



**Atwood Heights School District 125**

*We Educate Our Future*

## **Financial Analysis**

**September 23, 2025**

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



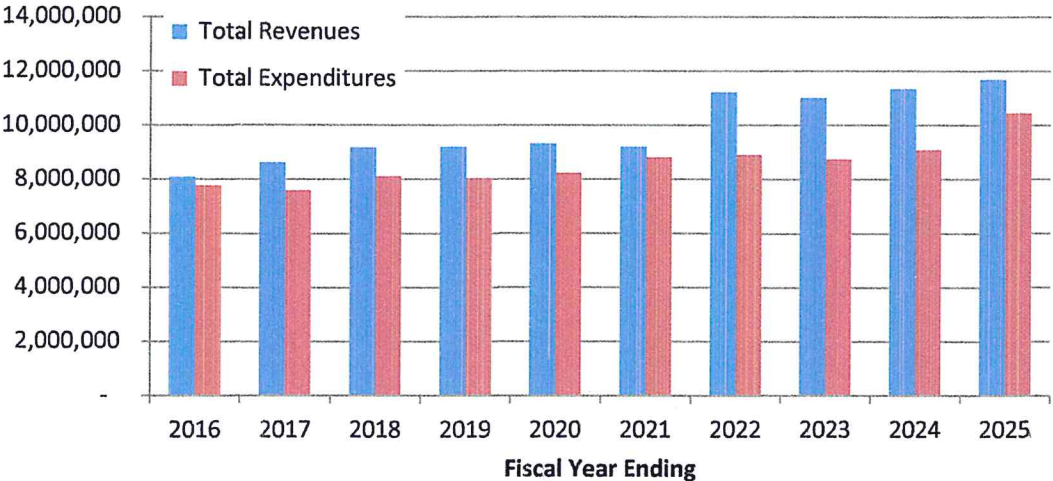
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# Historical Financial Review

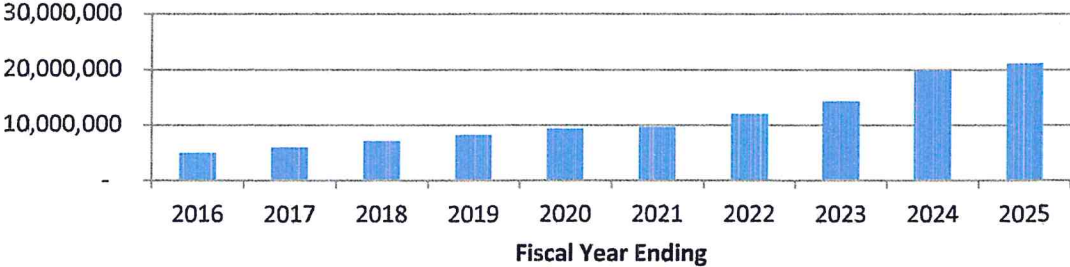
In developing a long-term financial plan for a school district, it is critical to first review the historical trends in the revenues and expenditures of the district. The Historical Financial Review incorporates all funds in the district excluding the debt service fund. The following chart reflects revenues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

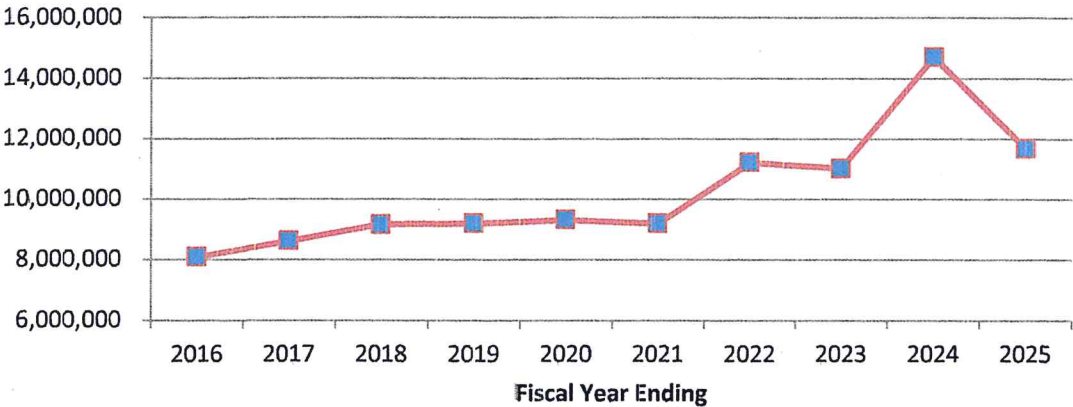
The following graph reflects fund balances over the past ten years.

