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### **State Auditor's Report Analyzes Financial Health of Colorado's School Districts**

DENVER—The Office of the State Auditor (OSA) has released its annual fiscal health analysis of Colorado's 178 school districts. In this year's analysis, the OSA found that 31 districts missed one or more financial benchmarks, which was almost twice as many as the 17 districts that missed one or more financial benchmarks based on last year's analysis. The OSA's analysis this year showed that one district missed three benchmarks, nine districts missed two benchmarks, and 21 districts missed one benchmark.

The OSA calculates a set of six financial ratios and associated benchmarks based on the most current rolling 3-year period for which school districts' audited financial statements are available. This year's report relies on audited financial data for Fiscal Years 2020, 2021, and 2022.

“Missed benchmarks can be warning signs of financial stress that require further review and action by school district administrators and the Department of Education,” said Crystal Dorsey, Audit Manager.

The OSA's analysis showed that the two most commonly missed ratios were the Operating Margin Ratio, which identifies a decline in a school district's reserves over a 3-year period, and the Change in Fund Balance Ratio, which calculates the change in general fund balance from the previous to current year. A district's general fund balance represents the total accumulation of operating surpluses and deficits related to its core administrative and operational tasks which is carried forward from year to year.

The OSA's report contains the calculated financial ratios for all school districts for each year in the analysis, as well as additional information and explanation from the 10 school districts that missed two or more benchmarks. For example, six districts reported that they spent down their fund balances to help retain staff and address costs related to inflation, safety upgrades, capital needs, technology, and building maintenance.

The full report is available @ [www.colorado.gov/auditor](http://www.colorado.gov/auditor).

### **About the Office of the State Auditor**

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

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