



Fiscal Health Indicators: Enterprises

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Description:

Many local governments will operate enterprises, which are business-like entities through which the local government provides services while charging a fee for this service. Some examples of enterprises include water and wastewater utilities, parking garages and trash collection.

Local governments with enterprises will report on these entities on their Annual Financial Report while specifically identifying the funds and financial data as being associated with an enterprise. This information is reported on a cash basis of accounting, as is the standard in Indiana. This method of accounting could play a role in calculated deficits or surpluses.

The Department has used the enterprise distinctions reported by the local governments to identify the various enterprises operated by the local governments. It should be noted that certain local governments provide only enterprise-type services, such as regional sewer district. These local governments typically do not identify their operations as enterprises and therefore will not be contained within these indicators. The Department has excluded certain revenues and expenditures such as transfers between funds and sale or purchase of investments from consideration in the analysis of enterprises in order to avoid overstating revenues and expenditures.

Fiscal Health Indicator:

Deficit or Surplus as Percent of Revenue

The deficit or surplus is calculated by subtracting total expenditures for the identified enterprise from the total enterprise revenues for the identified year. A negative result indicates that the enterprise's spending exceeded its revenues for the year. By then dividing this result by the total revenues, it is possible to compare the deficit or surplus across enterprises. When an enterprise has a surplus (revenues exceeded expenditures), the result of this calculation will show the percentage of revenues which exceeded the expenditures in the included funds. For enterprises with a deficit (expenditures exceeded revenues), the result indicates the percentage of additional revenue that would have been needed in order for the enterprise's revenues to fully fund its annual expenditures.

Source: Annual Financial Report data as of June 13, 2015, accessed through <http://gateway.ifionline.org>. School Form 9 data obtained from the Indiana Department of Education on June 17, 2015.

Fiscal Health Indicator:

Debt Ratio

- Charges for Services – Total revenues identified by the local government as Charges for Services.
- Debt Payments – Total expenditures classified by the local government as being attributable to a debt payment.

Enterprises may issue long-term debt which typically will be repaid through revenue derived through the charges for the enterprise's service. A debt ratio calculates the amount by which an enterprise's charges for services revenue exceed the annual debt payments. Higher debt ratios provide an indication that the debt may have sufficient revenue streams for repayment. Lower debt ratios could indicate a situation in which an enterprise must increase the charged fees in order to fund the payment of debt.

Source: Annual Financial Report data as of June 13, 2015, accessed through <http://gateway.ifionline.org>. School Form 9 data obtained from the Indiana Department of Education on June 17, 2015.