



To: DCSC Board of Finance

Date: January 13, 2020

From: Matthew Parkinson, Chief Financial Officer

Re: Financial Condition Report pursuant to IC 5-13-7-8

Members of the Danville Community School Corporation (DCSC) Board of Finance,

This report is issued pursuant to Indiana Code 5-13-7-8, which requires each school corporation to report on its financial condition at the annual Board of Finance meeting. Each school corporation must assess its financial condition using the fiscal and qualitative indicators determined under IC 20-19-7-4 by the fiscal and qualitative indicators committee.

The state fiscal and qualitative indicators report may be found at <https://www.in.gov/duab/2386.htm>. A copy of the outputs of the state's report is submitted along with this memorandum.

The eight indicators, and our assessment of our condition for each, are identified below. Data in the state report spans eight or nine years, depending on the indicator. In the interest of brevity, three years of data are presented within this memorandum.

A brief overall assessment of the school corporation's financial condition is provided at the bottom of this memorandum.

Please note that school corporations transitioned to an updated chart of accounts beginning January 1, 2019. The General, Capital Projects, Transportation, and Bus Replacement Funds were replaced with the Education and Operations funds.

THE **DANVILLE** DIFFERENCE

Mr. Matthew L. Parkinson, Chief Financial Officer

200 Warrior Way | Danville, IN 46122 | P: (317) 745-2212 | F: (317) 745-3924

www.danville.k12.in.us



1. Average Daily Membership

Year	Average Daily Membership
2016-2017	2,463
2017-2018	2,478
2018-2019	2,522

Analysis: School corporations typically strive for either a growing or steady student count. Our student count is generally steady. Our demographic study, completed in 2019, projects light student growth during the upcoming decade.

2. Fund Balances

Year	December 31 Balance for All Funds
2016-2017	\$9,226,297
2017-2018	\$10,383,339
2018-2019	\$11,681,382

Analysis: Growth in fund balances is good for financial security. For the years covered, the corporation saw growth in both the general and operational (capital projects, transportation, and bus replacement) funds.

3. Annual Deficit/Surplus

Year	Annual Surplus
2016-2017	\$3,137,204
2017-2018	\$2,021,252
2018-2019	\$1,298,043

Analysis: The school corporation has consistently maintained a surplus since 2016. This is an important financial goal for school corporations. In the years ahead, a core challenge for the school corporation will be increasing pay for teachers and maintaining services without reaching deficit spending.

THE DANVILLE DIFFERENCE

Mr. Matthew L. Parkinson, Chief Financial Officer

200 Warrior Way | Danville, IN 46122 | P: (317) 745-2212 | F: (317) 745-3924

www.danville.k12.in.us



4. Fund Balance as Percent of Expenditures

Year	Fund Balance as Percent of Expenditures
2016-2017	29.7%
2017-2018	36.5%
2018-2019	44.4%

Analysis: The school corporation maintains a healthy rainy day fund of \$2.2 million. In addition, the corporation has used increment revenue to accumulate a cash balance in the operations fund. The corporation’s cash position is strong, but faces a threat from reduced increment revenue.

5. Tuition Support per ADM as compared to General Fund Expenditures per ADM

Year	General Fund Expenditures per ADM	Tuition Support per ADM
2016-2017	\$6,288	\$5,804
2017-2018	\$6,378	\$6,140
2018-2019	\$6,328	\$6,291

Analysis: The school corporation’s general fund expenditures per ADM and tuition support per ADM run mostly parallel over the time period covered by the indicators. The gap has narrowed in the last two years as the school corporation seeks to strategically increase compensation for teachers.

6. Revenue by Type

Year	Federal	State	Other Local	Debt	Op. Ref	Local Tax
2016-2017	\$1,105	\$15,674	\$5,313	\$292	\$0	\$10,428
2017-2018	\$1,267	\$15,718	\$2,347	\$1,652	\$0	\$11,096
2018-2019	\$989	\$16,178	\$2,205	\$223	\$0	\$11,726

(Figures represent \$1,000)

Analysis: Revenue has grown roughly 2.7% per year each year during the eight years covered, though the type of revenue makes a significant difference. State revenue, which is used to fund the education fund (formerly the general fund), has grown around 2.3% during the same period. The school corporation’s financial health is heavily dependent upon education fund revenue.

THE DANVILLE DIFFERENCE

Mr. Matthew L. Parkinson, Chief Financial Officer

200 Warrior Way | Danville, IN 46122 | P: (317) 745-2212 | F: (317) 745-3924

www.danville.k12.in.us



7. Operating Referendum Revenue as Percent of Total Revenue

Year	Operating Referendum Revenue as % of Total
2016-2017	0%
2017-2018	0%
2018-2019	0%

Analysis: The school corporation does not have operating referendum revenue.

8. General Fund Salaries and Benefits as Percent of General Fund Expenditures

Year	Operating Referendum Revenue as % of Total
2016-2017	89.9%
2017-2018	90.7%
2018-2019	89.2%

Analysis: The school corporation has regularly spent around 90% of its general fund on salaries and benefits. The equation changes a bit in future years with the implementation of the education fund.

Overall Analysis

Through prudent financial management, the school corporation has achieved financial stability and has an enviable cash position. Challenges loom, however. The school corporation’s salaries for teachers and certain staff lag behind school corporations in eastern Hendricks County and in Marion County. Becoming competitive will require significant cash resources.

In addition, the school corporation’s operational funds (capital projects, transportation, and bus replacement) have received more than \$850,000 annually in increment transfer revenue since 2017. That figure drops to less than \$100,000 in 2020. The school corporation’s strong cash position is in jeopardy if strategic spending cuts are not identified within the operations fund.

Overall, the school corporation’s financial position is strong. The school board and administration must maintain a keen focus on conservative financial management to maintain that position in the coming years.

THE **DANVILLE** DIFFERENCE

Mr. Matthew L. Parkinson, Chief Financial Officer

200 Warrior Way | Danville, IN 46122 | P: (317) 745-2212 | F: (317) 745-3924

www.danville.k12.in.us