



Financial Report 2015

Board of Education 2015-17

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To the District 64 Community:

We are pleased to present the second edition of our Financial Report, which summarizes our financial performance during the 2014-15 fiscal year. This report brings together essential information about the District's financial health in one reader-friendly overview. It is meant to complement the newly created [2015 Annual Report](#), which was mailed to all Park Ridge-Niles households in December 2015.

Here are the most essential things to know about District 64's current finances:

- ▶ The District operated with a balanced budget in its Operating Funds for 2015, which resulted in a surplus of \$2.7 million for the year. Our Operating Fund balance at year-end was \$49 million.
- ▶ The budget for 2016 is expected to continue this positive trend.
- ▶ Strong fiscal discipline — coupled with targeted spending to support the District's educational priorities — has created a period of financial stability and allowed District 64 to meet its 2007 referendum promise.



As we look toward the future:

- ▶ Stepped up investments now are required to maintain our aging school buildings, as identified by a required 10-year Health Life Safety survey and new Master Facilities Plan.
- ▶ The State legislature continues to explore a wide range of alternatives to how education is funded in Illinois, adding many uncertainties in our planning.

This 2015 Financial Report focuses on the investments we have made in student learning and our new 2020 Vision Strategic Plan. It 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 vital partnerships with you, our community members, also are highlighted.

For those interested in more layers of data, the District website offers the current adopted budget along with nine years of past budgets and audited year-end financial reports.

Local taxpayers are the backbone of our community's quality schools. We invite you to stay connected with us. District 64 schools continue to make Park Ridge-Niles a great community for all!

For Your Children,
Dr. Laurie Heinz, *Superintendent*
lheinze@d64.org @DrLaurieHeinz



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

Balanced budget results in a surplus for 2015

District 64 operated with a balanced budget in its Operating Funds for the fiscal year ended June 30, 2015. A key indicator for District 64's financial health is its Operating Fund balance at the close of each fiscal year.

For 2014-15, District 64 added \$2.7 million to the Operating Fund balance, which has reached \$49 million. This translates into 261 days of cash on hand.

District 64 expects to maintain its perfect 4.0 "Recognition" financial rating — the highest possible — from the Illinois State Board of Education for the seventh consecutive year.

Need more details?

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

Another highlight was the investment of \$800,000 to launch a 1:1 learning initiative at the start of the 2014-15 school year. Chromebook devices are provided to every student in grades 3-8. Students bring the District-owned devices to and from school daily; families contribute \$30 annually toward device upkeep. The devices are anywhere/anytime tools for student learning and practice in 21st Century skills: communication, collaboration, creativity and critical thinking. For grades K-2, additional iPads were deployed to students and classrooms in a ratio approaching 1:1.

Budget for 2016 continues the positive trend

The Board of Education adopted a final budget for 2015-16 on September 28.

Highlights include:

- \$70 million in operating fund expenditures and \$73 million in revenues
- A surplus of \$3 million is expected for the year
- The Operating Fund balance is expected to reach \$52 million (an increase of 6%) at year end

OPERATING FUNDS (\$ in millions)	Fiscal Year 2014-15 Actual (audited)	Fiscal Year 2015-16 Budget
Beginning Fund Balance	\$47	\$49
Revenues	\$70	\$73
Expenditures	\$68	\$70
Surplus (Deficit)	\$2	\$3
Ending Fund Balance	\$49	\$52

"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.



Inspire every child to



Classroom View

Class size guidelines

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

K-8 Enrollment

(6th Day of School 2015-16)
4,372

Pupil/teacher ratio*

15

Teachers with Master's degrees*

82%

Attendance rate*

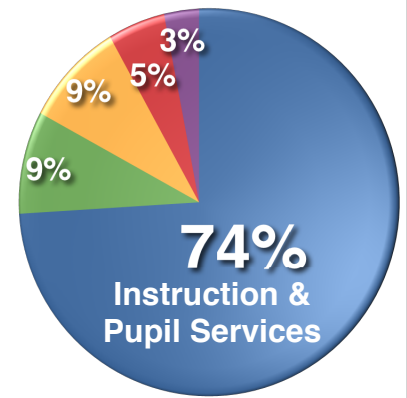
96%

*Source:
2015 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 to support student instruction and to support students directly. Our [2015 Annual Report](#) offers a more extensive review of our educational programs, but here are a few of the ways District 64 invested in student learning in 2014-15 to provide:

- A review of the District's Science curriculum to align with the newly adopted Next Generation Science Standards and related instructional materials
- Additional support for data-driven instruction using Response to Intervention (RtI)
- Continued job-embedded professional development for teachers focusing on differentiation of instruction and other best practices, as well as specialized professional development on high impact instructional strategies focusing on the integration of technology and use of formative assessments.



