



**Atwood Heights School District 125**

*We Educate Our Future*

## **Financial Analysis**

**September 24, 2024**

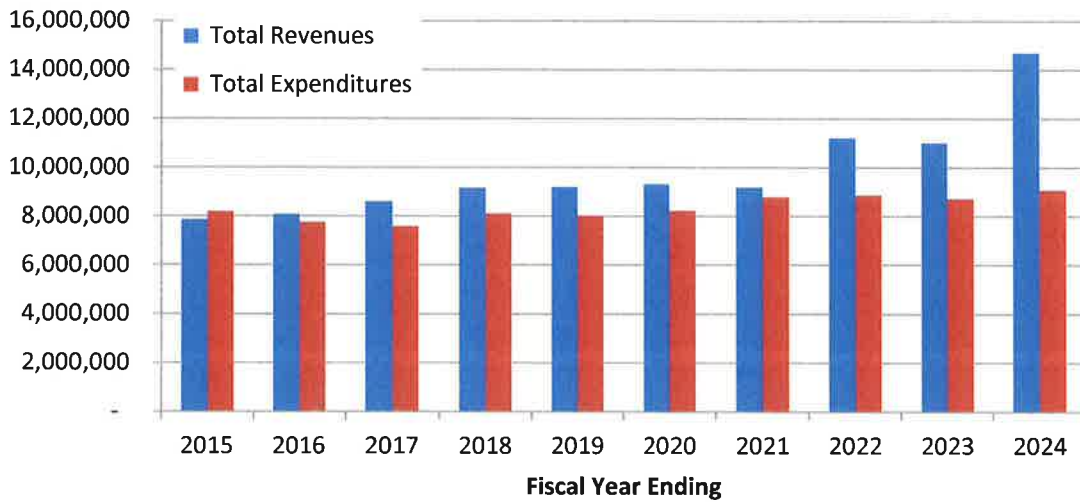
An Analysis of the District's Historical Financial Operations and  
Projected Future Financial Condition

# Table of Contents

<b>I.</b>	<b>Historical Financial Review</b>	<b>1</b>
	a. Revenue History	2
	i. Real Estate Tax Revenues	3
	ii. Unrestricted State Revenues	3
	iii. Restricted State Revenues	4
	b. Expenditure History	4
	i. Salary Expenditures	6
	c. Enrollment History	6
<b>II.</b>	<b>Financial Condition on June 30, 2024</b>	<b>7</b>
<b>III.</b>	<b>Issues Facing the District</b>	<b>8</b>
	a. Current Economic Crisis	8
	i. Inflation Levels	8
	ii. State's Financial Crisis	9
	iii. Shift of Pension Costs	9
	b. Available Debt Limitations	9
<b>IV.</b>	<b>Projected Financial Condition</b>	<b>10</b>
	a. Major Assumptions Used in Making Projections	10
	i. Revenue Assumptions	10
	ii. Expenditure Assumptions	10
	b. Projections FY25 through FY30	11
	i. Projected Revenues vs. Expenses	11
	ii. Projected Fund Balances	12
<b>V.</b>	<b>Historical Financial Summary</b>	<b>13</b>
<b>VI.</b>	<b>Financial Projections</b>	<b>14</b>

## Historical Financial Review

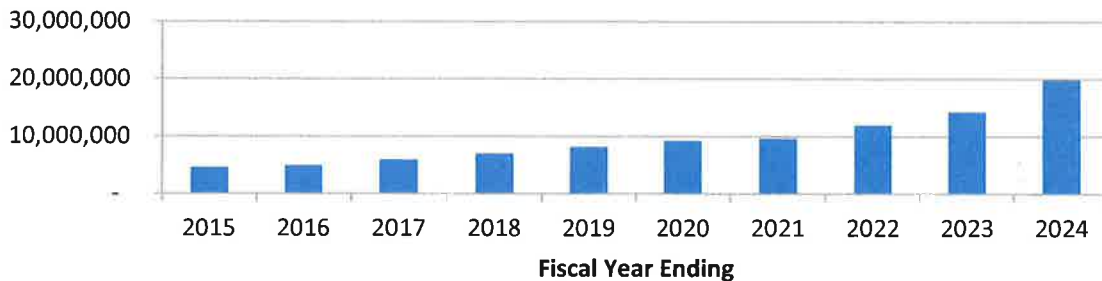
In developing a long-term financial plan for a school district, it is critical to first review the historical trends in the revenues and expenditures of the district. The Historical Financial Review incorporates all funds in the district excluding the debt service fund. The following chart reflects revenues and expenditures for Atwood Heights School District 125 over the past ten years:



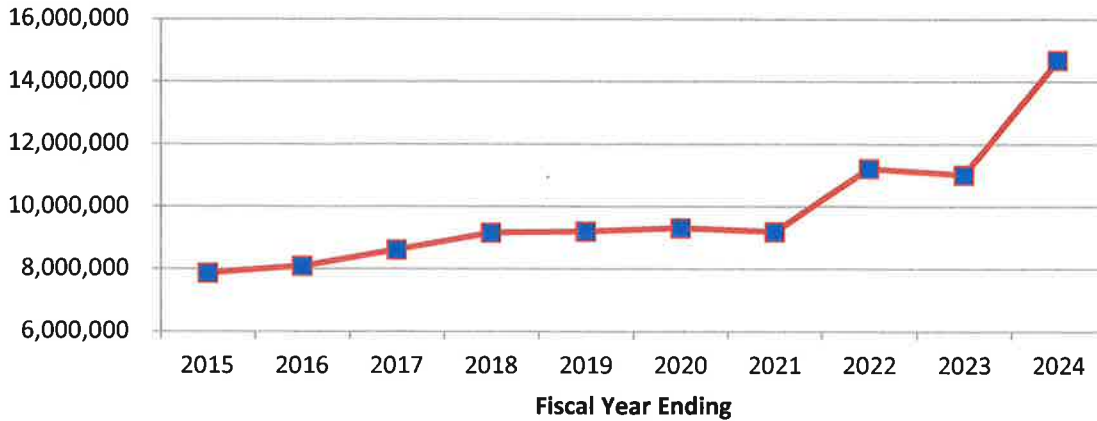
In FY16 the district stopped the trend of deficit spending (expenditures greater than revenues) since FY12. Bonds were issued in FY24 which resulted in significant revenues in excess of expenses.

