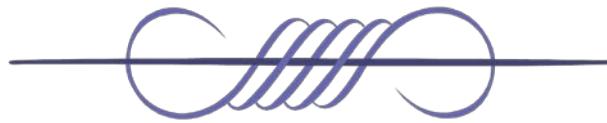


# FINANCIAL SECTION





## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Arapahoe County School District Number Six, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Arapahoe County School District Number Six as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and GASB required pension schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Arapahoe County School District Number Six's basic financial statements. The combining and individual fund financial statements and schedules, combining component unit financial statements, the Auditor's Integrity Report, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules, combining component unit financial statements, Auditor's Integrity Report and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2017, on our consideration of Arapahoe County School District Number Six's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Arapahoe County School District Number Six's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Arapahoe County School District Number Six's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
October 19, 2017

# Management's Discussion and Analysis



This page left blank and  
unnumbered intentionally  
for presentation purposes



**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Management's Discussion and Analysis**  
**As of and For the Fiscal Year Ended June 30, 2017**

As management of the Arapahoe County School District Number Six, Arapahoe County, Colorado (the district), we offer readers of the district's Comprehensive Annual Financial Report this narrative and analysis of the financial activities of the district for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that can be found in the letter of transmittal on pages 1–6.

**Financial Highlights**

- Beginning June 30, 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which established new financial reporting requirements for most governments that provide pension benefits through a multiple-employer cost-sharing, defined-benefit pension plan. District employees, including the two charter schools' employees, are in a program administered by the Public Employee's Retirement Association of Colorado (PERA). Statement No. 68 requires the district and its charter schools to record a proportionate share of PERA's unfunded pension liability. The district and its charter schools have no legal obligation to fund any shortfall, nor do they have any liability to affect funding, benefits, or annual required contribution decisions made by PERA.
- The liabilities and deferred inflows of resources of the district, the primary government, exceeded assets and deferred outflows of resources at June 30, 2017, by \$330.1 million, primarily due to the net pension liability, noted above, of \$629.7 million.
- The financial position of the primary government decreased as the total net position decreased by \$106.6 million, primarily from the net pension expense of \$100.3 million due to the requirement of GASB Statement No. 68.
- The total cost of basic programs increased \$92.6 million, or 48.2 percent, to \$284.6 million due to the requirement of GASB Statement No. 68.
- Revenues increased \$0.4 million, or 0.20 percent, to \$178.0 million due to an increase in state funding for inflation.
- The net cost of governmental activities increased \$93.1 million, or 55.7 percent, primarily due to the inclusion of the net pension expense of \$100.3 million due to the requirement of GASB Statement No. 68.

**Overview of the Financial Statements**

Management's discussion and analysis is intended to serve as an introduction to the district's annual report and basic financial statements. The financial section of the annual report consists of four parts: management's discussion and analysis, basic financial statements, required supplementary information, and combining and individual fund statements and schedules. The basic financial statements include two types of statements that present different views of the district.

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the district's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the district, reporting the district's operations in more detail than the government-wide statements.
- The governmental funds statements tell how basic services, such as instruction and support services, were financed in the short-term as well as what remains for future spending.
- The fiduciary funds statement of assets and liabilities presents the financial position of an agency fund in which the district acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary

information that further explains and supports the financial statements with a comparison to the district's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

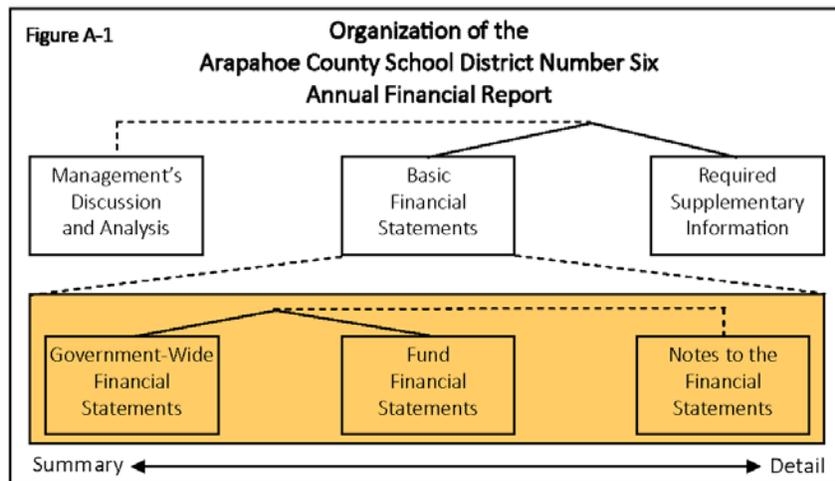


Figure A-2 summarizes the major features of the district's financial statements, including the portion of the district's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**Figure A-2**  
Major Features of the Districtwide and Fund Financial Statements

	Government-Wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Fund
<b>Scope</b>	Entire district (except the fiduciary fund)	The activities of the district which are not proprietary or fiduciary, such as instruction and support services	Instances in which the district administers resources on behalf of someone else, such as student clubs
<b>Required Financial Statements</b>	<ul style="list-style-type: none"> <li>Statement of net position</li> <li>Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>Balance sheet</li> <li>Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>Statement of assets and liabilities</li> </ul>
<b>Accounting Basis and Measurement Focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
<b>Type of Inflow/Outflow Information</b>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

## Government-Wide Financial Statements

The government-wide statements report information about the district as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the district's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the district's net position and how it has changed. Net position—the difference between the district's assets, liabilities, and deferred outflows and inflows of resources—is one way to measure the district's financial health or position.

- Over time, increases or decreases in the district's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the district's overall health, additional nonfinancial factors may need to be considered, such as changes in the district's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the district's activities are divided into two categories:

- **Governmental activities:** Most of the district's basic services are included here, such as instruction and support services.
- **Component units:** The district's two charter schools have independent governing boards but are financially dependent upon the district for most of their funding. Generally accepted accounting principles (GAAP) prescribe a discrete presentation of the component units—meaning separate presentation from the primary government.

## Fund Financial Statements

The fund financial statements provide more detailed information about the district's funds, focusing on its most significant or "major" funds—not the district as a whole. Funds are accounting devices the district uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law or GAAP.
- The district establishes other funds to control and manage money for particular purposes (i.e., athletics and activities funded largely by fees and ticket sales) or to show that it is properly using certain revenues, such as federal grants.

The district has two categories of funds:

- **Governmental funds:** Most of the district's basic services are included in governmental funds, which generally focus on how cash and other financial assets can readily be converted to cash flow in and out and the balances left at fiscal year-end that are available for spending. Consequently, the governmental fund statements provide a detailed, short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the district's programs.
- **Fiduciary fund:** The district is the trustee, or fiduciary, for the assets of student clubs. The district is responsible for ensuring that the assets reported in this fund are used only for intended purposes and used by those to whom the assets belong. The district excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

## Financial Analysis of the District as a Whole

The district's net position of the governmental activities on June 30, 2017, decreased \$106.6 million to a negative \$330.1 million from what it was the previous year (see Figure A-3), primarily as a result of the impact of GASB Statement No. 68.

Assets, deferred outflows of resources, liabilities, and deferred inflows of resources changed from the prior year for the following reasons:

- Current and other assets decreased by \$17.8 million, primarily from decreased restricted cash and investments. The decrease is primarily from the project spending in the Capital Projects–Building Fund.
- Capital assets increased \$7.5 million, the net result of capital asset depreciation expense offset by asset additions, including construction in progress.
- Deferred outflows of resources for deferred charges on refunding decreased \$0.5 million due to amortization expense. Deferred outflows related to pension increased \$201.4 million due to an increase of \$0.3 million to the district's pension contribution subsequent to the measurement date; investment earnings, which were less than expected by \$6.7 million; deferred assumptions of \$204.3 million; and the difference between expected and actual actuarial experience of \$3.5 million.
- Current and other liabilities increased \$1.7 million, mainly due to higher contracts payable in the Capital Project–Building Fund.
- The net pension liability increased \$304.0 million due to the GASB Statement No. 68 requirement to record a proportionate share of PERA's unfunded pension liability.
- Noncurrent liabilities decreased \$6.2 million, the net result of bond principal payments, amortization of bond premium, and accreted interest on bonds.
- Deferred inflows of resources decreased \$2.2 million for pension-related activities, of which \$1.8 million is the change in assumption. The balance of \$0.4 million includes the change in proportion and the differences between contributions recognized and the proportionate share of contributions.
- Net position decreased \$106.6 million. This change included a \$6.6 million decrease to net investment in capital assets (capital assets less related debt), a \$1.1 million increase in restricted net position, and a \$101.1 million decrease in unrestricted net position due to the adoption of GASB Statement No. 68.