● Administration & Business Services
● Operations & Maintenance
● Other ● Transportation

2020 Vision Strategic Plan will guide 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. In 2014-15, District 64 created a new strategic plan through 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 in the next 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.

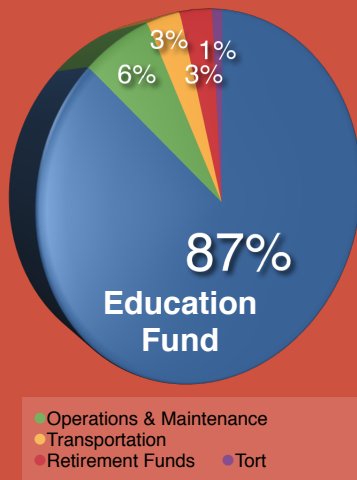
- ▶ **Strategic Objective 1:** Develop students who master the 4 C's: communication, collaboration, creativity, and critical thinking
- ▶ **Strategic Objective 2:** Provide a rigorous education for all students.
- ▶ **Strategic Objective 3:** Differentiate to meet the academic and social/emotional health 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.



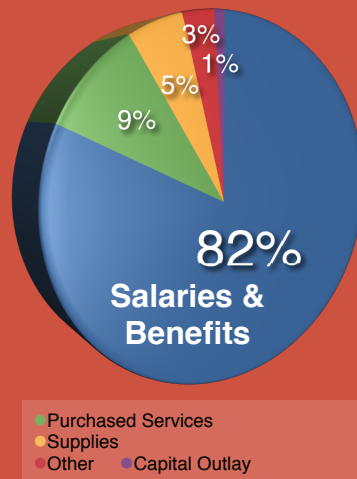
Operating Fund Expenditures by Fund

Education Fund spending accounts for 87% 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 87% 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 bidding process is followed for large budget items, such as facility improvements and bus transportation.
- 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

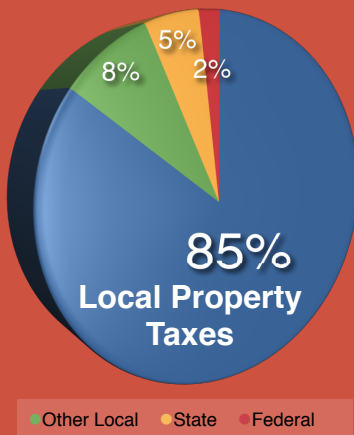
How much does it cost to educate a student for one year in District 64? Using the Illinois State Board of Education definition of operating expense per pupil, District 64 has invested the following amounts per pupil over the past five years:

FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
\$13,826	\$14,745	\$14,886	\$15,152	\$15,613



Operating Fund Revenues by Source

Local property taxes account for 85% of all Operating Fund income.



Duties of the Maine Township School Treasurer

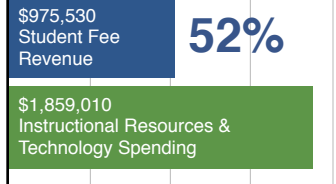
The Maine Township School Treasurer handles the investments for District 64 and the other township school districts. By pooling funds, the Treasurer gets better rates of return for the group as a whole, while ensuring there is sufficient cash on hand to meet ongoing expenses. The District 64 Business 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 2014-15, the Treasurer achieved an average rate of return on District 64's cash/investments of 0.81%.

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 last seven years, the CPI-U has ranged from 0.1% to 3%.

District 64 parents also provide substantial resources through annual student fees. In 2014-15, fees collected covered only about 52% of the District's costs for instructional resources and technology. Based on a comprehensive review of student fees undertaken in 2015-16 with the Board of Education, more detail about the instructional costs included in the fee analysis will be provided for the coming year.



