

**Business Office Update  
January 22, 2018 Meeting**

**Property Tax Revenue**

- Millburn District 24 received the final payment of the 2016 taxes that were payable in 2017 on January 18, 2018. The total collected from the 2016pay2017 property tax levy was \$13,925,040.80. This resulted in a total collection of or 99.89% of the property tax revenue estimated for the 2016pay2017 taxes.

**Additional Plow Truck with a Salt Spreader**

- We have started reviewing the state bid cost for the purchase of a plow truck with a salt spreader. We will be sharing this information with the board once we get farther into the review process. The base price of the vehicle through the state bid is approximately 40% off the list price of the vehicle.

**Early Payment Incentive for Student Fees**

- Out of the approximately 1175 students in the district, only a few students didn't qualify for the \$50 early payment incentive for registration.
  - 2016-17 – 47 students
  - 2017-18 – 19 students

**Financial Profile Score**

Millburn has made steady progress toward improving its financial profile score. The district fund balance has increased by \$5.4 million since FY12. The district's long-term debt will be paid off in 2024. Additionally, the days cash on hand has steadily increased from 23 in FY2012 to 146.48 in FY2017. Additionally, the district no longer relies on Tax Anticipation Warrants (short-term borrowing) to make payroll and pay the monthly bills. A copy of Millburn's financial profile score and some backup information is attached.

**Surveys/Reports/Renewal Applications Due in January**

- January is a busy month for reporting in the Business Office. The following reports and surveys are generated each January by the Business Office
  - Illinois Health Insurance Survey
  - Collective Liability Insurance Cooperative Renewal Applications
  - ISBE Non-Certified Salary Survey
  - ISBE Teacher Salary Study
  - Quarterly Federal & State Grant Reports
  - School District Financial Profile Score Report, Operating Expense per Pupil Report, & Per Capita Tuition Charge Report – Review & Approve
  - ISBE Special Education Excess Cost Report
  - File tax-exempt property with Lake County
  - Review and approve the Financial Profile Score and the Expense Per Pupil Per Capita Tuition Charge
  - School Onsite Nutrition Review at each building prior to February 1 each year

**Architect Selection Process**

- Now that the board rank ordered the three finalists for the Architect of Record, I will begin negotiating a contract with WOLD-Ruck Pate. Once the contract is ready for board approval, it will come to the board with a recommendation to approve the contract and name WOLD-Ruck Pate as the district's architect of record.
- If I am unsuccessful in negotiating a satisfactory contract with WOLD-Ruck Pate, I will move on to the second finalist, Arcon, etc...

**E-Rate**

- I am in the process of filing the E-Rate paperwork for the 2018-19 school year
- Joanne and I are looking at the possibility of upgrading the wireless access points in both schools. The E-Rate program would provide 40% of the cost of replacing the access points.

### **Phone System at Millburn Elementary School**

- We are currently looking at options available to the district regarding the phone system at Millburn Elementary School. The phone system was installed in 1999 or 2000 when the latest addition at Millburn Elementary was constructed. While the phone system has been fairly reliable, at almost 20 years old, we have recently had problems with some of the aging hardware.
- We are attempting to look at interim solutions that would replace the computer servers that run the software for the phone and voicemail system.
- As we looked at options for upgrading the phone systems at both Millburn Elementary School and Millburn Middle School, the preliminary numbers we received from our current vendor started at approximately \$50,000. With this type of an outlay of funds, we want to see if there is an interim solution that would give us time to explore other phone systems as well as hosting our phone service through a third party vendor.

### **Intercom, Clock & Bell System at Millburn Elementary School**

- Likewise, the system at Millburn Elementary is almost 20 years old and we need to begin thinking about replacement of this system as well.
- We have had issues with the clock portion of the system for the last 4-5 years. We are at the point where the clock portion just needs replacement. We are in the process of replacing the Master Clock components and software at a cost of \$2550.
- However, we will need to begin looking at replacing the intercom main unit in the next few years.

### **Update on the Summer 2017 Projects Completed and Proposed Summer 2018 Projects**

- Terry Miller, Stephen Novak, & Gabriel Gonzales will be at the February 12, 2018 board meeting to review the projects that were completed in the Summer of 2017
- I will be presenting the 2018 Summer Project list to the Board at the April 9, 2018 Committee of the Whole meeting.

