

School Districts Responses with 2 or more Indicators - (FY 2010-11 to FY 2012-13)

Source: CO Office of State Auditor, School District Fiscal Health Analysis, July 2014, Report #14395

"All of the twenty school districts identified in this year's fiscal health analysis with two warning indicators had one or more of the following: planned expenditures of fund balance, a reduction in revenues due to decreased state school finance funding, or increased costs including capital improvements. Even though districts have planned for and responded to the reductions in revenue, the decline in available resources is taking its toll on districts. It is possible that the number of districts with warning indicators will increase again in the Fiscal Year 2015 analysis." (Colorado Office of the State Auditor, Colorado School Districts, Fiscal Health Analysis, July 2014, Report # 1439S, 36)

[http://www.leg.state.co.us/OSA/coauditor1.nsf/All/71EE2054CC0D4D6887257D1C0078EBFD/\\$FILE/1439S%20-%20School%20Fiscal%20Health%20-%20Informational%20Report.pdf](http://www.leg.state.co.us/OSA/coauditor1.nsf/All/71EE2054CC0D4D6887257D1C0078EBFD/$FILE/1439S%20-%20School%20Fiscal%20Health%20-%20Informational%20Report.pdf)

CO State Auditor, District Fiscal Health, July 2014 - District Responses with 2 or more Indicators - (FY 2010-11 to FY 2012-13)

District	County	Students	Underlying Causes	Action Taken
1 Agate 300	Elbert	40	Agate 300 School District is somewhat unusual in that it was funded using a five-year average of student counts. The district has since signed tuition agreements with surrounding schools to fund the education of 6th through 12th grade students. Revenue continued to drop due to the decline in enrollment and the yearly rescission in state funding due to the Negative Factor.	In Fiscal 2014, legislation passed to provide funding to schools with enrollment under 50 students to be funded at 50. Due to this, the District is able to continue to provide an education for its K–5 elementary students, and for their 6th–12th grade students through the tuition agreement with surrounding schools. The tuition agreements allow the district to provide arts, music, and sports programs to K–12th grade students. Through the years, Agate’s School Board has closely monitored every facet of Agate’s community and the school district, and continues to fight for the future of Agate on a daily basis.

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2	Akron R-1	Washington	359	During the three-year period under analysis Akron has made every attempt to maintain a stable fund balance while working through a number of different circumstances. The District has been facing declines in enrollment each year. The decrease in enrollment on top of the loss of funding from the State due to the Negative Factor has compounded the fiscal stress on the District. The District has also faced an increase in its health insurance premium; 4 percent in Fiscal Year 2012 and then an additional 11 percent in Fiscal Year 2013. Finally, the District has an aging bus fleet, which requires increased maintenance costs and annual repairs.	The District understands the importance of maintaining a healthy fund balance and has worked to control the following expenditures in the last three years. The District made several cuts in staff: 1.5 FTE teachers, 2 FTE paraprofessionals, 1 FTE principal, and 1 cook. The District has also reduced the number of student/contact days and staff development days. Instructional supply budgets have been reduced or frozen. Finally, the District has frozen staff salaries with no changes to the salary schedule since Fiscal Year 2010. The District Board of Education is involved in discussions surrounding the declining enrollment, increased costs, decreased revenues, and is committed to addressing these issues/concerns while meeting the educational needs and goals of every student. The District will continue to be proactive in its approach to maintaining and growing the general fund.

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3	Arickaree R-2	Washington	101	The major reasons for the decrease in the District's fund balance over the last three years include: repairs to the facilities that required immediate attention; increased staffing to meet the need of the current student body; and other various purchases that were essential to the infrastructure of the District.	The District has reduced its staff to stay within its budget. The District has made budget reductions in the areas of supplies, reduced transportation costs through the elimination of one bus route, and has placed a complete halt on any repairs to the facility. The District is determined to budget for the upcoming 2015 fiscal year that it will not utilize the beginning fund balance if at all possible with current funding trends. The District School Board has been involved in all decisions and is aware of the District's finances. The District's auditor also came and spoke with the board in regards to the trend of its decreasing resources. The auditor informed the Board that the District is not in a fiscal emergency at this time, but continuing this trend would lead to one. The District would like to keep the reserve as it is now for the future.
4	Arriba-Flagler C-20	Kit Carson	149	The ratios for Fiscal Year 2013 were negative because the District used \$200,000 of general fund reserves as part of the matching funds for a BEST grant from CDE. The general fund balance decreased because of large transfers and increased expenditures. The District Board of Education was aware of what would happen when it agreed to accept the grant and move forward with the project.	The trend will be corrected as the District does not plan to spend large dollar amounts of its general fund reserves in the near future.

