

Report Highlights

Fiscal Health Analysis

Colorado School Districts, Colorado Department of Education
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C O L O R A D O

Key Concern

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

Key Findings

- This year's analysis reviewed the trends over the Fiscal Years Ending June 30, 2021, 2022, and 2023.
- In the previous year's analysis of the State's 178 school districts, for Fiscal Years 2020–2022, 31 districts missed one or more financial benchmarks. In the current year's analysis, 36 districts missed one or more financial benchmarks. The increase from the prior year was primarily in the number of districts that missed two or more benchmarks. In this year's analysis:
 - One district missed five benchmarks.
 - Two districts missed three benchmarks.
 - 14 districts missed two benchmarks.
 - 19 districts missed one benchmark.
- Most missed benchmarks occurred with the following two ratios:
 - The **Operating Margin Ratio**: the ratio calculating the amount added to the reserves for every \$1 in revenue, or the operating margin. This 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 **Change in Fund Balance Ratio**: the ratio calculating the change in general fund balance from previous to current years. A missed benchmark for this indicator identifies a potential concern of declining general fund balance as a whole, over time.
- All 17 school districts missing two or more benchmarks provided explanations for the trends. For example:
 - 14 districts spent down fund balance to assist in retaining staff, including incurring costs related to salaries/benefits in order to remain competitive, higher utility costs, health insurance, capital needs, building maintenance, and to address overall inflation.
 - Two districts reported that a fluctuating student count caused a change in revenues which resulted in the missed benchmarks.
 - One district reported that the missed benchmarks were due to difficulties with tracking the influx of COVID-19 funds, making it difficult to accurately track revenues and expenditures, staff turnover, and a large drop in students in 2021.

Background

- The Fiscal Health Analysis performed by the Office of the State Auditor provides a set of ratios and associated benchmarks by which to evaluate the financial health of 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 six ratios to assess the following financial indicators:
 - The adequacy of assets 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 existence of a net deficit fund balance.
 - The increase or decrease to the reserves in the general fund.