

# Financial Condition Analysis for Community Colleges

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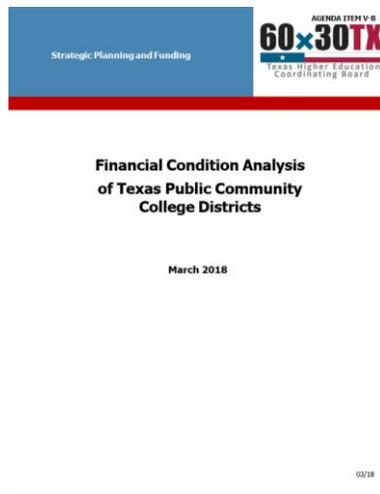


Texas Higher Education  
Coordinating Board



## Agenda

- Background
- Key Questions
- CARAT
- Metrics
- GASB impacts
- Analysis
- Summary
- Questions



## Background

- Directed by GAA, Rider 12 (page III-213)

*“**Financial Information Reporting Requirement.** Each community college shall provide to the Texas Higher Education Coordinating Board financial data related to the operation of each community college using the specific content and format prescribed by the Coordinating Board. Each community college shall provide the report no later than January 1st of each year.*

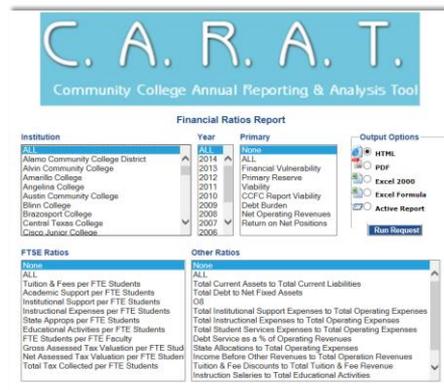
*The Coordinating Board shall provide an annual report due on May 1 to the Legislative Budget Board and Governor's Office about the financial condition of the state's community college districts.”*

## Key Questions

- Are resources sufficient and flexible enough to support the mission?
- Are resources, including debt, managed strategically to advance the mission?
- Does asset performance and management support the strategic direction?
- Do operating results indicate the institution is living within available resources?

# Community College Annual Reporting and Analysis Tool (CARAT)

- Developed collaboratively
- Based on institutionally reported data
- Informed updates
- Creates indicators
- Creates digestible, yet detailed, information



## Metrics

Financially capable of successfully carrying out current programs?

Is the institution...

Able to carry out intended programs well into the future?

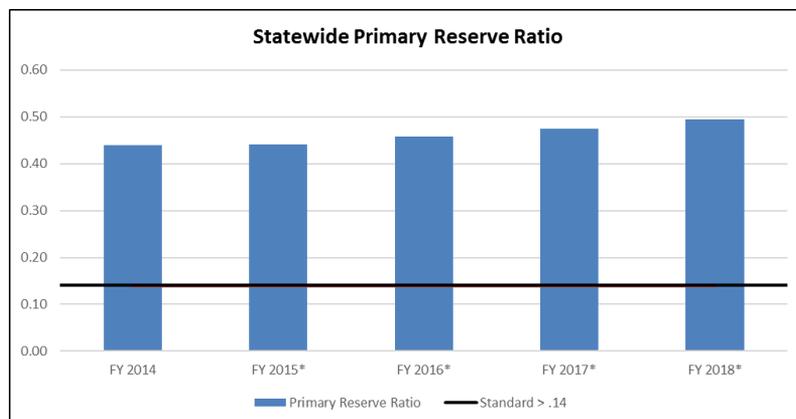
- Composite Financial Index (CFI)
  - Primary Reserve Ratio\*
    - Viability Ratio\*
  - Return on Net Position\*
    - Operating Margin\*
      - Equity Ratio
      - Leverage Ratio