## Fund Balances - All Funds Except Bond & Interest



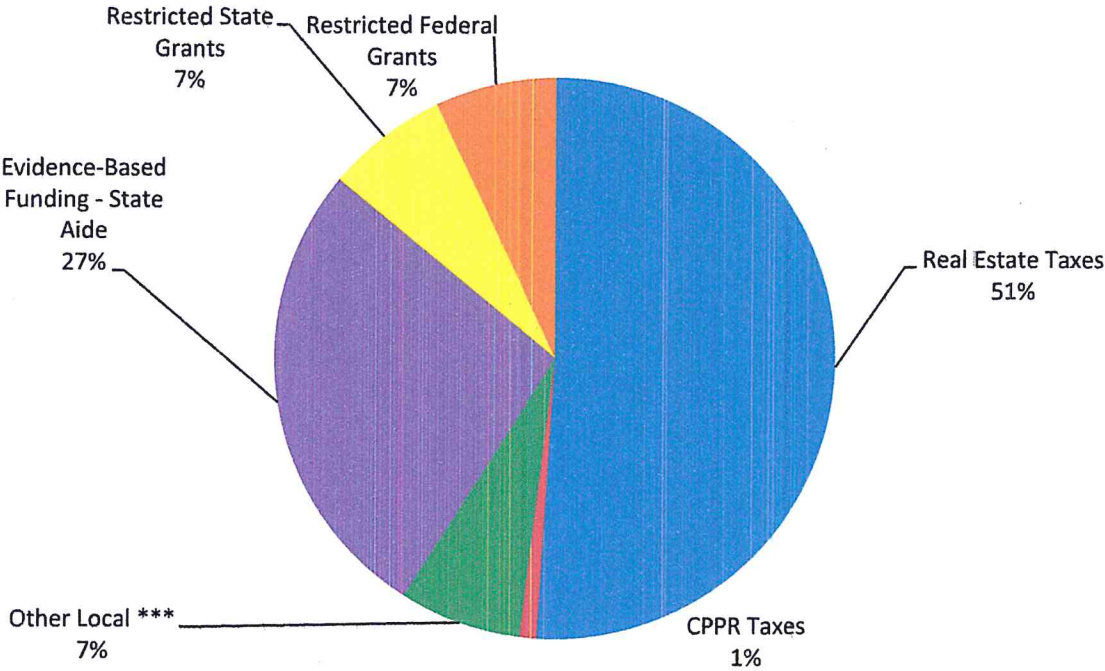


## Revenue History



Total revenues received by the district have steadily increased with the exception of FY21, FY23 and FY25. The large drop in FY25 was due to the bond issue proceeds inflating the number for FY24. Overall total revenues have increased at an average annual rate of 4.90%.

For the fiscal year ending June 30, 2025, total revenues received by Atwood Heights School District 125 can be broken down as follows:

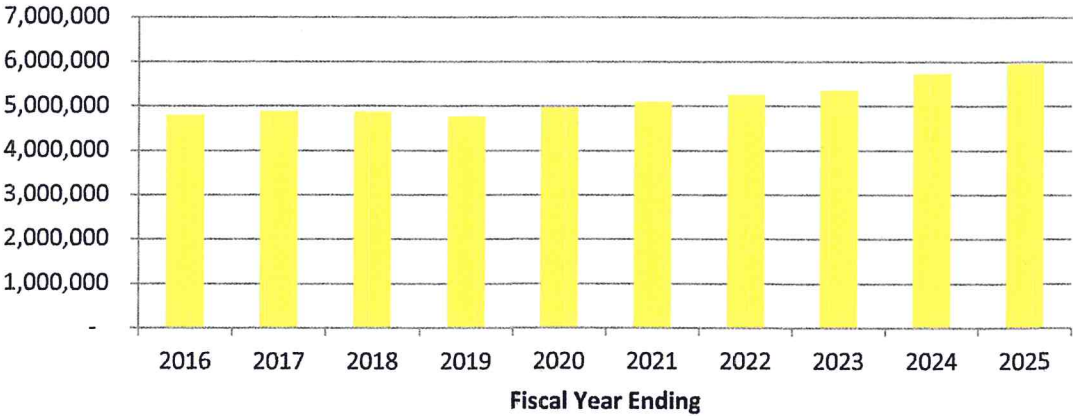


\*\*\* Other Local Revenues include interest, student fees, lunch fees, and other miscellaneous revenues



