

## Park Ridge - Niles School District 64

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### ISBE Profile

#### Illinois State Board of Education Financial Profile

District 64 recently announced that the Illinois State Board of Education (ISBE) had awarded the District with a Financial Recognition designation based on that organization's financial profile methodology. This is the second year that the District has achieved the top designation.

Since this version of the ISBE financial profile is relatively new, community members have basic questions:

- What is a financial profile system and what does it mean?
- How have we been doing over time?
- In which areas are we weakest? Strongest?

The State Board of Education has been monitoring the financial conditions of school districts since the 1980's. The overarching goal of the financial profile is to objectively assess the financial health of all school districts in order for the public to gain better understanding of where their districts rank in comparison to others.

There are four ISBE financial profile designations listed in increasing order of risk and concern:

- **Financial Recognition** -- highest category of financial strength, requiring little or no review by ISBE. Score 3.54 – 4.00.
- **Financial Review** -- ISBE will monitor for potential downward trends. Score 3.08 – 3.53.
- **Financial Early Warning** -- ISBE will monitor closely and offer proactive technical assistance. Score 2.62 – 3.07.
- **Financial Watch** -- greatest risk – district will be closely monitored by ISBE with the offer of technical assistance including, but not limited to, financial projections, cash flow analysis, budgeting, personnel inventories, and enrollment projections. Score 1.00 – 2.61.

A district in the latter two categories could be reviewed by the ISBE to determine whether it requires a Financial Oversight Panel.

District 64 earned the highest category under the current profile methodology for the first time in 2007 following the Park Ridge-Niles voters' decision to suspend the Property Tax Extension Limitation Law (PTELL or the "tax cap") for two years in order to restore our financial health.

Year	2002	2003	2004	2005	2006	2007	2008
Profile Designation	Financial Early Warning	Financial Review	Financial Watch	Financial Early Warning	Financial Review	Financial Recognition	Financial Recognition
Profile Score (Out of 4.00)	3.003	3.02.30		2.753	3.45	3.55	3.90

Each district's profile is calculated through a process of benchmarking five financial indicators, briefly described below. For further detail, [click here](#).

1. **Fund Balance to Revenue Ratio:** indicates the overall financial strength of the district. 35% of the Profile Score.
2. **Expenditure to Revenue Ratio:** identifies how much a district spent for each dollar it received. 35% of the Profile Score.
3. **Days Cash on Hand:** provides a projected estimate of the number of days a district could meet operating expenses if no additional revenues were received. 10% of the Profile Score.

4. **Percent of Short-Term Borrowing Maximum Remaining:** reflects the remaining short-term debt extension available to the district, and accounts for 10% of the Profile Score.
5. **Percent of Long-Term Debt Margin Remaining:** percentage of the district's debt limit not already used, and accounts for 10% of the Profile Score.

The greatest contributing factors resulting in the Financial Recognition designation were the significant increases in the Fund Balance to Revenue Ratio and the Expenditure to Revenue Ratio, both due to the funds raised by the Working Cash Bond in 2005 and the successful referendum in 2007.

Since 2002, the District scored at or near the maximum for items 4 and 5, suggesting that the District's ability to borrow has always been considered a strong suit.

The Board of Education uses the ISBE Financial Profile as one measure of its financial performance. It provides a "snapshot" of the District's financial condition at one point in time as assessed on a set of indicators selected by the State. Therefore, it has limited use in helping the Board monitor ongoing progress toward achieving the specific financial goals it has set for the District, such as maintaining an Operating Fund balance of 33% or four months of operating expenses.

For further discussion and information, please visit:

- Detailed Summary of ISBE Financial Profile Evaluation and Weighting System
- Further information and comparative analysis can be found at the Illinois State Board of Education's site.

*Last update: February, 2009*