



Financial Report 2017

Board of Education

2017-19

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To the District 64 Community:

We are pleased to present the fourth edition of our award-winning Financial Report, which summarizes our financial performance during the 2017 fiscal year. This report brings together essential information about the District's financial health in one reader-friendly overview.

Here are the essential things to know about our finances:

- ▶ The District chose to use \$4.5 million to self-fund needed facilities improvements in our aging buildings.
- ▶ The Operating Fund balance therefore declined for the first year since 2004-05, due to this planned investment in facilities.
- ▶ Strong fiscal discipline has created a period of financial stability while allowing District 64 to support a high quality educational program for our students and self-fund several facility improvements.



2007 Referendum Promise Surpassed

In April 2017, the District fulfilled the 10-year commitment to not return to local voters for additional financial support, as promised during the 2007 referendum. We are pleased that this promise has not only been surpassed, but is projected to be extended for five additional years.

As we look toward the future:

- ▶ Stepped up investments are being made to maintain our school buildings and transition them to be flexible 21st century learning spaces, as identified by a required 10-year Health Life Safety survey and new Master Facilities Plan.
- ▶ The State legislature continues to explore alternatives for education funding, which adds many uncertainties in our planning.

This 2017 Financial Report offers a review of revenues and expenses, and looks at the District's financial performance over time as well as projections for the future. Our *2020 Vision* Strategic Plan drives the investments we are making to improve student learning. We also highlight some of the vital partnerships with you, our community members, that benefit our students and schools. For those interested in more layers of data, the District website offers the current adopted budget along with more than 10 years of past budgets and audited year-end financial reports.

We invite you to stay connected with us to see how your tax dollars are preparing Park Ridge-Niles students to become *future ready learners and leaders*.

Your partner in education,
Dr. Laurie Heinz, *Superintendent* lheinz@d64.org [@DrLaurieHeinz](https://twitter.com/DrLaurieHeinz) [#engageD64](https://www.facebook.com/engageD64)



Financial Cycle

The District's financial cycle continues through the year.

Financial Projections

January: CPI-U data drives annual tax revenue forecast

Budget

Spring: planning (enrollment and staffing projections, program and facility needs)

May/June: first draft

June/July: tentative budget adopted

Summer: updates based on new data

September: public hearing and final adoption

Audit

September/October: external financial audit

November/December: acceptance by Board

Levy

October: draft prepared
November: tentative levy adopted

December: public hearing and final adoption

Fast financial facts

Budget surplus in 2017 shifted to capital projects

A key indicator for District 64's financial health is its Operating Fund balance at the close of each fiscal year.

For 2016-17, District 64 chose to transfer \$4.5 million of existing Operating Funds to the Capital Projects fund to pay for needed facilities work. The Operating Fund balance, therefore, decreased to \$46 million. This translates to 230 days of cash on hand, which continues to surpass the Board's goal of 120 days.

Need more details?

A decade of financial information back to 2006-07 is immediately available on the [Business Department website](#).

District 64 maintained its perfect 4.0 "Recognition" financial rating — the highest possible — from the Illinois State Board of Education for the ninth consecutive year.

Budget for 2018 continues the positive trend

The Board of Education adopted a final budget for 2017-18 on September 25, 2017.

Highlights include:

- Revenues exceed expenditures in the Operating Funds by \$2 million
- A \$1 million transfer from the Operating Funds to Debt Service is planned to fund capital lease and Debt Certificate payments
- The Operating Fund balance will increase by \$1 million at year-end

OPERATING FUNDS (\$ in millions)	Fiscal Year 2016-17 Actual (audited)	Fiscal Year 2017-18 Budget
Beginning Fund Balance	\$49	\$46
Revenues	\$73	\$76
Expenditures	\$72	\$74
Inter-Fund Transfers	(\$4)	(\$1)
Surplus (Deficit)	(\$3)	\$1
Ending Fund Balance	\$46	\$47

"School Finance 101" - understanding education terms

District 64's "year" for financial purposes begins on July 1 and ends the following June 30. As required for all school districts in Illinois, District 64 accounts for revenues and expenditures in eight separate "funds."

