

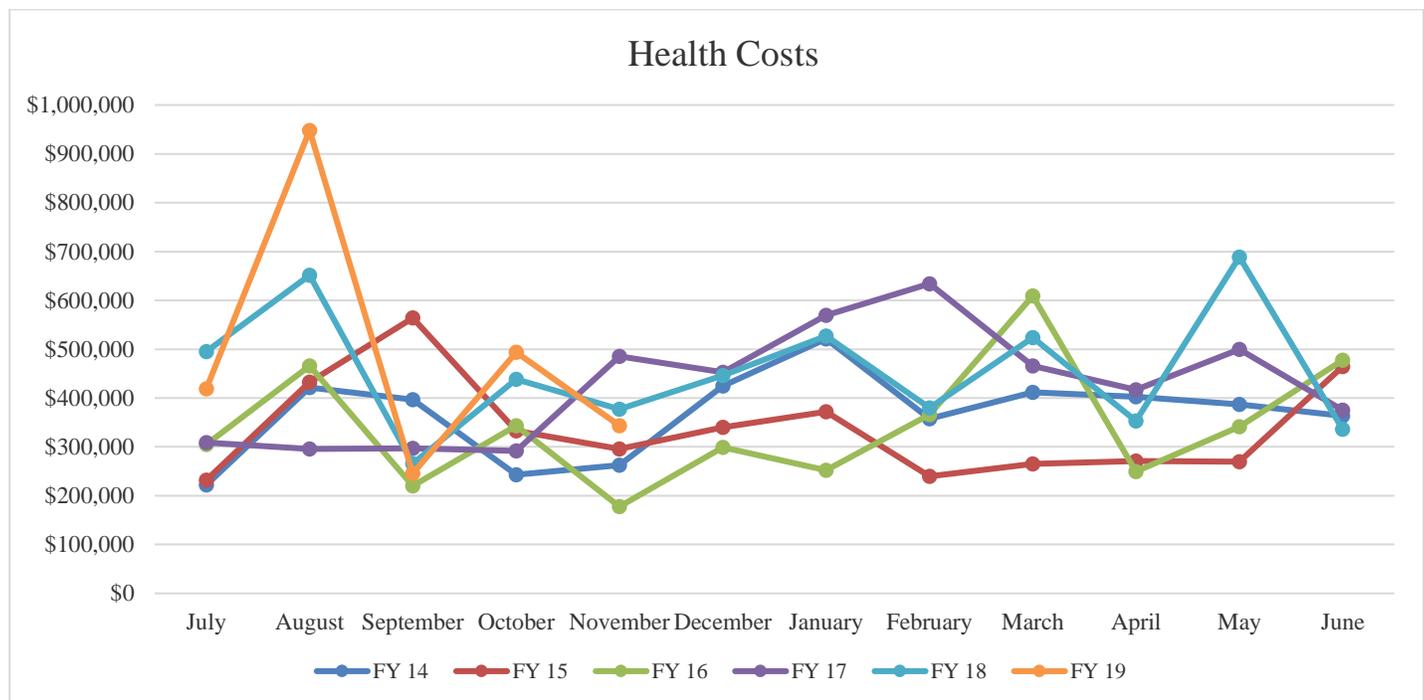
December 2018 Business Report

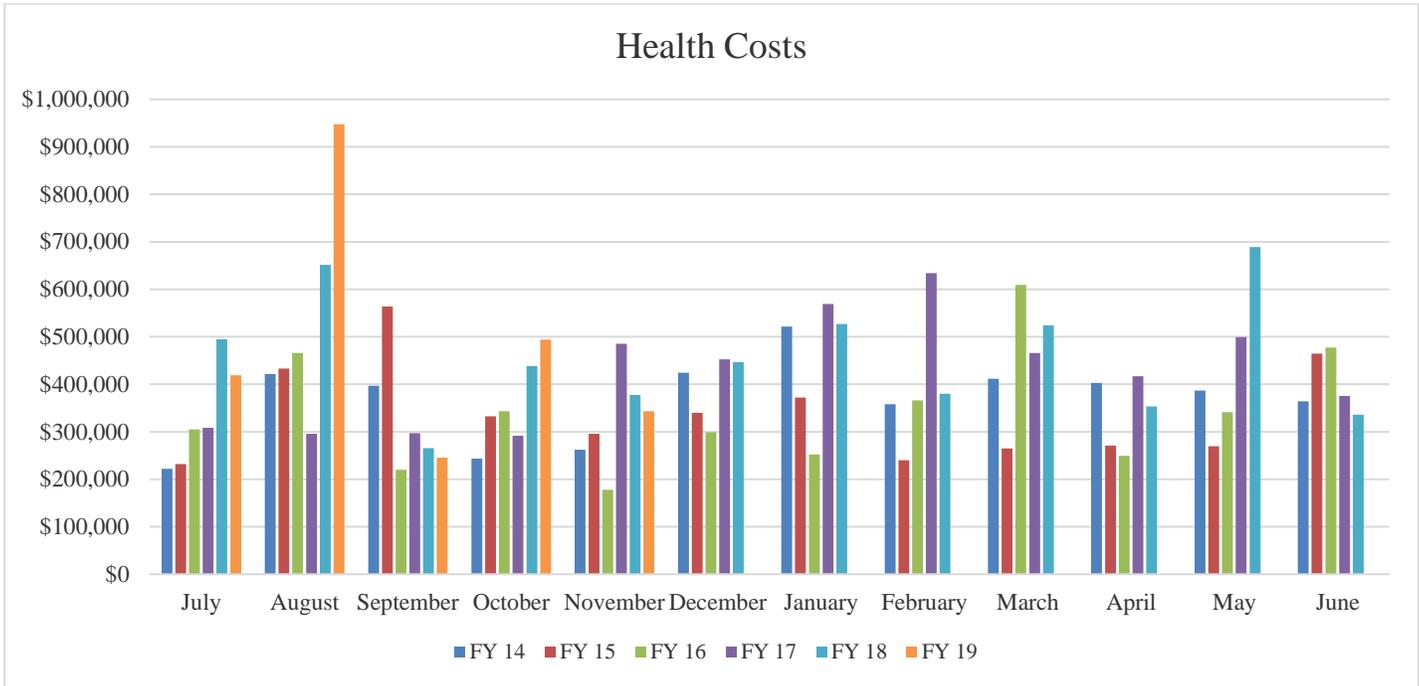
BY DAVE BLACKBURN

Health Claims – The November 2018 health claims of \$343,531 was lower than the last two years' November costs. See the orange lines (FY 19) in the charts below. We have spent \$222,356 more than last year at this time.

Health Insurance Claim Costs

	<u>FY 14</u>	<u>FY 15</u>	<u>FY 16</u>	<u>FY 17</u>	<u>FY 18</u>	<u>FY 19</u>	<u>Difference</u> <u>FY 18 v. FY 19</u>
July	\$222,162	\$231,894	\$304,875	\$308,581	\$494,819	\$419,087	(\$75,732)
August	\$421,391	\$432,872	\$466,102	\$295,643	\$651,398	\$947,930	\$296,532
September	\$397,066	\$563,910	\$220,212	\$296,759	\$265,806	\$245,585	(\$20,221)
October	\$243,165	\$332,572	\$343,562	\$291,870	\$438,396	\$494,083	\$55,687
November	\$262,462	\$296,013	\$177,750	\$485,458	\$377,441	\$343,531	(\$33,910)
December	\$424,641	\$339,803	\$298,825	\$452,775	\$446,263		
January	\$521,242	\$371,855	\$251,916	\$569,301	\$527,056		
February	\$357,697	\$240,010	\$366,194	\$634,151	\$379,903		
March	\$411,642	\$264,983	\$609,034	\$465,978	\$524,062		
April	\$402,767	\$270,826	\$249,562	\$416,898	\$353,226		
May	\$386,683	\$269,454	\$341,218	\$499,554	\$688,841		
June	<u>\$363,790</u>	<u>\$464,321</u>	<u>\$477,279</u>	<u>\$375,392</u>	<u>\$336,172</u>		
Totals	\$4,414,708	\$4,078,512	\$4,106,528	\$5,092,359	\$5,483,382	\$2,450,216	\$222,356





