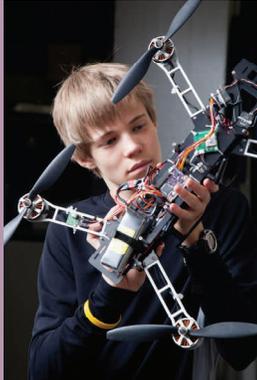


# Arapahoe County School District Number Six



## Comprehensive Annual Financial Report



For the Fiscal Year  
Ended June 30, 2015



5776 S. Crocker Street  
Littleton, Colorado 80120



[www.littletonpublicschools.net](http://www.littletonpublicschools.net)



ON THE COVER—*Clockwise from top left:* Kylan Adamson (Moody Elementary School); Angela Young, Amy Caran, and Kimberly Nguyen (Heritage High School); Vincent Bilancia-Arcuri (Highland Elementary School); Brea Giancaterino and Kara Arnold (Arapahoe High School); Neharika Singh (Franklin Elementary School); Javon Moore and Wyatt Roos (Moody Elementary School); Gracie Fix (Franklin Elementary School); Miles Fu and Nathan Jeffries (Franklin Elementary School); Vivian Hartford (Franklin Elementary School); Alex Baxman and Hayden Chilton (Euclid Middle School); Davis Bonner, Riku Ochida, and David McCarrow (Heritage High School); Aiden Carlson (The Village Preschool); Davis Bonner (Heritage High School); and Katie Puchino (Euclid Middle School).

ARAPAHOE COUNTY  
SCHOOL DISTRICT  
NUMBER SIX  
Littleton, Colorado

Comprehensive Annual  
Financial Report  
For the Fiscal Year  
Ended June 30, 2015



Prepared by Financial Services

Diane Doney

Assistant Superintendent of Business Services/Chief Financial Officer

Donna Villamor

Director of Finance and Risk Management



**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2015**

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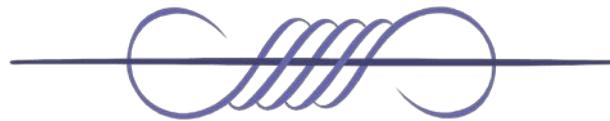
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# INTRODUCTORY SECTION



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October 29, 2015

Board of Education and Citizens  
Arapahoe County School District Number Six  
Littleton, Colorado

The Comprehensive Annual Financial Report (CAFR) of the Arapahoe County School District Number Six (the District), as of June 30, 2015, and for the fiscal year then ended, is hereby submitted. Colorado state law requires that each local government undergo an annual audit of the financial statements by independent certified public accountants, in accordance with generally accepted auditing standards. This report fulfills that requirement.

Responsibility for the accuracy, completeness, and fairness of the information presented in this report rests with the management of the District, based upon a comprehensive framework of internal control that it has established for this purpose. The District's Financial Services Department prepared this report which contains management's representations concerning the finances of the District. To the best of our knowledge and belief, the enclosed data are accurate in all material respects, reported in a manner to present fairly the financial position and results of operations of the District's funds. As the cost of internal controls should not outweigh the benefits, the outcome is to provide reasonable, rather than absolute, assurance the financial statements are free of any material misstatements.

The CAFR is presented in conformity with Statement No. 34 of the Governmental Accounting Standards Board (GASB), titled *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments (as amended)*. This reporting standard is intended to parallel private sector reporting by consolidating governmental activities into a single total column for government-wide activities. GASB Statement No. 34 also requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement and should be read in conjunction with the MD&A.

This is the first year the CAFR is required to conform to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions (as amended)*, which establishes new financial reporting requirements for most governments that provide pension benefits through a multiple-employer cost-sharing defined benefit pension plan. Statement No. 68 requires the District to record a proportionate share of the unfunded pension liability of Public Employee's Retirement Association of

**Fax Numbers**

Board/Superintendent 303-347-3439 • Instruction 303-347-4394 • Financial Services 303-347-3460  
Human Resources 303-347-3384 • Operations/Maintenance 303-347-3454  
Communications 303-347-3476

*Serving the cities of Littleton and Centennial, southern suburbs of Denver, Colorado*

Colorado (PERA). The District has no legal obligation to fund any shortfall, nor does it have any liability to affect funding, benefits, or annual required contribution decisions made by PERA.

### **Profile of the District**

Arapahoe County School District Number Six, commonly referred to as Littleton Public Schools (LPS), is a political subdivision of the State of Colorado and a corporate body duly organized in 1889 for the purpose of operating and maintaining an educational program for the school-age children residing within its boundaries. The District provides a full range of educational programs and services, including K–12 instruction, special education and special education preschool, vocational education, and numerous other programs. The number of students enrolled in fiscal year 2014–2015 was 15,269.