▶ The six funds used for day-to-day operations are identified as the "**Operating Funds**." These are: Education, Operations & Maintenance, Transportation, Working Cash, Illinois Municipal Retirement Fund/Social Security, and Tort Immunity.

▶ The two remaining funds -- **Debt Service** and **Capital Projects** -- are used to repay bonds and pay for long-term facility improvements. They are excluded from the Operating Funds, because they are not considered part of the District's core operations.



Classroom View

Class size guidelines

Grade K: 22
 Grades 1-2: 24
 Grades 3-4: 26
 Grades 5-8: 28

K-8 Enrollment

(September 30, 2017)
 4,552

Pupil/teacher ratio*

15:1

Teachers with Master's degrees*

82%

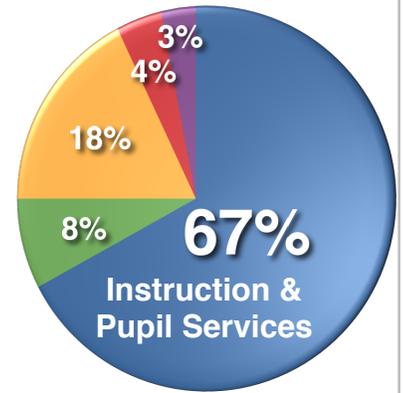
Attendance rate*

97%

*Source:
 2017 State Report Card

Spending where it counts: supporting student learning

To achieve our mission, District 64 typically focuses its resources where it counts — in the classroom for student instruction and to support students directly. In 2016-17, 67% of our expenditures were channeled to instruction and pupil services.



Recent investments in student learning are providing:

- Implementation of a new science curriculum to align with the Next Generation Science Standards along with needed instructional materials for hands on learning
- Additional support for data-driven instruction and for a multi-tier system of support to better meet the needs of all learners
- Technology to create a 1:1 learning environment in grades 3-8 focused on the 4 C's of collaboration, communication, creativity and critical thinking



2020 Vision Strategic Plan guides future focus

District 64 has adopted a growth mindset of moving from “good to great” or even to “extraordinary” in terms of the comprehensive, well-rounded educational experiences we provide our students. As we look toward the future, we are focusing our efforts on the levers that will have the maximum impact on meeting the needs of all our students. Created by a community-informed process led by a Strategic Plan Steering Committee, the new plan was adopted by the Board of Education on June 22, 2015.

The plan identifies the most important challenges District 64 will need to address over five years to meet our mission: *To inspire every child to discover, learn, achieve, and care.*

Six Strategic Objectives define how we will achieve our mission to assure every student the best possible education that prepares them to be successful in high school and beyond.

- ▶ **Strategic Objective 1:** Develop students who master the 4 C's: communication, collaboration, creativity, and critical thinking
- ▶ **Strategic Objective 2:** Provide a rigorous education for all students.
- ▶ **Strategic Objective 3:** Differentiate to meet the academic and social/emotional health needs of all students
- ▶ **Strategic Objective 4:** Foster effective communities of practice through professional development and staff support
- ▶ **Strategic Objective 5:** Provide safe and secure learning spaces to support 21st Century learners
- ▶ **Strategic Objective 6:** Maintain fiscal responsibility that reflects a commitment to student learning and a rich variety of programs and services

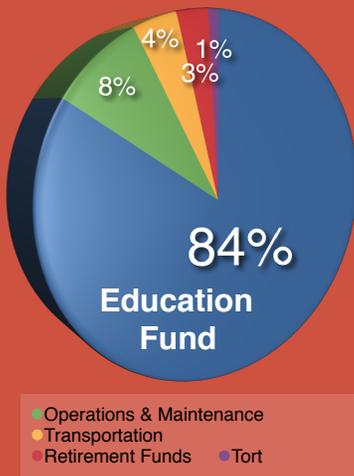
Each objective has several strategies identifying what we will do to achieve it, along with related outcomes and measures as evidence of our progress. A “balanced scorecard” tracks progress using key performance indicators for each objective.

