



# Financial Report 2018

## Board of Education

### 2017-19

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## To the District 64 Community:

We are pleased to present the fifth of our award-winning Financial Report, which summarizes our financial performance during the 2018 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:

- ▶ 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.
- ▶ Operating Fund expenditures were held constant compared to the prior year by carefully aligning our investments in student learning to our *2020 Vision* priorities.
- ▶ The District continued its facilities improvements as part of the comprehensive Health Life Safety/Master Facilities Plan. An additional \$5 million in facility projects were self-funded in 2017-18 through Debt Certificates repaid through operating funds.

## 2007 Referendum Promise Sustained

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 four 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 2018 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 12 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](mailto: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

### Operating surplus in 2018

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

For 2017-18, District 64 had a surplus in its annual Operating Funds of almost \$3.2 million. The Operating Fund balance increased to \$49 million. This translates to 249 days of cash on hand, which continues to surpass the Board's goal of 120 days.

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 2019 continues the positive trend

The Board of Education adopted a final budget for 2018-19 on September 24, 2018.

Highlights include:

- Revenues exceed expenditures in the Operating Funds by \$1 million.
- A \$1 million transfer from the Operating Funds to Debt Service is planned to fund capital lease and Debt Certificate payments
- No change is expected in the Operating Fund balance at year-end.

#### Need more details?

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

OPERATING FUNDS (\$ in millions)	Fiscal Year 2017-18 Actual (audited)	Fiscal Year 2018-19 Budget
Beginning Fund Balance	\$46	\$50*
Revenues	\$76	\$77
Expenditures	\$72	\$76
Inter-Fund Transfers	(\$1)	(\$1)
Surplus (Deficit)	\$3	\$0
Ending Fund Balance	\$49	\$50

\* Beginning fund balance is estimated at time of budget completion, but audit was not finalized

### "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, 2018)  
4,541

**Pupil/teacher ratio\***

16:1

**Teachers with Master's degrees\***

79%

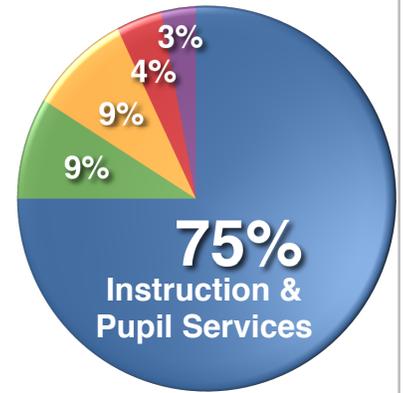
**Attendance rate\***

96%

\* Source:  
2018 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 2017-18, 75% of our expenditures were channeled to instruction and pupil services.



Recent investments in student learning are providing:

- Additional staffing and professional development in the Student Services department based on recommendations from an internal evaluation and external audit
- Online student textbook renewals in math, middle school social studies, and French, and a new curriculum adoption in elementary ELA (writing and phonics)



**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 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

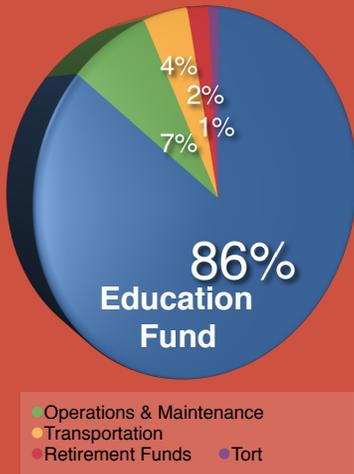
Each objective has several strategies identifying what we will do to achieve it, along with related outcomes and measures as evidence of our progress. A “balanced scorecard” tracks progress using key performance indicators for each objective.

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



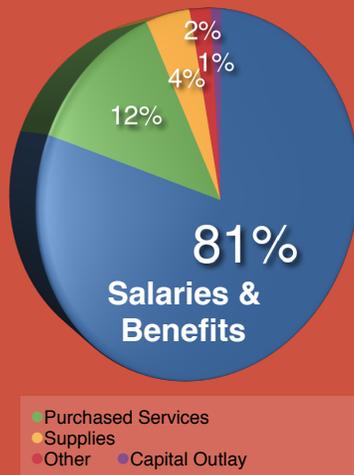
**Operating Fund Expenditures by Fund**

Education Fund spending accounts for 86% of all Operating Fund expenditures.



**Operating Fund Expenditures by Object**

Salaries and benefits together account for 81% of all Operating Fund expenditures.



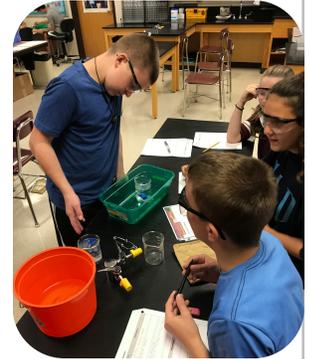
## Taking a closer look at expenditures

### 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 86% 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 81% 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 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
\$15,152	\$15,613	\$15,920	\$16,281	\$16,308



### Operating Fund Revenues by Source

Local property taxes account for 83% 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 2017-18, the Treasurer achieved an average rate of return on District 64's cash/investments of 1.49%.

## Taking a closer look at revenues

### Local financial support is crucial

Revenues from local property taxes drive District 64's financial health, providing 83% 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 six years, the CPI-U has ranged from 0.7% to 2.1%. The CPI-U for 2018 will be known in January 2019.