The District encompasses approximately 28 square miles in western Arapahoe County, in the southern portion of the Denver metropolitan area. The District’s boundaries include the town of Columbine Valley, the majority of the city of Littleton, and portions of the municipalities of Bow Mar, Centennial, Englewood, and Greenwood Village.

The District is governed by a five-member Board of Education (the Board), whose members are elected by the qualified electors within the District’s boundaries. General duties which the Board is empowered to perform include the powers to employ all personnel necessary to maintain the operations and carry out the educational programs of the District and pay their compensation, to fix attendance boundaries, to establish annual budgets, to determine the educational programs to be offered in the schools of the District, to prescribe the textbooks of any course of instruction or study in such educational programs, and to levy a property tax on both real and personal properties located within the District’s boundaries.

The District includes as component units two charter schools. The charter schools are public schools, authorized by state statutes, and under the supervision of the Board providing alternatives in education for pupils, parents, and teachers. Each charter school has a separate governing board, but they are fiscally dependent on the District for the majority of their funding. The component units are discretely presented in the CAFR and have separate, audited financial statements.

### **Factors Affecting Financial Condition**

**State funding.** The state has not fully funded the Colorado Public School Finance Act of 1994 (SFA) based on the full requirement of the state constitution’s Amendment 23 since the national fiscal crisis in 2008. The SFA for fiscal year 2014–2015 included a 13.0 percent reduction (negative factor) or an \$880.2 million statewide K–12 funding reduction. The District’s program revenue negative factor reduction for the 2014–2015 school year was decreased by \$2.4 million from the previous year to \$14.9 million. For 2015–2016, the state funded student growth and inflation and further reduced the negative factor to 12.1 percent. The negative factor results in a \$14.3 million annual loss of District program revenue when compared to the state fully funding the program revenue. The negative factor was originally adopted in 2008 by the state’s General Assembly to reduce the overall statewide

contribution to K–12 education since local funding of the SFA is primarily fixed. The District continues to incorporate budget balancing strategies, including program reductions along with additional revenues from the \$12.0 million property tax mill levy override approved by local voters in 2010, to help offset the state’s funding cuts.

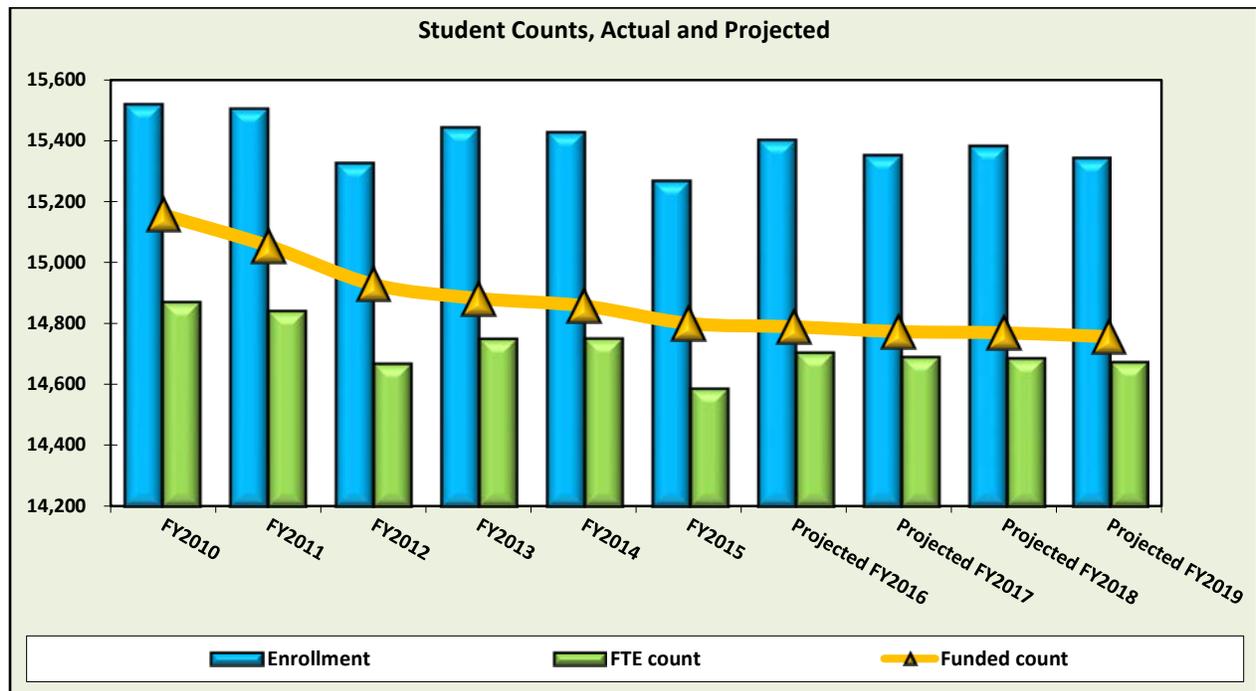
**State and local economy.** The state’s economic picture is important to the District because a major source of funding for the District’s General Fund is received through the SFA established by the state legislature. Colorado’s economy continues to show momentum; however, the reduction in the oil and gas industry is contributing to slower job and income growth. Job growth for the state is forecasted to be 2.8 percent in 2015 compared to a 3.5 percent growth in 2014. The unemployment rate of 4.3 percent in August is nearly a full percentage below the national rate. Housing prices continue to grow as high demand outpaces the supply of homes in the Front Range area, whereas high construction costs and rental rates are constraining growth and making affordable housing a challenge.

