

School District U-46

Reports Required by the Uniform Guidance and
Government Auditing Standards

Year Ended June 30, 2019

DRAFT

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**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, Illinois (the District) as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated [REDACTED].

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 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.

Chicago, Illinois

Report Date

**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 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, Illinois' (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, 2019. 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, 2019.

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 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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated [REDACTED], 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, 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 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Chicago, Illinois

Report Date

**PRELIMINARY DRAFT
FOR REVIEW AND DISCUSSION
--SUBJECT TO CHANGE--
NOT TO BE REPRODUCED**

**School District U-46
Schedule of Expenditures of Federal Awards
As of June 30, 2019**

Federal Agency/ Pass-through Grantor/ Program or Cluster Name	CFDA Number	ISBE Project No./ Contract/Award No.	Passed Through to Subrecipients	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	19-4300-00	\$ -	\$ 9,746,596
		18-4300-00	-	267,333
			-	10,013,929
Title I: School Improvement and Accountability	84.010A	19-4331-19	-	92,381
Title I: Other - IL Empower Grant	84.010A	18-4399-00	-	33,436
Total Title I Grants to Local Education Agencies			-	10,139,746
Twenty-First Century Community Learning Centers:				
Title IV - 21st Century Community Learning Centers	84.287C	19-4421-15	-	412,390
		18-4421-15	-	57,363
			-	469,753
Special Education Cluster (IDEA)				
Special Education - Preschool Grants:				
Pre-School Flow Through	84.173A	19-4600-00	-	141,029
Special Education - Grants to States:				
IDEA Flow Through	84.027A	19-4620-00	-	7,412,889
		18-4620-00	-	207
			-	7,413,096
Special Education - Grants to States:				
IDEA Room & Board	84.027A	19-4625-00	-	173,241
		18-4625-00	-	17,371
		18-4625-XC	-	41,970
			-	232,582
Total Special Education Cluster (IDEA)			-	7,786,707
English Language Acquisition Grants:				
Title III : Language Instruction Program - Limited English	84.365A	19-4909-00	-	906,171
		18-4909-00	-	231,744
			-	1,137,915
Supporting Effective Instruction State Grants:				
Title II : Teacher Quality	84.367A	19-4932-00	-	2,063,629
		18-4932-00	-	167,093
			-	2,230,722
Preschool Development Grants:				
Preschool Expansion Grant	84.419B	19-4902-00	-	2,234,487
		18-4902-00	-	3,772
			-	2,238,259

**PRELIMINARY DRAFT
FOR REVIEW AND DISCUSSION
--SUBJECT TO CHANGE--
NOT TO BE REPRODUCED**

**School District U-46
Schedule of Expenditures of Federal Awards (Continued)
As of June 30, 2019**

Federal Agency/ Pass-through Grantor/ Program or Cluster Name	CFDA Number	ISBE Project No./ Contract/Award No.	Passed Through to Subrecipients	Total Federal Expenditures
Passed through Illinois Department of Human Services Rehabilitation Services - Vocational Rehabilitation Grants to States: Rehabilitation Services	84.126	H126A250018	-	102,898
Passed through Northern Kane County Regional Career and Technical Education System: Career and Technical Education - Basic Grants to States: Perkins Secondary	84.048A	19-4745-00	-	144,204
Total U.S. Department of Education			-	24,250,204
U.S. Department of Agriculture: Passed through Illinois State Board of Education:				
Non-Cash USDA Foods	10.555	31045046022A1	\$ -	\$ 722,073
Department of Defense Fruits and Vegetables	10.555	31045046022A1	-	551,760
National School Lunch Program	10.555	19-4210-00 18-4210-00	- -	7,958,440 1,732,680
			-	9,691,120
School Breakfast Program	10.553	19-4220-00 18-4220-00	- -	1,933,824 334,797
			-	2,268,621
Total Child Nutrition Cluster			-	13,233,574
Child Nutrition Discretionary Grants Limited Availability: NSLP Equipment Assistance Grant	10.579	19-4260-27	-	41,500
Total U.S. Department of Agriculture			-	13,275,074
U.S. Department of Health and Human Services: Passed through Illinois Department of Healthcare and Family Services				
Medical Assistance Program	93.778	N/A	-	1,193,541
Total U.S. Department of Health and Human Services			-	1,193,541
Total Federal Awards			\$ -	\$ 38,718,819

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, 2019

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, Illinois (the District) under programs of the federal government for the year ended June 30, 2019. 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 which is the same basis used in preparing the basic financial statements of the District. 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 federal awards expended for insurance at year-end. There were no loan programs or guarantees outstanding for the year ended June 30, 2019. No funds were identified as having been provided to subrecipients by the District under the meaning of the Uniform Guidance, and accordingly, no funds identified in the Schedule are attributable to subrecipient entities as required by the Uniform Guidance. For the year ended June 30, 2019, the District received \$1,273,833 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	2019
84.010A	\$ 10,139,746
84.027A	7,645,678
10.555	10,964,953

School District U-46

Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

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:

CFDA Number	Name of Federal Program or Cluster
	Child Nutrition Cluster:
10.555	Non-Cash USDA Foods
10.555	Department of Defense Fruits and Vegetables
10.555	National School Lunch Program
10.553	School Breakfast Program
84.419B	Preschool Development Grants: Preschool Expansion Grant
93.778	Medical Assistance Program

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

\$1,161,593

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

School District U-46

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2019

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
No matters were reported.

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School District U-46

**Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2019**

I. Financial Statement Findings

(A) Internal Control

No matters were reported.

(B) Compliance Findings

No matters were reported.

II. Federal Award Findings

(A) Internal Control

No matters were reported.

(B) Compliance Findings

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

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

Corrective Action Taken: The District established a new procedure to assure schools within the District received confirmation from the school a student transferred to prior to removing a student from enrollment records.