Figure A-3 presents a two-year, condensed statement of the district's net position.

**Figure A-3**  
**Condensed Statement of Net Position (in millions of dollars)**

	<u>Primary</u> <u>Government</u> <u>Governmental</u> <u>Activities</u>		<u>Total</u> <u>Dollars</u> <u>Change</u> <u>2016–2017</u>
	<u>2016</u>	<u>2017</u>	
<b>Assets</b>			
Current and other assets	\$ 104.0	\$ 86.2	\$ (17.8)
Capital assets	132.9	140.4	7.5
Total assets	<u>236.9</u>	<u>226.6</u>	<u>(10.3)</u>
<b>Deferred outflows of resources</b>			
Deferred charges on refunding	3.6	3.1	(0.5)
Deferred pension outflows	40.7	242.1	201.4
Total deferred outflows	<u>44.3</u>	<u>245.2</u>	<u>200.9</u>
<b>Liabilities</b>			
Current and other liabilities	16.5	18.2	1.7
Net pension liability	325.7	629.7	304.0
Noncurrent liabilities	154.4	148.2	(6.2)
Total liabilities	<u>496.6</u>	<u>796.1</u>	<u>299.5</u>
<b>Deferred inflows of resources</b>			
Deferred pension inflows	8.1	5.9	(2.2)
Total deferred inflows	<u>8.1</u>	<u>5.9</u>	<u>(2.2)</u>
<b>Net position</b>			
Net investment in capital assets	12.4	5.8	(6.6)
Restricted	15.8	16.9	1.1
Unrestricted	(251.7)	(352.8)	(101.1)
Total net position	<u>\$ (223.5)</u>	<u>\$ (330.1)</u>	<u>\$ (106.6)</u>

The district's change in financial position is related to operating results (see Figure A-4), which are highlighted as follows:

- Expenses of \$284.6 million exceeded revenues of \$178.0 million, resulting in the \$106.6 million decrease in net position. Total revenues increased \$0.4 million over revenues of the prior year and total expenses increased \$92.6 million, primarily due to the \$100.3 million of net pension expense due to GASB Statement No. 68.
- The State of Colorado's General Assembly included an 11.5 percent negative per-pupil stabilization factor into the School Finance Act (SFA) for fiscal year 2016–2017. This negative factor was to help the state balance its budget due to the fiscal crisis. The district's per-pupil revenue was \$7,145, compared to \$8,075 without the negative factor. The SFA was supported by state equalization funds, local taxes, and property taxes in the fiscal year.
- The average funded student count, which is the per-pupil basis for fiscal year 2016–2017 SFA program funding, decreased slightly by 0.3 percent, or 14,734.6 from 14,785.0, the previous year.
- Total expenses of \$284.6 million represent a \$92.6 million, or 48.2 percent, increase compared to the prior year. Instructional expenses increased \$60.1 million, of which \$57.9 million represents the net pension expense increase compared to 2015–2016 fiscal year. Support services expenses increased \$32.4 million, of which \$28.5 million represents the net pension expense increase compared to 2015–2016 fiscal year. Interest expenses increased \$0.1 million.
- The Board of Education approved \$11.5 million of one-time spending from property tax collections in 2011 from the 2010 mill levy override election. During the 2016–2017 fiscal year, \$0.5 million was primarily spent on new curriculum.

Figure A-4 presents a two-year summary of change in net position.

**Figure A-4**  
Change in Net Position from Operating Results (in millions of dollars)

	Primary Government Governmental Activities		Total Percent Change 2016–2017
	2016	2017	
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 11.9	\$ 12.3	3.4%
Operating grants/contributions	12.9	12.1	(6.2)%
Capital grants/contributions	0.1	0.0	(100.0)%
General revenues			
Property and S.O. taxes	86.9	86.5	(0.5)%
State equalization aid	63.0	63.6	0.9%
Interest and other revenues	2.8	3.5	25.0%
Total revenues	<u>177.6</u>	<u>178.0</u>	0.2%
<b>Expenses</b>			
Instruction	109.4	169.5	54.9%
Support services	77.0	109.4	42.1%
Interest	5.6	5.7	1.8%
Total expenses	<u>192.0</u>	<u>284.6</u>	48.2%
<b>Change in net position</b>	<u>(14.4)</u>	<u>(106.6)</u>	(640.3)%
<b>Net position—beginning of year</b>	<u>(209.1)</u>	<u>(223.5)</u>	
<b>Net position—end of year</b>	<u><u>\$(223.5)</u></u>	<u><u>\$(330.1)</u></u>	

**Figure A-5**  
Sources of Revenue for Fiscal Year 2017

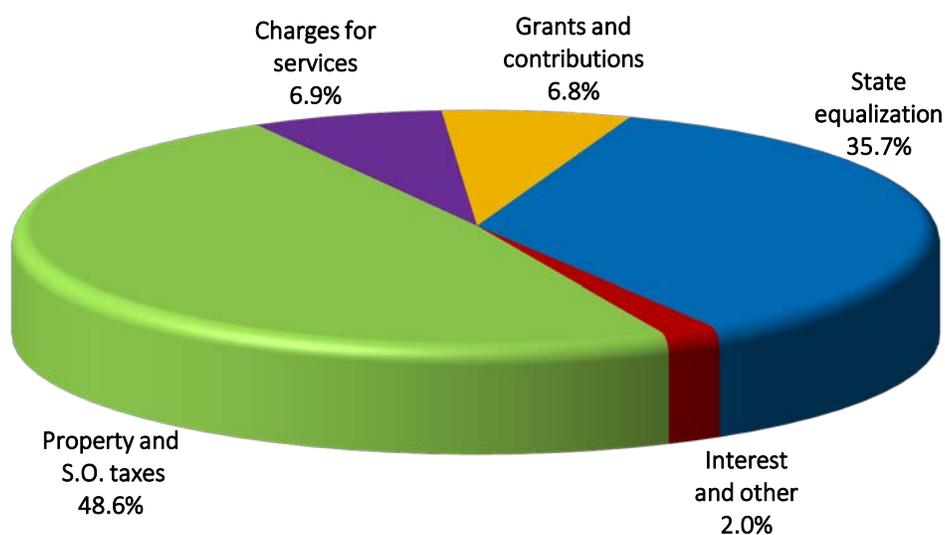
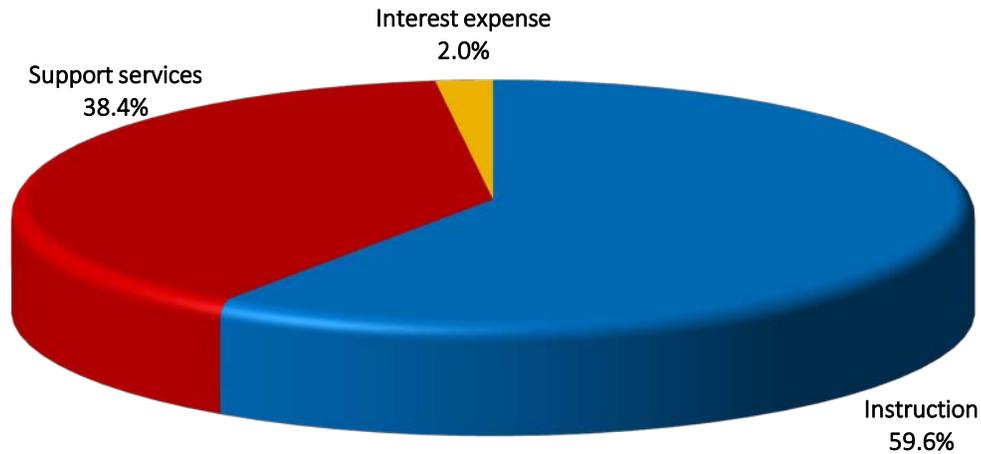


Figure A-6  
Expenses for Fiscal Year 2017



### Governmental Activities

Revenues increased \$0.4 million, or 0.2 percent, to \$178.0 million. Total expenses and transfers increased \$92.6 million to \$284.6 million as a result of the net pension expense of \$100.3 million due to GASB Statement No. 68, salary and benefit increases, inflationary pressures, and one-time spending. Expenses exceeded revenues resulting in the \$106.6 million decrease in net position.

