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To: The Board of Education and Dr. Patrick Broncato, Superintendent
From: Curt Saindon, Assistant Superintendent for Business Services/CSBO
Date: June 13, 2025
Subject: Approval of Fund Balance and Interest Transfers

Per the Illinois School Code, it is allowable to transfer fund balances between the Education Fund, the O&M Fund, the Transportation Fund and the Working Cash Fund (the “Operating Funds”) and also to any other fund in need for any reason, and to transfer interest income from any fund to any other fund, as needed. Previously, this could only be done in the case of a non-recurring, extraordinary, or one-time emergency need in the receiving fund, but now it can be done for any reason without limitation. This is typically done to balance out reserves between funds and maintain adequate, but not excessive, fund balances in all funds (defined by the Board and Administration as one year’s worth of normal and recurring expenses) while ensuring that the funds most in need are supported. If one fund has excess or unneeded reserves or interest income and another fund has inadequate reserves or planned needs that exceed the expected revenues coming into that fund during the year, then a transfer makes perfect sense. For interest income, if the interest earned is not designated and transferred within three years, it becomes a fund balance in the fund earned. Such transfers routinely occur as part of the budgeting, cash flow, and fund balance management process.

The other special purpose funds (Debt Service, Capital Projects, Tort, IMRF/SS, and HLS) are only allowed to transfer excess fund balances out under certain circumstances after following a very specific and prescribed process. You can, however, transfer interest earned in these funds to any other fund in need, as mentioned above. Therefore, fund balances in those funds are typically managed by over-levying or under-levying from year to year, or by moving allowable expenses into, or out of, the affected special-purpose fund. Overall, interest income has dramatically increased in the past few years (we will earn over \$3.5M this year alone), and we will budget for interest transfers to occur sometime during late FY25 or early FY26. All that is needed to transfer the interest income or fund balances is a Board Resolution, and then identify the transfer in our approved budget document this summer/fall. We would potentially transfer all interest earned to the Education Fund as it is the fund most in need, and then possibly move some of it onto the Capital Projects Fund, as needed, to assist with the completion of the approved CIP projects expected to be completed during the upcoming fiscal year.



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This year we budgeted for up to \$3.3M in transfers from our Operating Funds (\$1M from Education, \$.5M from O&M and \$1.8M from Transportation) to the Capital Projects Fund to help cover CIP work, as well as \$107,000 from the Education Fund to the Debt Service Fund to help cover copier lease payments. For next year, we are proposing to potentially transfer up to \$5M from the Education and the O&M Fund to the Capital Projects Fund (up to \$4.875M) and the Debt Service Fund (up to \$125K), as needed. Most of this transfer will come from interest income (up to about \$4M), with the rest potentially coming from positive results from operations (up to about \$1M). These transfers are being done to help cover the costs of our CIP projects, as well as for our copier lease, and will only be completed if the monies are available in the sending funds, in order to help us maintain adequate fund balances at year end. We have approximately \$7.5M of CIP work planned for the next fiscal year, and we currently only have about \$3.5M in fund balance reserves in that fund (projected as of the end of June), so we definitely have needs that will outpace revenues in that fund, requiring fund balance transfers to cover the shortfall.

All that is needed to authorize the allowable transfers of excess fund balances and interest income is a Board Resolution, and then with an approved or amended budget identifying the transfers, they could be executed sometime at the end of this fiscal year or during the next fiscal year. Again, we will only transfer what is needed, and only if the excess reserves are available for transfer. See the attached Resolution and let me know if you have any questions. Thank you.

RECOMMENDATION

It is the recommendation of the Administration that the Board approve the attached Resolution directing the transfer of up to \$5M of interest income and positive results from operations from various Operating Funds to the Capital Projects Fund (up to \$4.875M) and the Debt Service Fund (up to \$125K) to help cover anticipated expenses in those funds, as needed. With Board approval of this Resolution and the FY26 Budget, the Administration would then move to complete those interest and fund balance transfers, if funds are available in the Sending Funds and are needed in the Receiving Funds.