The following graph reflects fund balances over the past ten years.

### Fund Balances - All Funds Except Bond & Interest

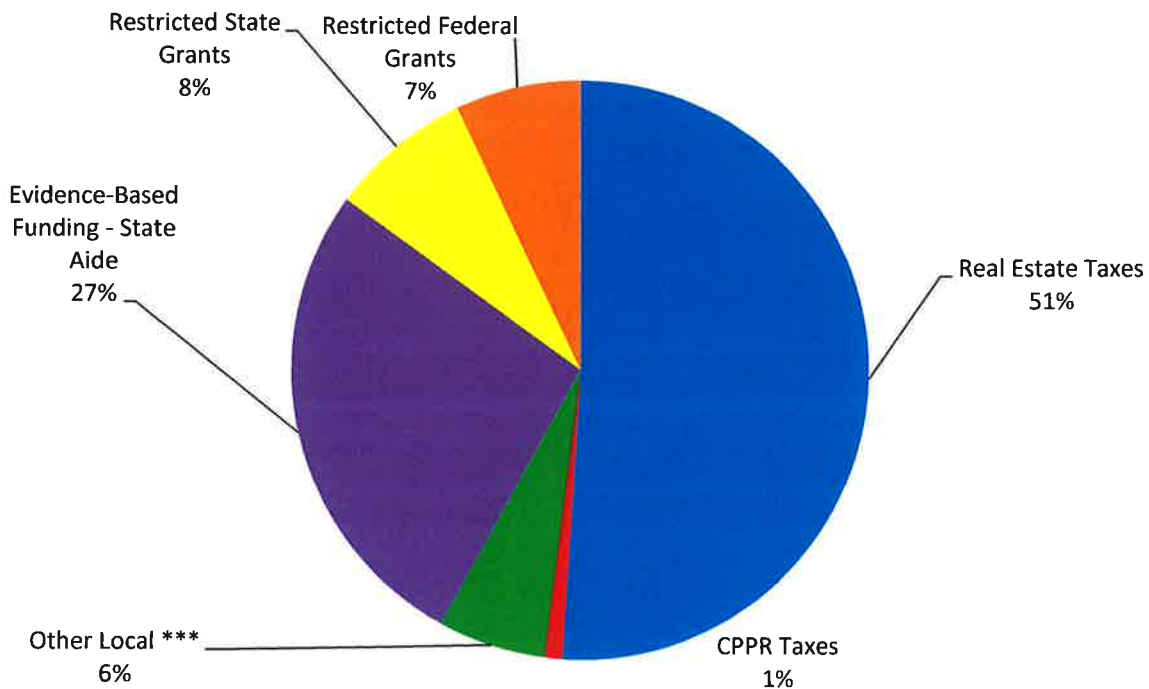


## Revenue History



Total revenues received by the district have steadily increased with the exception of FY21 and FY23, which was due to timing of ESSER revenue related to COVID-19. Overall total revenues have increased at an average annual rate of 7.25%. Without the FY24 bond issue revenues have increased at an average of 4.19%

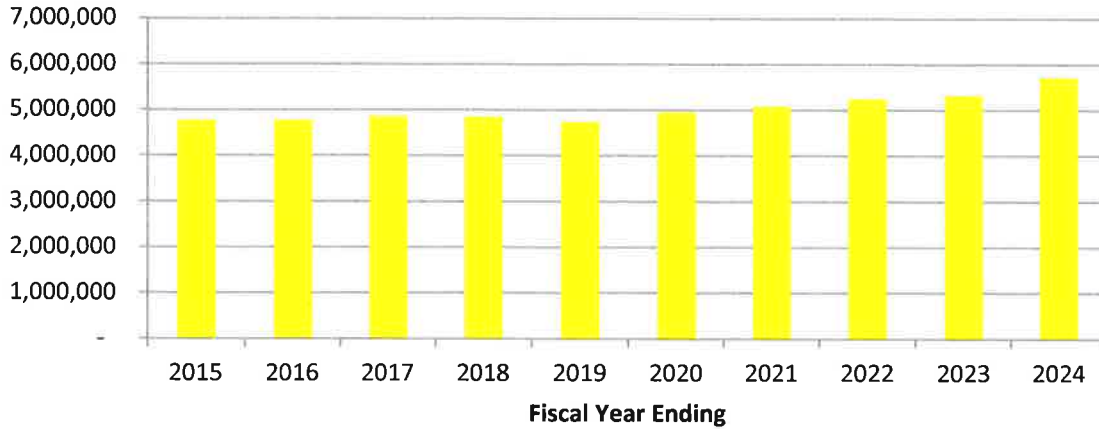
For the fiscal year ending June 30, 2024, total revenues received by Atwood Heights School District 125 can be broken down as follows:



\*\*\* Other Local Revenues include interest, student fees, lunch fees, and other miscellaneous revenues