Figure A-7 summarizes the net cost of governmental activities, as presented in the statement of activities in the government-wide financial statements. The table also shows each activity's *net cost* (total cost less fees generated by the activities and other aid provided for specific programs). The net cost shows the financial burden placed on local and state taxpayers for each of the functions. Program revenues of \$24.4 million are a much smaller funding source for public school district governmental activities, representing only 13.7 percent of total revenues of \$178.0 million.

Figure A-7

### Net Cost of Governmental Activities (in millions of dollars)

Function/Program	Total Cost of Services		Percent Change 2016–2017	Net Cost of Services		Percent Change 2016–2017
	2016	2017		2016	2017	
Instruction	\$ 109.4	\$ 169.5	54.9%	\$ 97.8	\$ 158.8	62.4%
Support services	77.0	109.4	42.1%	63.7	95.7	50.2%
Interest expense	5.6	5.7	1.8%	5.6	5.7	1.8%
Total	<u>\$ 192.0</u>	<u>\$ 284.6</u>	48.2%	<u>\$ 167.1</u>	<u>\$ 260.2</u>	55.7%

Other items of note about governmental activities from the statement of activities are as follows:

- The cost of all governmental activities for the year was \$284.6 million.
- Some of the cost was financed by the users of the programs, \$12.3 million.
- The federal and state governments, along with private donors, subsidized certain programs with operating grants of \$12.1 million.
- Most of the net cost, \$260.2 million, was financed by state and local taxpayers with general revenues.
- Net cost of governmental services increased \$93.1 million, or 55.7 percent, from \$167.1 million in the previous year to \$260.2 million.

- General revenues total \$153.6 million, consisting of \$86.5 million in property and specific ownership taxes, \$63.6 million in state equalization aid, and \$3.5 million of interest earnings and other revenue.
- The resulting decrease in governmental activities net position was \$106.6 million.

### **Financial Analysis of the District's Governmental Funds**

As noted earlier, the district uses fund accounting to ensure and demonstrate compliance with GAAP, the SFA, and other related legal requirements. The governmental funds provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements.

#### **Fund Analysis**

The General Fund, including the Risk Management sub-fund, is a major fund and is the most significant fund of the district. The Capital Projects Fund and the Student Athletic and Activities Fund are supported by the General Fund, with transfers out totaling \$4.2 million for the year. The Capital Projects–Building Fund is a capital improvement fund to account for the major capital outlays for district facilities supported by the voter-approved 2013 general obligation bonds. The Designated Purpose Grant Fund is supported by grant revenues and the Debt Service Fund by voter-approved property tax mill levies to meet general obligation debt service requirements. The Extended Day Care Fund is supported by tuition, while the Nutrition Services Fund received funding from federal grants along with sales of breakfast and lunch meals.

Total General Fund school finance program funding, which includes property taxes, specific ownership taxes, and state equalization for fiscal year 2016–2017, was impacted by the state's cost-of-living increase, a negative per-pupil stabilization factor of 11.5 percent, and stable enrollment.

- Overall, the General Fund reported revenue of \$148.4 million for fiscal year 2016–2017, which was \$1.1 million higher when compared to the previous year.
- Expenditures reported in the General Fund increased \$0.9 million to \$145.0 million for fiscal year 2016–2017. Net transfers to other funds remained unchanged at \$4.0 million when compared to the prior year. Increased expenditures included higher salaries and benefits, one-time spending, and overall inflationary pressures. The fund balance in the General Fund decreased \$0.6 million for fiscal year 2016–2017, primarily in the unassigned category.

District management intends to continue to balance the General Fund's current resources with budgeted expenditures in order to maintain an adequate fund balance. Administration, with Board approval, will continue to make the necessary long-term budgetary adjustments in order to achieve a continued healthy financial outlook.

#### **General Fund Budget**

Current General Fund expenditures, excluding the Risk Management sub-fund, totaling \$142.9 million were 94.7 percent of the final budget of \$150.9 million, compared to the 95.0 percent of the prior year. Budget carryovers are allowed by policy in various operating areas, and the carryovers primarily resulted in the changes of the final budget when compared to the original budget. The unspent expenditure budget at the end of the 2016–2017 year is mostly due to the under-spending of the final budget that will be rolled into the subsequent year. The district's contingency budget represents the majority of unspent appropriation and anticipated ending fund balance. The final budget reported a contingency reserve of \$28.0 million, which represents 15.7 percent of budgeted expenditures. Revenues of the General Fund amounted to 100.7 percent of budgeted revenues.

## Capital Assets and Long-Term Debt

### Capital Assets

As shown in Figure A-8, total primary government capital assets, net of depreciation, increased a net \$7.5 million to \$140.4 million from the previous year. This was the result of \$6.3 million of net depreciation expense, \$4.4 million of asset disposals, \$31.5 million of assets capitalization, and \$13.3 million of net construction in progress. Assets additions consisted of land improvements, buildings, equipment, and vehicles.

**Figure A-8**  
**Capital Assets (net of depreciation, in millions of dollars)**

	Total Primary Government Governmental Activities		Dollars Change
	2016	2017	2016-2017
	\$	\$	\$
Land	5.9	5.9	-
Land improvements	4.8	4.4	(0.4)
Buildings	92.5	113.9	21.4
Equipment	2.4	2.1	(0.3)
Vehicles	1.3	1.4	0.1
Construction in progress	26.0	12.7	(13.3)
<b>Total</b>	<b>\$ 132.9</b>	<b>\$ 140.4</b>	<b>\$ 7.5</b>

More detailed information about capital assets is presented in Note II, C. Capital Assets, of the financial statements.

### Long-Term Debt

As of year-end, the district had \$148.2 million in general obligation bonds and other long-term debt outstanding, a decrease of \$6.4 million, as shown in Figure A-9. The outstanding general obligation bonds at June 30, 2017, consisted of the 2010 general obligation refunding bonds of \$53.4 million, 2013 general obligation bonds of \$50.0 million, 2014 general obligation bonds of \$17.0 million, and 2015 general obligation bonds of \$15.6 million.

More detailed information about long-term liabilities is presented in Note II, E. Long-Term Debt, of the financial statements.

**Figure A-9**  
**Outstanding Long-Term Debt (in millions of dollars)**

	Governmental Activities		Dollars Change	Credit Rating Moody's Underlying Rate
	2016	2017	2016-2017	
	\$	\$	\$	
General obligation (G.O.) bonds	141.7	136.0	(5.7)	Aa1
Premium on G.O. bonds	10.5	9.5	(1.0)	
Accreted interest	0.2	0.4	0.2	
Compensated absences	2.2	2.3	0.1	
<b>Total</b>	<b>\$ 154.6</b>	<b>\$ 148.2</b>	<b>\$ (6.4)</b>	

## Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the district contemplated the following factors that could significantly affect its financial health in the future.