### **Activities**

- December 7, 2017 – Attended the CLIC member district meeting in Wheeling, IL
- December 8, 2017 – Attended the Northeastern Illinois Association of School Business Official meeting in Buffalo Grove, IL. Amy Klein from Perspectives, Inc. was the speaker and the program was “Managing the Multigenerational Workforce.”
- December 15, 2017 – Attended the Grayslake High School Feeder district business manager’s meeting
- December 20, 2017 – Filed the district levy with the Lake County Clerk’s office
- December 21, 2017 – Attended the school tours for the Architect Selection Committee
- January 10, 2018 – Bernadette Hanna, Laura Sikorski, and I met with Lance Pfarrer from National Insurance Services to review the district’s life and long-term disability insurance.
- January 12, 2018 – Attended the Northeastern Illinois Association of School Business Official meeting in Buffalo Grove, IL. Ken Florey and Howard Metz from Robbins Schwartz law firm were the speakers and the program was “Public Bidding from the Basics to the Advanced.”
- January 16, 2018 – Participated in a webinar by ComEd that introduced the financial incentives now available through ComEd for Energy Saving measures. Previously, this program was run by the Illinois Department of Commerce and Economic Opportunity. Effective January 1, 2018, the local utility companies began administering the energy saving programs.
- January 19, 2018 – Attended the Illinois Association of School Business Officials Professional Development Committee of the Whole. This group meets quarterly and is responsible for providing the professional development for the Illinois Association of School Business Officials.

**Illinois State Board of Education**  
**Tony Smith, Ph.D., State Superintendent of Education**  
**School Business and Support Services**

1/22/2018

**2018 Financial Profile Designation**  
**Based On the 2016-2017 Annual Financial Report Data**

**County:** Lake  
**District:** Millburn CCSD 24  
**RCDT Code:** 34-049-0240-04

<b>1. Fund Balance To Revenue Ratio:</b>		<b>Total</b>	<b>Ratio</b>	<b>Score</b>	1.00
Total Sum of Fund Balance (P8, Cells C80, D80, F80 & I80)	Funds 10, 20, 40, 70 + (50 & 80 if negative)	-167,582.00	-0.010	<b>Weight</b>	0.35
Total Sum of Direct Revenues (P7, Cell C8, D8, F8 & I8)	Funds 10, 20, 40, & 70	15,696,768.00		<b>Value</b>	0.35
Less: Operating Debt Pledged to Other Funds (P8, Cell C53 thru D73)	Minus Funds 10 & 20				
<b>2. Expenditures To Revenue Ratio:</b>		<b>Total</b>	<b>Ratio</b>	<b>Score</b>	4.00
Total Sum of Direct Expenditures (P7, Cell C17, D17, F17, I17)	Funds 10, 20 & 40	14,077,969.00	0.896	<b>Adjustment</b>	0.00
Total Sum of Direct Revenues (P7, Cell C8, D8, F8 & I8)	Funds 10, 20, 40, & 70	15,696,768.00		<b>Weight</b>	0.35
Less: Operating Debt Pledged to Other Funds (P8, Cell C53 thru D73)				<b>Value</b>	1.40
Possible Adjustment:					
<b>3. Days Cash On Hand:</b>		<b>Total</b>	<b>Days</b>	<b>Score</b>	3.00
Total Sum of Cash & Investments (P5, Cell C4, D4, F4, I4 & C5, D5, F5 & I5)	Funds 10, 20 40 & 70	5,728,189.00	146.48	<b>Weight</b>	0.10
Total Sum of Direct Expenditures (P7, Cell C17, D17, F17 & I17)	Funds 10, 20, 40 divided by 360	39,105.47		<b>Value</b>	0.30
<b>4. Percent of Short-Term Borrowing Maximum Remaining:</b>		<b>Total</b>	<b>Percent</b>	<b>Score</b>	4.00
Tax Anticipation Warrants Borrowed (P25, Cell F6-7 & F11)	Funds 10, 20 & 40	0.00	100.00	<b>Weight</b>	0.10
EAV x 85% x Combined Tax Rates (P3, Cell J7 and J10)	(.85 x EAV) x Sum of Combined Tax Rates	7,929,372.39		<b>Value</b>	0.40
<b>5. Percent of Long-Term Debt Margin Remaining:</b>		<b>Total</b>	<b>Percent</b>	<b>Score</b>	1.00
Long-Term Debt Outstanding (P3, Cell H37)		14,214,566.00	8.19	<b>Weight</b>	0.10
Total Long-Term Debt Allowed (P3, Cell H31)		15,484,206.51		<b>Value</b>	0.10
				<b>Total Profile Score</b>	2.55