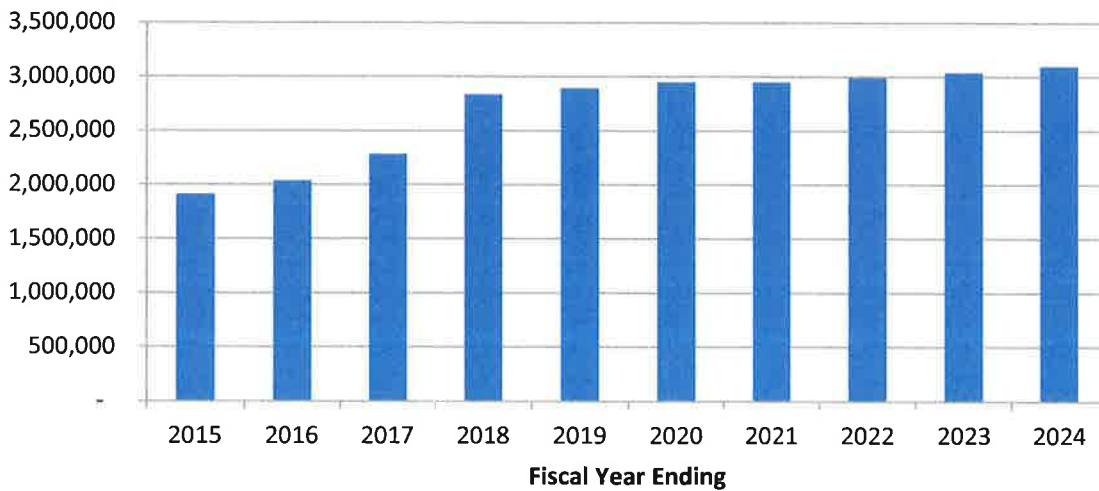
In order to analyze revenue patterns during this time period, it is necessary to examine the primary sources of revenue in the district: Real estate taxes amount to 51% of the district's total revenues. Evidence Based Funding amount to 27% of the district's total revenues, and restricted State-aid amount to 8% of the district's total revenues. The following graphs illustrate the growth patterns of these revenue sources over the past ten years:

### Real Estate Tax Revenues



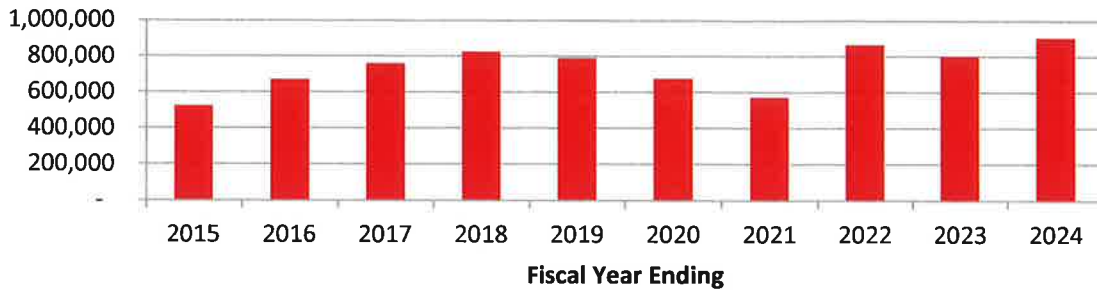
Real estate taxes increased at an average rate of 2.31% over the past ten years.

### Evidence Based Funding State Revenue (General State-Aid)



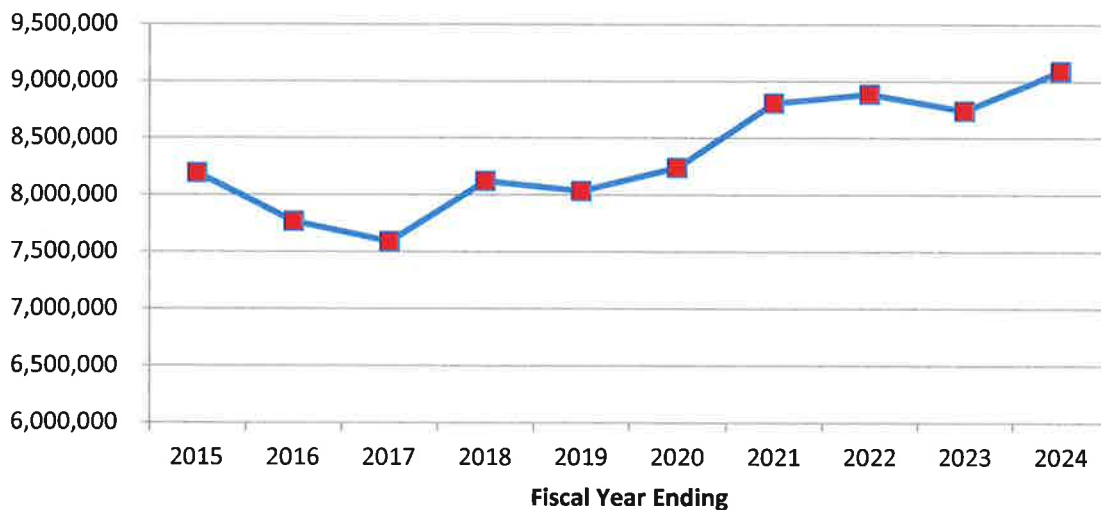
The district has realized an average increase in general State-aid revenues of 7.27% per year annually over the past ten years. As noted in the graph below, the increase in general State-aid is in large part due to the change in funding formula to Evidence Based Funding beginning in FY18.

## Restricted State Revenues



The district has seen an increase in restricted State revenues of almost \$400,000 over the past ten years.