District 64 parents also provide substantial resources through annual student fees. Required student fees in 2017-18 covered approximately 39% of the expenditures for instructional resources and technology. The elementary and middle school fees have remained unchanged since 2009-10. A comprehensive review of 2017-18 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 funding remains limited

A majority of District 64's federal funding comes in the form of grant reimbursements for special education programs (IDEA), other Title grants, and Medicaid, totaling \$1.9 million. Of this, the largest was the IDEA grant at \$1.2 million. In addition, D64 used \$318,000 of federal Title I funding to support students at risk primarily by providing Math tutoring after school at Field, Franklin and Washington, and for a remedial math teacher at Emerson and half-time teacher at Franklin for students who qualified for this targeted assistance according to the grant guidelines.

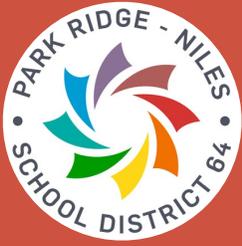
### State transitions to "Evidence-Based Funding"

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. In 2017-18, the State of Illinois shifted to an Evidence-Based Funding (EBF) model for Illinois schools. The special education "categorical" grants (for certain personnel and services) were combined with general state aid to form new EBF payments. The formula is intended to funnel more money to districts with limited local resources and a higher population of lower income students. District 64 anticipates that state EBF payments will remain flat for the foreseeable future.

### "Outside" grants sought wherever possible

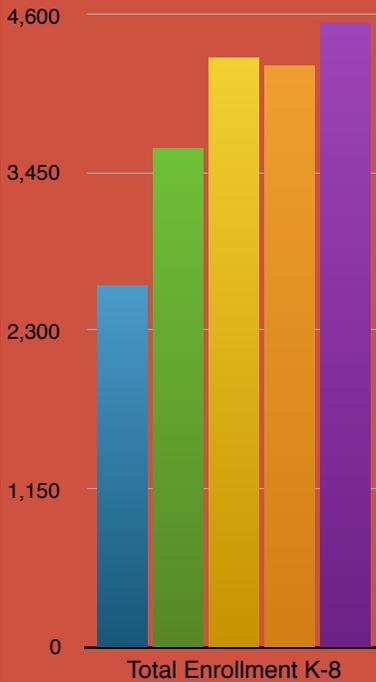
District 64 consistently seeks "outside" money through grants to supplement what local taxpayers provide. In 2017-18, D64 received a \$136,000 federal eRate grant reimbursement for technology projects to improve network capability and reliability.





### Enrollment History 1990-2017

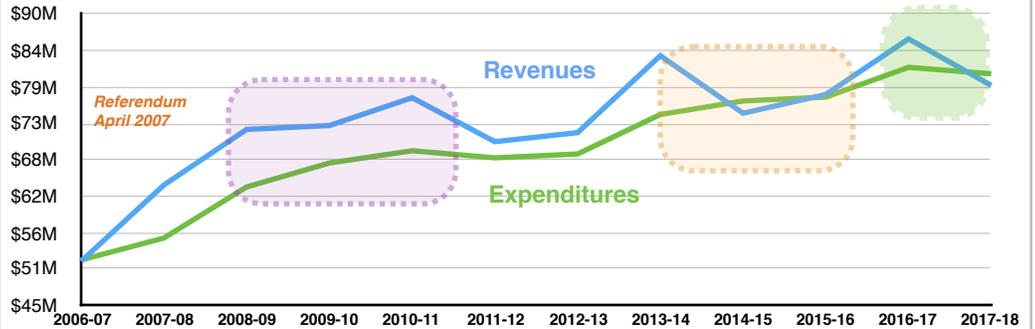
■ 1990    ■ 1996    ■ 2002  
■ 2009    ■ 2018



## 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 fund needed HLS/MFP improvements. In 2017-18, projects were paid for as they were completed.

### Enrollment is growing as pressure points emerge

Although not as rapid as enrollment growth in the 1990's, District 64's overall enrollment has grown 6% in the last decade (2008-18). Carpenter grew by 30% in that period, and Franklin, Washington and Emerson also experienced strong growth. The District is carefully monitoring the growing imbalance in enrollment between the two middle schools. The District tracks enrollments monthly and updates projections at least annually. In fall 2018, the District announced plans to utilize a consultant to update the demographic trends and enrollment projections study to look at data across the District and the capacity of the buildings in preparation for future facility planning.

	Carpenter	Field	Franklin	Roosevelt	Washington	Emerson	Lincoln	TOTAL
<b>2008</b>	352	638	450	667	604	807	760	4,278
<b>2013</b>	423	657	456	628	602	829	733	4,328
<b>2018</b>	461	650	529	647	653	876	725	4,541



## 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](#).

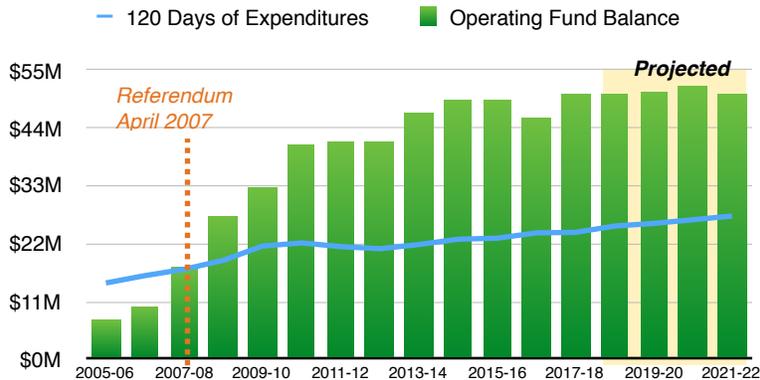
**Financial Forecasts**  
 District 64 prepares projections periodically to guide its planning and the Board's decision-making. The projections are presented at public Board meetings and are also available [on the website](#).

# 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 2017-18 fiscal year.

Looking ahead, projections from September 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 2019-20 increasing each year to 1.5% 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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