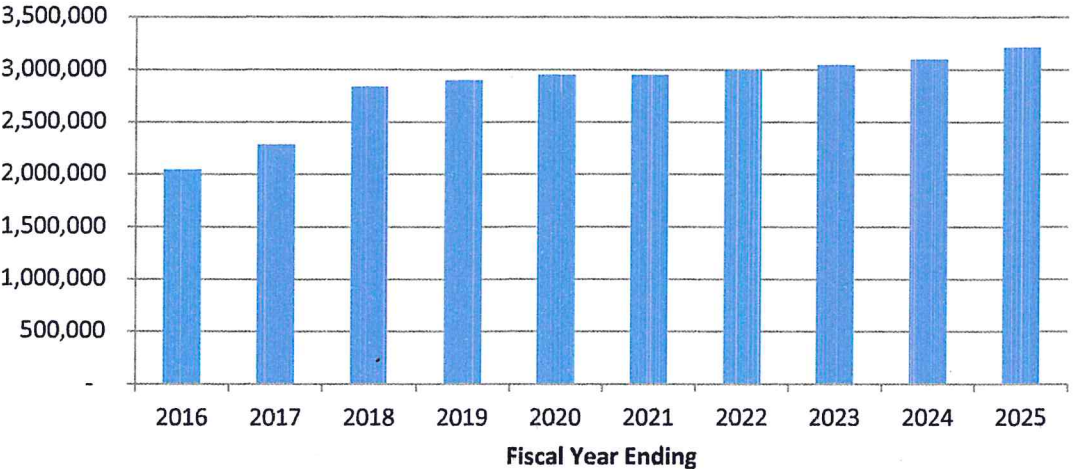
In order to analyze revenue patterns during this time period, it is necessary to examine the primary sources of revenue in the district: Real estate taxes amount to 51% of the district's total revenues. Evidence Based Funding amount to 27% of the district's total revenues, and restricted State-aid amount to 7% 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 2.25% over the past ten years.

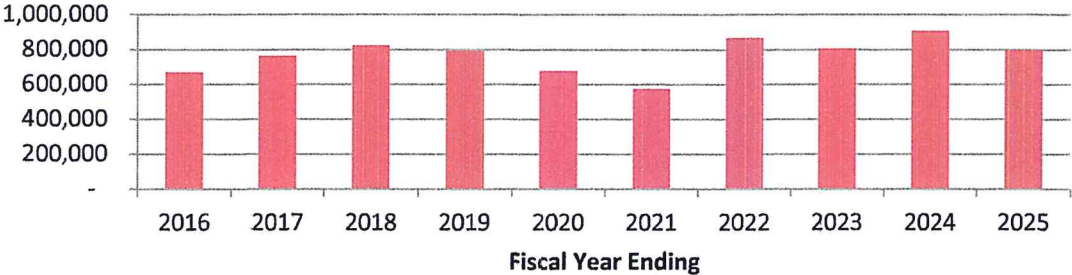
**Evidence Based Funding State Revenue (General State-Aid)**



The district has realized an average increase in general State-aid revenues of 5.52% per year annually over the past ten years. As noted in the graph, the increase in general State-aid is in large part due to the change in funding formula to Evidence Based Funding beginning in FY18.