## Expenditure History



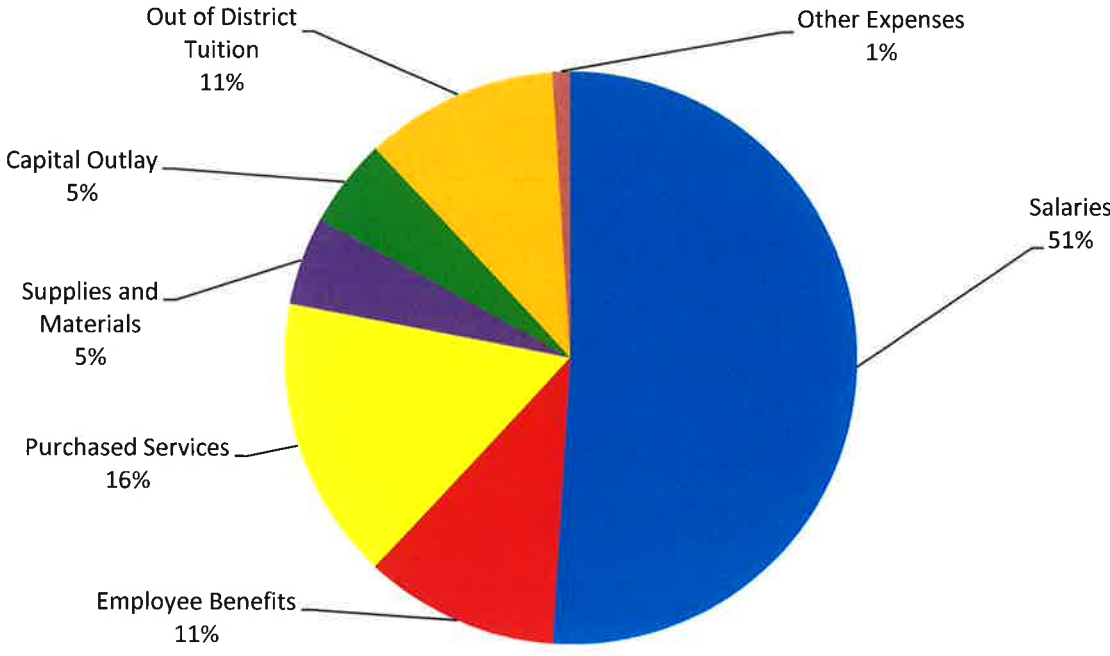
The district's expenditures can be broken down into six different categories:

1. **Salaries** – Amounts paid to permanent, temporary or substitute employees of the district.
2. **Employee Benefits** – Fringe benefits paid on behalf of the employees but not directly to the employees. These include medical insurance, payments to the Illinois municipal retirement fund (IMRF), early retirement programs, tuition reimbursements, and Board paid teachers retirement system (TRS) payments.
3. **Purchased Services** – Amounts paid for services rendered by personnel who are not on the payroll of the district. These include transportation services, property/casualty insurance, legal services, audit services,

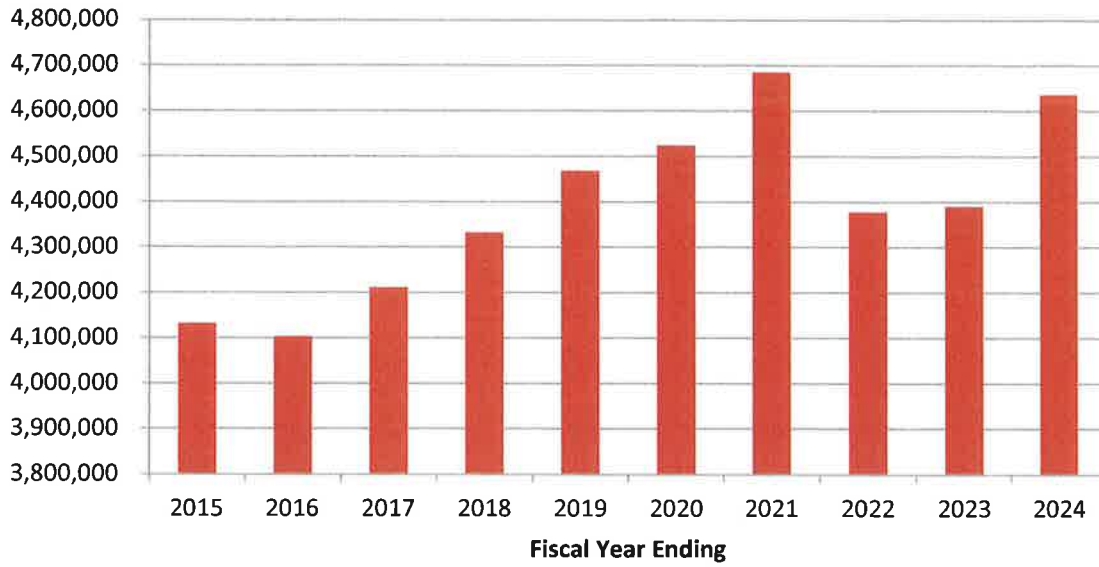
information technology services, contractual services related to the enhancement of the teaching process, telephone services, and bandwidth services.

- 4. **Supplies and Materials** – Amounts paid for material items that are consumed, worn out, or have deteriorated from use. These primarily include textbooks, library books, software, utilities, and building supplies.
- 5. **Capital Outlay** – Expenditures for the acquisition of fixed assets or additions to fixed assets. Fixed assets include purchases of land, buildings, and equipment such as furniture or servers.
- 6. **Special Education Tuition** – Expenditures to reimburse outside agencies such as Eisenhower Special Education Cooperative for services rendered to students residing in the district.