As has been repeatedly mentioned in the past, Dixon USD #170 is and has been self-insured for over 30 years. That means that the District utilizes a third party administrator, in our case IPMG, to process and pay claims based on the District’s Health Plan and then purchases excess reimbursement coverage for claimants who exceed \$125,000 per year (there is also an additional aggregating specific of another \$112,000 obligation to the District for claims over the \$125,000 threshold).

County School Facility Tax – Dixon Public Schools’ August sales tax amount was \$124,324.66 (our 14th payment). Three months ago we began allocating \$60,000/month to the Bond & Int. Fund - 30 to meet our future bond payment obligation. The remaining \$64,324.66 will go in Capital Projects Fund – 60.

Countywide Sales Tax Revenues

	<u>FY 18</u>	<u>FY 19</u>	Diff 19 v. 18
July	\$112,390.43	\$121,787.41	\$9,396.98
August	\$114,519.33	\$124,324.66	\$9,805.33
September	\$114,384.71		
October	\$110,898.10		
November	\$115,962.00		
December	\$123,609.44		
January	\$93,605.52		
February	\$88,089.56		
March	\$110,296.18		
April	\$104,551.20		
May	\$130,584.99		
June	<u>\$131,214.25</u>		
YTD	\$1,350,105.71	\$246,112.07	\$19,202.31

State of Illinois Mandated Categorical Payments – Transportation – On September 25, 2018 the Illinois State Board of Education has put in for disbursement \$105,242.26 in Regular and Vocational Transportation and \$268,894.64 in Special Education Transportation (Total currently owed by the State = \$374,136.90) and it is awaiting processing by the Comptroller's Office. As of December 7, 2018 we have not received that first set of transportation payments.