Although Colorado’s economy is improving, in 1992, Colorado voters approved a measure that amended the state’s constitution and restricts revenues for all levels of government (state, local, and schools). Under the Taxpayer Bill of Rights (TABOR), state and local governments cannot raise tax rates without voter approval and cannot spend revenues collected under existing tax rates without voter approval if revenues grow faster than the rate of inflation and population growth. Revenue in excess of the TABOR limit, commonly referred to as the "TABOR surplus," must be refunded to taxpayers, unless voters approve a revenue change as an offset in a referendum. In November 2005, voters approved Referendum C, which allowed the state to retain all revenues through fiscal year 2009–2010 and set a new cap on revenue starting in fiscal year 2010–2011. Colorado’s economy has continued to improve into 2015. Due to taxable income increasing at such a quick rate, overall tax revenues growing, and the statewide unemployment rate declining, TABOR revenue is projected to exceed the Referendum C cap. Based on the state’s forecast, a refund of \$67.9 million, a range of \$13 to \$41 per taxpayer, will occur in 2016 despite K–12 funding still being \$855.2 million below what was agreed upon by voters.

The Office of State Planning and Budgeting is forecasting a revenue increase of 3.9 percent for the General Fund for fiscal year 2015–2016. This is \$78.9 million lower when compared to the June 2015 forecast and is attributed to slower job and income gains in the state, recent declines in the stock market, and further weakening of oil prices. General Fund revenue projections for 2016–2017 are expected to increase 6.7 percent; however, the increase is below the high rates experienced in most recent years. The State Education Fund is supporting a larger share of education funding than it has historically, thus decreasing its fund balance. Tax revenue to the State Education Fund will increase 4.0 percent in 2015–2016 and 9.2 percent in 2016–2017. In 2015–2016, the year-end balance in this Fund is expected to drop 55 percent from its level in 2014–2015. Revenue for this fund is derived from taxable income and follows trends in individual and corporate income tax revenue collections.

**Enrollment and demographics.** The District has been experiencing a declining enrollment trend line since the 2001–2002 school year. Declining enrollment, along with the per-pupil revenue cuts (negative factor) incorporated in the state’s SFA, continues to challenge the District to provide services and keep a balanced budget while maintaining necessary reserves for long-term fiscal

stability. In fiscal year 2014–2015, the District’s enrollment decreased by 160 students to 15,269 students. Preliminary membership counts for the 2015–2016 school year indicate that enrollment may increase slightly; however, demographic information indicates that, while in-district student enrollment and funded pupil counts most likely will continue to decline, they are starting to stabilize into the foreseeable future. The student full-time equivalent (FTE) count is less than enrollment mostly due to half-day kindergarten students and other part-time students. The actual SFA funded count allows for the current year FTE count to be averaged with up to four previous years’ counts.



### Major Initiatives

The *Anticipated Funding Needs—Short- and Long-Term White Paper*, presented to the Board of Education in June 2011, outlined critical student needs for academic success. The approved \$11.5 million of one-time spending was funded with the initial year of property tax collections from the 2010 mill levy override. The student needs that were funded include curriculum aligned with new state standards, student interventions, and technology. During the fiscal year 2014–2015, \$2.3 million was spent primarily on technology, the implementation of new state standards, and new curriculum materials. As of June 30, 2015, \$3.6 million remains in the General Fund assigned fund balance and is expected to be spent over the next two fiscal years.

