

SCHOOL DISTRICT U-46 ELGIN, ILLINOIS

REPORTS REQUIRED BY OMB CIRCULAR A-133 AND
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2015

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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*

To the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District U-46 ("District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 12, 2015.

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 the 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 entity'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 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Chicago, Illinois
November 12, 2015

**Independent Auditor's Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on the Schedule of
Expenditures of Federal Awards Required by OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the School District U-46's ("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, 2015. 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 requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibilities

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 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 of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, School District U-46 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, 2015.

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 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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 12, 2015 which contained unmodified opinions on those financial statements. 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 for the year ended June 30, 2015 is presented for purposes of additional analysis as required by OMB Circular A-133 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 basic financial statements. The 2015 information has been subjected to the auditing procedures applied in the audits of the basic financial statements for the year ended June 30, 2015, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2015 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2015.

We also previously audited, in accordance with auditing standards generally accepted in the United States, the District's basic financial statements as of and for the year ended June 30, 2014 (not presented herein), and have issued our report thereon dated December 15, 2014, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. The schedule of expenditures of federal awards for the year ended June 30, 2014 is presented for purposes of additional analysis 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 2014 financial statements. The 2014 information has been subjected to the auditing procedures applied in the audit of the 2014 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2014 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2014.

RSM US LLP

Chicago, Illinois
November 12, 2015

ILLINOIS STATE BOARD OF EDUCATION
 100 NORTH FIRST STREET
 SPRINGFIELD, ILLINOIS 62777-0001

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR Ended JUNE 30, 2015

(attachment of ISBE 62-18)

County _____
 District/Joint Agreement Name _____
 School District U46 _____
 District/Joint Agreement No. _____
 U46 _____

Federal Agency/ Pass-through Grantor/ Program Name	CFDA Number (A)	ISBE Project No./ Contract No./ Award No. (B)	Revenues		Expenditures		Obligations/ Encumbrances (G)	Final Status (H)	Budget (I)
			7/1/13- 6/30/14 (C)	7/1/14- 6/30/15 (D)	7/1/13- 6/30/14 (E)	7/1/14- 6/30/15 (F)			
U.S. Department of Education: Passed through Illinois State Board of Education:									
Title I Part A Cluster									
Title I Grants to Local Education Agencies: Title I : Low Income	84.010A	15-4300-00	\$ -	\$ 7,521,110	\$ -	\$ 7,896,052	\$ -	\$ 7,896,052	\$ 11,562,209
		14-4300-00	8,522,849	520,877	8,522,849	520,877	-	9,043,726	10,375,697
		13-4300-00	208,789	-	208,789	-	-	9,522,277	9,522,277
			8,731,638	8,041,987	8,731,638	8,416,929	-	26,462,055	31,460,183
Title I Grants to Local Education Agencies: Title I : Low Income - Neglected Priv.	84.010A	14-4305-00	7,944	-	7,944	-	-	7,944	47,818
Total Title I Part A Cluster			8,739,582	8,041,987	8,739,582	8,416,929	-	26,469,999	31,508,001
Twenty-First Century Community Learning Centers: Title IV - 21st Century Community Learning Centers	84.287C	15-4421-15	-	216,920	-	297,680	-	297,680	540,000
		14-4421-12	596,054	155,109	596,054	155,109	-	751,163	832,281
		14-4421-10	170,160	79,840	170,160	79,840	-	250,000	250,000
		13-4421-12	63,307	-	63,307	-	-	687,250	804,281
		13-4421-10	20,891	-	20,891	-	-	249,636	269,475
			850,412	451,869	850,412	532,629	-	2,235,729	2,696,037

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ILLINOIS STATE BOARD OF EDUCATION
 100 NORTH FIRST STREET
 SPRINGFIELD, ILLINOIS 62777-0001

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, (CONTINUED)
 YEAR Ended JUNE 30, 2015

(attachment of ISBE 62-18)