[View the annual scorecards here on our website.](#)



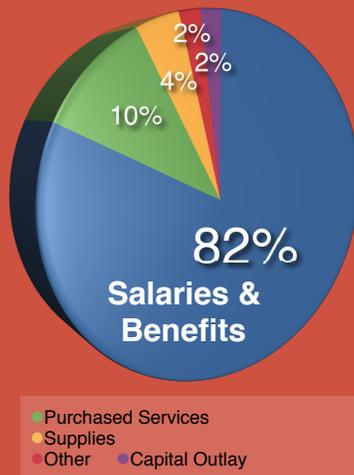
Operating Fund Expenditures by Fund

Education Fund spending accounts for 84% of all Operating Fund expenditures.



Operating Fund Expenditures by Object

Salaries and benefits together account for 82% of all Operating Fund expenditures.



Taking a closer look at expenditures

Spending reflects District 64's focus on classrooms

Based on District 64's commitment to invest resources in the classrooms to focus on students and instruction, it is no surprise that 84% of the District's spending is within the Education Fund. The fund provides the professional staff needed to maintain class size guidelines (as promised in the 2007 referendum), provide a diverse elective program for students in grades 6-8 at both middle schools, offer special education services, and support efficient day-to-day operations.

Expenditures from other funds have their own specific purposes to:

- Provide safe, supportive learning environments for students and staff, and the maintenance of school buildings and grounds (Operations & Maintenance Fund)
- Transport students to and from school (Transportation Fund)
- Contribute the employer's share of Social Security and Illinois Municipal Retirement Fund benefits (Retirement Fund)
- Cover risk management and liability insurance costs (Tort Fund)



Strong fiscal management stretches dollars

The District maintains strong fiscal management practices, including:

- Salaries and benefits of all employees account for 82% of the District's Operating Fund expenditures. Teacher and teacher assistant salaries and benefits are governed by collective bargaining agreements, negotiated periodically by the Board and union groups, which assists in long-term planning. All other salaries are reviewed and approved annually by the Board.
- The District participates in an insurance cooperative with other northern Illinois districts to obtain the best rates and premiums possible.
- A competitive process is followed for large budget items, such as facility improvements, bus transportation, food service, and telecommunications.
- Spend management practices include: locking in competitive rates with multi-year contracts for natural gas and electricity; outsourcing management of copy/print equipment to a third party; and, soliciting multiple quotes/bids for large supply orders, among other ongoing efforts.
- Monthly Board reviews of financial reports and accounts payable, along with periodic long-term analyses, to ensure transparency and ongoing accountability.

A look at operating expense per pupil

How much does it cost to educate a student for one year in District 64? Using the Illinois State Board of Education definition of operating expense per pupil, District 64 has invested the following amounts per pupil over the past five years:

FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
\$14,886	\$15,152	\$15,613	\$15,920	\$16,281



Operating Fund Revenues by Source

Local property taxes account for 84% of all Operating Fund income.



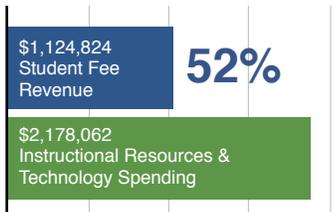
Duties of the Maine Township School Treasurer

The Maine Township School Treasurer handles the investments for District 64 and the other township school districts. By pooling funds, the Treasurer gets better rates of return for the group as a whole, while ensuring there is sufficient cash on hand to meet ongoing expenses. The District 64 Business Office reconciles its financial records to the Treasurer's Office monthly to verify that all cash and investments are being properly accounted for. The Treasurer's Office is governed by an elected body of Trustees, who appoint the Township School Treasurer. In 2016-17, the Treasurer achieved an average rate of return on District 64's cash/investments of 0.97%.

Taking a closer look at revenues

Local financial support is crucial

Revenues from local property taxes drive District 64's financial health, providing 85% of all revenue. District 64 operates under a tax cap, so the annual increase allowed in our property tax funding is limited by the annual growth in CPI-U plus an allowance for new construction. Over the past five years, the CPI-U has ranged from 0.7% to 2.1%. The CPI-U for 2017 is 2.1% for a second consecutive year.



District 64 parents also provide substantial resources through annual student fees. Required student fees covered approximately 52% of the expenditures for instructional resources and technology. The elementary and middle school fees have remained unchanged since 2009-10. A comprehensive review of student fees is available on the website [at this link](#).

