



OFFICE OF THE STATE AUDITOR



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COLORADO SCHOOL DISTRICTS SHOW MARKED IMPROVEMENT IN FISCAL HEALTH ACROSS THE STATE

DENVER—The Colorado Office of the State Auditor (OSA) has released its annual Fiscal Health Analysis of all 178 Colorado school districts and has found significant improvement over last year with 36 school districts missing one or more financial benchmarks compared to 70 last year. However, issues do persist.

□ The OSA's Fiscal Health Analysis provides a set of ratios, together with the associated benchmarks, to evaluate financial health indicators for each school district. This analysis examines the most current rolling 3-year period for which audited financial statements are available; this year covers the Fiscal Years Ending June 30, 2013, 2014, and 2015 and uses five ratios to assess a school district's financial health; for example, the ratios assess whether the district has enough revenue to cover debt service payments, or whether there has been an increase or decrease to the reserves in the general fund.

“In this year's analysis we found that 24 school districts had missed one benchmark, 11 districts missed two benchmarks, and only one school district, Silverton 1 in San Juan County, missed three of the five benchmarks,” said Crystal Dorsey, Local Government Audit Manager. The most commonly missed benchmark was the Operating Margin Ratio, which calculates the amount added to the reserves for every \$1 in revenue. Missing

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the benchmark for this indicator may identify when there is a reduction in State funding without a corresponding decrease in expenditures or when a district is deliberately spending down fund balance to supplement operations.

The other most commonly missed benchmark this year was the ratio calculating the change in general fund balance from previous to current years. A missed benchmark for this indicator identifies declines from the previous year and highlights when a school district's general fund has reached the lowest point in 4 years.

Of the 12 school districts that missed two or more benchmarks, most reported that they have experienced the effects of reductions in State school finance funding. Some school districts indicated they spent down fund balance for school remodeling or technology purchases. Several school districts reported reductions in property tax revenue related to declines in natural resources production.

The full report is available on the OSA's website: www.colorado.gov/auditor

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.