- The state's General Assembly incorporated a statewide base per-pupil revenue (PPR) increase of 2.8 percent for inflation; however, the state set a negative factor of 11.1 percent for 2017–2018. This kept the statewide average total PPR at \$7,662, thus reducing the state share by \$828.3 million for a total reduction of approximately \$6.9 billion over the last eight years. The average statewide PPR funding without the negative factor funding cut would have been \$8,619, or \$957 more per student.
- Despite the state funding cuts, it is projected the district's per-pupil funding will increase \$2.8 million to \$108.1 million when compared to 2016–2017. However, full per-pupil funding would have equated to \$119.4 million, a loss of revenue to the district of \$11.3 million.
- The 2017–2018 budget includes one-time spending of \$4.9 million for student needs, technology upgrades, and Educator Effectiveness support. New recurring expenditures include salary and benefit increases and inflationary cost increases.
- The Board approved an \$11.5 million one-time spending plan from the 2010–2011 property taxes generated by mill levy override funds. Projects include implementing the state's new instructional standards; updating the district's special education and library databases; updating the district's curriculum standards; and updating technology in the form of computers for students, staff, and labs. Of the \$2.0 million remaining, \$1.7 million is planned to be spent in fiscal year 2017–2018.
- Additionally, the Board approved an \$11.8 million one-time spending plan in 2016-2017 for curriculum and technology needs of the district. Of the total, \$3.0 million is planned to be spent in fiscal year 2017–2018.
- Approximately \$7.9 million of the Capital Projects–Building Fund, used to account for the November 2013 voter-approved general obligation bond revenues, will be spent in 2017–2018. The district issued bonds totaling \$80 million, which resulted in \$5.7 million in premiums and \$2.6 million in coupons, making total bond proceeds \$88.3 million.
- The Public Employees' Retirement Association (PERA) of Colorado is the pension plan that covers all district employees. PERA's employer contribution rate will increase 0.50 percent to 20.15 percent effective January 2018. Any increases to this rate would require state legislative action.
- Actual average funded counts of student enrollment are expected to decrease for 2017–2018. Although demographic information indicates student enrollment will continue to decline, it is beginning to stabilize into the foreseeable future.

## Contacting the District's Financial Management

This financial report is designed to provide the district's citizens, taxpayers, customers, investors, and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives and spends. If you have questions about this report or need additional financial information, please contact the Finance Office, Littleton Public Schools, 5776 South Crocker Street, Littleton, CO 80120. Additional information is available on the district website at [www.littletonpublicschools.net](http://www.littletonpublicschools.net).

# Basic Financial Statements



This page left blank and  
unnumbered intentionally  
for presentation purposes



**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**

**Statement of Net Position**

**June 30, 2017**

	<b>Primary Government</b>	<b>Component</b>
	<b>Governmental</b>	<b>Units</b>
	<b>Activities</b>	<b>Charter</b>
		<b>Schools</b>
<b>ASSETS</b>		
Equity in pooled cash and investments	\$ 55,243,828	\$ 3,375,956
Restricted cash and investments	27,234,365	1,383,956
Taxes receivable—net	1,546,459	-
Due from other governments	1,677,904	-
Other accounts receivable	35,519	-
Inventories	307,512	-
Deposits	74,667	-
Prepaid items	88,744	-
Capital assets—net of accumulated depreciation where applicable:		
Land	5,857,507	1,889,806
Land improvements	4,361,233	142,897
Buildings and leasehold improvements	113,940,326	10,099,073
Equipment	2,054,006	14,551
Vehicles	1,454,629	-
Construction in progress	12,687,201	134,871
Total assets	<u>226,563,900</u>	<u>17,041,110</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charges on refunding	3,142,095	330,774
Deferred pension outflows	242,154,502	11,138,677
Total deferred outflows of resources	<u>245,296,597</u>	<u>11,469,451</u>
<b>LIABILITIES</b>		
Accounts and contracts payable	8,577,976	18,076
Accrued compensation	7,485,952	388,726
Accrued interest payable	461,882	112,524
Unearned revenue	1,627,231	28,673
Noncurrent liabilities:		
Due within one year	7,215,000	277,982
Due in more than one year	141,028,114	11,028,251
Net pension liability	629,667,972	28,911,646
Total liabilities	<u>796,064,127</u>	<u>40,765,878</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred pension inflows	5,910,064	271,365
Total deferred inflows of resources	<u>5,910,064</u>	<u>271,365</u>
<b>NET POSITION</b>		
Net investment in capital assets	5,825,329	2,119,211
Restricted for:		
Debt service	11,236,487	197,960
Nutrition services	1,112,715	-
Emergency reserve under TABOR	4,520,000	266,000
Repair and replacement	-	260,000
Unrestricted	(352,808,225)	(15,369,853)
Total net position	<u>\$ (330,113,694)</u>	<u>\$ (12,526,682)</u>

See accompanying Notes to Basic Financial Statements.

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2017**

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Activities	Component Units Charter Schools
<b>Primary Government</b>						
Governmental activities:						
Instruction	\$ 169,532,622	\$ 1,238,727	\$ 9,437,377	\$ -	\$ (158,856,518)	\$ -
Support services	109,440,454	11,059,436	2,714,781	-	(95,666,237)	-
Interest expense	5,682,433	-	-	-	(5,682,433)	-
Total primary government	\$ 284,655,509	\$ 12,298,163	\$ 12,152,158	\$ -	\$ (260,205,188)	\$ -
<b>Component Units—Charter Schools</b>	\$ 13,605,147	\$ 595,771	\$ 102,924	\$ 272,576		(12,633,876)
Property taxes:						
Property taxes—levied for general purposes					67,201,560	-
Property taxes—levied for debt service					12,823,760	-
Specific ownership taxes					6,445,006	-
Intergovernmental revenue, unrestricted:						
State equalization aid					63,606,020	7,015,071
District supplemental funding					-	737,508
Investment earnings					372,214	33,988
Other					3,135,276	216,123
Total general revenues					153,583,836	8,002,690
Change in net position					(106,621,352)	(4,631,186)
Net position—beginning					(223,492,342)	(7,895,496)
Net position—ending					\$ (330,113,694)	\$ (12,526,682)

See accompanying Notes to Basic Financial Statements.

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**

**Balance Sheet  
Governmental Funds  
June 30, 2017**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects— Building Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Equity in pooled cash and investments	\$ 46,179,182	\$ -	\$ -	\$ 9,064,646	\$ 55,243,828
Restricted investments	-	11,837,685	15,396,680	-	27,234,365
Taxes receivable from the county treasurer	848,630	43,295	-	-	891,925
Taxes receivable—net	1,298,669	247,790	-	-	1,546,459
Due from other governments	83,974	-	-	702,005	785,979
Other accounts receivable	35,519	-	-	-	35,519
Inventories	307,512	-	-	-	307,512
Deposits	74,667	-	-	-	74,667
<b>Total assets</b>	<b>\$ 48,828,153</b>	<b>\$ 12,128,770</b>	<b>\$ 15,396,680</b>	<b>\$ 9,766,651</b>	<b>\$ 86,120,254</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts and contracts payable	\$ 937,164	\$ 630	\$ 7,542,792	\$ 97,390	\$ 8,577,976
Accrued compensation	6,828,083	-	-	657,869	7,485,952
Other unearned revenue	259,456	-	-	1,367,775	1,627,231
<b>Total liabilities</b>	<b>8,024,703</b>	<b>630</b>	<b>7,542,792</b>	<b>2,123,034</b>	<b>17,691,159</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred property tax revenue	1,298,669	247,790	-	-	1,546,459
<b>Total deferred inflows</b>	<b>1,298,669</b>	<b>247,790</b>	<b>-</b>	<b>-</b>	<b>1,546,459</b>
<b>FUND BALANCES</b>					
Nonspendable for:					
Inventories	307,512	-	-	-	307,512
Deposits	74,667	-	-	-	74,667
Restricted for:					
Emergency (TABOR)	4,520,000	-	-	-	4,520,000
Debt service	-	11,880,350	-	-	11,880,350
Nutrition services	-	-	-	1,112,715	1,112,715
Capital projects	-	-	7,853,888	-	7,853,888
Committed for:					
Risk management	1,544,826	-	-	-	1,544,826
Capital projects	-	-	-	3,480,298	3,480,298
Student care services	-	-	-	2,007,220	2,007,220
Pupil activities	-	-	-	1,004,936	1,004,936
Assigned for:					
Beverage sponsorship for student needs	-	-	-	38,448	38,448
Budget carryovers	5,891,872	-	-	-	5,891,872
One-time spending for student needs	8,999,413	-	-	-	8,999,413
Subsequent year expenditures	5,611,855	-	-	-	5,611,855
Unassigned	12,554,636	-	-	-	12,554,636
<b>Total fund balances</b>	<b>39,504,781</b>	<b>11,880,350</b>	<b>7,853,888</b>	<b>7,643,617</b>	<b>66,882,636</b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 48,828,153</b>	<b>\$ 12,128,770</b>	<b>\$ 15,396,680</b>	<b>\$ 9,766,651</b>	

