



FISCAL HEALTH ANALYSIS OF COLORADO SCHOOL DISTRICTS

Financial Evaluation, August 2012 Report Highlights



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PURPOSE

Evaluate Colorado school districts' fiscal health and provide financial indicators that may warn of financial stress.

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BACKGROUND

- The Fiscal Health Analysis performed by the Office of the State Auditor provides a set of financial indicators for each school district.
- The analysis examines the most current rolling three-year period for which audited financial statements are available.
- Financial indicators 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 over the three-year period.
 - The revenue coverage of debt service payments.
 - The reserves 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.

EVALUATION CONCERN

Colorado school districts and the Colorado Department of Education should review the fiscal health analysis and consider taking prompt action when there is an indication of financial stress.

KEY FACTS AND FINDINGS

- This year's analysis reviewed the trends over the fiscal years ending 2009, 2010, and 2011.
- Of the State's 178 school districts, 19 had one or more warning indicators.
 - 13 districts had one warning indicator.
 - Six districts had two warning indicators.
- Most of the warning indicators occurred in the amount added to the reserves for every \$1 in revenue or the amount of revenue available to cover debt service payments.
- All six school districts with two warning indicators provided explanations for the indicators such as planned spend down of fund balance and reductions in state funding:
 - La Veta RE-2 in Huerfano County reported it deliberately spent down the fund balance in its general fund and also had large capital expenditures to renovate heating and air-conditioning systems in five buildings.
 - North Park R-1 in Jackson County indicated it transferred general fund monies for capital projects.
 - Jefferson County R-1 reported it strategically built up reserves with the intention of spending down reserves to mitigate budget cuts.
 - Hoehne Reorganized 3 in Las Animas County indicated a decline in property tax revenue collections and requested financial assistance from the Colorado Department of Education.
 - Trinidad 1 in Las Animas County noted that reasons for the warning indicators included overstaffing of district personnel, general fund transfers to support the food service fund, and a reduction in student enrollment. It is addressing these areas through budgetary actions.
 - Mountain Valley RE-1 in Saguache County indicated it planned to spend down its fund balance due to reductions in state funding.