As of 11/30/18 the Transportation Fund had \$591,127, including funds in investments, according to the Treasurer's Report. To date we have received \$718,793 in local property taxes for the 2018-2019 school year. This is 100.10% of the \$714,743 budgeted.

In April of 2017 the Board of Education authorized a loan in the amount of **\$669,614.59** from the Working Cash Fund to our Transportation Fund due to the fact that we had not received any State of Illinois Mandated Categorical Transportation Funding. **That loan is still owed to the Working Cash Fund.** We will continue to monitor the situation and see how the timely the state makes the transportation payments during this fiscal year. We probably won't be able to repay the entire amount loaned from the Working Cash fund during this fiscal year, but we may be able to reduce the amount owed.

On another note regarding transportation, this 2018/2019 school year is the third year of a three year contract with Illinois Central School Bus. I anticipate IL Central wanting to extend the contract, but we have not had any financial discussions as of yet. I will formally reach out to their corporate representatives next month.

2018 Levy – The levy is the amount of money a school district certifies to be raised from property taxes. Our District's levy process began in November and will be completed at our December 12th meeting. A tentative levy was placed on file for over the minimum of 20 days before the permanent levy is to be voted on by the Board of Education. It must be filed with the county clerks (Lee and Ogle) by the last Tuesday in December.

This levy will be extended in the spring and summer of 2019 and represents tax revenues that will be collected to operate the FY 20 (2019-2020) school year. It is important that the Board realizes that the assessed value figure for the 2018 tax year is a projection. We will not have actual 2018 Equalized Assessed Value figures until April or May of next year, but the District will not have the opportunity to amend the 2018 tax levy at that time. Because of this time cycle, the tendency is to estimate the assessed value slightly on the high side. **A taxing body can and probably will get less, but it cannot get more than its levy.**

Although actual 2018 EAV figures will not be available from either Lee or Ogle Counties for several months, estimates from the assessors' offices show a combined EAV remaining somewhat flat without taking into consideration appeals, exemptions or new construction.

Had we been experiencing higher property values or greater growth it would probably be advisable to hold a Truth in Taxation hearing at our December meeting. The Truth in Taxation is required if the current year's levy request (excluding bond and interest) is more than 5% greater than the prior year's extension. A notice must be published in the area newspaper no more than 14 and no less than 7 days before the date to of the public hearing. A public hearing must be held where the District explains the reasons for the levy and any increases and then must permit anyone wishing to speak the opportunity to do so. Since we aren't seeing higher property values or greater growth I believe we can capture all that we are entitled to without exceeding

the 5% threshold which means we won't require the Truth in Taxation hearing. This may not always be the case and needs to be revisited at this time each year.

Keep in mind that we will "Never get more than you are entitled to," but will merely ensure that we don't underestimate the District's EAV. With the ongoing budget issues in Springfield, the uncertainty of what will happen with pending pension legislation and due to our revenue needs in the Education Fund it would be advisable to capture all of the funds we have access to (i.e., Education = \$2.95/\$100 EAV (maximum allowable rate)). We will stay under the 5% ask

2018 Audit Re-Issuance – Back in September we shared information on the GASB 75 (Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions) changes that would be reflected in the District's 2018 audit. At the October 17, 2018 board meeting Matt Schueler from Wipfli presented and discussed the audit which the board unanimously approved as presented. On October 19, 2018 we received notification from the Illinois Office of the Auditor General that the Teachers Health Insurance Security Fund Audit and Schedule of Allocation had errors and was being removed from the office's website. On November 27, 2018 we received notification from the Auditor General's Office that the corrected report was now available with an explanation of changes and it was recommended that this information be shared with our auditors.

On November 30, 2018 we received the following correspondence from our auditing firm, Wipfli: *This memo is regarding the email your district recently received from Frank Matuino's Illinois Auditor General's Office. We will be re-issuing your financial statement and will provide you an electronic copy for your records.*

With the need for us to re-issue your financial statements, we anticipate an additional \$500-\$750 of additional costs to complete the revisions. The magnitude of the previously incorrect Teacher's Health Insurance Security Fund financial statements requires that we re-issue and re-upload to ISBE. We plan to issue your revised financial statement shortly to meet the December 15, 2018 extension deadline.