Finally, interest income is small, but well-managed by the Maine Township School Treasurer (see sidebar).

Federal Title I grant targets math

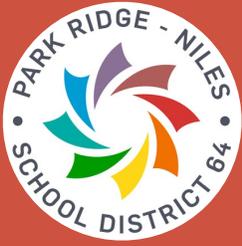
For the third year, District 64 received federal Title I funding to support students at risk. About \$244,000 of federal funding was primarily used to provide Math tutoring after school at Field and Franklin, and for a remedial math teacher at Emerson for students who qualified for this targeted assistance according to the grant guidelines. Over the past three years, District 64 has received about \$636,000 in Title I funds to support education.

Other state and federal funding is very limited

A majority of District 64's state and other federal funding comes in the form of grant reimbursements for special education programs and transportation. These reimbursements only cover a portion of District 64's actual expenses for these services. District 64 also receives general state aid, which is delivered according to a formula intended to funnel more money to districts with limited local resources and a higher population of lower income students. In 2016-17, the "foundation level" — the minimum amount of funding necessary to educate a student — was set by state statute at \$6,119 per student. However, the state only provided District 64 with \$370 per student in general state aid after its formula was applied.

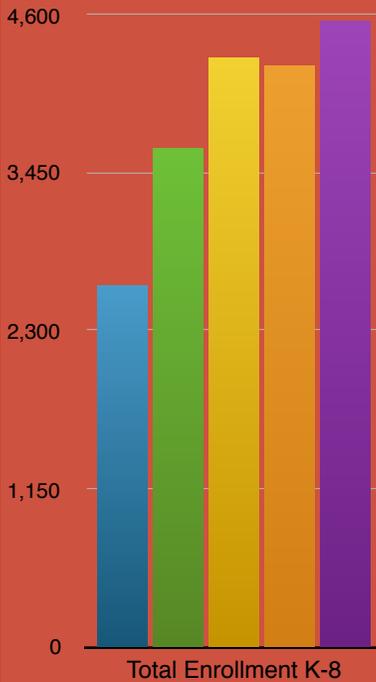
"Outside" grants sought wherever possible

District 64 consistently seeks "outside" money through grants to supplement what local taxpayers provide. In 2016-17, technology projects to improve network capability and reliability were partially funded through a \$39,000 federal eRate grant reimbursement. Over the last six years, the District has received a total of about \$715,000 from the Illinois Department of Commerce & Economic Opportunity (DCEO) for lighting efficiency and energy efficiency mechanical system upgrades at several schools. Previously, a total of \$11.4 million also was received from the Federal Aviation Administration (FAA) and the City of Chicago for sound insulation and noise reduction improvements at Lincoln, Washington and Roosevelt schools. All three schools received HVAC upgrades; Roosevelt's windows also were replaced.



Enrollment History 1990-2017

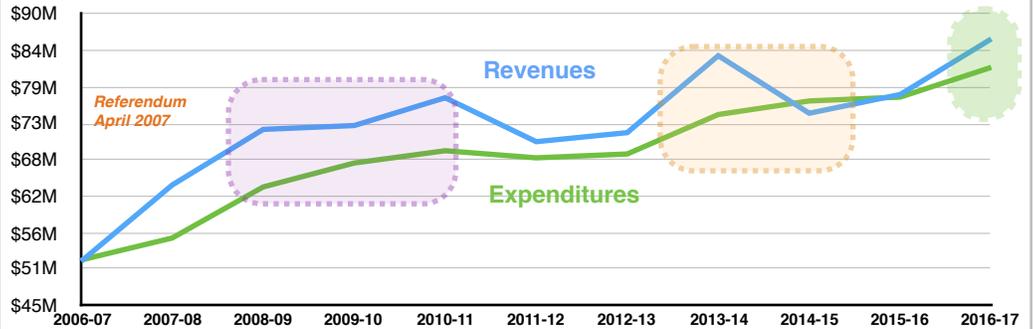
1990 1996 2002
2009 2017



Looking back at changing finances

District 64's financial health has been stabilized

The foundation of District 64's current financial health rests on the additional resources provided by local taxpayers in the April 2007 referendum. Strong fiscal discipline — coupled with targeted spending to support the District's educational priorities — has created a period of financial stability.



