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OSA Contact: Jenny Page
Director of Communications & Strategic Operations
osa.media@coleg.gov

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State Auditor's Report Highlights Financial Stress of Some Colorado School Districts

DENVER—The Office of the State Auditor (OSA) has released its annual fiscal health analysis of Colorado's 178 school districts. This year, the OSA found that an increasing number of school districts are showing signs of fiscal stress compared to recent years. The OSA calculates a set of six financial ratios and benchmarks for the recent 3-year period when districts' audited financial statements were available—Fiscal Years 2021, 2022, and 2023.

The State Auditor's report found that, for 2023, there were 36 school districts that missed one or more financial benchmarks, which is an increase from the 31 districts that auditors identified last year and the 17 districts identified in 2022.

“When a school district misses these benchmarks, it can be a warning sign of financial difficulties that require review and action by district administrators and Colorado's Department of Education,” said Crystal Dorsey, Audit Manager.

The OSA's analysis showed that the two most commonly missed benchmarks were the Operating Margin Ratio, which identifies a decline in a school district's reserve funds over 3-years, and the Change in Fund Balance Ratio, which calculates the change in the district's general fund balance since the previous year. A declining general fund balance for a school district means that it may not have the surplus of funds needed to carry out its key administrative and operational duties.

The OSA's report contains the calculated financial ratios for all school districts for each year analyzed, as well as information and explanation from the 17 school districts that missed two or more benchmarks. For example, 14 districts reported that they spent down their general fund

balances to help retain staff and address higher costs for utilities, capital improvements, building maintenance, and inflation.

The full report is available @ www.colorado.gov/auditor.

About the Office of the State Auditor

Under the direction of State Auditor Kerri L. Hunter, the OSA's nonpartisan, professional staff promote government accountability by conducting independent performance, financial, and IT audits and evaluations of State departments, agencies, institutions of higher education, special purpose authorities, and tax expenditures (e.g., credits, exemptions, deductions). The OSA also tracks about 4,000 Colorado local governments for compliance with the Local Government Audit Law, and operates a statewide fraud reporting hotline.

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