Reconciliation of the Balance Sheet to the Statement of Net Position for Governmental Activities:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
This amount of capital assets is net of accumulated depreciation.	140,354,902
Prepaid insurance premiums are not recorded in the fund financials statements because it is not an expense in the current year.	88,744
Other long-term assets are not available to pay for current year expenditures and, therefore, are unearned in the funds.	1,546,459
Pension liability activities including deferred pension outflows of \$242,154,502, net pension liability of (\$629,667,972) and deferred pension inflow of (\$5,910,064), are not due and payable in the current year and therefore not reported in the funds.	(393,423,534)
Long-term liabilities, including bonds payable, accreted interest and compensated absences of (\$148,243,114) and deferred charges on refunding of \$3,142,095, are not due and payable in the current period and therefore are not reported in the funds.	(145,101,019)
Interest payable on general obligation debt is not recorded on the fund financial statements because it is not a current use of cash.	
Interest is accrued on the government-wide statements since the liability is to be paid in the near term.	(461,882)
<b>Governmental activities net position</b>	<b>\$ (330,113,694)</b>

See accompanying Notes to Basic Financial Statements.

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2017**

	General Fund	Debt Service Fund	Capital Projects— Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 67,489,819	\$ 12,876,104	\$ -	\$ -	\$ 80,365,923
Specific ownership taxes	6,445,006	-	-	-	6,445,006
Federal grants	988,167	-	-	5,737,614	6,725,781
State equalization aid	63,606,020	-	-	-	63,606,020
State education of students with disabilities	2,540,651	-	-	-	2,540,651
Other state entitlements and state grants	2,010,913	-	-	407,058	2,417,971
Food sales	-	-	-	2,116,018	2,116,018
Donated commodities	-	-	-	265,199	265,199
Student care	-	-	-	5,476,593	5,476,593
Pupil activities	-	-	-	2,160,240	2,160,240
Investment earnings	167,532	51,048	97,909	55,725	372,214
Other	5,182,589	-	6,386	694,169	5,883,144
Total revenues	<u>148,430,697</u>	<u>12,927,152</u>	<u>104,295</u>	<u>16,912,616</u>	<u>178,374,760</u>
<b>EXPENDITURES</b>					
Current:					
Instruction	91,076,018	-	-	2,651,076	93,727,094
Support services	53,875,380	-	-	15,348,727	69,224,107
Debt service:					
Principal retirement	-	5,680,000	-	-	5,680,000
Interest and fiscal charges	-	5,921,030	-	-	5,921,030
Capital outlay	80,334	-	20,334,512	2,420,931	22,835,777
Total expenditures	<u>145,031,732</u>	<u>11,601,030</u>	<u>20,334,512</u>	<u>20,420,734</u>	<u>197,388,008</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>3,398,965</u>	<u>1,326,122</u>	<u>(20,230,217)</u>	<u>(3,508,118)</u>	<u>(19,013,248)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	213,802	-	-	4,220,727	4,434,529
Transfers out	(4,220,727)	-	-	(213,802)	(4,434,529)
Total other financing sources (uses)	<u>(4,006,925)</u>	<u>-</u>	<u>-</u>	<u>4,006,925</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(607,960)</u>	<u>1,326,122</u>	<u>(20,230,217)</u>	<u>498,807</u>	<u>(19,013,248)</u>
<b>FUND BALANCE—BEGINNING</b>	<u>40,112,741</u>	<u>10,554,228</u>	<u>28,084,105</u>	<u>7,144,810</u>	<u>85,895,884</u>
<b>FUND BALANCES—ENDING</b>	<u>\$ 39,504,781</u>	<u>\$ 11,880,350</u>	<u>\$ 7,853,888</u>	<u>\$ 7,643,617</u>	<u>\$ 66,882,636</u>

See accompanying Notes to Basic Financial Statements.

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balance of Governmental Funds**  
**to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2017**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances—total governmental funds	\$ (19,013,248)
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$9,682,792) and net book value of disposed assets (\$1,000,420) exceeds capital asset additions \$18,148,117.	7,464,905
Revenues that do not provide current financial resources are deferred in the governmental fund financial statements but are recognized in the government-wide financial statements.	1,546,459
Unearned revenue of the prior year received in the current year is recognized in the prior year statement of activities and in the current year fund statements.	(1,887,062)
Decreases to prepaid insurance premiums are expensed in the fund financial statements.	(294,538)
Repayments of bond principal \$5,680,000, reduce long-term liabilities in the statement of net position and do not affect the statement of activities.	5,680,000
The premium received on the issuance of bonds and the book loss on refunding of bonds are amortized over the life of the bonds. Current year amortization of the premium on bonds \$1,005,752, net of amortization on the loss on refunding (\$523,682), is reported as a reduction to interest expense on the statement of activities.	482,070
In the statement of activities, certain operating expenses such as compensated absences, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts actually paid). This is the amount by which benefits of \$1,395,605 exceeds usage of (\$1,319,110).	(76,495)
Net pension liability activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These activities consist of: pension expense (\$117,778,421), net of employer contribution expenditures of \$17,498,451.	(100,279,970)
Interest payable on general obligation debt is not recorded on the fund financial statements because it is not a current use of cash. Interest of \$461,882 is accrued on the government-wide statements since the liability is to be paid in the near term. Accreted interest of \$429,771 is on the government-wide statements classified as Due in more than one year. The liability in the prior year was \$648,180, resulting in additional interest expense reported for the current year.	<u>(243,473)</u>
Change in net position of governmental activities	<u>\$ (106,621,352)</u>

See accompanying Notes to Basic Financial Statements.

ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Fund (Agency Fund)  
June 30, 2017

**ASSETS**

Equity in pooled cash and investments	<u>\$ 246,001</u>
---------------------------------------	-------------------

**LIABILITIES**

Due to student clubs and other organizations	<u>\$ 246,001</u>
--	-------------------

See accompanying Notes to Basic Financial Statements.

# ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX

## Notes to Basic Financial Statements

June 30, 2017

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

Arapahoe County School District Number Six (the district) is a political subdivision of the state of Colorado, and it is governed by an elected five-member Board of Education (the Board). The accompanying financial statements present the district, the primary government, and its component units, entities for which the district is considered financially accountable. The *discretely* presented component units are reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that they are legally separate from the district.

**Discretely Presented Component Units.** The district's charter schools consist of two separately authorized charters—Littleton Academy and Littleton Preparatory. Charter schools are public schools authorized by the state of Colorado to provide alternatives for parents, pupils, and teachers. The charter schools are organized as legal entities, each with a separate governing board; however, the district must approve all charter school applications. Funding, as required by law, flows from the Colorado Department of Education through the district and to the charter schools on a monthly basis. The charter schools are *discretely* presented component units because of the significance of their financial relationship with the district and the services they provide to the district's students. Separate financial statements for each of the charter schools can be found at the following websites: [www.academy.littletonpublicschools.net](http://www.academy.littletonpublicschools.net) and [www.littletonprep.littletonpublicschools.net](http://www.littletonprep.littletonpublicschools.net).

#### B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities are primarily supported by taxes and intergovernmental revenues. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include: 1) charges for services that relate to a given function or program; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The fiduciary fund is reported using the accrual basis of accounting.

# ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX

## Notes to Basic Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the district considers revenues to be available if they are collected within 30 days of the end of the current fiscal period or within 90 days for federal grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period, provided the availability criteria has been met. All other revenue items are considered to be measurable and available only when cash is received by the district.