In November 2013, the voters approved \$80 million of general obligation bonds for facility improvements. The Citizens’ Bond Oversight Committee (CBOC) has been charged to monitor the timeline and budget of the master schedule of projects. The committee reports to the Board of Education on a quarterly basis. Bonds in the amount of \$50.0 million were issued in December 2013 with a premium of \$2.3 million, and \$17.0 million of bonds were issued in December 2014 with a premium of \$1.1 million. Approximately \$35.7 million is anticipated to be spent by June 30, 2016. The

remaining \$13.0 million of unissued bonds was sold in October 2015. The District has hired an investment management company to assist with the investment of these funds.

### **Long-Term Financial Planning**

The District's long-range financial projections are regularly updated for review and consideration by the Board. These include forecasts of student enrollment, upon which school funding is computed. Without additional K–12 funding, the District's current financial forecast indicates that budgetary efficiencies will need to be sought and considered by the Board in the near future. If additional funding under the SFA becomes available, a multi-year implementation plan will be developed in alignment with the Board's strategic plan during calendar year 2016. This plan would then be incorporated into the District's long-range financial forecasting and planning model.

### **Strategic Plan**

The superintendent and staff work closely with the Board to ensure that their vision and strategic plan is fulfilled. In November 2014, the Board approved revisions to the strategic plan to better guide the work of the District, students, and community and align the District's direction to coincide with core beliefs. The Board's vision is, "Extraordinary learning, exceptional community, expanded opportunity, and success for all students." The strategic plan includes ten focus areas to support the mission statement, "To educate all students for the future by challenging every individual to continuously learn, achieve, and act with purpose and compassion."

- Enhance instructional systems and career pathways that maximize achievement for all students and integrate knowledge and skills relevant to 21st century career choices.
- Expand utilization of instructional technology with appropriate use for student achievement while providing the infrastructure for organizational efficiency and effectiveness.
- Provide an educational and work environment that supports professional learning and collaborative work for all staff.
- Promote, sustain, and create quality programs that make Littleton Public Schools the uniquely preferred choice for families inside and outside the district.
- Engage the community and parents as active partners in the objectives, activities, and performance of the District and its students.
- Optimize the use of District resources and facilities to meet student learning needs while operating the District efficiently.
- Promote and provide a safe environment that fosters caring, respect, and compassion for others.
- Enhance and support quality early childhood and childcare programs.
- Educate and support staff, parents, and community to address diverse student learning by providing access and opportunities for all students.
- Partner with parents and community to expand and enhance programs that address the physical, social, and emotional well-being of students, families, and staff.

The environment should foster community engagement, staff collaboration, and student learning. The District will continue to address the diverse community needs and keep the public involved as active partners.

## Annual Audit

State statutes require an annual audit by independent certified public accountants. The accounting firm of CliftonLarsonAllen LLP serves as the independent auditors for the District. In addition to meeting the requirements set forth in state law, the audit was also designed to meet the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States, and the U.S. Office of Management and Budget Circular A-133.

## Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its CAFR for the fiscal year ended June 30, 2014. In order to be awarded the Certificate of Achievement, the District published an easily readable and efficiently organized CAFR. That report satisfied both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements. The Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the award program's requirements, and we are submitting it to GFOA to determine its eligibility for a new Certificate of Achievement.

In addition, the Meritorious Budget Award was conferred by the Association of School Business Officials International to the District for its fiscal year 2014–2015 budget document. In order to qualify for the Meritorious Budget Award, the District's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

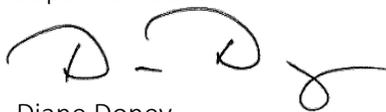
The preparation of the CAFR on a timely basis was made possible by the dedicated service of the entire staff of financial services, grant administrators, and printing services. Each department member has our sincere appreciation for the contributions made in the preparation of this report.

In closing, we wish to thank the members of the Board of Education for their interest, leadership, and support for maintaining the highest standards of professionalism in the management of the District's finances.

Respectfully submitted,



Brian Ewert  
Superintendent



Diane Doney  
Assistant Superintendent of Business Services/Chief Financial Officer



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Arapahoe County  
School District Number Six  
Colorado**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is written in a cursive, flowing style.