## Impacts and Relevance of GASB 68 and 75

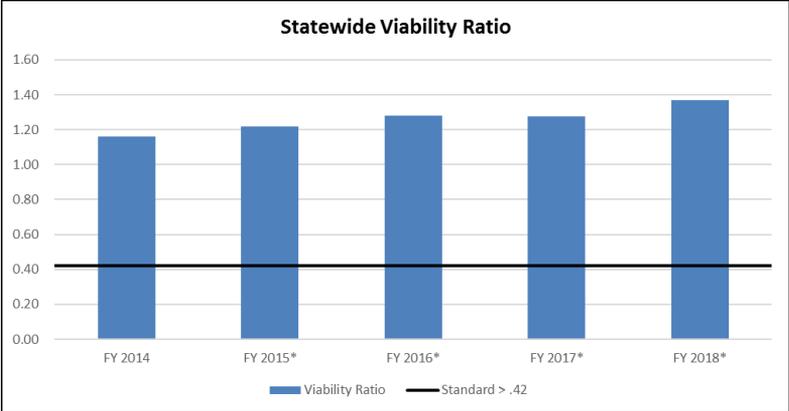
### GASB 68 and 75

- transferred pension liability and other post employment benefit from the state-level financial statements to the individual financial statements of the institutions;
- had substantial impacts to statewide financial ratios and financial condition;
- were not included in Financial Condition Report (report indicates the financial condition of institutions if GASB 68 and 75 had not been implemented) .