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5	Bethune R-5	Kit Carson	122	The underlying cause of the two negative indicators is the current school funding crisis. The District has been striving to balance a budget during years of state funding rescissions. The Negative Factor is grossly impacting the general fund balance and the operating costs have been cut to the minimum. Due to the reduction in state level funding, the budget has been approved to utilize the reserves in order to continue to preserve programs and staff needed to provide basic educational services.	The District Board of Education approved a \$226,000 cut from the 2014 proposed budget through personnel. This has involved a reduction in force of two positions and the reduction of intervention teaching staff positions to part-time schedules. The District Board of Education has chosen to not replace staff members that are being lost through attrition. The general fund expenditures have been reduced by 17 percent by eliminating classroom budgets, capital construction projects and employee raises for the 2014 - 2015 school year in an effort to ensure that expenditures will equal revenue.
6	Big Sandy 100J	Elbert	299	The biggest impact on the District's fiscal health came from the Negative Factor in the school finance formula that took revenue away from the District. The District used fund balance for a new building project as well as some fund balance to cover an overstaffed situation as the district waited for staff retirements.	The District has been cutting programs, staff and other budget items. The District built the fund balance up to a healthy amount 3 years ago and the District Board of Education has discussed spending fund balance these past 3 years. The District Board of Education is well aware that the fund balance has dropped the past 2 years and is dropping again this year.
7	Campo RE-6	Baca	47	The underlying cause for missing these benchmarks is a decrease in funding at the state and federal levels.	The District is making every effort to turn this trend around. The District monitors its expenses very closely, and has put a freeze on wages. The District is fighting at the state level for adequate funding and is constantly looking to outside sources for funding.

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8	Elizabeth C-1	Elbert	2522	The debt burden ratio went down because the District made the decision to spend down the reserves in the debt service fund by reducing the mill levy. The operating margin ratio went down because the State is not adequately funding school districts. The District does not have additional locally generated revenue from a mill levy override to cushion the effect of inadequate state funding, necessitating a District Board of Education approved reduction in the operating margin ratio.	In an effort to meet the budget challenges and continue to provide an excellent education, the District reduced expenditures and utilized a portion of the general fund's reserves to balance the budget. This plan is reflected in the budget building goals for the 2011-2012, 2012-2013, and 2013-2014 school years. The action being taken with the debt service fund was recommended by the District's auditors. At June 30, 2010, the bond redemption fund had cash reserves in excess of the subsequent year's debt service requirements. The District made the decision to spend down the reserves by adjusting the mill levy. The District is not aware of any bond covenants that were violated or impacted.
9	Holyoke RE-1J	Phillips	589	The cause for the decrease in the ending fund balance is because of reductions in funding by the State of Colorado. The Negative Factor of the school finance formula has caused the District to use ending fund balance as revenue in order to maintain the quality programming required by the community and other state statutes. The District also began a large construction project in Fiscal Year 2012 that transferred funds from the general fund to the capital project fund.	The District continues to make difficult choices to mitigate the use of ending fund balance as revenue. The District Board of Education has passed a resolution each year authorizing a portion of the ending fund balance to be used as revenue. The Board has identified an ending fund balance minimum target and has stayed above that target in these difficult financial years. It has not been determined if ending fund balance will be needed as revenue for the Fiscal Year 2015 budget, but school finance bills in the 2014 legislative session were inadequately funded, so it is a possibility.