County
 District/Joint Agreement Name
 School District U46
 District/Joint Agreement No.
 U46

Federal Agency/ Pass-through Grantor/ Program Name	CFDA Number (A)	ISBE Project No./ Contract No./ Award No. (B)	Revenues		Expenditures		Obligations/ Encumbrances (G)	Final Status (H)	Budget (I)
			7/1/13- 6/30/14 (C)	7/1/14- 6/30/15 (D)	7/1/13- 6/30/14 (E)	7/1/14- 6/30/15 (F)			
Special Education Cluster (IDEA)									
Special Education - Preschool Grants: Pre-School Flow Through	84.173A	15-4600-00 14-4600-00	- 152,633	149,349 -	- 152,633	149,349 -	- -	149,349 152,633	207,958 193,771
			152,633	149,349	152,633	149,349	-	301,982	401,729
Special Education - Grants to States: IDEA Flow Through	84.027A	15-4620-00 14-4620-00 13-4620-00	- 7,357,065 15,734	7,749,699 29,114 -	- 7,357,065 15,734	7,940,568 29,114 -	- -	7,940,568 7,386,179 7,674,118	8,892,070 8,758,306 8,459,057
			7,372,799	7,778,813	7,372,799	7,969,682	-	23,000,865	26,109,433
Special Education - Grants to States: IDEA Room & Board	84.027A	15-4625-00 14-4625-00 13-4625-00	- 219,971 73,352	273,201 183,300 -	- 219,971 73,352	303,383 183,300 -	- -	303,383 403,271 314,384	N/A N/A N/A
			293,323	456,501	293,323	486,683	-	1,021,038	N/A
Total Special Education Cluster (IDEA)			7,818,755	8,384,663	7,818,755	8,605,714	-	24,323,885	26,511,162
English Language Acquisition Grants: Title III : Immigrant Education Program	84.365A	15-4905-00	-	25,604	-	25,604	-	25,604	25,604
Title III : Language Instruction Program - Limited English	84.365A	15-4909-00 14-4909-00 13-4909-00	- 956,688 94,001	1,142,332 226,259 -	- 956,688 94,001	1,159,179 226,259 -	- -	1,159,179 1,182,947 1,223,739	1,280,844 1,323,747 1,408,386
			1,050,689	1,368,591	1,050,689	1,385,438	-	3,565,865	4,012,977
Total Title III: English Language Acquisition Grants			1,050,689	1,394,195	1,050,689	1,411,042	-	3,591,469	4,038,581
Improving Teacher Quality State Grants: Title II : Teacher Quality	84.367A	15-4932-00 14-4932-00 13-4932-00	- 1,024,638 188,221	724,412 17,308 -	- 1,024,638 188,221	843,256 17,308 -	- -	843,256 1,041,946 784,371	1,678,911 1,828,783 1,706,127
			1,212,859	741,720	1,212,859	860,564	-	2,669,573	5,213,821

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ILLINOIS STATE BOARD OF EDUCATION
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 SPRINGFIELD, ILLINOIS 62777-0001

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, (CONTINUED)
 YEAR Ended JUNE 30, 2015

(attachment of ISBE 62-18)

County _____
 District/Joint Agreement Name _____
 School District U46 _____
 District/Joint Agreement No. _____
 U46 _____