The following is a breakdown of the expenditures of the district by expenditure type for the fiscal year ending June 30, 2024, excluding major capital expenses and debt payments, which vary dramatically from year to year:

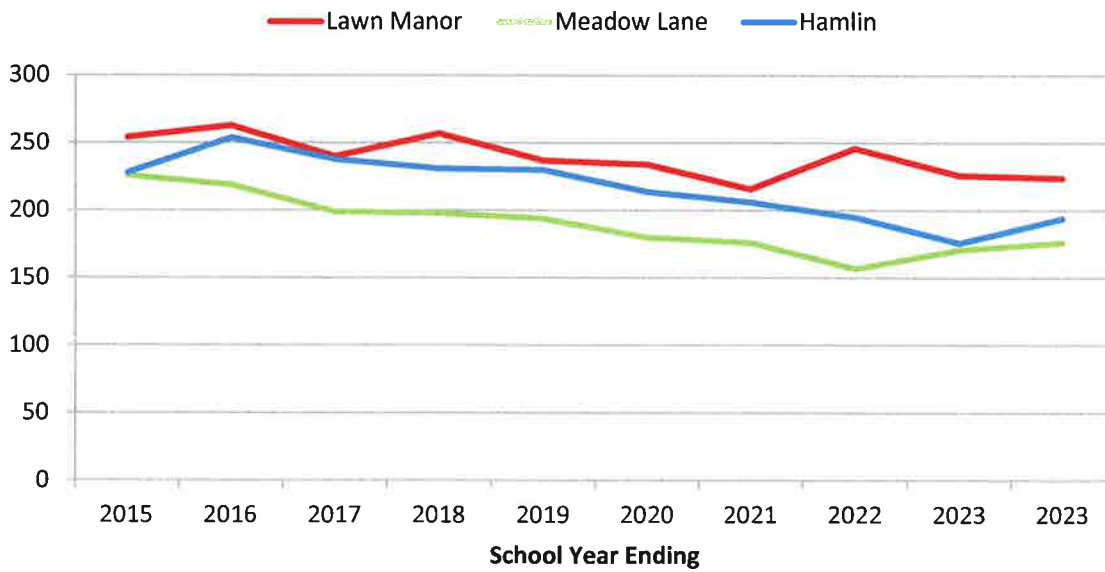


## Salary Expenditures

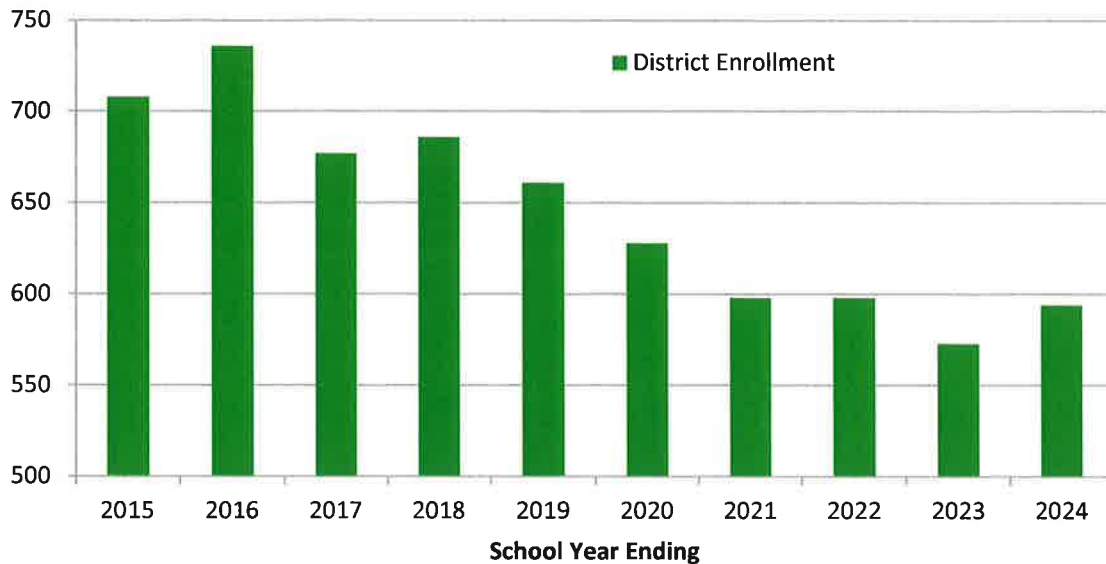


Since FY14, total salary expenses increased at an average annual rate of 1.25%.

## Enrollment History







As shown in the two charts above, the district enrollment has decreased by 114 students over the past ten years.

## Financial Condition on June 30, 2024

For the purpose of projecting the anticipated fund balances, we will reference the June 2024 ending fund balances. As of June 30, 2024, projected fund balances are as follows:

Education Fund	\$11,341,858
Operations & Maintenance Fund	\$484,862
Debt Service Fund	\$1,337,312
Transportation Fund	\$966,918
IMRF/Social Security Fund	\$206,261
Capital Projects Fund	\$29,275
Working Cash Fund	\$6,396,609
Tort Fund	\$128,103
Fire Prevention & Safety Fund	\$316,195
<b>Total Fund Balance</b>	<b>\$21,207,393</b>

