School District U-46
Elgin, Illinois
January 14, 2019

The Finance Committee of the Board of Education met at 4:30 p.m. in Room 140 of the Educational Services Center, 355 East Chicago Street, Elgin, Illinois, to review the Fiscal Year 2018 Audit. In attendance were Board members Sue Kerr, Melissa Owens and John Devereux. Also in attendance were Tony Sanders, Chief Executive Officer, Steve Burger, Assistant Superintendent of Elementary Schools Instruction and Equity, Dale Burnidge, Director of Financial Operations, Sarah Darnell, Supervisor RSM US LLP, John George, Partner RSM US LLP, Dr. Jeff King, Deputy Superintendent of Operations/Chief School Business Official, Robyn Cornelissen, Financial Controller, Dr. Josh Carpenter, Assistant Superintendent for Teaching and Learning, Dr. Ushma Shah, Assistant Superintendent of Elementary Schools Instruction and Equity, and Mary Fergus, Director of School and Community Relations,

1. Open Meeting and Introduction
   Ms. Kerr opened the meeting and everyone present stated their name and title.

2. Presentation and Discussion of the Fiscal Year 2018 Audit
   Mr. George presented the Report to the Board of Education. Mr. George began the presentation by going through the Fiscal Year 2018 Annual Financial. 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 focus on. Mr. George stated they operate on a risk based audit approach wherein they focus their time on areas showing most risk.

Mary Fergus joined the meeting at 4:48 p.m.

Mr. George presented the Report to the Board of Education. Mr. George stated they did run into an issue with one of the reporting components relating to GASB 75 and the State's calculation for the other post-employment benefits so we had to delay the issuance until that was rectified which was after Thanksgiving. Mr. Sanders confirmed the issue was a statewide issue and Mr. George stated that was correct. There was an issue identified by the audit team. The issue identified the contributions that were being used to do the allocation of that liability, included the retirement premium payments. The district's contributions compared to all the total contribution of all the districts is a percentage and that percentage of the liability is what translates into what is being recorded. The number they were picking up was including your contributions for your payments for retiree premiums which was grossing up that contribution which was inflating the liability. That issue was identified with the district and taken to the state. The state agreed it was an issue that needed to be looked at again. The auditors that were involved in that allocation then needed to resubmit their reports. It affected every district in the state. Originally, the district was looking an OPEB (Other Post Employment Benefit) obligation liability of $408 million dollars give or take and the liability was reduced to about $235 million. It is a material change.

Mr. George presented the Single Audit Report. Mr. George stated they do test for federal compliance with federal programs and this year they tested the special education cluster, the IDEA program, Title I and Title II. What we test fluctuates based on the total spent the total federal dollars that are spent which gave us 55% coverage of your total federal dollars which was an increase of last year's percentage of 24% . One exception that was tested related to removing students from the cohort data. The federal government made this a requirement to test.

Ms. Kerr asked if the federal government was trying to track drop-offs with this test. Ms. Darnell responded this has been a requirement and that the federal government are trying to make this requirement known to districts.

Mr. George went over the overview of the financial statements. Mr. George stated the district's total assets $960 million, total liabilities of $764 million, and then deferred outflows of $217 million. The district shows a net deficit of $20,075,000.00.

In response to Mr. Sanders, Mr. George stated OPEB is THIS for teachers and also any IMRF and the district's plan for retiree health insurance payments. Ms. Kerr asked if these are annual or just some of the district's obligations. Mr. George responded it is as of the time of the audit is performed and is a big estimate. Mr. George stated it is intended to project what the district is going to pay for employee's health insurance premium or THIS's portion.

Ms. Kerr asks if it takes into account both Tier I and Tier II teachers. Mr. George stated it does take both into account. Mr. Sanders stated that next year's audit will also include the Tier III teachers.

In response to Ms. Kerr, Mr. George stated the district is picking up a piece of what the state is paying in the funds and on the government wide you are picking up a piece of the total pension expense. They are two different things. The pension expense is much larger. Mr. George confirmed the District's share of the pension expense is $175 million and the state's contribution was $87 million.

Steve Burger and Dr. Ushma Shah joined the meeting at 4:55 p.m.

In response to Ms. Kerr, Mr. Burnidge stated the total liabilities have decreased about $38.4 million. The majority of that ($28.3 million) was from IMRF and that is due to the 2017 investment returns. Their investment return was 15.7% that year. Mr. George stated with IMRF you will see significant investment returns for last year which is great. In response to Ms. Kerr, Mr. George stated the more IMRF makes the less the District needs to contribute.

John Devereux joined the meeting at 5:00 p.m.

Mr. George stated the total revenue across all of the governmental funds was $645 million with total expenses of $604 million and after other financing sources and uses; the District had a net change increase in the balance of $41.5 million.

Mr. Burnidge stated the trend has been that the pension systems have been lowering their assumed rate of return.

In response to Ms. Kerr, Mr. George stated over the 10-year period the number of different standards that have been issued create significant changes with the comparisons. Mr. George stated they footnote what the changes were so the reader knows.

Mr. Sanders thanked the team for all their hard work in preparing this information.

3. Public Participation
   There were no public comments.

4. Adjournment
   Ms. Kerr adjourned the meeting.

Approved this 25th day of February 2019.

/s/ Donna Smith //
President

/s/ Miguel A. Rodriguez //
Secretary