Federal Agency/ Pass-through Grantor/ Program Name	CFDA Number (A)	ISBE Project No./ Contract/Award No. (B)	Revenues		Expenditures		Obligations/ Encumbrances (G)	Final Status (H)	Budget (I)	
			7/1/13- 6/30/14 (C)	7/1/14- 6/30/15 (D)	7/1/13- 6/30/14 (E)	7/1/14- 6/30/15 (F)				
Passed through Illinois Department of Human Services										
Rehabilitation Services - Vocational Rehabilitation Grants to States:										
Rehabilitation Services	84.126	H126A250018	-	113,582	-	113,582	-	113,582	N/A	
		H126A250018	101,774	-	101,774	-	-	101,774	N/A	
			101,774	113,582	101,774	113,582	-	215,356	N/A	
Passed through Northern Kane County Regional Career and Technical Education System:										
Career and Technical Education - Basic Grants to States:										
Perkins IIC Grant	84.048A	15-4745-00	-	358,537	-	358,537	-	358,537	386,851	
		14-4745-00	341,459	-	341,459	281	-	341,740	369,694	
		13-4745-00	51,762	-	51,979	-	-	460,415	460,415	
			393,221	358,537	393,438	358,818	-	1,160,692	1,216,960	
Passed through University of Illinois at Chicago										
Project Ready	84.305F	R305F100007	-	2,162	-	2,162	-	2,162	7,038	
Total U.S. Department of Education			20,167,292	19,488,715	20,167,509	20,301,440	-	60,668,865	-	71,191,600
U.S. Department of Agriculture:										
Passed through Illinois State Board of Education:										
Non-Cash USDA Foods	10.555	31045046022A1	-	944,336	-	944,336	-	944,336	N/A	
		31045046022	995,884	-	995,884	-	-	995,884	N/A	
			995,884	944,336	995,884	944,336	-	1,940,220	N/A	
Department of Defense Fruits and Vegetables	10.555	31045046022A1	-	129,089	-	129,089	-	129,089	N/A	
National School Lunch Program	10.555	15-4210-00	-	7,856,867	-	7,856,867	-	7,856,867	N/A	
		14-4210-00	7,841,310	1,631,076	7,841,310	1,631,076	-	9,472,386	N/A	
		13-4210-00	1,584,814	-	1,584,814	-	-	9,215,032	N/A	
			9,426,124	9,487,943	9,426,124	9,487,943	-	26,544,285	N/A	
School Breakfast Program	10.553	15-4220-00	-	1,996,074	-	1,996,074	-	1,996,074	N/A	
		14-4220-00	2,497,428	328,541	2,497,428	328,541	-	2,825,969	N/A	
		13-4220-00	458,111	-	458,111	-	-	2,808,753	N/A	
			2,955,539	2,324,615	2,955,539	2,324,615	-	7,630,796	N/A	
Total Child Nutrition Cluster			13,377,547	12,885,983	13,377,547	12,885,983	-	36,244,390	N/A	
Total U.S. Department of Agriculture			13,377,547	12,885,983	13,377,547	12,885,983	-	36,244,390	N/A	

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ILLINOIS STATE BOARD OF EDUCATION
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, (CONTINUED)
 YEAR Ended JUNE 30, 2015

(attachment of ISBE 62-18)

County
 District/Joint Agreement Name
 School District U46
 District/Joint Agreement No.
 U46

Federal Agency/ Pass-through Grantor/ Program Name	CFDA Number (A)	ISBE Project No./ Contract No./ Award No. (B)	Revenues		Expenditures		Obligations/ Encumbrances (G)	Final Status (H)	Budget (I)
			7/1/13- 6/30/14 (C)	7/1/14- 6/30/15 (D)	7/1/13- 6/30/14 (E)	7/1/14- 6/30/15 (F)			
U.S. Department of Justice:									
Passed through City of Elgin:									
COPS Office	16.710	2010CKWX0728	-	82,500	-	82,500	-	82,500	165,000
		2010CKWX0728	118,384	-	118,384	-	-	118,384	229,150
			118,384	82,500	118,384	82,500	-	200,884	394,150
Total U.S. Department of Justice			118,384	82,500	118,384	82,500	-	200,884	394,150
U.S. Department of Health and Human Services:									
Passed through Illinois Department of Healthcare and Family Services									
Passed through Northwestern Illinois Association:									
Medical Assistance Program	93.778	N/A	734,447	1,127,230	734,447	986,035	-	N/A	N/A
Passed through Illinois Department of Human Services									
Affordable Care Act Maternal, Infant and Early Childhood									
Home Visiting Program									
	93.505	011GQ02069	-	165,316	-	165,316	-	181,074	181,298
		011GQ02069	166,198	-	181,074	-	-	181,074	181,298
			166,198	165,316	181,074	165,316	-	362,149	N/A
Passed through MDRC									
Maternal, Infant and Early Childhood Home									
Visiting Research Programs									
	93.615	SAC0000018	-	7,000	-	19,901	-	21,049	30,000
Total U.S. Department of Health and Human Services			900,645	1,299,546	915,521	1,171,252	-	383,198	30,000
Total Federal Awards			\$ 34,563,868	\$ 33,756,744	\$ 34,578,961	\$ 34,441,175	\$ -	\$ 97,497,337	\$ 71,615,750