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

New: Title I federal grant received for the first time

District 64 for the first time in 2014-15 wrote competitive grants to receive federal Title I funding to support students at risk. Funding was used to provide Math tutoring after school at Field, Franklin and Emerson for students who qualified for this targeted assistance according to the grant guidelines. About \$129,000 of federal funding was invested in this new program.

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.

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 2014-15, 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 \$309 per student in general state aid after its formula was applied.

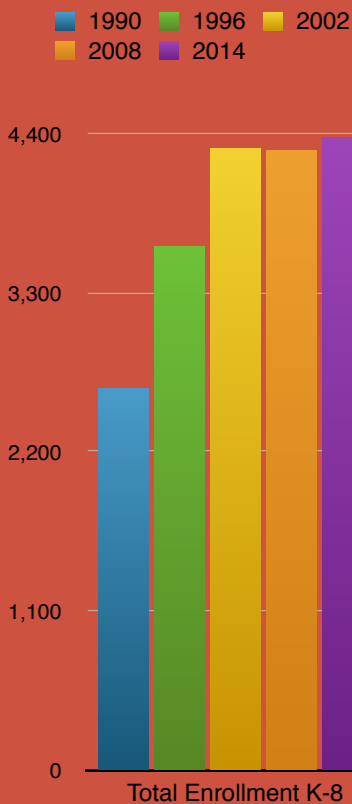


"Outside" grants sought wherever possible

District 64 has consistently sought "outside" money through grants to supplement what local taxpayers provide. In 2014-15, projects funded through capital grants included about \$112,000 from the Illinois Department of Commerce & Economic Opportunity (DCEO) for energy efficiency mechanical system upgrades at Field, Lincoln and Jefferson schools. In the past, a total of \$11.4 million 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.



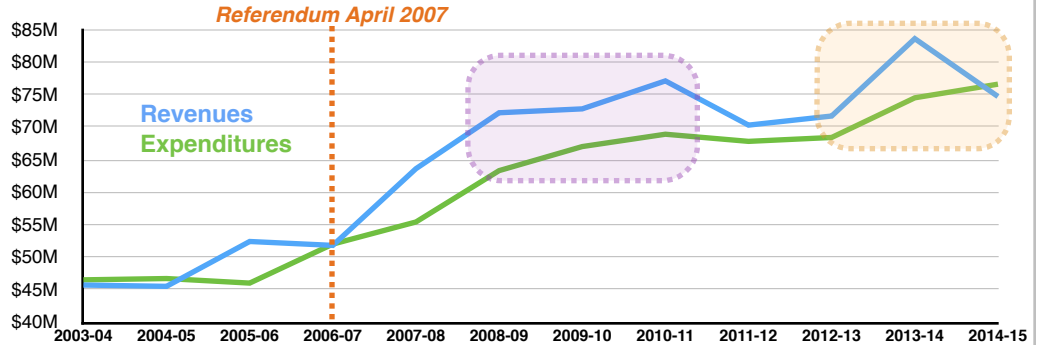
Enrollment History 1990-2014



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:

- **Prior to April 2007 referendum:** District 64 revenues were limited by the tax cap to the rate of inflation, yet expenses grew faster — enrollment had climbed by 650 students, an increase of almost 18%, and healthcare and energy costs also grew at a higher rate as experienced nationwide. To slow expense growth, the District cut its budget, increased classroom sizes, cut personnel and programs, deferred maintenance, and delayed technology updates. The District was forced to issue 4.9 million in Working Cash Fund bonds to meet its immediate obligations.
- **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, the District's finances were impacted by sound insulation projects at several schools. The District paid for the improvements and was later reimbursed by the FAA and City of Chicago (see page 5). More recently, the District drew down 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 its technology expenditures to provide 1:1 learning for students in grades 3-8.

Enrollment is stable; new forecasts annually

Following a period of rapid enrollment growth during the 1990's, District 64's overall population has stabilized although individual schools have fluctuated. Projections updated in January 2016 using a new forecasting model indicate limited growth, however, changing population and housing trends in the community may impact this outlook. The District will continue monitoring enrollment and will update its projections at least annually.

