



FISCAL HEALTH ANALYSIS OF COLORADO SCHOOL DISTRICTS

Financial Evaluation, July 2013 Report Highlights



Dianne E. Ray, CPA
State Auditor

Colorado School Districts
Colorado Department of Education

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 take appropriate 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 2010, 2011, and 2012.
- Of the State's 178 school districts, 48 had one or more warning indicators.
 - Nine districts had two warning indicators.
 - 39 districts had one warning indicator.
- Most of the warning indicators occurred with the ratio calculating the amount added to the reserves for every \$1 in revenue, or the ratio calculating the amount of revenue available to cover debt service payments.
- All nine school districts with two warning indicators provided explanations for the indicators such as planned spend down of fund balance due to reductions in state funding. Specifically:
 - Adams 12 Five Star indicated it planned to spend down its fund balance due to declining state revenues.
 - Walsh RE-1 in Baca County reported a decrease in state revenues, and planned spend down of fund balance to maintain programs.
 - Elizabeth C-1 in Elbert County indicated it spent down debt service reserves by decreasing its mill levy, and has experienced a reduction in state funding.
 - Jefferson County R-1 reported it strategically built up reserves with the intention of spending down reserves to mitigate budget cuts.
 - Bethune R-5 in Kit Carson County indicated it planned to spend down its reserves due to reductions in state funding.
 - Trinidad 1 in Las Animas County noted that reasons for the warning indicators included overstaffing of district para-professionals, general fund transfers to support co-curricular programs, and reductions in state funding.
 - Montezuma-Cortez RE-1 reported decreased revenues in state funding, and increased costs in the district's self insurance health plan.
 - Park County RE-2 noted decreases in enrollment, a payback in categorical funds, and the construction of new school buildings.
 - Liberty J-4 in Yuma County indicated it planned to spend down its fund balance to purchase some large ticket items, and has been adversely impacted by reductions in state funding.