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State Auditor: 76 Colorado School Districts Miss Financial Benchmarks

DENVER—A fiscal health analysis conducted by the Colorado Office of the State Auditor (OSA) has identified 76 out of Colorado's 178 school districts missing at least one financial benchmark out of five financial indicators, warning of potential financial stress, up from 48 school districts that were in the same position last year. Of these districts, 20 have missed two or more financial benchmarks, being at higher risk of financial stress, up from nine last year. Missing financial benchmarks may require examination and remedial action by the districts and their respective boards.

To conduct the fiscal health analysis, the OSA analyzes five financial ratios over the most current three-year period, in this case July 1, 2011, through June 30, 2013, to identify trends in school districts' financial health.

Nineteen of the 20 districts at higher risk all missed the benchmark for two financial indicators, while the twentieth district, Silverton 1 in San Juan County, missed the benchmark for three financial indicators. The most commonly triggered indicator was the operating margin ratio which identifies when a district may be spending down fund balance to supplement operations. The other most commonly triggered indicator was the change in general fund balance from previous to current years, which identifies when a school district's general fund has reached its lowest point in a four-year period.

The districts provided explanations regarding missing two or more benchmarks. Sixteen of the 20 districts reported that they have experienced the effects of reductions in state school finance funding, while 12 of the 20 districts indicated that they have experienced increases in the cost of maintenance, repairs, and construction in order to maintain or improve facilities. At least four school districts also reported significant reductions in student enrollment resulting in reduced state funding.

The 20 school districts at higher risk for financial stress were Strasburg 31J (Adams/Arapahoe County), Campo RE-6 (Baca County), Agate 300, (Elbert County), Big Sandy 100J (Elbert County), Elizabeth C-1

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(Elbert County), Arriba-Flagler C-20 (Kit Carson County), Bethune R-5 (Kit Carson County), Karval RE-23 (Lincoln County), Valley 31J (Logan County), Weldon Valley RE-20J (Morgan County), Holyoke RE-1J (Phillips County), Lamar RE-2 (Prowers County), Pueblo County Rural 70 (Pueblo County), Monte Vista C-8 (Rio Grande County), Silverton1 (San Juan County), Akron R-1 (Washington County), Arickaree R-2 (Washington County), Lone Star 101 (Washington County), Liberty J-4 (Yuma/Kit Carson County), and Wray RD-2 (Yuma County). Fifteen of these districts are clustered in the northeastern part of the state.

The Colorado Department of Education considers the OSA's annual Fiscal Health Analysis of Colorado School Districts report when assessing school districts as part of its accreditation process.

The full report is available electronically on the OSA's website, <http://www.state.co.us/auditor>, via the link called "OSA Audit Reports."

Under the direction of the state auditor, the OSA is the state's nonpartisan, independent external auditor with broad authority to audit state agencies, departments, institutions of higher education, and the Judicial and Legislative Branches. The OSA's professional staff serve the people of Colorado by addressing relevant public issues through high-quality, objective audits and reviews that promote accountability and positive change in government. Performance audits address whether programs operate in compliance with laws and regulations and in a manner that accomplishes intended program goals. Financial audits include annual audits of the state's basic financial statements and federal grants on a statewide level. IT audits review procedures and technology to ensure the confidentiality, integrity and availability of the state's critical computer systems and taxpayer data. The OSA also tracks about 4,000 Colorado local governments for compliance with the Local Government Audit Law.