The district reports the following major governmental funds:

- The General Fund is the district's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Debt Service Fund accounts for dedicated revenue for the payments of principal and interest on long-term general obligation debt.
- The Capital Projects–Building Fund is a capital improvement fund to account for the major capital outlays for district facilities funded by the voter-approved 2013, 2014, and 2015 general obligation bonds.

Additionally, the district reports the following fund type:

- The Fiduciary Fund accounts for assets held by the district as an agent for student clubs and other organizations.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. An exception to this general rule is that inter-fund services provided and used are not eliminated in order to avoid distortion of direct costs and program revenues.

Amounts reported as program revenues include charges for services and operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all state formula aid and local property taxes.

When both restricted and unrestricted resources are available for use, it is the district's policy to use restricted resources first, then unrestricted resources as they are needed.

### **D. Assets, Liabilities, and Net Position or Equity**

#### **1. Deposits and Investments**

In order to facilitate the recording of cash transactions and maximize earnings on investments, the district has combined the cash resources of its funds and maintains accountability for each fund's equity in the pooled cash and investments. Investments for the district, as well as for its component units, are reported at fair value.

#### **2. Receivables**

Property taxes levied in 2016 but not yet collected in 2017 are identified as property taxes receivable in the governmental funds balance sheet at June 30, 2017, and are presented net

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Notes to Basic Financial Statements**

of an allowance for uncollectible taxes. Intergovernmental receivables include amounts due from grantors for specific program grants.

**3. Inventories, Deposits, and Prepaid Items**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories are recorded as expenditures when consumed rather than when purchased. The district deposited an amount with an insurance provider which is termed deposits.

Expenditures for insurance and similar services extending over more than one accounting period are not allocated between or among accounting periods in the governmental funds and are instead accounted for as expenditures in the period of acquisition (purchase method).

**4. Restricted Assets**

As required by state law, a third party custodian administers the district’s Debt Service Fund. The trust department of a commercial bank serves as custodian, receiving property taxes collections directly from the county treasurer, investing money, and making debt service payments. The balance in the bank account is reported as a restricted investment.

**5. Capital Assets**

Capital assets, which include property and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the district as assets with an initial individual cost of \$5,000 or more for government activities and an estimated useful life in excess of one year. Such assets are recorded at acquisition cost or estimated acquisition cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Maintenance, repairs, and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings	20–50
Equipment	5–20
Vehicles	8–15

**6. Compensated Absences**

District policy allows unlimited accumulation of vacation leave and unused sick days. Accrued vacation is paid to eligible employees upon termination of employment, limited to two years accrual. Payment for unused sick days is made upon an employee’s retirement as defined by the district, for unused sick time over 45 days, and not exceeding annual contract days, times a factor approximating the daily pay rate of a substitute teacher. Each fund liquidates the accrued vacation and sick leave for its respective liabilities.

**7. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. One item that qualifies for

# ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX

## Notes to Basic Financial Statements

reporting in this category is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. See Note III D for deferred pension outflows of resources.

In addition to liabilities, the district's financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. One type of item that qualifies for the reporting in this category is for property tax revenue, which is considered a deferred inflow of resources in the year the taxes are levied and measurable and are recognized as an inflow of resources in the period they are collected. See Note III D for deferred pension inflows of resources.

### **8. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as debt service expenditures.

### **9. Property Taxes**

Property taxes are levied by the Board. The levy is based on assessed valuations determined by the county assessor. The levy is set by December 15 by certification to the county commissioners to levy the individual properties as of January 1 of the following year. The county treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or, if in equal installments, at the taxpayers' election on February 28 and June 15. Delinquent taxpayers are notified in August and tax sales of the liens on delinquent properties are held in November. The county treasurer remits taxes collected monthly to the district.

In the fund financial statements, property taxes are recorded initially as a receivable, net of allowance for doubtful collections and as a deferred inflow of resources in the year they represent an enforceable lien and are measurable. The deferred inflow of resources is recorded as revenue in the year they are available.

### **10. State Equalization Aid**

State equalization aid is revenue received from the state of Colorado computed in accordance with a funding formula as defined by state statute. The funding formula considers such factors as pupil enrollment and other revenue sources.

### **11. Net Position/Fund Balance**

In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed. In the fund financial statements, governmental funds report fund balances based on financial reporting standards that establish criteria for classifying fund balances into specifically defined classifications to make the nature and extent of constraints more useful and understandable. The classifications comprise a hierarchy based primarily on the extent to which the district is bound to honor

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Notes to Basic Financial Statements**

constraints on the specific purposes for which amounts in the funds can be spent. Fund balances may be classified as nonspendable, restricted, committed, assigned, or unassigned.

**Nonspendable Fund Balance**—amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact, i.e., inventories and prepaids.

**Restricted Fund Balance**—amounts that are restricted to specific purposes. The spending constraints placed on the use of fund balance amounts are externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation that are legally enforceable, i.e., Taxpayer’s Bill of Rights (TABOR).

**Committed Fund Balance**—amounts that can only be used for specific purposes pursuant to constraints imposed by the Board by resolution. The committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of formal action it employed to previously commit those amounts.

**Assigned Fund Balance**—amounts that are constrained by the district’s intent to be used for specific purposes, but are neither restricted nor committed. Per Board policy, the Board delegates authority to the superintendent, or the superintendent’s designee, to assign fund balance.

**Unassigned Fund Balance**—the remaining fund balance, after amounts are set aside for other classifications. The Board assigns the superintendent or designee the responsibility of accumulating and maintaining a minimum General Fund unassigned fund balance of 5 percent of the district’s adopted General Fund revenue budget of the current fiscal year.

The district has established a policy for its use of restricted and unrestricted fund balances. When expenditures are incurred, the district uses restricted fund balances first if the expenditure is for a restricted purpose. Unrestricted expenditures are applied to committed, assigned, and unassigned fund balances in that order.

**II. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

Cash and investments as of June 30, 2017, consist of the following:

Cash on hand	\$ 27,124
Deposits with financial institutions	5,302,376
Investments	80,770,650
Total cash and investments	<u>\$ 86,100,150</u>

Cash and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Statement of net position:	
Equity in pooled cash and investments, primary government	\$ 55,243,828
Restricted investments, primary government	27,234,365
Equity in pooled cash and investments, component units	3,375,956
Fiduciary Fund:	
Equity in pooled cash and investments	246,001
Total cash and investments	<u>\$ 86,100,150</u>

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Notes to Basic Financial Statements**

**Deposits with Financial Institutions**

The district’s cash and deposit policies are approved by the Board of Education and governed by Colorado statutes. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102.0 percent of the uninsured deposits.

**Investments**

Investment policies of the district and the component units, which comply with state statutes, permit investments in:

- U.S. Treasury obligations
- Federal instrumentality securities
- Repurchase agreements with a termination date of 180 days or less
- Time certificates of deposit
- Local government investment pools
- Money market mutual funds
- Commercial paper
- Municipal notes or bonds
- Any other investment which is authorized by state statutes

Investments of June 30, 2017, consist of the following:

Investments	Total Investment
Local government investment pools (LGIP)	\$ 65,630,729
U.S. agencies	4,568,617
Corporate notes	6,782,376
Mutual fund	3,788,928
Total	\$ 80,770,650

*Interest rate risk* is the extent to which changes in interest rates will adversely affect the fair value of an investment. The district’s investment policy limits investment maturities to less than five years as a means of managing its exposure to interest rate risk. The district investments have a maturity of less than twelve months.