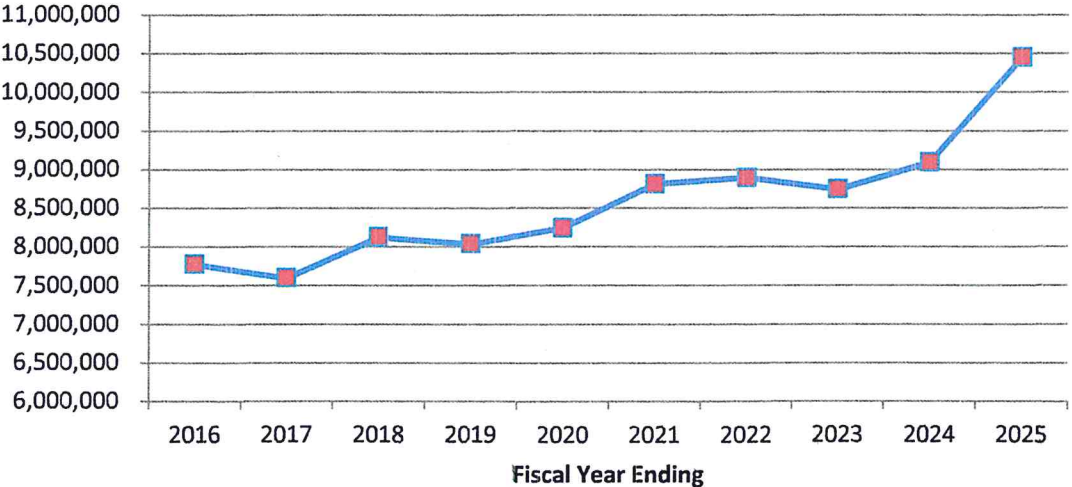


**Restricted State Revenues**



The district has seen an average increase in restricted State revenues of 6.04% over the past ten years.

**Expenditure History**



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

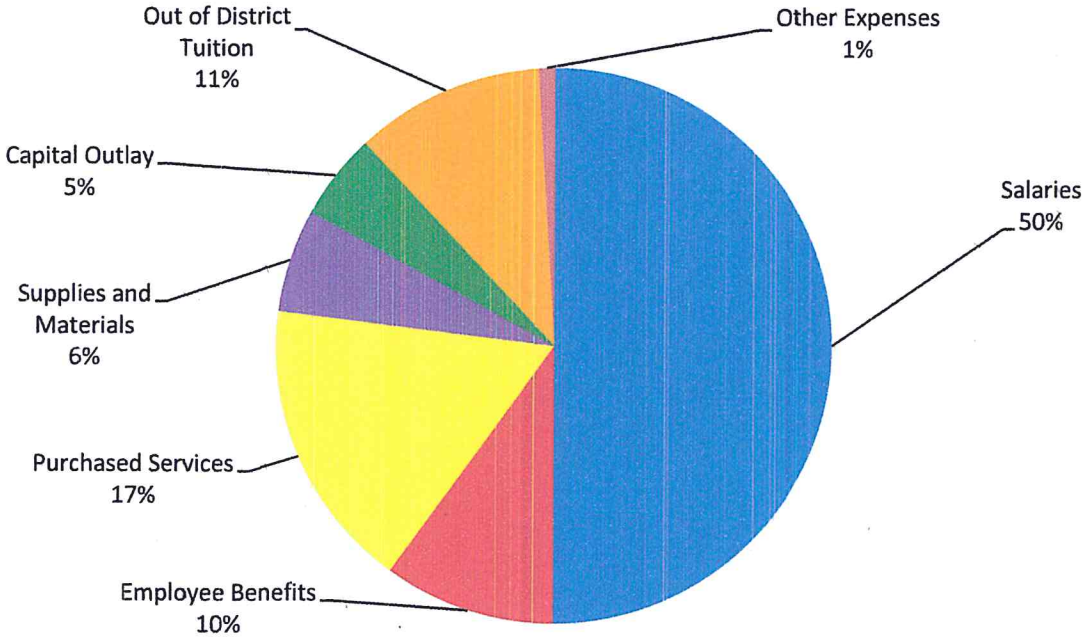
1. **Salaries** – Amounts paid to permanent, temporary or substitute employees of the district.
2. **Employee Benefits** – Fringe benefits paid on behalf of the employees but not directly to the employees. These include medical insurance, payments to the Illinois municipal retirement fund (IMRF), early 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.