Here are the key financial milestones in District 64's recent history:

- **Referendum April 2007:** Having reached a critical "tipping point" in being able to maintain the quality of the District's educational programs, a referendum restored financial health by providing increased revenues in 2008 and 2009.
- **Post-referendum catch up for facilities and technology:** Between 2008-10 (purple region above), the District paid for sound insulation improvements at several schools and was later reimbursed by the FAA and City of Chicago (see page 5). More recently (orange region), the District used its Operating Fund balance to pay for HVAC upgrades at Carpenter School and issued \$8.7 million in bonds to directly fund needed HVAC/life safety upgrades at Field School and complete other capital projects. The District also stepped up technology expenditures to provide 1:1 learning for students in grades 3-8.
- **New Health Life Safety/Master Facilities Plan:** In 2016-17 (green region), the District issued \$9.25 million in Debt Certificates to pay for needed HLS/MFP improvements across the District.

Enrollment is growing as pressure points emerge

Although not as rapid as enrollment growth in the 1990's, District 64's enrollment has grown 7.5% in a decade. Although it remains the District's smallest school, Carpenter has experienced 35% growth in its enrollment in the last decade and is closing the gap with Franklin, which grew by 21%. Projections updated in February 2018 forecast continued growth for the District as a whole, with more significant growth at certain schools. In particular, District 64 is carefully monitoring the growing imbalance in enrollment between the two middle schools, with Emerson projected to reach its homeroom capacity in 2018-19 while Lincoln has available space. Washington also is projected to exceed its homeroom limit in the coming year. The District monitors enrollments monthly and updates projections at least annually.

	Carpenter	Field	Franklin	Roosevelt	Washington	Emerson	Lincoln	TOTAL
2007	354	622	443	699	607	773	741	4,229
2017	477	651	536	677	651	852	703	4,547
2020	494	682	578	686	680	905	738	4,763



Financial Indicators

ISBE Profile Rank: 4.0

District 64 maintained its perfect 4.0 score on the Illinois State Board of Education Profile for 2018, based on the 2016-17 fiscal year. This is the 9th consecutive year receiving the highest possible score. Read more on the [Financial Profile page](#) of the website.

Bond Rating

The most recent rating by Moody's Investors Service ranked District 64 Aa2.

Accountability

Annual Audit

District 64's financial statements are audited annually by certified public accountants, and provided to the ISBE and Board of Education in late fall, as well as posted [on the website](#).

Financial Forecasts

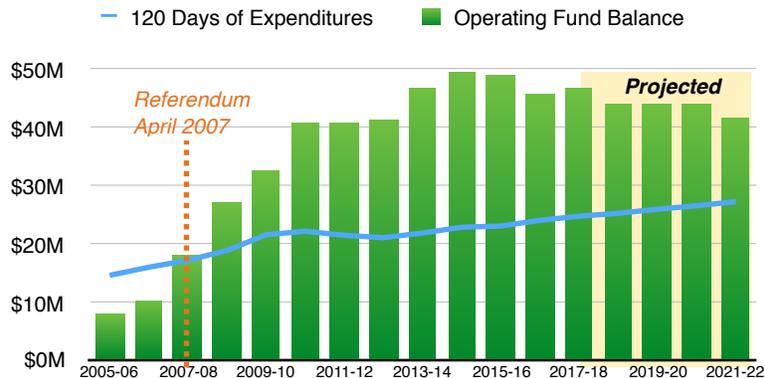
District 64 prepares projections periodically to guide its planning and the Board's decision-making. The projections are presented at public Board meetings and are also available [on the website](#).

Planning for a sustainable future

Preserving a strong fund balance

As District 64 keeps a constant eye on the financial horizon, one of the key measures is its fund balance. A positive balance provides cash to maintain ongoing operations and establishes a reserve for unforeseen expenses. The District 64 Fund Balance Policy is to maintain 120 days (four months) of expenditures in its Operating Funds as measured at the close of each fiscal year on June 30. Since the 2007 referendum, District 64 has seen its financial position strengthen while still devoting \$18.5 million from its Operating Fund balance for large-scale facility improvements through the 2016-17 fiscal year.