## Issues Facing the District

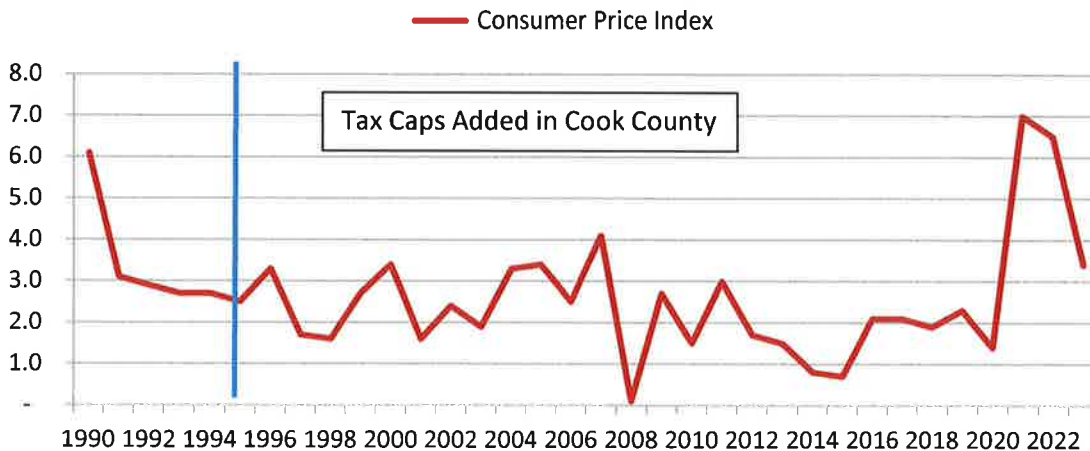
With the goal of providing an excellent education to children and ensuring the financial condition of the district remains healthy, it is imperative to examine major issues that may have a significant impact on the district's financial condition as well as the education provided and consider these issues when making financial projections.

### Current Economic Crisis

The district must be cognizant of the strong likelihood that this economic contraction will have a growing impact on the schools, and it must take action to prepare for that possibility. The impact of this economic crisis on Atwood Heights School District 125 may be seen in two primary areas: (1) High rates of inflation and its impact on tax revenue growth, and (2) The State financial crisis and its impact on State funding.

### Inflation Levels

High inflation levels have increased costs throughout the district, however the district is capped in its growth of real estate tax revenues by the rate of inflation as defined by the consumer price index. For the levy that will be approved by the district in October 2024, tax revenue growth will be capped at the December 2023 consumer price index of 3.4%. Some experts are projecting that inflation levels may remain high for several years. With real estate tax revenues making up approximately 51% of the district total revenues, an extended period of inflation over 5.0% could be devastating to the district. There has also been talk by state legislations of a property tax freeze for several years.



## State of Illinois' Financial Crisis

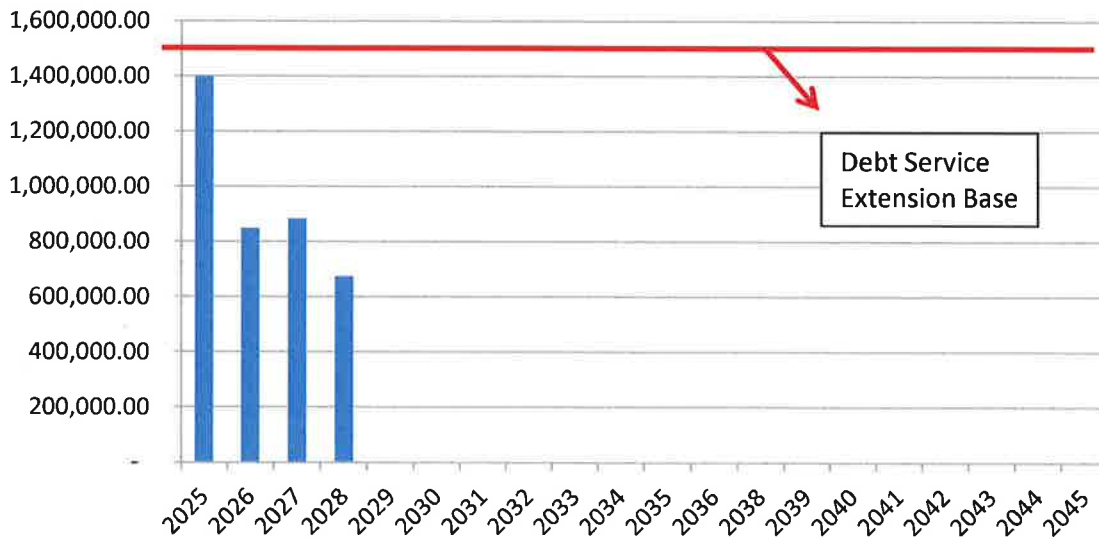
35% of the district's revenues come from State sources, which amount to over \$4 million dollars. The State recently passed school funding reform, with new money going to schools that the State considers most in need. Part of the reform was that all Illinois School Districts will receive at least the level of funding that they were receiving prior to funding reform.

## Shift of Pension Costs

Over the past several years Illinois political leaders have discussed shifting the cost of State pension programs to local school districts. The estimated annual pension cost is approximately 9% of qualified salaries each year.

## Available Debt Limitations

The following chart illustrates the current debt service levies of the district. The line marked "Debt Service Extension Base" is the maximum levy the district can incur in its bond fund under existing tax cap legislation. The district is allowed to have in place a levy to cover the principal and interest payment of its debt for up to twenty years.



As can be seen by the above graph, the district's debt service extension base is relatively full through 2028 but is open beginning in 2029 and beyond. Long-term debt should be utilized for long term capital needs. Using borrowing to support operating expenses is one of the primary causes of financial troubles in Illinois schools.

## Projected Financial Condition

The following six-year projection was derived by incorporating trends in the district's expenditures and revenues with assumptions made on several critical issues that will determine the district's future financial condition.

Please note that all projections are based on assumptions and should be considered as such when making decisions. Actual figures may be different, but it is critical that the district revise its projections as new information becomes available.

### Major Assumptions Used in Making Projections

#### Revenue Assumptions

- 1) It is projected that the rate of inflation, which drives tax revenue growth, will be 3.5% through FY30.
- 2) Replacement taxes will drop by 30% in FY25 and then grow by 3.0% each year over the next five years.
- 3) It is projected that the district will receive 100% of its Evidence Based Funding payments in FY25, and an increase of 2.5% per year after that.
- 4) Restricted State revenues will grow by 3.0% each year over the next five years.
- 5) District 125 will now receive federal grant dollars for the National School Lunch Program, that has been estimated at \$350,000 for FY25. Other federal grants have gone back to pre-covid amounts. Federal grants are projected to grow by 2.5% through FY30.

