

BENSENVILLE ELEMENTARY SCHOOL DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
as of and for the fiscal year ended June 30, 2022

The management of Bensenville Elementary School District No. 2 (the District) offers readers of the District's Annual Financial Report this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022.

Financial Highlights

- The District's assets and deferred outflows of resources exceeded its liabilities at June 30, 2022 by \$68,061,127 (net position). Of this amount, \$35,334,853 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors. See pages vii and 1 for more information.
- The total net position of the District increased by \$4,515,109 during fiscal year 2022. See pages viii and 2 for more information.
- The District's governmental funds reported combined fund balances of \$35,993,568, an increase of \$2,423,899 in comparison with the prior year. About 91% of this amount (\$32,593,002) is available for spending at the government's discretion (unassigned fund balance). See pages ix and 3 for more information.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$32,816,562, or approximately 74% of total General Fund expenditures. See page 3 for more information.
- The District's long-term liabilities decreased by \$478,778 to \$37,161,677. This decrease was due to bonds paid during the year. See page 21 for more information.

Overview of the Financial Statements

There are three major components of the District's basic financial statements: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to basic financial statements. This report also contains combining and individual fund financial statements and schedules and other supplementary information furnishing additional detail to support the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements appear on pages 1-2 of this report. They provide a broad overview of the financial activities. They reflect all the District's assets, whether spendable (cash and investments) or already in service (such as buildings).

The statement of net position - modified cash basis presents information about all of the District's assets, deferred outflows of resources and liabilities, as reported using the modified cash basis of accounting.

The difference between assets, deferred outflows of resources and liabilities is reported as net position. Over time, changes in net position are one indicator of whether the District's financial position is improving or deteriorating.

The statement of activities - modified cash basis presents information showing how the net position of the District changed during the current fiscal year. Changes in net position are recorded in the statement of activities using the modified cash basis of accounting.

The modified cash basis of accounting is described in the notes to basic financial statements.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements for the District include governmental funds.

Governmental funds

The basic governmental fund financial statements appear on pages 3 - 6 of this report. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Capital assets, such as buildings and equipment, are excluded. Such information may be useful in evaluating financing requirements in the near term.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet - modified cash basis and the governmental fund statement of revenues, expenditures, and change in fund balances - modified cash basis provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains several different governmental funds and subfunds. The major funds are the General Fund (comprised of the Educational, Operations and Maintenance, Tort and Working Cash Funds), Capital Projects Fund and the Debt Services Fund. They are presented separately in the fund financial statements. The remaining funds (Transportation, Municipal Retirement / Social Security, and Fire Prevention and Safety) are presented under the heading Nonmajor Governmental Funds in the combining and individual fund financial statements and schedules section of this report.

The District adopts an annual budget for each of the governmental funds. The governmental funds' budgetary comparisons are reported in the combining and individual fund financial statements and schedules section of this report.

Notes to Basic Financial Statements

The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes appear on pages 7 – 29 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$68,061,127 at the close of the most recent fiscal year.

	Net Position - Modified Cash Basis <u>as of June 30, 2022 and 2021</u>	
	<u>2022</u>	<u>2021</u>
Assets:		
Current and other assets	\$35,993,568	\$33,569,669
Capital assets	<u>68,606,265</u>	<u>66,954,902</u>
Total assets	<u>104,599,833</u>	<u>100,524,571</u>
Deferred outflows of resources:		
Unamortized loss on refunding	<u>622,971</u>	<u>661,902</u>
Liabilities:		
Current liabilities	250,000	250,000
Noncurrent liabilities	<u>36,911,677</u>	<u>37,390,455</u>
Total liabilities	<u>37,161,677</u>	<u>37,640,455</u>
Net position:		
Net investment in capital assets	32,067,559	29,976,349
Restricted	1,192,817	3,020,982
Unrestricted	<u>34,800,751</u>	<u>30,548,687</u>
Total net position	<u>\$68,061,127</u>	<u>\$63,546,018</u>

The District reports its net position in three categories. All three categories have positive balances in both the current and prior fiscal years. The District's investment in capital assets (e.g., land and improvements, buildings, equipment, and transportation equipment), less any related outstanding debt that was used to acquire those assets, represents 47% of total net position. The District uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

Although the District's investment in capital assets is reported net of related debt, the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position (about 1%) is resources that are subject to external restrictions on how they may be used. The remaining balance of \$35,334,853 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

Government-wide Activities

Governmental activities increased the net position of the District by \$4,515,109. This represents the entire increase in the net position of the District.