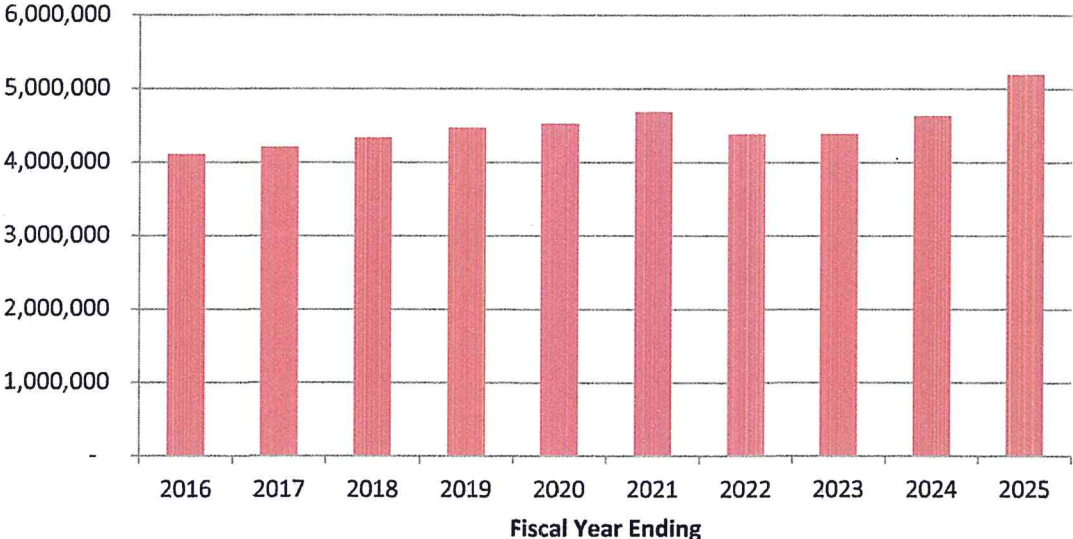
- 4. **Supplies and Materials** – Amounts paid for material items that are consumed, worn out, or have deteriorated from use. These primarily include textbooks, library books, software, utilities, and building supplies.
- 5. **Capital Outlay** – Expenditures for the acquisition of fixed assets or additions 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:



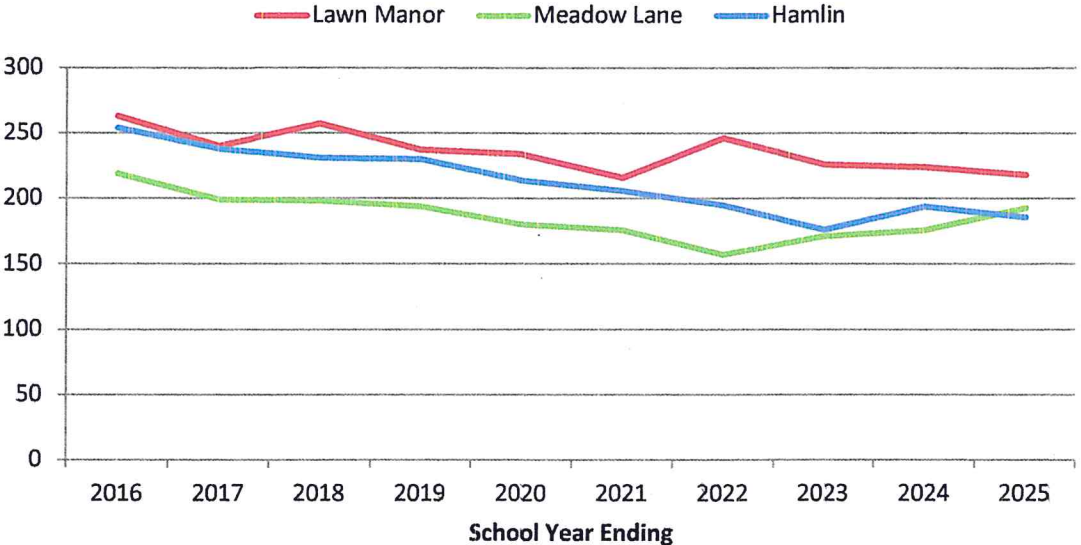


### Salary Expenditures

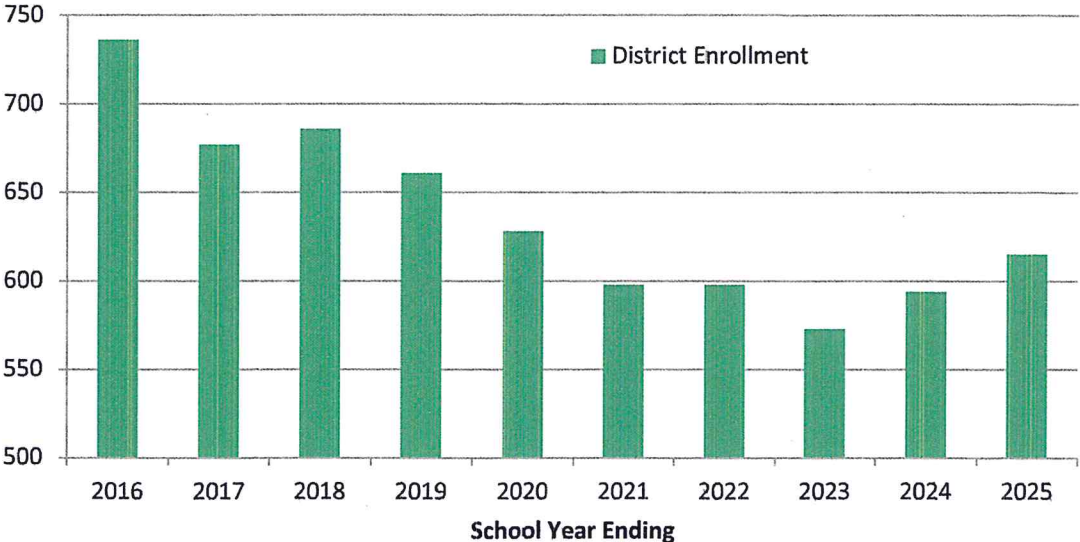


Since FY16, total salary expenses increased at an average annual rate of 2.40%.

### Enrollment History







As shown in the two charts above, the district enrollment has decreased by 121 students over the past ten years.

### Financial Condition on June 30, 2025

For the purpose of projecting the anticipated fund balances, we will reference the June 2025 ending fund balances. As of June 30, 2025, projected fund balances are as follows:

Education Fund	\$12,660,772
Operations & Maintenance Fund	\$3,598,657
Debt Service Fund	\$627,010
Transportation Fund	\$877,481
IMRF/Social Security Fund	\$158,054
Capital Projects Fund	\$30,232
Working Cash Fund	\$3,275,824
Tort Fund	\$164,173
Fire Prevention & Safety Fund	\$327,577
<b>Total Fund Balance</b>	<b>\$21,719,780</b>



## Issues Facing the District

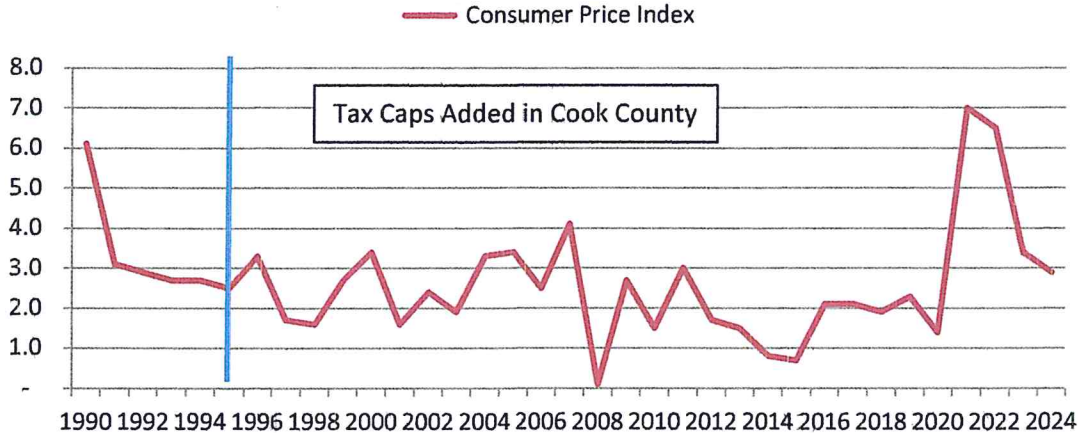
With the goal of providing an excellent education to children and ensuring the financial condition of the district remains healthy, it is imperative to examine major issues that may have a significant impact on the district's financial condition as well as the education provided and consider these issues 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 2025, tax revenue growth will be capped at the December 2024 consumer price index of 2.9%. 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