Investments as of June 30, 2017, consist of the following by Standard and Poor’s Rating:

Investments	A+	A-1	A-1+	AA-	AA+	AAAm	Total
LGIP	\$ -	\$ -	\$ -	\$ -	\$ -	\$65,630,729	\$ 65,630,729
U.S. agencies	-	-	-	-	4,568,617	-	4,568,617
Corporate notes	801,845	3,395,036	849,941	1,735,554	-	-	6,782,376
Mutual fund	-	-	-	-	-	3,788,928	3,788,928
Total	\$801,845	\$3,395,036	\$ 849,941	\$1,735,554	\$ 4,568,617	\$69,419,657	\$ 80,770,650

*Credit risk* is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments for school districts to U.S. Treasury issues, other federally backed notes and credits, and other agency offerings without limitation. Other investment instruments, including bank obligations, general obligation bonds, and commercial paper, are limited to at least one of the highest rating categories of at least one nationally

## ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX

### Notes to Basic Financial Statements

recognized rating agency. State law further limits investments in money market funds that are organized according to Federal Investment Company Act 1940, as specified in rule 2a-7, as amended, as long as such rule does not increase remaining maturities beyond a maximum of three years. Investments in these funds require that the institutions have assets in excess of \$1 billion or the highest credit rating from one or more of a nationally recognized rating agency.

*Concentration of credit risk*—State statutes generally do not limit the amount the district may invest in one issuer.

State statutes generally do not address custodial risk.

*Fair value measurement*—The district categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of June 30, 2017, the district invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the COLOTRUST. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the COLOTRUST's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by COLOTRUST. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records investments at fair value and the district records investments in COLOTRUST at net asset value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

As of June 30, 2017, the district invested in the Colorado Surplus Asset Fund Trust (CSAFE), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. CSAFE operates similarly to a money market fund and each share is equal in value to \$1.00. CSAFE is rate AAAM by Standard & Poor's and is valued at amortized cost. Based on the valuation method, additional disclosures are not required under GASB Statement No. 72.

The district has the following recurring fair value measurements as of June 30, 2017:

- U.S. agencies' securities of \$4.6 million are valued using quoted market prices (Level 1 inputs)
- Corporate notes of \$6.8 million are valued using quoted market prices (Level 1 inputs)
- Mutual fund (Colorado Statewide Investment Program) of \$3.8 million are valued using quoted market prices (Level 2 inputs)

The district does not hold any investments which meet the definition of Level 3 inputs.

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Notes to Basic Financial Statements**

**Component Units**

The district's two charter schools' restricted investments at June 30, 2017, consist of the following:

<u>Investments</u>	<u>Fair Value</u>	<u>Standard &amp; Poor's Rating</u>
Littleton Academy Charter School:		
COLOTRUST Plus+ Fund (government investment pool)	\$ 601,133	AAAm
Littleton Preparatory Charter School:		
Federated Prime Obligation Fund #703	782,823	AAAm
Total	<u>\$1,383,956</u>	

*Interest rate risk* is the extent to which changes in interest rates will adversely affect the fair value of an investment. The charter schools do not have a formal investment policy that limits investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates. State statutes generally limit the maturity of investment securities to five years from the date of purchase, unless the governing board authorized the investment for a period in excess of five years. The charter schools investments have a maturity of less than twelve months.

*Credit risk* for the charter schools is the same as the district's. The charter schools' investments as of June 30, 2017, were rated AAAM by Standard & Poor's.

*Concentration of credit risk*—State statutes generally do not limit the amount the charter schools may invest in one issuer.

**B. Inter-Fund Receivables, Payables, and Transfers**

Inter-fund transfers in/out for the fiscal year ended June 30, 2017, are shown below.

<u>Transfers Out</u>	<u>Transfers In</u>			<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Funds</u>		
		<u>Student Athletic and Activities Fund</u>	<u>Capital Projects Fund</u>	
<b>General Fund</b>	\$ -	\$1,872,623	\$2,348,104	\$ 4,220,727
<b>Nonmajor Funds:</b>				
<b>Extended Day Care Program Fund</b>	\$ 213,802	\$ -	\$ -	\$ 213,802

Annually, the district subsidizes the Student Athletic and Activities Fund and the Capital Projects Fund by a transfer from the General Fund. District policy requires annual transfers by the Extended Day Care Program Fund to the General Fund for overhead.

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Notes to Basic Financial Statements**

**C. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2017, is shown below.

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 5,857,507	\$ -	\$ -	\$ 5,857,507
Construction in progress	25,991,865	11,181,360	(24,486,024)	12,687,201
Total capital assets not being depreciated	<u>31,849,372</u>	<u>11,181,360</u>	<u>(24,486,024)</u>	<u>18,544,708</u>
Capital assets being depreciated:				
Land improvements	12,909,642	250,405	-	13,160,047
Buildings	237,121,870	30,502,061	(3,818,484)	263,805,447
Equipment	6,140,410	136,329	(316,029)	5,960,710
Vehicles	6,819,493	563,986	(255,789)	7,127,690
Total capital assets being depreciated	<u>262,991,415</u>	<u>31,452,781</u>	<u>(4,390,302)</u>	<u>290,053,894</u>
Less accumulated depreciation for:				
Land improvements	(8,105,974)	(692,840)	-	(8,798,814)
Buildings	(144,545,022)	(8,151,267)	2,831,168	(149,865,121)
Equipment	(3,749,932)	(464,599)	307,827	(3,906,704)
Vehicles	(5,549,862)	(374,086)	250,887	(5,673,061)
Total accumulated depreciation	<u>(161,950,790)</u>	<u>(9,682,792)</u>	<u>3,389,882</u>	<u>(168,243,700)</u>
Total capital assets being depreciated—net	<u>101,040,625</u>	<u>21,769,989</u>	<u>(1,000,420)</u>	<u>121,810,194</u>
Governmental activities capital assets—net	<u><u>\$132,889,997</u></u>	<u><u>\$ 32,951,349</u></u>	<u><u>\$(25,486,444)</u></u>	<u><u>\$140,354,902</u></u>

Depreciation expense was charged to functions/programs of the primary government as follows:

	<u>Governmental Activities</u>
Instruction	\$ 8,617,948
Support services	1,064,844
Total depreciation expense—governmental activities	<u><u>\$ 9,682,792</u></u>

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Notes to Basic Financial Statements**

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
<b>Component units:</b>				
Capital assets not being depreciated:				
Land	\$ 1,889,806	\$ -	\$ -	\$ 1,889,806
Construction in progress	61,356	130,854	(57,339)	134,871
Total capital assets not being depreciated	<u>1,951,162</u>	<u>130,854</u>	<u>(57,339)</u>	<u>2,024,677</u>
Capital assets being depreciated:				
Land improvements	286,101	-	-	286,101
Building and improvements	11,862,991	262,733	-	12,125,724
Equipment	58,207	-	(5,914)	52,293
Total capital assets being depreciated	<u>12,207,299</u>	<u>262,733</u>	<u>(5,914)</u>	<u>12,464,118</u>
Less accumulated depreciation for:				
Land improvements	(128,899)	(14,305)	-	(143,204)
Building and improvements	(1,732,406)	(294,245)	-	(2,026,651)
Equipment	(38,030)	(5,626)	5,914	(37,742)
Total accumulated depreciation	<u>(1,899,335)</u>	<u>(314,176)</u>	<u>5,914</u>	<u>(2,207,597)</u>
Total capital assets being depreciated—net	<u>10,307,964</u>	<u>(51,443)</u>	<u>-</u>	<u>10,256,521</u>
Component units capital assets—net	<u>\$ 12,259,126</u>	<u>\$ 79,411</u>	<u>\$ (57,339)</u>	<u>\$ 12,281,198</u>

**D. Accrued Compensation**

Accrued compensation relates to salaries and benefits of certain contractually employed personnel, which are paid over a 12-month period from August to July, but are earned during a school year of approximately nine months. The salaries and benefits earned, but unpaid at June 30, 2017, are estimated to be \$7,485,952.

**E. Long-Term Debt**

**General Obligation Bonds.** The district has issued general obligation (G.O.) bonds to provide funds for major improvement projects to existing facilities. These bond issues were primarily for governmental activities. The amount of the 2010 G.O. bonds issued was \$80,575,000 of G.O. refunding bonds issued September 2010 to refund a portion of the outstanding G.O. bonds, Series 2002, on an advance refunding basis. The issued amounts of the 2013 G.O. bonds, the 2014 G.O. bonds, and the 2015 G.O. bonds are \$50,000,000; \$17,000,000; and \$12,998,580 (with additional 'B' interest certificates of \$2,627,615), respectively, as part of the November 2013 voter-approved \$80,000,000 capital improvement projects.

