



FUND BALANCE PLAN

October 2024

Purpose

The Board recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of Fremont School District 79 and is fiscally advantageous for both the District and taxpayers. This plan will ensure that the District maintains adequate fund balances in order to:

- Provide sufficient cash flow for daily financial needs
- Offset significant economic downturns or revenue shortfalls
- Provide funds for unforeseen expenditures related to emergencies
- Provide funds for short-term and long-term capital needs, delaying the need for a referendum
- Provide funds for anticipated enrollment growth expenses, delaying the need for a referendum

It is important to develop a Fund Balance Plan that is reviewed annually and communicated to the Fremont taxpayers.

Definitions

Fund balance is a measurement of available financial resources and is the difference between total assets and total liabilities in each fund.

- General Operating Funds (General Fund, Maintenance and Operations Fund, Transportation Fund, and Working Cash Fund): Unrestricted accounts that facilitate the day-to-day operations of the District.
- Debt Service Funds (Debt Service Fund): Restricted funds committed or assigned to expenditures for principal and bond interest.
- Capital Project Funds (Capital Project Fund): Restricted funds committed or assigned to expenditures for the acquisition or construction of capital needs.
- IMRF/SS Funds (IMRF/SS Fund): Restricted funds committed or assigned to expenditures related to Illinois Municipal Retirement System and Social Security.

School Finance Landscape

Education funding is often constrained, particularly at the state and local levels. Legislation efforts continue to jeopardize state funding, and locally, we are challenged with impending student growth, maintaining competitive wages/benefits, and managing aging facilities which requires continued monitoring and updating.

State Funding Impacts:

- Evidence-Based Funding (EBF) - FSD79 is a “Tier 3” district per the EBF formula. Because of this, we receive limited funding from the state. Since EBF has been implemented, the District only receives approximately a 50K increase annually.
- Charter School Funding - Approximately \$600K of Prairie Crossing Charter School funding is diverted from FSD79’s EBF state funding which is 35% of our state allocation while PCCS only serves 2% of FSD79’s enrollment.
- Pension Liability Shift - Annually, the State of Illinois neglects to fully fund the Teacher Retirement System pension liability. Legislation is routinely introduced for pension reform, which includes shifting the pension liability to local school districts.
- Unfunded Mandates - Annually, new legislation is introduced and/or passed that is considered an unfunded mandate. Recent proposals include school districts must implement a preschool program and reform of the 403(b) investment programs. Most recently, raising teacher minimum salary was passed into law.
- Transportation Reimbursement Proration - The transportation claim continues to be reimbursed at approximately 87% for general transportation and 83% for special transportation.

Local Funding Impacts:

- Property Tax Reform - Funding for education in the State of Illinois is structured in a manner that relies heavily on local property tax revenues. Legislation is routinely introduced for property tax reform that includes a property tax freeze which could impact 83.5% of the district’s revenue stream.
- Short-term Facility Needs - The most recent facility assessment identified \$30.2M (FY23) in short-term facility needs. Prolonging the facility needs will increase in cost over time.
- Enrollment Growth - It is anticipated that FSD79 will have an additional 1,000+ students enrolled by 2043. As growth occurs, the District will need to prepare for costs associated with facility and operational demands, such as adding new space and increasing the FTE footprint in all schools and departments.
- Maintaining Competitive Wages & Benefits - As the educational candidate pool continues to shrink, the District must maintain competitive wages and benefits to retain and attract new, qualified staff.

Fund Balance Plan

The goal is to strategically expend funds to address our impending facility and operational needs while maintaining a healthy 40-60% fund balance of the district's annual operating expenditures in the aggregate.

- **Facility and Capital Needs:** Fund balance above 60% is earmarked for short-term and long-term capital improvement investments, delaying the need for a referendum.
- **Enrollment Growth:** Fund balance between 40% - 60% is preserved for student growth management (i.e. operational costs related to hiring more FTE, increased supplies, etc.) to bridge costs associated with the increased operational expenditures providing time to engage the community and/or collect new property taxes.
- **Cash Flow:** Fund balance should not fall below 40% to provide adequate cash flow for daily financial obligations, emergencies, and potential delays in tax payments.

Strategic Spending, Reporting and Accountability

Developing a comprehensive fund balance plan requires careful consideration of current needs, future needs, and community priorities. Annually, the school board will review a plan outlining the strategic spend down and remaining fund balance and share it with Fremont Taxpayers.

- **Strategic Spending** - On an annual basis, critical needs will be prioritized and funds allocated accordingly, taking a balanced approach to addressing immediate needs and long-term sustainability.
- **Reporting** - Fund balances will be reported annually at the approval of the annual audit and annual budget.
- **Accountability** - A detailed fund balance expenditure plan will be identified in the fall of each fiscal year, reporting the following:
 - Fund Balance amount committed to priority facility projects
 - Fund Balance amount earmarked for operating expenditures prompted by enrollment growth
 - keeping money in "savings" for operating expenditures (hiring teachers/staff, buying learning materials, etc.) for more students to offset any delayed property tax revenue from new housing
 - Fund Balance amount to remain in fund balance for appropriate savings/cash flow