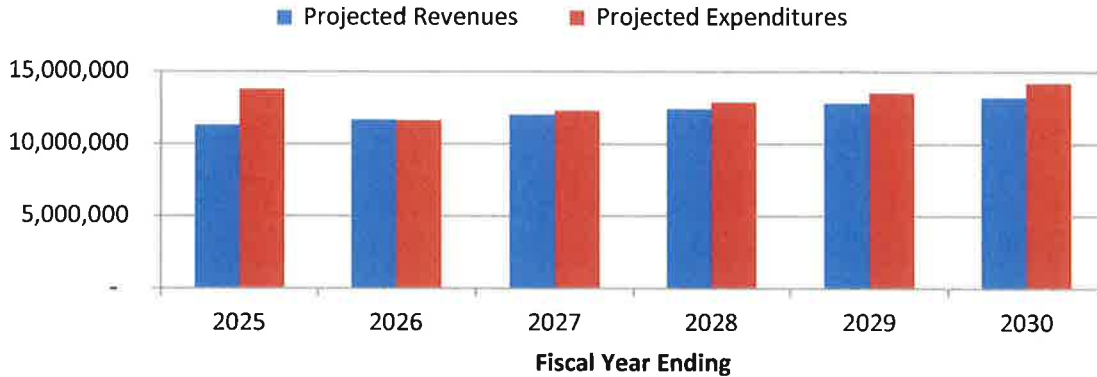
#### Expenditure Assumptions

- 1) Salary expenditures in FY25 reflect actual salaries and are projected to grow at 4.0% in FY26, 4.5% in FY26 and 5.0% through FY30.
- 2) Employee benefits are projected to increase at an average annual rate of 8% through FY30.
- 3) Expenses related to purchased services are projected to increase at 5% through FY30.
- 4) Expenses related to supplies and materials are projected to increase 5% through FY30.
- 5) The district will remain consistent with capital improvement expenditures of \$750,000 through FY30 except for the projects identified with the bond issue in FY25 and the remaining Eisenhower Cooperative capital payment of \$375,000 in FY26.
- 6) The State of Illinois will start to shift pension costs to local districts in FY27, these amounts have been shown separately on the schedule (9% of salary per year).
- 7) Out-of- district special education tuition costs are projected to increase 5% through FY30.

## Projections FY25 through FY30

### Projected Revenues vs. Expenses

The following graph reflects that total revenues are projected to exceed total expenses in FY25 through FY30. If passed, the shift of pension costs could erode district fund balances.

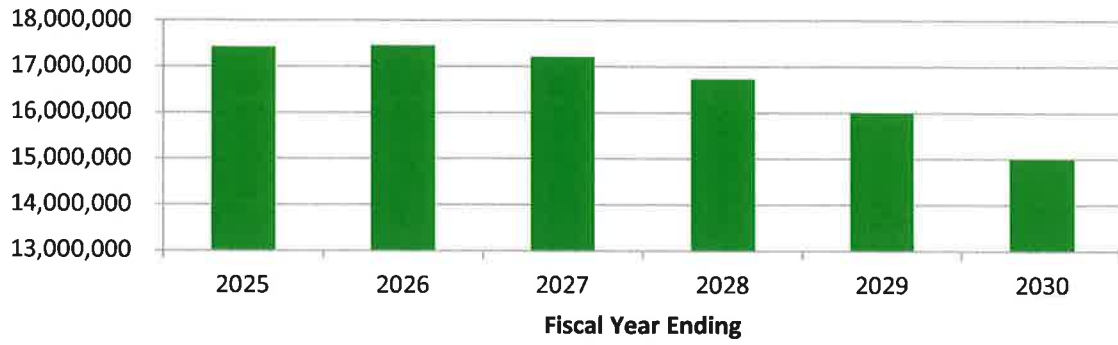


The revenue and expenditure projections would result in the following annual surplus/deficits projected for the district. The "projected surplus/deficit" column indicates the difference between the revenues received by the district for a given fiscal year compared to the expenditures incurred for the same fiscal year. The "cumulative impact" column indicates the cumulative total of these annual surplus/deficits.

<u>Fiscal Year Ending</u>	<u>Projected Surplus/(Deficit)</u>	<u>Cumulative Impact</u>
June 30, 2025	(2,474,814)	17,425,418
June 30, 2026	39,749	17,465,167
June 30, 2027	(247,676)	17,217,491
June 30, 2028	(478,284)	16,739,207
June 30, 2029	(730,228)	16,008,979
June 30, 2030	(1,005,037)	15,003,037

## Projected Fund Balances

The following graph illustrates that total fund balances are projected to decrease from \$19,900,232 on June 30, 2024 to \$15,003,942 on June 30, 2030.