Executive Director/CEO

ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX  
PRINCIPAL OFFICIALS

Board of Education



Jack Reutzel  
President  
Term: 2013–2017



Carrie Warren-Gully  
Vice President  
Term: 2013–2017



Mary Nichols  
Secretary  
Term: 2011–2015



Lucie Stanish  
Assistant Secretary  
Term: 2011–2015



Kelly Perez  
Treasurer  
Term: 2013–2017

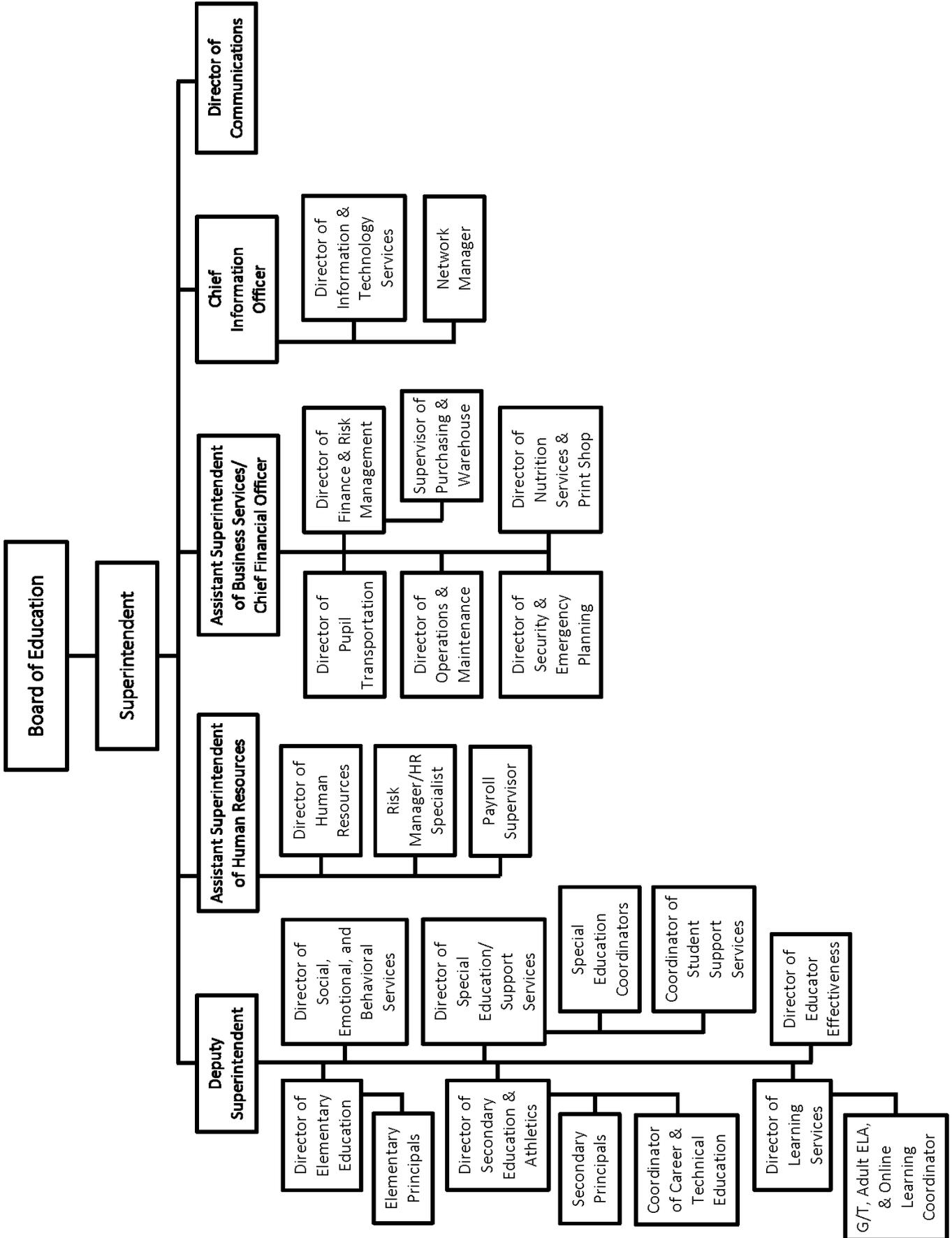
Superintendent's Staff

Brian Ewert ..... Superintendent  
Connie Bouwman ..... Deputy Superintendent  
Mike Jones ..... Assistant Superintendent of Human Resources  
Diane Doney ..... Assistant Superintendent of Business Services/Chief Financial Officer  
Mark Lindstone ..... Chief Information Officer  
Diane Leiker ..... Director of Communications

MISSION STATEMENT

To educate all students for the future by challenging every individual to continuously learn, achieve, and act with purpose and compassion.

ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX  
ORGANIZATIONAL CHART



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