



OFFICE OF THE STATE AUDITOR



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Analysis Provides a Valuable Snapshot of Colorado School Districts' Fiscal Health Before COVID-19 Pandemic

DENVER—The Office of the State Auditor (OSA) has released its annual Fiscal Health Analysis of all 178 Colorado school districts and found that 32 school districts missed one or more financial benchmarks this year, up from 30 districts last year. Four districts missed two benchmarks and 28 districts missed one benchmark.

A missed benchmark should prompt further examination by district administrators to determine the contributing factors and whether these are known or planned occurrences. Spending down their fund balance for items such as student needs, safety and technology upgrades, and building maintenance, as well as increased costs of special education and salary and benefits, were the most common explanations from the four school districts that missed two benchmarks.

The analysis examines the most current rolling 3-year period for which audited financial statements are available—Fiscal Years Ended June 30, 2017, 2018, and 2019. Due to the timing of the underlying financial data, the OSA's analysis provides a valuable snapshot of districts' overall financial health prior to the COVID-19 pandemic. The pandemic is expected to have significant financial impacts for school districts; however, these effects will not be seen in the fiscal health analysis ratios until Fiscal Year 2021 and beyond.

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The analysis calculates a set of six ratios and associated benchmarks that can be used to evaluate the financial health of each school district. For example, one of the ratios indicates whether the district has enough revenue to cover its debt service payments, and another ratio indicates whether there has been an increase or decrease to the reserves in the district's general fund. This year, the OSA found the two most commonly missed ratios were the Operating Margin Ratio, which identifies decline in a school district's reserves over a 3-year period, and the Deficit Fund Balance Ratio, which may indicate that a district has insufficient resources in a governmental fund.

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

About the Office of the State Auditor (OSA)

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 also conducts evaluations of the State's tax expenditures (e.g., credits, exemptions, deductions) established in statute and tracks about 4,000 Colorado local governments for compliance with the Local Government Audit Law. The OSA's professional staff serve the people of Colorado by addressing relevant public issues through high-quality, objective audits, evaluations, and other work products that promote accountability and positive change in government.

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