receiving confirmation of the student's enrollment from the receiving school.

Cause:

District staff was unaware of the requirement to have a receiving school confirm a student's enrollment.

Potential Effect:

Removing students from cohort groups without the proper documentation could call into question the accuracy of the District's graduation rates.

Questioned Cost:

None

Context:

132 students were removed from the District's high school enrollment records during fiscal year 2018. 14 samples were selected for testing with one exception.

School District U-46

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2018**

III. Federal Award Findings (Continued)

Recommendation:

We recommend the District establish a process to ensure confirmation is obtained from the receiving school prior to removing a student from its enrollment records due to the student's transfer.

District's Response:

The District will establish a procedure to assure that all schools receive confirmation prior to removing the student from our enrollment records. This procedure will be disseminated to all school secretaries, treasurers, and counselors through email and regular professional development meetings.

Summary Schedule of Prior Audit Findings



Tony Sanders, Chief Executive Officer

School District U-46
Educational Services Center
355 E. Chicago Street, Elgin, IL 60120-6543
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Fax: 847.608.4173

U-46.org

School District U-46

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2018

I. Financial Statement Findings

(A) Internal Control

Finding 2017-001: Unrecorded Liability

Audit Finding: An unrecorded liability related to Illinois Municipal Retirement Fund (IMRF) employer contributions on pay earned in June 2016 and paid in July 2016 was not recorded.

Corrective Action Taken: Management reviewed the IMRF liability at year-end to ensure it was properly recorded.

(B) Compliance Findings

No matters were reported.

II. Federal Award Findings

(A) Internal Control

No matters were reported.

(B) Compliance Findings

No matters were reported.



Tony Sanders, Chief Executive Officer

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School District U-46

Corrective Action Plan Year Ended June 30, 2018

Finding 2018-001: Improper Removal of Student from Cohort Data

Federal Program:

Title I Grants to Local Education Agencies awarded by the Department of Education under CFDA number 84.010A. Passed through the Illinois State Board of Education under award numbers 18-4300-00, 17-4300-00, and 18-4399-00.

Questioned Cost:

None

Finding:

The District removed a student from its enrollment data (cohort groups) without receiving confirmation of the student's enrollment from the receiving school.

Corrective Action Planned:

A procedure has been written to identify the forms and requirements necessary when a student drops or transfers out of the District. This procedure was distributed to the Registrar's at their most recent registrar's meeting held on October 26, 2018 and will be provided at the next counselor's meeting being held on January 24, 2019. Registrars and counselors have regular meetings throughout the school year whereas secretaries have an annual meeting at the beginning of the school year. The procedure was emailed to all secretaries on December 21, 2018.

Contact Person Responsible for Corrective Action:

Anna Pasternak, Supervisor of District Records.

Anticipated Completion Date:

January 24, 2019.