

# School District U-46, Illinois

Report to the Board of Education  
Date of Issuance of Communication

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Board of Education  
School District U-46  
Elgin, Illinois

Attention: Ms. Sue Kerr, President

We are pleased to present this report related to our audit of the basic financial statements and compliance of School District U-46, Illinois (the District) as of and for the year ended June 30, 2019. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the District's financial reporting process.

This report is intended solely for the information and use of the Finance Committee, Board of Education and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the District.

Firm Signature

**Contents**

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Required Communications	1-2
Summary of Significant Accounting Estimates	3-4
Exhibit A—Significant Written Communication Between Management and Our Firm Representation Letter	

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## Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the basic financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial and related compliance reporting process.

<b>Area</b>	<b>Comments</b>
<b>Our Responsibilities With Regard to the Financial Statement Audit</b>	<p>Our responsibilities under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> issued by the Comptroller General of the United States have been described to you in our arrangement letter dated September 13, 2019. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.</p>
<b>Overview of the Planned Scope and Timing of the Financial Statement Audit</b>	<p>We have issued a separate communication dated September 13, 2019 regarding the planned scope and timing of our audit and have discussed with you our identification of significant risks of material misstatement.</p>
<b>Accounting Policies and Practices</b>	<p><b>Preferability of Accounting Policies and Practices</b> Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.</p> <p><b>Adoption of, or Change in, Accounting Policies</b> Management has the ultimate responsibility for the appropriateness of the accounting policies used by the District. The District did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.</p> <p><b>Significant or Unusual Transactions</b> We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p><b>Management's Judgments and Accounting Estimates</b> Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.</p>
<b>Audit Adjustments</b>	<p>Audit adjustments, other than those that are clearly trivial, proposed by us and recorded by the District are included within the attached representation letter under Exhibit A.</p>
<b>Uncorrected Misstatements</b>	<p>The Summary of Uncorrected Misstatements is included within the attached representation letter under Exhibit A.</p>

<b>Area</b>	<b>Comments</b>
<b>Other Information in Documents Containing Audited Financial Statements</b>	Our responsibility for other information in documents containing the District's audited financial statements is to read the information and consider whether its content or manner of its presentation is materially inconsistent with the financial information covered by our auditor's report or whether it contains a material misstatement of fact. We read the Annual Financial Report, Form ISBE SD50-35/JA50-60, as required by the Illinois State Board of Education, and performed certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements. We did not identify material inconsistencies with the audited financial statements.
<b>Disagreements With Management</b>	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the basic financial statements.
<b>Consultations With Other Accountants</b>	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
<b>Significant Issues Discussed With Management</b>	No significant issues arising from the audit were discussed with or were the subject of correspondence with management.
<b>Significant Difficulties Encountered in Performing the Audit</b>	We did not encounter any significant difficulties in dealing with management during the audit.
<b>Significant Written Communication Between Management and Our Firm</b>	A copy of the significant written communication between our firm and the management of the District, including the representation letter provided to us by management, is attached as Exhibit A.

## Summary of Significant Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the District's June 30, 2019 basic financial statements.

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
<b>Accrued Self-Insurance</b>	The District is self-insured, which requires management to make accounting estimates for costs the District has incurred or for which third parties have asserted the District is responsible.	Based on historical cost information, subsequent information and management's knowledge of certain pending claims, the District established the self-insurance accrual to reserve for payments required in future periods.	We have discussed the nature and propriety of the accrued self-insurance estimate with management. We have obtained and reviewed all documentation and other audit evidence to support the accounting treatment. Management's estimation process is appropriate for this liability.
<b>Other Post Employment Benefit (OPEB)</b>	The District records the OPEB liability for each OPEB plan in which District employees participate. At June 30, 2019, District employees participated in the District's Plan which is a single-employer plan or in the State of Illinois Teacher Health Insurance Security (THIS) Fund Plan which is a cost-sharing multiple employer defined benefit plan.	The District receives from each OPEB plan an actuarial valuation which provides the total OPEB liability and related amounts, such as the annual service cost and deferred inflows or outflows related to the changes in actuarial assumptions. Management reviews these reports for accuracy.	We obtained the actuarial reports and supporting schedules and reviewed the assumptions for reasonableness. We reviewed the census data for the District Plan and compared to District records. We recalculated the proportionate share percentage for the THIS plan. The method used by the District to calculate the total OPEB liabilities appears reasonable.

<b>Estimate</b>	<b>Accounting Policy</b>	<b>Management's Estimation Process</b>	<b>Basis for Our Conclusions on Reasonableness of Estimate</b>
<b>Net Pension Liability and Collective Net Pension Liability</b>	<p>The District records net or total pension liability for each retirement program in which District employees participate. At June 30, 2019, District employees participated in one of two plans, the Illinois Municipal Retirement Plan (IMRF) which is a multiple-employer defined benefit plan or the Teachers' Retirement System (TRS) which is a cost-sharing multiple employer defined benefit plan.</p>	<p>The District receives from each pension fund an actuarial report and providing the net pension liability (IMRF) or total pension liability (TRS), as well as the related amounts, such as the annual service cost and deferred inflows or outflows related to the changes in actuarial assumptions. Management reviews these reports for accuracy.</p>	<p>We obtained the actuarial reports and supporting schedules and reviewed the assumptions for reasonableness. We also reviewed the census data for the IMRF Plan and compared to District records. We recalculated the proportionate share percentage for the TRS plan. The method used by the District to calculate the pension liabilities appears reasonable.</p>
<b>Property Tax Allowance</b>	<p>The District reports property tax revenues and receivables net of uncollectible amounts. Each year, the District identifies a portion of the property tax levy that is estimated to be uncollectible and records an allowance for uncollectible property taxes.</p>	<p>The District estimates the uncollectible percentage of each tax levy based on historical tax collection data.</p>	<p>We tested the allowance by comparing the District's reserve percentage to the total levy to past property tax collection history as compared to the total levy. The reserve methodology is appropriate and reasonable.</p>

**Exhibit A—Significant Written Communication Between Management  
and Our Firm**

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