Looking ahead, projections from February 2018 indicate that the District will successfully meet this policy through at least the 2021-22 fiscal year. The projections reflect new Consumer Price Index (CPI) amounts of 2.1% for tax levy years 2017 and 2018, and assumes 2% going forward. The projections also include repayment of \$9.25 million in Debt Certificates over a 15-year repayment schedule from operating funds. A potential phase-in of pension obligations from the State to District 64 of .5% in 2018-19 increasing each year to 2% in 2021-22 is included. This scenario does not include a property tax freeze; District 64 has prepared alternative projections should the State legislature enact this provision.



Maintaining facilities for students: today and tomorrow

District 64 has analyzed its facilities from top to bottom to complete a required 10-year Health Life Safety (HLS) study along with a Master Facilities Plan (MFP). Together, the two studies offer a comprehensive look at code requirements, the physical condition of our buildings, and changing educational needs as foreseen in the *2020 Vision Strategic Plan*. District 64 has devised a five-year plan (summer 2017- summer 2021) to accomplish all required projects identified in the HLS as well as the highest weighted items from the MFP to ensure that learning environments are "safe, warm and dry" and begin to address future-ready learning requirements.

The Board has approved a Funding Framework to utilize a combination of sources, including: spending \$3.5 million from the Operating Fund balance; issuing \$9.25 million in Debt Certificates, which are repaid from the District's existing tax levy imposing no additional burden on taxpayers; and issuing about \$20 million in Working Cash Fund bonds and paid back using only a portion of the debt service levy that was reduced when the Emerson Middle School bonds were repaid. The first two legs of this framework have been completed thus far. The Board will be asked to issue bonds to finance projects to be undertaken beginning in summer 2019 or later.

[Facility projects completed thus far may be viewed on the website.](#)



Parent University

District 64 sponsors evening education events through the year to help strengthen the home-school-community partnership.

Community members are invited to join us for these informative workshops that offer quick tips and strategies to help understand and guide your student's learning.

24/7 Availability!

Family discussion starters on key topics are available as video podcasts for viewing at home, too.

See the [Parent University page](#) of the District 64 website.



- [District 64](#)
- [Carpenter School](#)
- [Field School](#)
- [Franklin School](#)
- [Roosevelt School](#)
- [Washington School](#)
- [Emerson Middle School](#)
- [Lincoln Middle School](#)
- [Jefferson School](#)

Our vital partnership with families and the community

District 64 is fortunate to enjoy the strong support of its families through the extensive involvement of PTO/As at all schools. These unique, non-profit organizations raise funds to provide a wide range of enrichment programs for students, support teacher projects, and enhance the school environment by providing materials and equipment beyond what the District can provide. Recent efforts include helping to furnish 21st century flexible learning spaces, landscaping near school entries and play areas, replacing playground equipment, and adding technology resources.

District 64 also enjoys the strong support of several District-wide groups that benefit students and staff, including the Band & Orchestra Parents Association and the Choral Boosters.

See ELF grants at work in our schools

The District 64 [Elementary Learning Foundation](#) (ELF) supports innovative learning through an annual grant program, with total direct grants of more than \$790,000 to our teachers and schools over the past 15 years. Grants are announced each May for the coming year. Collaboration stations, social-emotional programming, stand-up desks, 21st century learning centers, broadcasting rooms -- [enjoy a four-minute video](#) narrated by District 64 principals describing some of the improvements made possible by ELF grants.



District 64 invites you to stay connected with our schools

Here are a few of the ways community members can learn more about our schools:

- Visit the [District 64 website](#) for news and events at our schools, or follow blog posts from our Principals.
- Follow us on social media: Facebook (see links at left) and [Twitter @d64News](#) #engageD64.
- Monitor progress on the new [District Dashboard](#)
- The annual Illinois School Report Card provides communities with information about public schools across Illinois. Reports for District 64 and each of our District 64 schools are now available [on our website](#); or, view state-wide at [illinoisreportcard.com](#).
- Drop by a Board of Education meeting conducted at your neighborhood school; the [schedule](#) rotates to visit all the schools annually. Board meetings are available on video typically within 48 hours, too.

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