St. Francis School District - Fund Balance History

Year	Operating Fund Balance	Fund Balance %
1998	-$52,661.00	-0.52%
1999	$99,287.00	1.17%
2000	$149,077.00	1.47%
2001	$33,413.00	0.30%
2002	$384,408.06	3.53%
2003	$999,177.25	8.39%
2004	$1,884,858.33	15.85%
2005	$1,847,684.74	14.99%
2006	$2,008,495.29	17.06%
2007	$2,478,149.90	20.47%
2008	$2,556,767.70	20.89%
2009	$2,351,508.53	18.58%
2010	$1,603,370.61	12.82%
2011	$1,388,955.47	10.81%
2012	$1,756,269.55	14.57%
2013	$1,873,460.55	15.32%
2014	$2,210,169.55	18.02%
2015	$2,452,565.00	19.63%
2016	$2,518,685.53	20.00%

Reasons For Maintaining Fund Balance:

1. **Maintain a high credit rating**. Credit agencies look to see that school district budgets do not exceed anticipated revenues. Structural deficits are a red flag for creditors and low fund balances are a warning that the District may struggle to finance unexpected expenses. The District has an "AA- stable" rating from Standard & Poor's for outstanding debt as of April 2016. The current rating from Moody's in July 2016 is an "Aa3".

2. **Maintain capital to minimize short-term borrowing**. The District runs out of cash in early November each year due to the timing of certain revenues. The District is then required to short-term borrow approximately $1,500,000 to cover expenses incurred through the middle of June. Tax payments are received in January, February and April but still are not enough to cover expenses. The District finally receives Open Enrollment payments and the bulk of remaining state aid payments in mid-June, accounting for approximately 40% of all revenues for the year. The receipt of the aid and open enrollment payments allows the District to then pay off the short-term debt. The District is able to borrow these funds at a lower interest rate due to the high credit rating. The chart on the following page provides a visual of the shortages throughout the year.

3. **Fund unanticipated expenses or unusual fluctuations in revenues.** The District must be able to make emergency repairs during the year if needed to keep the buildings operational, or continue to provide services even through unusual revenue fluctuations as well as provide for continuity of programming with enrollment fluctuations which occur in the middle of our fiscal year once staffing decisions have been committed for the year.

4. **Maximize State Funding**. Our District is penalized when spending all budgeted expenditures as it is calculated as having a higher ability to pay at the local level due to property values. In years where there is remaining budget the District must factor the impact to State Aid from spending down those funds, versus reserving those funds to meet the first three goals above.

5. **Reserve for Health Self-Insurance**. The District self funds our health insurance plan so payments will vary significantly from year to year based on claims that are incurred. The District tries to maintain sufficient reserve in fund balance in order to support claims in the years where they exceed projected expenses for health. The District also has an active wellness program in order to encourage prevention of chronic medical conditions and stabilize cost trending over the long-term.

Cash Flow Without Borrowing

Even with the current fund balance, if the District did not borrow annually on a short-term basis we would not have enough cash on hand to pay our bills in November, December, May and most of June. The District has reduced borrowing from a 12-month borrowing to only borrowing between October-June to reduce overall costs.