



memo

To: The Board of Education and Dr. Patrick Broncato, Superintendent
From: Curt Saindon, Assistant Superintendent for Business Services/CSBO
Date: May 16, 2025
Subject: Discussion of Fund Balance Transfers and Interest Earnings Designations

Per the current Illinois School Code, it is allowable to transfer fund balances from the Education Fund, the O&M Fund, the Transportation Fund and the Working Cash Fund (the “Operating Funds”) 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 pretty much any reason with limited involvement. 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 typical, 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 revenues coming into that fund during the year in question, 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 funds (Debt Service, Capital Projects, Working Cash, Tort, IMRF/SS and HLS) are all “special purpose funds” and you can only transfer excess or unneeded fund balances out under certain circumstances and after following a very specific and prescribed process. You can, however, transfer interest earned in these funds to any other fund in need. Therefore, fund balances in those funds are typically maintained and 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, as needed, after following the prescribed notice and hearing process. With interest income dramatically increasing over the past few years (we should earn over \$3.5M this year in interest income for potential transfer to any other funds in need), we will budget for interest transfers to occur sometime during late FY25 or early FY26. All that is needed to transfer the interest income earned is a Board Resolution (see the sample resolution attached) and then identify the transfer in an approved budget document. 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



memo

Projects Fund, if needed, to assist with the completion of approved Capital Improvement Program projects expected to be completed next fiscal year.

We have historically transferred reserves between Operating Funds as a way to maintain adequate, but not excessive, fund balances in these funds, typically from O&M or Transportation to Education, if the O&M or Transportation Funds are developing bigger than needed balances. We have also routinely transferred reserves from these Operating Funds to the Capital Projects Fund to help pay for projects approved through our Capital Improvement Program. The Capital Projects Fund does not levy any Property Taxes or receive any Corporate Personal Property Replacement Taxes, so it gets very little in regular and recurring revenues (just a little bit of interest income and some nominal impact fees). By transferring additional reserves from the Operating Funds to the Capital Projects Fund, we have been able to complete significant work over the past eight years (over \$40M worth of projects) without having to borrow any money or make cuts to programs. This has been a very efficient process and has saved us hundreds of thousands of dollars in borrowing, closing and debt service related expenses.

This year we have budgeted for \$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 cover CIP work, as well as \$107,000 from the Education Fund to the Debt Service Fund to cover our copier lease payments. We will complete these transfers before the fiscal year is done, and if projected year-end results create excess fund balance reserves in these Operating Funds, then we may also recommend transferring additional amounts to ensure that we only maintain adequate fund balances at year end (and to help complete next year's CIP work). We have approximately \$7.5M of CIP work planned for the next fiscal year, and we currently only have about \$4M in fund balance reserves in that fund (projected as of the end of June), so we definitely have needs that will outpace revenues, requiring fund balance transfers of about \$3.5M, or more, if possible.

All that is needed to authorize the allowable transfer of excess fund balances is a Board Resolution (see the sample resolution attached), 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. We are anticipating up to \$3.5M, or more, of fund balance transfers this year, to the Capital Projects Fund, along with about \$107K of fund balance reserves to be transferred to the Debt Service Fund for our copier leases. We will only transfer what is needed, and only if the excess reserves are available for transfer. See the attached resolutions and let me know if you have any questions. Thank you.