HIGHLIGHTS

KEY FACTS AND FINDINGS

- This year’s analysis reviewed the trends over the Fiscal Years Ending June 30, 2017, 2018, and 2019.

- In the previous year’s analysis of the State’s 178 school districts, for Fiscal Years 2016–2018, 30 districts missed one or more financial benchmarks. In the current year’s analysis, 32 districts missed one or more financial benchmarks.
  - 4 districts missed two benchmarks.
  - 28 districts missed one benchmark.

- Most missed benchmarks occurred with the following two ratios:
  - The Operating Margin Ratio: the ratio calculating the amount added to the reserves for every $1 in revenue, or the operating margin. This ratio identifies growth or decline in a school district’s reserves over a 3-year period. A missed benchmark for this indicator may indicate a district is deliberately spending down fund balance to supplement operations or there is a reduction in state funding without a corresponding decrease in expenditures.
  - The Deficit Fund Balance Ratio: the ratio indicating a school district has a deficit fund balance in one or more funds. A missed benchmark for this ratio may indicate that a district has insufficient resources in a governmental fund.

- All four school districts missing two or more benchmarks provided explanations for the trends. For example:
  - Three out of four school districts indicated that they spent down fund balance for retaining staff, curriculum, safety upgrades, student needs, building maintenance, and capital projects.
  - One out of four school districts indicated that an increase in the costs of special education, salaries, healthcare benefits, and mental health services, as well as increases in the PERA contribution, were reasons for the missed benchmarks.

BACKGROUND

- The Fiscal Health Analysis performed by the Office of the State Auditor provides a set of ratios and associated benchmarks by which to evaluate the financial health of each school district.

- The analysis examines the most current rolling 3-year period for which audited financial statements are available.

- Financial indicators from missed benchmarks can warn of financial stress that may require examination and remedial action by the appropriate parties.

- The Fiscal Health Analysis uses six ratios to assess the following financial indicators:
  - The adequacy of assets to meet obligations.
  - The revenue coverage of debt service payments.
  - The reserves available to cover future expenses.
  - The amount added to the reserves for every $1 in revenue.
  - The existence of a deficit fund balance in one or more funds.
  - The increase or decrease to the reserves in the general fund.