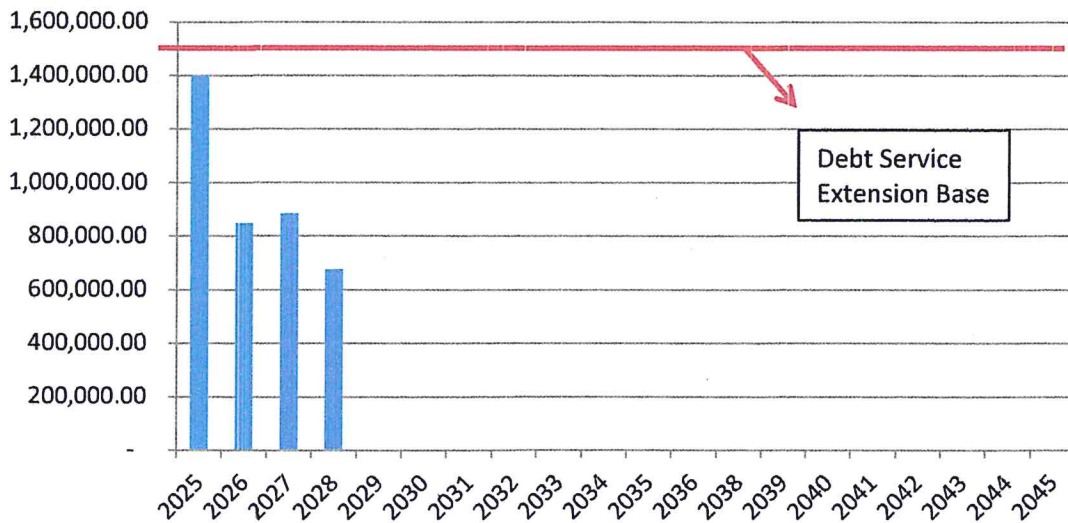
34% of the district's revenues come from State sources, which amount to over \$4 million dollars. The State recently passed school funding reform, with new money going to schools that the State considers most in need. Part of the reform was that all Illinois School Districts will receive at least the 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 FY31.
- 2) Replacement taxes will grow by 3.0% each year through FY31.
- 3) It is projected that the district will receive 100% of its Evidence Based Funding payments in FY26, and an increase of 5.0% 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 \$365,000 for FY26. Other federal grants have gone back to pre-covid amounts. Federal grants are projected to grow by 2.5% through FY31.

#### Expenditure Assumptions

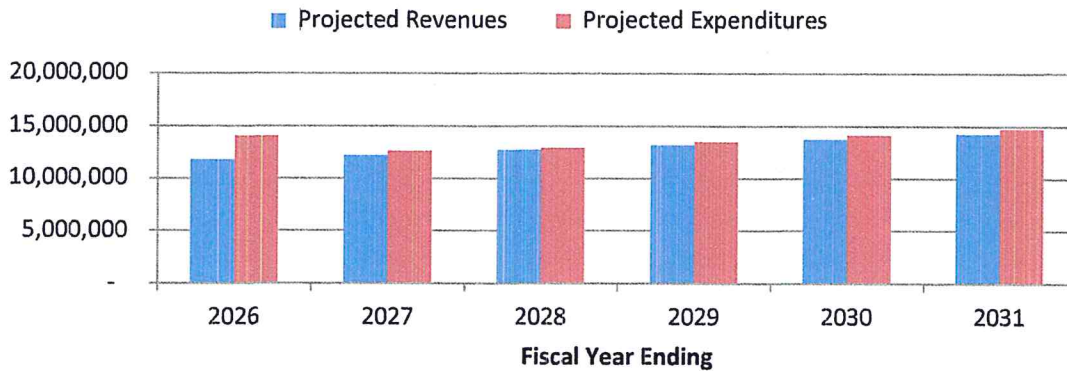
- 1) Salary expenditures in FY26 reflect actual salaries and are projected to grow at 4.5% in FY27, and 4.0% through FY31.
- 2) Employee benefits are projected to increase at an average annual rate of 8% through FY31.
- 3) Expenses related to purchased services are projected to increase at 5% through FY31.
- 4) Expenses related to supplies and materials are projected to increase 5% through FY31.
- 5) The district will remain consistent with capital improvement expenditures of \$750,000 through FY31 except for the projects identified with the bond issue in FY26 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 FY28, 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 FY31.



## Projections FY25 through FY30

### Projected Revenues vs. Expenses

The following graph reflects that total expenses are projected to exceed total revenues in FY26 through FY31. 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, 2026	(2,261,942)	18,860,975
June 30, 2027	(387,819)	18,473,156
June 30, 2028	(214,297)	18,258,858
June 30, 2029	(301,128)	17,957,730
June 30, 2030	(397,692)	17,560,038
June 30, 2031	(504,799)	17,055,239



### Projected Fund Balances

The following graph illustrates that total fund balances are projected to decrease from \$21,122,917 on June 30, 2025 to \$17,055,239 on June 30, 2031.