	Carpenter	Field	Franklin	Roosevelt	Washington	Emerson	Lincoln	Total
2000	386	555	483	740	554	744	683	4,145
2007	354	622	443	699	607	773	741	4,229
2015	455	653	490	679	599	807	689	4,372
2018	446	640	500	642	639	875	713	4,455



Financial Indicators

ISBE Profile Rank: 4.0

District 64 expects to maintain its perfect 4.0 score on the Illinois State Board of Education Profile for 2016, based on the 2014-15 fiscal year just ended. This would be the 7th consecutive year receiving the highest possible score. Read more on the [Financial Profile page](#) of the website.

Bond Rating

For the bond issuance
in spring 2014,
Investors Service
District 64 Aa2. Moody's ranked

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](#).

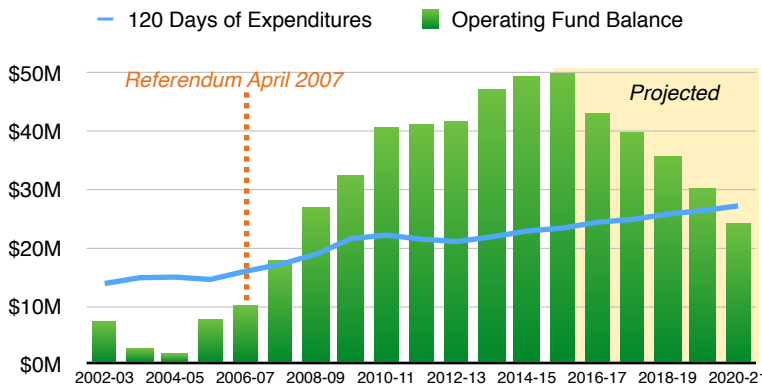
Planning for a sustainable future

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 Operating Fund balance strengthen each year.

The District will not only meet, but surpass the promise made during the 2007 referendum to maintain financial health for at least 10 years (2016-17).

Projections from February 2016 indicate that the District will successfully meet this policy through the 2019-20 fiscal year. The projections were updated based on current conditions in the economy and the possibility of a two-year property tax freeze for the 2017 and 2018 tax levy years. In addition, they reflect new Consumer Price Index (CPI) amounts of 0.7% in 2016 and assume 0% in both 2017 and 2018. The projections also assume spending \$10 million of the fund balance for capital projects with the majority occurring in 2016-17 and a potential phase in of pension obligations from the state to District 64 of .5% increasing each year to 2.5% in 2021.



Maintaining facilities for students: today and tomorrow

District 64 facilities received top-to-bottom scrutiny in 2015, with the completion of a required 10-year Health Life Safety (HLS) study along with a Master Facilities Plan (MFP). The work was led by a design team from FGM Architects, and included meetings with teachers, parents and students to better understand each building's unique needs. Together, the two studies offer a comprehensive look at code requirements, the physical condition of our buildings, and changing educational needs.

The analysis concluded that our facilities are structurally sound, but need significant investment to replace aging systems. The priority is to ensure that all our learning environments are "safe, warm and dry" by focusing on recommended critical projects totaling \$36.4 million over the next three years. The Board in spring 2016 was determining which construction bids to accept for work this summer totaling \$12.9 million. Of this, the Board initially approved \$2.2 million in roofing work, with the remainder under consideration at the time of this report. Financing options also are being discussed, and include possibly committing \$10 million of existing fund balance and/or issuing bonds. For the status of approved projects, please see the [Master Facilities Plan page](#) of the District 64 website.



"Parent University" 2015-16

District 64 sponsors a series of parent education events through the year to help strengthen the home-school-community partnership.

All adult members of the community are invited to join us in these informative workshops that offer quick tips and strategies to help understand and guide your student's learning.

Access the schedule on 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 creating new community gardens, landscaping near school entries and play areas, replacing playground equipment, and adding technology resources.

The District 64 [Elementary Learning Foundation](#) (ELF) supports innovative learning through its annual grant program, with total direct grants of almost \$700,000 directed to our schools over the past decade. The next round of grants will be announced in May 2016.



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.

District 64 invites you to stay connected with our schools

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

- 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 usually within 48 hours, too.
- Follow Superintendent Laurie Heinz's monthly [Parents = Partners Education Notes newsletters](#), which are also available to the community via our website.
- Check back frequently to the [District 64 website](#) for news and events at our schools, or follow blog posts from our Principals.
- Subscribe to the [District 64 eNews](#) for regular updates on Board meetings and District news.