Note:

\* Estimated Total Profile Score may change based on information  
Final score will be calculated by ISBE

# **The School District Financial Profile**

Illinois State Board of Education

Pursuant to the authority provided by Section 1A-8 of the School Code, the Illinois State Board of Education (ISBE) has developed the “**School District Financial Profile**” to help monitor the finances of school districts and identify which are in or are moving toward financial difficulty. This system has replaced the “Financial Watch List and Financial Assurance and Accountability System (FAAS)” that had been used for the assessment of a school district’s financial health. The major change in methodology is the FAAS utilized only one financial indicator – the Fund Balance to Revenue Ratio. The Profile includes that indicator plus four additional measures to expand our capability to accomplish a truer risk assessment. The five indicators are individually scored and weighted in order to arrive at a Total Profile Score and applicable designation.

The School District Financial Profile has been developed with the invaluable assistance of school superintendents, school business administrators, financial advisors, lawyers, and bond brokers throughout the state as well as major interest groups such as IASBO, IASA, ED-RED and LUDA. Influenced by their feedback, we have been able to make significant enhancements in systematically analyzing/monitoring finances of all Illinois public school districts.

The following provides a detailed explanation of each indicator. It is the Total Profile Score that we believe best determines a district’s financial strengths or weaknesses. This document will also lead you through the four applicable designations, Financial Recognition, Financial Review, Financial Early Warning, and Financial Watch.

### **Financial Profile Indicators:**

- 1. Fund Balance to Revenue Ratio** – This indicator reflects the overall financial strength of the district. It is the result of dividing the ending fund balances by the revenues for the four operating and negative IMRF/SS funds. Operating Funds are the Educational, Operations and Maintenance, Transportation and Working Cash Funds.
- 2. Expenditure to Revenue Ratio** – This indicator identifies how much is expended for each dollar received. It is computed by dividing total expenditures for the Educational, Operations and Maintenance, and Transportation Funds by the revenues for those same funds plus Working Cash. The calculation also takes into account remaining balances of these funds at the end of the year if a district is scoring low for their Expenditure to Revenue Ratio. This is especially beneficial to districts that have saved for projects and are now incurring the expenditures for them or who have healthy fund balances even after spending a portion of their savings.
- 3. Days Cash on Hand** – This indicator provides a projected estimate of the number of days a district could meet operating expenditures provided no additional revenues were received. It is computed by dividing the total expenditures of the Educational, Operations and Maintenance, and Transportation Funds by 360 days to obtain an average expenditure per day. Then the total cash on hand and investments for the same funds plus working Cash are divided by the average expenditures per day. As with the Fund Balance to Revenue Ratio and the Expenditure to Revenue Ratio, the Working Cash Fund has now been incorporated into the calculation.
- 4. Percent of Short-Term Borrowing Ability Remaining** – Districts often incur short-term debt due to several factors (i.e., delays in receipt of local revenues, etc.). For this indicator, the sum of unpaid Tax Anticipation Warrants is divided by 85% of the Equalized Assessed Valuation (EAV)

multiplied by the sum of the tax rates for the Educational, Operations and Maintenance, and Transportation Funds.

5. **Percent of Long-Term Debt Margin Remaining** – A district often incurs long-term debt for major expenditures such as buildings and equipment. This total is derived by the product of the district’s EAV multiplied by its maximum general obligation debt limitation, reduced by any outstanding long-term debt.

**Total Profile Score:**

Each indicator is scored in order to obtain a district’s overall **School District Financial Profile** Score. This overall score is computed for the most current year’s financial data.

Each indicator is calculated and the results are slotted into a category of a four, three, two, or one with four being the highest and best category possible. Each indicator is weighted and the weighted indicators’ scores are summed to obtain a district’s overall “Total Profile Score”.

