

REPORT HIGHLIGHTS



FISCAL HEALTH ANALYSIS
INFORMATIONAL REPORT, SEPTEMBER 2018

COLORADO SCHOOL DISTRICTS
COLORADO DEPARTMENT OF EDUCATION

CONCERN

Colorado school districts and the Colorado Department of Education should review the fiscal health analysis and, if any benchmarks are missed over the 3-year period, determine the cause and take action, as appropriate.

KEY FACTS AND FINDINGS

- This year's analysis reviewed the trends over the Fiscal Years Ending June 30, 2015, 2016, and 2017.
- In the previous year's analysis of the State's 178 school districts, for Fiscal Years 2014–2016, 34 districts missed one or more benchmarks. In the current year's analysis, 29 missed one or more financial benchmarks.
 - ▶ 1 district missed four benchmarks.
 - ▶ 8 districts missed two benchmarks.
 - ▶ 20 districts missed one benchmark.
- Most missed benchmarks occurred with the following two ratios:
 - ▶ The ratio calculating the amount added to the reserves for every \$1 in revenue, or the operating margin. The Operating Margin 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 ratio calculating the change in general fund balance from previous to current years. A missed benchmark for this indicator identifies declines from the previous year and a school district's general fund has reached the lowest point in 4 years.
- All 9 school districts missing two or more benchmarks provided explanations for the trends. For example:
 - ▶ Some school districts reported that they have experienced declining enrollment.
 - ▶ Some school districts indicated that they spent down fund balance for school remodeling or technology purchases.
 - ▶ Some school districts indicated that they experienced impacts related to reduced property taxes.

BACKGROUND

- The Fiscal Health Analysis performed by the Office of the State Auditor provides a set of ratios, together with the associated benchmarks to evaluate financial indicators for 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 five ratios to assess a school district's financial health. These ratios look at the districts' following financial indicators:
 - ▶ The adequacy 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 increase or decrease to the reserves in the general fund.