

**BENSENVILLE ELEMENTARY SCHOOL DISTRICT NO. 2**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**as of and for the fiscal year ended June 30, 2020**

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, 2020.

**Financial Highlights**

- The District's assets and deferred outflows of resources exceeded its liabilities at June 30, 2020 by \$61,887,073 (net position). Of this amount, \$27,914,401 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors. See pages viii and 1 for more information.
- The total net position of the District increased by \$945,673 during fiscal year 2020. See pages ix and 2 for more information.
- The District's governmental funds reported combined fund balances of \$31,898,245, an increase of \$5,915,253 in comparison with the prior year. About 77% of this amount (\$24,580,883) is available for spending at the government's discretion (unassigned fund balance). See pages x and 3 for more information.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$24,580,883, or approximately 56% of total General Fund expenditures. See page 3 for more information.
- The District's long-term liabilities increased by \$3,904,447 to \$38,119,233. This increase was due to bonds issued in the year for purposes of construction. See page 23 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 and fiduciary funds.

### *Governmental funds*

The basic governmental fund financial statements appear on pages 3 - 7 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.

### *Fiduciary funds*

The fiduciary fund financial statement appears on page 8 of this report. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The fiduciary funds are reported using the modified cash basis of accounting.

The District maintains three fiduciary funds. The Student Activity Fund (an agency fund) accounts for assets held by the District as an agent for the students. The Flex Spending Fund (an agency fund) accounts for assets held by the District as an agent for employee contributions and payments. The Funds Held as of Fiscal Agent on Behalf of Others Agency Fund is used for contributions received from an event that is due to other organizations. These three funds are custodial in nature and do not involve the measurement of results of operations.

### **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 9 – 31 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 \$61,887,073 at the close of the most recent fiscal year.

Net Position - Modified Cash Basis  
as of June 30, 2020 and 2019

	2020	2019
Assets:		
Current and other assets	\$31,898,245	\$25,982,992
Capital assets	67,407,228	69,089,897
Total assets	99,305,473	95,072,889
Deferred outflows of resources:		
Unamortized loss on refunding	700,833	83,297
Liabilities:		
Current liabilities	250,000	1,350,000
Noncurrent liabilities	37,869,233	32,864,786
Total liabilities	38,119,233	34,214,786
Net position:		
Net investment in capital assets	29,988,828	34,958,408
Restricted	3,983,844	346,770
Unrestricted	27,914,401	25,636,222
Total net position	\$61,887,073	\$60,941,400

The District reports its net position in three categories. All three categories have positive balances in both the current and prior fiscal years. The largest portion of the net position (48%) is 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. 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 6%) is resources that are subject to external restrictions on how they may be used. The remaining balance of \$27,914,401 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 \$945,673. 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, 2020 and 2019

	2020	2019
Revenues		
Program revenues:		
Charges for services	\$ 289,504	\$ 340,051
Operating grants and contributions	16,288,168	13,219,129
General revenues:		
Property taxes	27,826,260	27,360,911
Personal property replacement taxes	1,093,539	990,548
Evidence based funding	4,430,123	4,354,174
Investment income	310,351	246,196
Other income	264,437	454,117
Total revenues	50,502,382	46,965,126
Expenses:		
Governmental activities:		
Instructional	33,686,018	30,544,669
Pupil support	998,080	745,867
Other support	9,697,243	9,065,575
Transportation	1,268,426	1,582,097
Administration	1,075,300	1,030,431
Community service	1,131,176	572,417
Interest expense	1,700,466	1,376,885
Total expenses	49,556,709	44,917,941
Change in net position	945,673	2,047,185
Net position at the beginning of the year	60,941,400	58,894,215
Net position at the end of the year	\$61,887,073	\$60,941,400

The District's net position for governmental activities increased by \$945,673 from the prior fiscal year, the seventeenth consecutive annual increase.

Considering the individual items in the above table, the largest change from the prior year is the increase in Instructional expenses (\$3,141,349). The District's direct spending, however, constituted only 33% of this amount, or \$1,062,518. The rest of the increase occurred because the State of Illinois increased its

contributions towards the Teachers Retirement System. See “*On-behalf contributions to TRS*” in the Notes on pages 26 and 29.

### **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 \$5,915,253 to a total of \$31,898,245.

Portions of these combined balances are legally restricted to certain purposes (\$3,983,844) or otherwise assigned to particular purposes (\$3,333,518). See page 24 for more information on the legally restricted and assigned portions. The largest change from the prior year is that \$3,493,757 is legally restricted to capital projects, compared to no such restricted funds at the prior year-end, because the funds were borrowed during the fiscal year for that purpose.

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 \$24,580,883 as of the end of the current fiscal year, or 77% of the combined ending fund balances.

The unassigned fund balance for the District at the end of the fiscal year was entirely 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 56% of total General Fund expenditures, compared to 54% 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 \$622,338 less than the adopted budget. About two-thirds results from spending deferred to the following year, either for capital or for purchases. The rest 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, 2020 amounted to \$67,407,228 (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 18.

Capital Assets (net of accumulated depreciation)  
as of June 30, 2020 and 2019

Government-wide

	2020	2019
Land	\$ 535,904	\$ 535,904
Land improvements	457,192	467,208
Buildings and improvements	64,614,044	66,662,305
Equipment	815,230	898,241
Transportation equipment	387,141	526,239
Construction in progress	597,717	
Total Net Capital Assets	\$ 67,407,228	\$ 69,089,897

**Long-term Liabilities.** At June 30, 2020, the District had total long-term liabilities of \$38,119,233. Additional information on the District's long-term liabilities can be found in the notes to basic financial statements on pages 19 - 23.

**Economic Factors and Next Year's Budget**

The District's budget for the next fiscal year projects a deficit of about \$1,500,000. The deficit consists entirely of construction spending to be paid for by funds already committed to that purpose. Ignoring these constructions costs, the budget is balanced.

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. This contract will end the day before the first day of the 2022-23 school year.

**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.