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### Recommendation to Designate Interest Earned for Transfer to Other Funds

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#### **Background:**

The Illinois School Code permits the transfer of interest earned in any “operating Fund” to any other Fund as needed. If the interest earned is not transferred or designated for transfer by year-end, the income will convert to Principal in the Fund in which it was earned. Once converted, it will no longer be available for future interest earnings transfers.

Therefore, the Administration recommends that the Board approve a "Resolution Authorizing the Designation of Interest Earnings for Potential Future Transfer." Adopting the resolution will allow the District some flexibility in determining the appropriate amount and timing of a potential transfer, and provide the District with additional time to determine if such interest transfers are available and prudent. The increased flexibility will also allow us to incorporate an audited Fund Balance into our financial projection models. A formal resolution for the actual transfer of Funds would be adopted at a future Board Meeting.

The Administration also recommends that the Board designate the Operations and Maintenance Fund (20) to receive the transfers of interest. This Fund facilitates a more efficient transfer into other funds. For example, if all interest is transferred into the Capital Improvement Fund (60), that money would not be permitted to be transferred elsewhere. Preliminary projections reveal the following scenarios where transferring the interest earned into the O&M Fund (20) would be prudent:

**Bond and Interest Fund:** The capital in this fund was initially intended for capital improvements. It would be appropriate to transfer any interest earned from investing Bond and Interest Fund money (arbitrage) into either the Capital Improvement Fund (60) or the Operations and Maintenance Fund (20) to support any repairs or renovations identified in the Capital Improvement Plan.

**Transportation Fund:** The District currently has a surplus in the Transportation Fund, which is a result of reduced special education transportation costs. Although the new transportation contract has increased costs, the total fund balance is sufficient to cover more than one year of regular transportation expenditures. Transferring the interest earned within this fund into the O&M Fund will provide flexibility in funding future facility-related expenditures.

**Working Cash Fund:** Reducing the total balance in the Working Cash Fund will allow the District to realize additional funds from the potential bond reissue. Transferring the interest earned on investments within the Working Cash Fund will also provide flexibility in funding future expenditures.

#### **RECOMMENDATION:**

We anticipate up to \$111,000 or more of interest earnings from the Transportation, Bond & Interest and Working Cash Funds will be available for transfer to the O&M Fund at the end of FY25. This money will supplement the costs of the 2025 and 2026 summer construction and renovation projects.

The Administration recommends that the Board approve the attached Resolution authorizing the designation of interest earnings and fund balance reserves for potential future transfer.