Discussing the matter with Jorden Sasser from Wipfli she summed it up with this description: *In the most simple terms, the original THIS report reported the wrong amount of total state-wide District contributions. THIS considers contributions by District to allocate the OPEB liability, deferred inflows, deferred outflows, and OPEB expense. As a result, beginning and ending OPEB liability, deferred inflows, deferred outflows, and OPEB expense by District (basically everything in the THIS report) was incorrect. Here's some perspective on how material the corrections were:*

	<i>Original</i>	<i>Corrected</i>	<i>Variance</i>
<i>Beginning OPEB</i>	<i>(13,368,946)</i>	<i>(14,705,363)</i>	<i>(1,336,417)</i>
<i>Ending OPEB</i>	<i>(12,962,240)</i>	<i>(14,116,237)</i>	<i>(1,153,997)</i>
<i>Deferred Outflow</i>	<i>359,086</i>	<i>246,280</i>	<i>(112,806)</i>
<i>Deferred Inflow</i>	<i>(1,550,811)</i>	<i>(1,688,874)</i>	<i>(138,063)</i>
<i>Employer OPEB expense</i>	<i>1,001,541</i>	<i>1,069,990</i>	

Unfortunately the District has no choice but to apply the necessary corrections to the previously completed audit and absorb the cost mentioned in the memo.

State of Illinois – On January 14, 2019 Democrat J.B. Pritzker will be sworn in as governor and the Democrats will have a supermajority in both chambers. No one knows for sure what is in store for education going forward, but the article below by IPR's Rachel Otwell outlines some of what can be expected.

Illinois Education Funding Fixes Still Top Priority

By Rachel Otwell, Illinois Newsroom/Illinois Public Radio

Originally published on December 5, 2018 6:43 am

Gov.-elect J.B. Pritzker and a new crop of legislators will take office come January. Those crafting state education policies say they will continue one of the biggest fights in recent years, finding more funding for teachers, students and schools.

With the change of leadership, the state returns to one-party rule – both legislative chambers and the governor's office will be led by Democrats. Gov. Bruce Rauner's term included a historic budget impasse that lasted about two years, affecting education funding across the board and inflicting "structural damage" to higher education, according to the state's Comptroller Office.

Despite the animosity of the budget impasse, legislators on both sides of the aisle celebrated what they called a more equitable school funding bill, agreed upon in 2017. Rauner signed the final changes to the formula in the spring of 2018.

"The two sides can work together"

"For all of the negativity of the last few years, education was a bright spot, and I think within the education arena, we've proved that the two sides can work together," says state Sen. Jason Barickman of Bloomington, who was a chief Republican negotiator on the legislation.

Jim Reed, with the Illinois Education Association – one of the state's largest teachers unions, says one goal should be for the state to fund public schools at a rate above 50 percent, following the state constitution's guideline that state government has the "primary obligation" for funding public schools. According to the Illinois State Board of Education, in 2017 state funding comprised 24.4 percent of school funding, with 7.5 percent coming from the federal government, and the majority – 68.1 percent – coming from local sources.

Reed says another issue related to funding that lawmakers urgently need to address is the teacher shortage, and declining "perceptions of the profession."

The IEA helped craft legislation that it says would draw more teachers to the state, a \$40,000 minimum annual salary for public school educators. Despite support in the legislature, Rauner vetoed the measure. Reed says plans are in place to give the idea another go in 2019, with the hope that Pritzker will be more sympathetic. "We anticipate that we will be moving (on this) very soon after the new General Assembly and new governor are sworn in," Reed says.

While the measure passed both chambers, Barickman was one of the legislators to vote against it, echoing Rauner's concerns that it would be an unfunded mandate that could hurt already struggling school districts. "It's a dangerous game for the legislature to play, passing these types of mandates that are funded primarily by local property taxes," says Barickman.

Still, Barickman agrees that as a whole, funding for public schools is the top priority for education policy going forward. "Now that we've got this new formula in place, we've got to invest in it."

Given the state's financial situation, that won't be easy. "We all recognize the financial pressures, but there are thousands of schoolchildren in all areas of the state who are relying on us to do our job," Barickman says.

Priorities under Pritzker

State Rep. Chris Welch, a Democrat from Hillside in Cook County who has been assigned to co-chair Pritzker's education transition committee, agrees that funding will be key.

"We have to invest in our education. And if we do that, we're going to really change Illinois. If you put education first you're going to create the next generation of workers," says Welch.

He says one way the new administration plans to increase funding is legalizing and taxing recreational marijuana. Welch also points to potential additional funding through a progressive income tax, something Pritzker campaigned on.

Welch says over the past year he was happy to see the success of the "Aim High Scholarship," which he says public universities are already using as a recruitment tool, as well as the four-year MAP grant "guarantee" – developments in higher education Welch says he hopes to see the state build upon.

Jaclyn Driscoll contributed to this report.