**Fund Balance to Revenue Ratio (has a weighting of 35%)**

- Category 4 Greater or equal to 25% [lowest risk]
- Category 3 Less than 25% but greater or equal to 10%
- Category 2 Less than 10% but greater or equal to 0%
- Category 1 Less than 0% [highest risk]

**Expenditures to Revenue Ratio (EXRV) (has a weighting of 35%)**

- Category 4 District is spending \$1.00 or less for every dollar they are receiving [lowest risk]
- Category 3 District is spending more than \$1.00 to \$1.10 for every dollar they receive
- Category 2 District is spending more than \$1.10 to \$1.20 for every dollar they receive
- Category 1 District is spending more than \$1.20 for every dollar they receive [highest risk]

If the resulting calculation places a district in category 1 or 2, and the Fund Balance to Revenue Ratio (FBRR) is a category 4 then the following calculation is completed:

- $(FBRR - .1)$  divided by  $(EXRV - 1.0)$
- If the result is greater than 2, then the Expenditures Revenue score is assigned a 3
- If the result is greater than 1 but less than 2, then the Expenditure Revenue score is assigned a 2

**Days Cash on Hand (has a weighting of 10%)**

- Category 4 At least 180 days cash on hand [lowest risk]
- Category 3 Less than 180 days cash on hand to at least 90 days cash on hand
- Category 2 Less than 90 days cash on hand to at least 30 days cash on hand
- Category 1 Less than 30 days cash on hand [highest risk]

**Percentage of Short-Term Borrowing and Long-Term Borrowing Remaining (Short-term and Long-term borrowing each has a weighting of 10%)**

- Category 4 Greater than or equal to 75% debt margin remaining [lowest risk]
- Category 3 Less than 75% but at least 50% debt margin remaining
- Category 2 Less than 50% but at least 25% debt margin remaining
- Category 1 Less than 25% debt margin remaining [highest risk]

The Total Profile Score is the sum of the five weighted scores. The highest score a district may receive is a 4.00 and the lowest score is 1.00.

### **Your School District Financial Profile Designation:**

If a district receives a score of **3.54 - 4.00**, they are in the highest category of financial strength - **Financial Recognition**. These districts require little or no review or involvement by ISBE unless requested by the district.

If a district receives a score of **3.08 - 3.53**, they are in the next highest financial health category of **Financial Review**. Districts in this category will be given a limited review by ISBE, but they will be monitored for potential downward trends. Staff will be assessing the next year's school budget for negative trends.

If a district receives a score of **2.62 - 3.07**, they are placed in the category of **Financial Early Warning**. ISBE will be monitoring these districts closely and offering proactive technical assistance (e.g., financial projections and cash flow analysis, etc.) These districts will also be reviewed to determine whether they meet the criteria set forth in Article 1A-8 of the ***School Code*** to be certified in financial difficulty and possibly qualify for a Financial Oversight Panel.

If a district receives a score of **1.00 - 2.61**, they are in the highest risk category of **Financial Watch**. As with the Financial Early Warning districts, ISBE will be monitoring these districts very closely and offering them technical assistance including, but not limited to, financial projections, cash flow analysis, budgeting, personnel inventories, and enrollment projections. These districts will also be reviewed to determine whether they meet criteria set forth in Article 1A-8 of the ***School Code*** to be certified in financial difficulty and qualify for a Financial Oversight Panel.

Your comments regarding your district's finances are an integral part of the profile. While the Profile is generated from the District's Annual Financial Report (AFR), there are often extenuating circumstances outside of the School Administration's control which have a financial impact on the district. It is within the Comments portion of the Profile that districts are afforded the opportunity to verbally and publicly convey what has transpired in their district which may have or will impact their Total Profile Score. This will allow for the explanation of significant local financial issues such as cash versus accrual accounting implications and timing of revenue receipts versus expenditures incurred for unique circumstances such as school construction projects. In this capacity, the Profile can be implemented as a communication vehicle for a district's constituents.

For further questions regarding ***The School District Financial Profile***, contact a consultant in the School Business Division at the Illinois State Board of Education at (217) 785-8779 or by email at [finance1@isbe.net](mailto:finance1@isbe.net).