Changes in Net Position - Modified Cash Basis
for the fiscal years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenues		
Program revenues:		
Charges for services	\$ 81,111	\$ 120,422
Operating grants and contributions	14,163,149	18,935,559
General revenues:		
Property taxes	30,079,987	28,344,761
Personal property replacement taxes	3,091,998	1,395,785
Evidence based funding	4,495,821	4,430,119
Investment income	73,334	39,254
Other income	475,985	362,881
Total revenues	<u>52,461,385</u>	<u>53,628,781</u>
Expenses:		
Governmental activities:		
Instructional	31,791,860	36,268,618
Pupil support	1,589,937	1,737,523
Other support	9,841,586	9,734,272
Transportation	1,255,271	1,037,070
Administration	1,536,349	1,146,600
Community service	900,728	1,026,762
Interest expense	1,030,545	1,038,045
Total expenses	<u>47,946,276</u>	<u>51,988,890</u>
Change in net position	4,515,109	1,639,891
Net position at the beginning of the year	<u>63,546,018</u>	<u>61,906,127</u>
Net position at the end of the year	<u>\$68,061,127</u>	<u>\$63,546,018</u>

The District's net position for governmental activities increased by \$2,423,899 from the prior fiscal year, the eighteenth consecutive annual increase.

Considering the individual items in the above table, the largest change from the prior year is the decrease in Instructional expenses (\$4,476,758). The District's direct spending, however, constituted only (10%) of this amount, or \$459,624. The rest of the decreased occurred because the State of Illinois decreased its contributions towards the Teachers Retirement System. See "On-behalf contributions to TRS" in the Notes on pages 25 and 28.

Financial Analysis of the District's Fund Balances

The District's governmental funds provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements.

The combined fund balances in the District's governmental funds increased in the fiscal year by \$2,423,899 to a total of \$35,993,568.

Portions of these combined balances are legally restricted to certain purposes (\$1,192,817), nonspendable for purposes (\$332,968) or otherwise assigned to particular purposes (\$2,408,883). See page 22 for more information on the legally restricted and assigned portions.

The remaining portions of the combined balances are unassigned. The unassigned fund balances are available for spending at the District's discretion. The District's combined unassigned fund balance is \$32,058,900 as of the end of the current fiscal year, or 89% of the combined ending fund balances.

The unassigned fund balance for the District at the end of the fiscal year was primarily in the General Fund, which is the chief operating fund of the District. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 74% of total General Fund expenditures, compared to 60% at the end of the prior year.

General Fund Budgetary Highlights

The General Fund is comprised of the Educational, Operations and Maintenance, Tort and Working Cash Funds. In the General Fund, total expenditures, excluding on behalf payments, were \$2,149,878 less than the adopted budget. About one-third results from unspent contingencies; another one-third is from purchases deferred to subsequent years; and the remaining one-third is from miscellaneous savings against budget.

Capital Assets and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2022 amounted to \$68,606,265 (net of accumulated depreciation). This investment in capital assets included land and improvements, buildings, equipment and transportation equipment.

Additional information on the District's capital assets can be found in the notes to basic financial statements on page 16.

Capital Assets (net of accumulated depreciation)
as of June 30, 2022 and 2021

Governement-wide

	2022	2021
Land	\$ 518,238	\$ 518,238
Land improvements	400,490	416,303
Buildings and improvements	66,525,806	64,512,168
Equipment	741,765	826,688
Transportation equipment	366,706	474,105
Construction in progress	53,260	207,400
Total Net Capital Assets	\$ 68,606,265	\$ 66,954,902

Long-term Liabilities. At June 30, 2022, the District had total long-term liabilities of \$37,161,677. Additional information on the District's long-term liabilities can be found in the notes to basic financial statements on pages 17 - 21.

Economic Factors and Next Year's Budget

The District's budget for the fiscal year 2022-23 projects a surplus of about \$1,260,000.

The District prepares a five-year financial forecast in order to ensure a sound focus on financial aspects. The Board of Education reviews this forecast from time to time. The District monitors the levels of support expected from the State of Illinois and considers possible changes in that support in its five-year forecast.

The District's only labor contract is for its certified teaching staff, which is represented by the Bensenville Education Association. A new contract was ratified in June 2022. This new contract will end the day before the first day of the 2027-28 school year, or one year earlier if a compensation package cannot be agreed for 2026-27.

Requests for Information

You can receive more financial information, including answers to your questions, by contacting the District Office. Call 630-766-5940 or write us at Bensenville Elementary School District No. 2, 210 S. Church Street, Bensenville, IL 60106.