## Atwood Heights School District 125

### Financial Summary (Excluding Bond Fund)

Fiscal Years Ending June 30, 2015 through June 30, 2024

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
<b>Beginning Fund Balance</b>	4,948,949	4,628,288	4,956,408	5,990,075	7,038,285	8,210,858	9,293,329	9,683,645	12,014,282	14,294,538
<b>Revenues:</b>										
Real Estate Taxes	4,785,576	4,795,613	4,876,935	4,869,477	4,761,545	4,972,710	5,106,646	5,261,741	5,350,000	5,741,066
Replacement Tax	55,939	51,494	57,201	47,862	51,778	56,679	71,891	156,704	177,111	116,657
Other Local Revenues	283,569	236,119	240,934	216,677	343,134	301,373	279,467	289,167	424,378	626,626
General State-Aid	1,915,492	2,039,996	2,285,847	2,836,875	2,897,255	2,951,583	2,951,563	2,995,153	3,042,508	3,100,240
Restricted State Grants	524,654	671,531	762,059	825,320	791,726	678,074	574,580	867,464	804,726	905,108
Restricted Federal Grants	309,171	302,886	403,130	377,006	363,552	364,541	217,357	1,670,779	1,224,948	841,268
<b>Total Revenues</b>	<b>7,874,401</b>	<b>8,097,639</b>	<b>8,626,106</b>	<b>9,173,217</b>	<b>9,208,990</b>	<b>9,324,960</b>	<b>9,201,504</b>	<b>11,221,008</b>	<b>11,023,671</b>	<b>11,330,965</b>
<b>Expenses:</b>										
Salaries	4,133,021	4,103,966	4,211,579	4,332,896	4,468,906	4,525,094	4,685,625	4,378,269	4,390,840	4,636,252
Employee Benefits	1,094,461	1,105,516	1,102,796	1,104,516	1,071,893	1,106,804	1,198,973	1,005,152	1,001,258	1,043,176
Purchased Services	1,028,015	1,014,478	958,083	1,077,485	1,150,117	1,097,835	1,070,740	1,238,404	1,360,498	1,484,031
Supplies & Materials	455,086	432,837	428,549	569,993	571,535	447,815	530,454	465,665	546,727	505,246
Capital Outlay	298,566	89,081	31,998	82,763	76,480	202,472	533,082	906,253	601,763	417,088
Out of District Tuition	1,003,309	996,694	831,940	925,985	660,685	837,498	777,001	878,044	831,049	990,016
Other Expenses	182,604	26,947	27,494	31,369	36,801	24,971	15,313	18,584	11,280	16,547
<b>Total Expenses</b>	<b>8,195,062</b>	<b>7,769,519</b>	<b>7,592,439</b>	<b>8,125,007</b>	<b>8,036,417</b>	<b>8,242,489</b>	<b>8,811,188</b>	<b>8,890,371</b>	<b>8,743,415</b>	<b>9,092,356</b>
<b>Revenues vs. Expenses</b>	<b>(320,661)</b>	<b>328,120</b>	<b>1,033,667</b>	<b>1,048,210</b>	<b>1,172,573</b>	<b>1,082,471</b>	<b>390,316</b>	<b>2,330,637</b>	<b>2,280,256</b>	<b>2,238,609</b>
Major Capital Projects	-	-	-	-	-	-	-	-	-	-
Bond Proceeds	-	-	-	-	-	-	-	-	-	3,367,085
<b>Ending Fund Balance</b>	<b>4,628,288</b>	<b>4,956,408</b>	<b>5,990,075</b>	<b>7,038,285</b>	<b>8,210,858</b>	<b>9,293,329</b>	<b>9,683,645</b>	<b>12,014,282</b>	<b>14,294,538</b>	<b>19,900,232</b>

**Atwood Heights School District 125**  
**Financial Projections (Excluding Bond Fund)**  
 Fiscal Years Ending June 30, 2025 through June 30, 2030

	FY25	FY26	FY27	FY28	FY29	FY30
<b>Beginning Fund Balance</b>	19,900,232	17,425,418	17,465,167	17,217,491	16,739,207	16,008,979
<b>Revenues:</b>						
Real Estate Taxes	5,889,813	6,095,956	6,309,315	6,530,141	6,758,696	6,995,250
Replacement Tax	75,000	77,250	79,568	81,955	84,413	86,946
Other Local Revenues	557,500	585,375	614,644	645,376	677,645	711,527
General State-Aid	3,180,580	3,260,095	3,341,597	3,425,137	3,510,765	3,598,534
Restricted State Grants	824,313	849,042	874,514	900,749	927,772	955,605
Restricted Federal Grants	781,644	801,185	821,215	841,745	862,789	884,358
<b>Total Revenues</b>	<b>11,308,850</b>	<b>11,668,903</b>	<b>12,040,851</b>	<b>12,425,102</b>	<b>12,822,079</b>	<b>13,232,220</b>
<b>Expenses:</b>						
Salaries	5,121,422	5,326,279	5,565,961	5,844,260	6,136,472	6,443,296
Employee Benefits	1,185,490	1,280,329	1,382,756	1,493,376	1,612,846	1,741,874
Purchased Services	1,573,487	1,652,161	1,734,769	1,821,508	1,912,583	2,008,212
Supplies & Materials	870,471	913,995	959,694	1,007,679	1,058,063	1,110,966
Capital Outlay	3,761,422	1,125,000	750,000	750,000	750,000	750,000
Out of District Tuition	1,200,372	1,260,391	1,323,410	1,389,581	1,459,060	1,532,013
Other Expenses	71,000	71,000	71,000	71,000	71,000	71,000
<b>Total Expenses</b>	<b>13,783,664</b>	<b>11,629,155</b>	<b>11,787,591</b>	<b>12,377,403</b>	<b>13,000,024</b>	<b>13,657,361</b>
<b>Revenues vs. Expenses</b>	<b>(2,474,814)</b>	<b>39,749</b>	<b>253,261</b>	<b>47,699</b>	<b>(177,945)</b>	<b>(425,141)</b>
<b>Extraordinary items:</b>						
Pension Cost Shifted from State	-	-	(500,937)	(525,983)	(552,283)	(579,897)
<b>Total Extraordinary Items</b>	<b>-</b>	<b>-</b>	<b>(500,937)</b>	<b>(525,983)</b>	<b>(552,283)</b>	<b>(579,897)</b>
<b>Ending Fund Balance</b>	<b>17,425,418</b>	<b>17,465,167</b>	<b>17,217,491</b>	<b>16,739,207</b>	<b>16,008,979</b>	<b>15,003,942</b>