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District	County	Students	Underlying Causes		Action Taken
10	Karval RE-23	Lincoln	134	The underlying causes of the District missing the ratio benchmarks are the Negative Factor of the school finance formula, and a decrease in the pupil count.	The District Board of Education recently voted unanimously to close the multi-district online school operated by the District which will drop the enrollment below 50 students. Due to a change in the School Finance Act, the District will be funded for a minimum of 50 students and the increase in funding will in effect erase the budget deficits of the last 3 years.
11	Lamar RE-2	Prowers	1575	There are two causes for missing the benchmarks. First, the District understood based on guidance from the financial office of the CDE, that the District could not have more than 15 percent of the budgeted expenditures in the general fund balance. The District recently received clarification on this stating that the District cannot budget to have more than a 15 percent carry over, but a district can indeed have more than 15 percent if monies are not spent. In other words, the monies must be allocated to spend. The District had made an effort to get below the 15 percent mark in order to comply with the original understanding of the CDE requirement. The second cause is that the District received a BEST grant to replace HVAC systems in three different school buildings and had to provide matching funds.	Now that the 15 percent requirement has been resolved, the District will no longer make an effort to reduce fund balance. This fiscal year the District is projecting to increase its fund balance by approximately \$300,000 due to solid financial management. The District has made major cuts in staff and other expenditures to remain fiscally sound due to massive reductions in revenue from the Negative Factor. The District's auditor presented the audit this past fall and stated that the District was in better financial shape then it has been in years.

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12	Liberty J-4	Yuma/Kit Carson	78	Liberty School District decreased its fund balance to purchase a bus and some other large ticket items. The District was aware that decreasing the fund balance would trigger the financial indicators but the District has reported that it still has 6.5 months of reserve. Furthermore, the decrease in revenue from the state has had an adverse impact on the District's fund balance.	Liberty School District will continue to monitor the fiscal situation. The District is identifying areas in which cuts to spending can be made. The District anticipates reducing the deficit significantly. Thanks to position cuts and controlling spending, the District anticipates reducing the deficit by 54 percent. The District has been forced to reduce 2.5 more FTE. This is having a positive impact on the District's budget, but a terrible impact on the workload the District's people are undertaking. The District anticipates undertaking further cost savings in the coming year.
13	Lone Star 101	Washington	113	In the past 5 years, the State has reduced money allocated to the Lone Star School District in excess of one million dollars through the Negative Factor of the school finance formula. The District has been required to dip into reserves to maintain salaries and expenses. The District has also used reserves for needed capital improvements including replacing its roof and installing a chlorination system for its well that was required by the Colorado Department of Public Health.	The District is continuing to make cuts in staff positions and programs.

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14	Monte Vista C-8	Rio Grande	1104	The underlying causes of the District missing the benchmarks are myriad. The State-imposed Negative Factor significantly reduced operating revenue. The reduction in state funding along with the gradual loss in student enrollment, increasing benefits costs, especially the statutorily mandated PERA increases, have prompted the District to use fund balance to maintain current programs. Add to that the increased food costs due to mandated breakfast and lunch programs and required menu offerings have created the need for additional funding being directed from the general fund to the food service fund to keep it solvent.	Each year over the past four years staff size, both certified and classified, has been reduced where possible by retirement or resignation without filling the positions. Major purchases such as textbook replacement, some technology and small vehicles and busses have been delayed indefinitely. Staff salary advances have not kept current with inflation. Efforts to try and stabilize student enrollment through creating a more personalized student friendly school environment is underway. In order to minimize the impact on student learning, the District Board of Education felt it imperative to maintain staffing levels in the elementary levels, while reducing somewhat first at the middle school, then the high school, while spending down the existing reserves. A needs-based budget process has been in place for the past four years wherein staff are asked to identify expenditures that are essential to operations. No purchases have been made in any of the last 3 years that were not essential. This has led to diminished course offerings especially in the vocational area.