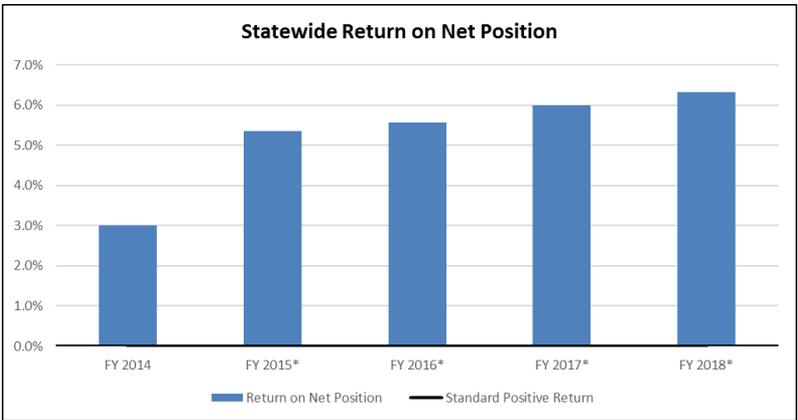
## Ratios and Trends



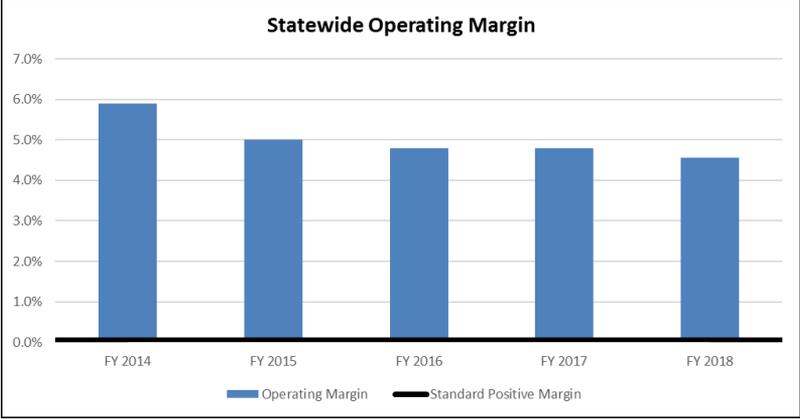
# Ratios and Trends



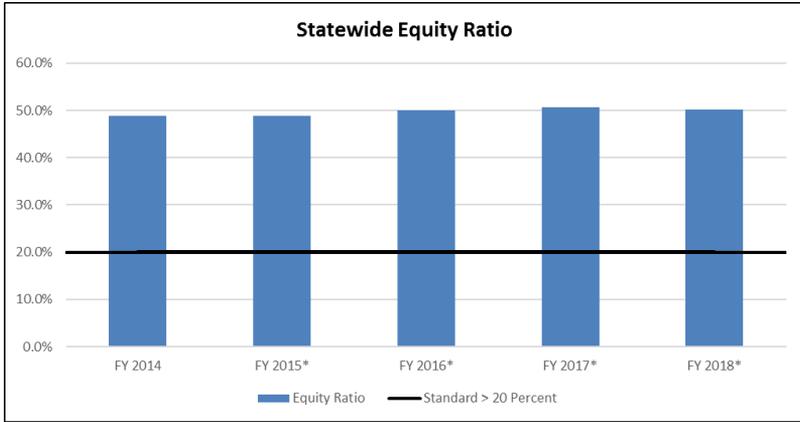
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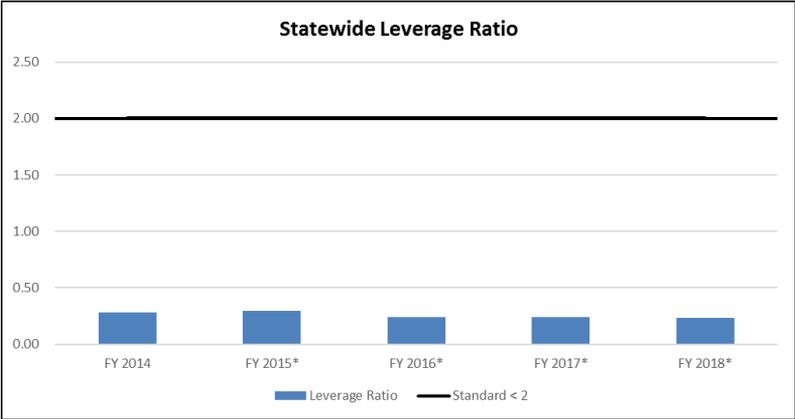
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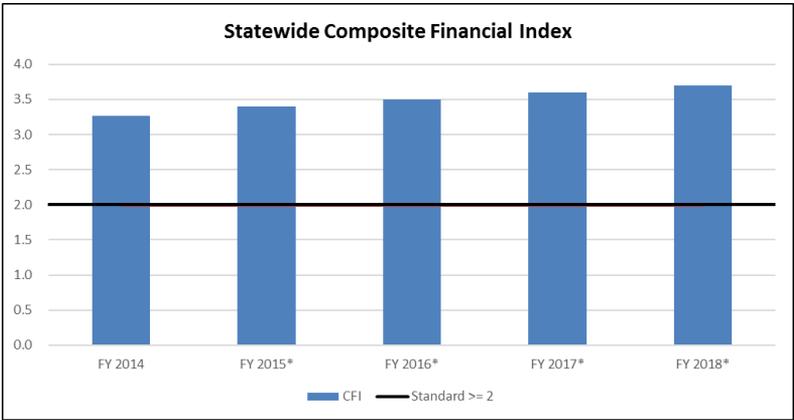
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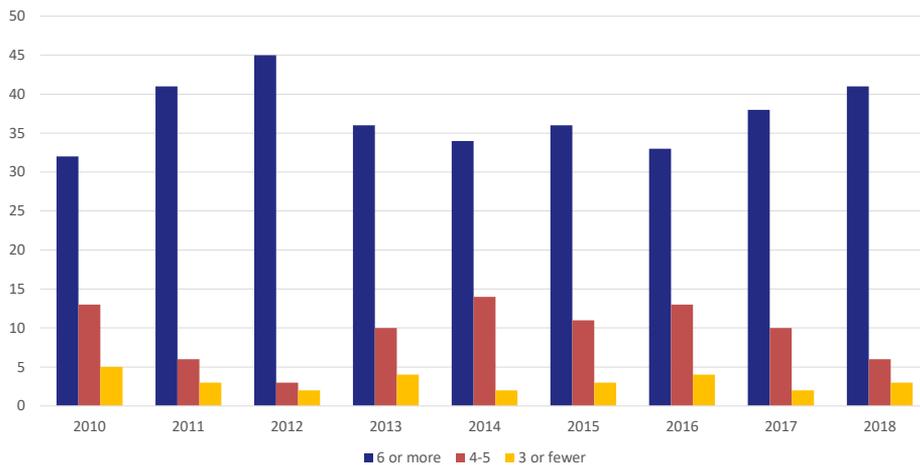


# Ratios and Trends



## Overall

Indicators met



## Summary

- Robust system
- Digests complicated financial data into usable information
- Allows broad or detailed analysis
- Very high level of transparency
- Stimulates questions and focuses inquiry
- Formative assessment, not summative

## Contact Information and Link

The Community College Financial Condition Report and companion workbook can be found at the following link.

<http://www.thecb.state.tx.us/index.cfm?objectid=95480720-329D-11E8-BC500050560100A9>

For questions please contact  
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# 60x30TX



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