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

Note 1. Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of School District U-46 and is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of financial statements.

No funds were identified as having been provided to subrecipients by the District under the meaning of Sections 105 and 210 of OMB Circular A-133, and accordingly, no funds identified in the Schedule of Expenditures of Federal Awards are attributable to subrecipient entities as required under Section 310(b) of OMB Circular A-133. There were no federal awards expended for insurance or any loans or loan guarantees outstanding at year-end. For the year ended June 30, 2015, the District did receive \$944,336 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). For the year ended June 30, 2015, the District did receive \$995,884 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).

Basis of accounting: The schedule has been prepared using the modified accrual basis of accounting which is the same basis used in preparing the basic financial statements of the District.

Note 2. CFDA Totals

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

CFDA Number	2014	2015
84.027	\$ 7,666,122	\$ 8,456,365
10.555	10,422,008	10,561,368

School District U-46

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2015**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None Reported

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 None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

84.010A

Title I Grants to Local Education Agencies

93.778

Medical Assistance Program

Dollar threshold used to distinguish between type A and type B programs

\$1,033,235

Auditee qualified as low-risk auditee? Yes No

School District U-46

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2015**

II. FINANCIAL STATEMENT FINDINGS

There were no financial statement findings required to be reported in accordance with generally accepted government auditing standards.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings or questioned costs for federal awards.

School District U-46

Summary Schedule of Prior Audit Findings Year Ended June 30, 2015

I. FINANCIAL STATEMENT FINDINGS

Finding 2014-001: Unrecorded Liabilities

Condition and Context: The District does not have adequate controls in place to ensure that liabilities relating to accounts payable, claims payments, and legal expenditures are recorded in the proper period. During our testing we noted that 4 invoices totaling approximately \$250,000 relating to goods delivered prior to the year-end but not recorded as payables as of June 30, 2014. In addition, claims payable and accrued legal expenditures were approximately understated by \$400,000 each. Though the checks and in some cases invoices were not written or received until after year end, the expenses should have been accounted for in the period when the related services were performed.

Current status: Based on current year audit procedures, this finding has been fully corrected and as such is not included in this report as a finding for the year ended June 30, 2015.

Finding 2014-002: Other Post-Employment Benefits Data Provided to the Actuary

Condition and Context: The District does not have adequate controls in place to ensure that employee benefit information is properly tracked, maintained, and updated in their data files. During our testing, we identified 18 retired benefit participants and 7 active benefit participants that were improperly excluded from the data provided to the actuary to perform the actuarial valuation of other post-employment benefits as of June 30th. Further, we noted that the data provided to the actuary included incorrect hire dates of employees, which resulted in the data showing an average of approximately 3.5 service years less than actual service years for employees.

Current status: Based on current year audit procedures, this finding has been fully corrected and as such is not included in this report as a finding for the year ended June 30, 2015.

II. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

The prior year single audit disclosed no findings in the Schedule of Findings and Questioned Costs and no uncorrected or unresolved findings exist from the prior year's Summary of Prior Audit Findings.