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15	Pueblo County Rural 70	Pueblo	8695	Because of the decisions by the state legislature to reduce funding for schools drastically over the past several years, and in an effort to reduce the impact on student learning and provide a strong educational program for our students, the District Board of Education authorized the expenditure of reserves to offset a portion of the funding cuts. The District has made multiple cuts over time, however, without the spend-down of reserves, drastic cuts would have been required and the impact on student achievement would have been devastating.	The District will present a budget to the District Board of Education for Fiscal Year 2015 that allows reserve levels to begin to be restored. Over the coming 3 year period, the District will continue to restore these reserves in order to establish a fund balance acceptable to the District Board of Education. The District Board of Education has adopted a fund balance policy to formally establish the minimum reserve in the general fund to be 3 percent of general fund reserves in addition to the required TABOR reserves.
16	Silverton 1	San Juan	65	The debt burden ratio benchmark was missed because in 2010, the District passed a bond for matching BEST funds for a school rehabilitation project. The District is currently using excess bond revenue from the first year (Fiscal Year 2011) to cover the revenue shortfall as opposed to raising the mill levy. The operating margin ratio has decreased significantly due to severe decreases in state funding. The District is transferring less into reserves in order to maintain our educational services through the state reductions. The change in fund balance ratio missed the benchmark because the District has used reserves to support its educational program, including teacher salaries, due to the decreases in state funding.	The District Board of Education has declared a fiscal emergency for the 2014-2015 fiscal year. Staff reductions have been put in place, benefits have been reduced, and across the board cuts in expenditures are budgeted. Although the intention is to balance the budget without using reserves, the District is not optimistic that it will meet that goal.

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17	Strasburg 31J	Adams / Arapahoe	948	The underlying causes for the District missing the OMR benchmark which reduces the ability to add to the District's reserves include the following: multiple years of the Negative Factor of the school finance formula being applied to the District's funding from the state impacts the District's revenue by over 1 million dollars per year thus requiring the District to utilize most of its revenue to meet expenses; increases in the District's expenditures which we have no control over, such as utilities, fuel, supplies, maintenance, and repairs, thus affecting the District's OMR and the ability to add to reserves. It should also be pointed out that the District's bond fund (debt service fund) reflected an ending fund balance of \$1.4 million. The District has had a surplus in the bond fund for the past 15 years and has always been able to meet its debt service.	ACTION TAKEN: The District's current reserves of over \$2.5 million adequately covers its cash flow needs for the year, thus allowing the District to reduce the amount needed to transfer to reserves. The District has an extensive budget work session in the spring of each year to review projected revenues and expenditures. The District monitors its financials with a monthly cash flow chart of revenues and expenditures as part of the District Board of Education regular meeting agenda.
18	Valley 31 J	Logan	2258	The District adopted the English language arts materials district wide. Large purchases were made to update curriculum for the language arts required in state statute.	The District has implemented strategies to increase student enrollment, specifically requiring secondary principals to implement culture and climate programs. The District's auditor expressed concern to management and the president and vice president of the District Board of Education regarding the decrease in fund balance as well as making a statement in a public meeting.

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19 Weldon Valley RE-20J	Morgan	198	<p>The underlying cause of missing the benchmark for the DBR was the District was told by CDE that it should spend the bond fund balance down. The ending bond fund balance of \$155,254 was over the amount owed on the payments in the past. The district will be spending the carry over in the bond fund for the next several years. The underlying cause of the negative indicator for the OMR is the current school finance crisis. The District has seen a decrease in state funding (Negative Factor) over the past three years. Due to the reduction in state funding, the decision was made to spend down reserves in order to preserve all programs and staff and maintain operations. This included a planned spend down for 2013 of capital reserve allocations to purchase a school bus.</p>		<p>The District expects to see another decrease in fund balance for 2014. This includes a planned spend down for technology updates and replacing equipment in the computer lab and classrooms. The District will not be giving step increase for staff salaries for 2014-2015 school year until it receives a reimbursement for Negative Factor or full funding.</p>

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20	Wray RD-2	Yuma	684	The benchmarks were missed due to increased cost of salaries, employer paid benefits, utilities, insurance, fuel and capital outlay as well as keeping up with technology needs for students and for new state mandated tests. The cost of employment turnover was also above average over the past three years.	The District has chosen to use its fund balance to minimize the effects on students. On June 24, 2014, the District Board of Education adopted the Fiscal Year 2015 budget using \$259,000 of fund balance to keep the current status quo operation. Restoring one-fifth of the Negative Factor does not begin to address priorities which include: the underlying factors listed above; attracting and retaining highly qualified teachers; and curriculum needs that align to academic standards. The District anticipates an even greater decline in the financial indicators due to removal and reassignment of staff, contract payouts, as well as legal fees supporting the actions taken by the board in 2013-2014 school year. The District's immediate local plan of action is to review program costs and begin the discussions on where it can reduce spending without continued use of beginning fund balance.
		DMR: Debt Burden Ratio			
		OMR: Operating Margin Ratio			