Premiums on bonds were received with the 2010 G.O. refunding bonds issue as additional proceeds of \$9,845,145; the 2013 G.O. bonds issue as additional proceeds of \$2,336,062; the 2014 general obligation bonds issue as additional proceeds of \$1,115,552; and the 2015 G.O. bonds issue as additional proceeds of \$2,262,339. For full accrual accounting purposes, the premium is combined with the debt and amortized over the life of the bonds.

G.O. bonds are direct obligations and pledge the full faith and credit of the district. General property taxes provide the revenue for payments of principal and interest on the bonds; voters in the district approved, in general elections, the increase in property taxes for the debt service costs. The bonds generally are issued as 20-year serial bonds with semi-annual payments of either principal, interest, or both. G.O. bonds outstanding at June 30, 2017, are shown on the next page.

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Notes to Basic Financial Statements**

<u>Bond Issue</u>	<u>Purpose</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Amount Outstanding</u>
2010 G.O. refunding bonds	General government	1.75%–5.0%	Dec. 1, 2024	\$ 53,390,000
2013 G.O. bonds	General government	4.5%–5.0%	Dec. 1, 2037	\$ 50,000,000
2014 G.O. bonds	General government	3.0%–4.0%	Dec. 1, 2038	\$ 17,000,000
2015 G.O. bonds	General government	2.9%–5.0%	Dec. 1, 2038	\$ 15,626,195

Annual debt service requirements to maturity for G.O. bonds are as follows:

<u>Fiscal Year Ending</u>	<u>General Obligation Bonds</u>			
	<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 5,860,000	\$ 5,738,400	\$ 11,598,400	
2019	6,045,000	5,554,450	11,599,450	
2020	6,230,000	5,375,713	11,605,713	
2021	6,400,000	5,144,050	11,544,050	
2022	6,695,000	4,830,675	11,525,675	
2023–2027	30,847,615	20,239,884	51,087,500	
2028–2032	27,070,000	13,946,100	41,016,100	
2033–2037	34,470,000	6,514,000	40,984,000	
2038–2039	12,398,580	4,146,420	16,545,000	
Totals	<u>\$136,016,195</u>	<u>\$ 71,489,692</u>	<u>\$ 207,505,888</u>	

**Changes in Long-Term Debt.** The changes in long-term liabilities for the primary government for the fiscal year ended June 30, 2017, were as follows:

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2017</u>	<u>One Year</u>
Governmental activities:					
G.O. bonds payable	\$ 141,696,195	\$ -	\$ (5,680,000)	\$ 136,016,195	\$ 5,860,000
Premium on bonds	10,515,113	-	(1,005,752)	9,509,361	-
Accreted interest on bonds	172,004	257,767	-	429,771	-
Compensated absences	2,211,292	1,395,605	(1,319,110)	2,287,787	1,355,000
Totals	<u>\$ 154,594,604</u>	<u>\$ 1,653,372</u>	<u>\$ (8,004,862)</u>	<u>\$ 148,243,114</u>	<u>\$ 7,215,000</u>

Payment of general obligation bonds debt service, including bonds principal, is made from the Debt Service Fund. The General Fund typically liquidates compensated absences.

**Component Unit Mortgage Loan.** On December 19, 2006, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$5,235,000 of Charter School Revenue Refunding Bonds, Series 2006, to advance refund CECFA's outstanding Series 2001 Bonds on behalf of Littleton Academy Building Foundation (Foundation). Proceeds of the Series 2001 Bonds were used by the Foundation to acquire and remodel the school building for Littleton Academy Charter School.

Littleton Academy Charter School is obligated under a lease agreement to make monthly lease payments to the Foundation for using the building. The Foundation is required to make semi-annual loan payments to the trustee for payment of the bonds. Bond interest payments are due semi-annually on January 15 and July 15, with interest accruing at rates ranging from 3.75 percent to 4.38 percent. Principal payments are due annually on January 15 through 2036.

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Notes to Basic Financial Statements**

Annual debt service requirements to maturity for the mortgage loan are as follows:

Fiscal Year Ending June 30	Mortgage Loan		
	Principal	Interest	Total
2018	\$ 150,000	\$ 181,823	\$ 331,823
2019	155,000	175,823	330,823
2020	160,000	169,623	329,623
2021	170,000	163,223	333,223
2022	175,000	155,913	330,913
2023–2027	990,000	660,453	1,650,453
2028–2032	1,225,000	425,469	1,650,469
2033–2036	1,190,000	132,781	1,322,781
Totals	\$ 4,215,000	\$ 2,065,108	\$ 6,280,108

In January 2013, Littleton Preparatory Charter School Building Corporation (Corporation) borrowed \$7.34 million to acquire and remodel a building for the Littleton Preparatory Charter School. The loan was obtained through a mortgage loan agreement with CECFA, which sold \$7.34 million of Charter School Revenue Bonds, Series 2013, on behalf of the Corporation.

The Corporation and CECFA entered into a mortgage loan agreement. Littleton Preparatory Charter School is obligated under a lease agreement to make monthly lease payments to the Corporation for use of the building. The Corporation is required to make semi-annual loan payments to the trustee for payment of the bonds. Bond interest payments are due semi-annually on June 1 and December 1, with interest accruing at 5.0 percent. Principal payments are due annually on December 1, beginning in 2014 through 2042.

Annual debt service requirements to maturity for the mortgage loan are as follows:

Fiscal Year Ending June 30	Mortgage Loan		
	Principal	Interest	Total
2018	\$ 125,000	\$ 347,125	\$ 472,125
2019	135,000	340,625	475,625
2020	140,000	333,750	473,750
2021	145,000	326,625	471,625
2022	155,000	319,125	474,125
2023–2027	900,000	1,468,750	2,368,750
2028–2032	1,155,000	1,212,375	2,367,375
2033–2037	1,460,000	886,750	2,346,750
2038–2042	1,870,000	472,500	2,342,500
2043	920,000	23,000	943,000
Totals	\$ 7,005,000	\$ 5,730,625	\$ 12,735,625

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Notes to Basic Financial Statements**

**Component Unit Changes in Long-Term Debt.** The changes in long-term debt for Littleton Academy Charter School for the fiscal year ended June 30, 2017, were as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
Mortgage loan payable	\$ 4,360,000	\$ -	\$ 145,000	\$ 4,215,000	\$ 150,000
Discount on loan	(42,703)	-	(2,092)	(40,611)	(2,092)
Totals	<u>\$ 4,317,297</u>	<u>\$ -</u>	<u>\$ 142,908</u>	<u>\$ 4,174,389</u>	<u>\$ 147,908</u>

The changes in long-term debt for Littleton Preparatory Charter School for the fiscal year ended June 30, 2017, were as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
Mortgage loan payable	\$ 7,125,000	\$ -	\$ 120,000	\$ 7,005,000	\$ 125,000
Premium on loan	131,918	-	5,074	126,844	5,074
Totals	<u>\$ 7,256,918</u>	<u>\$ -</u>	<u>\$ 125,074</u>	<u>\$ 7,131,844</u>	<u>\$ 130,074</u>

**III. OTHER INFORMATION**

**A. Risk Management**

The district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

**Liability and property.** The district has a self-insured retention on its general liability, errors and omissions, and auto claims up to \$150,000 per occurrence. For claims in excess of \$150,000 up to \$5,000,000, the district is a member of the Excess-of-Loss Self-Insurance Pool (ELSIP), a public entity risk pool. ELSIP operates risk management and insurance programs for three participating member school districts. The district pays an annual premium for its coverage. ELSIP may require additional contributions if it determines the financial condition, including cash flow availability, so necessitates additional contributions. Additionally, the district purchases cyber liability coverage through ELSIP. The district self-insures the first \$25,000 for each property claim and insures through Travelers additional losses up to approximately \$408.1 million. The district purchases other insurance policies for crime and fiduciary with varying deductibles and limits. Both charter schools participate with the district for all coverages.

**Employee health care.** All employee health care benefit plans of the district and the component units are commercially insured, except for the district's two dental plans with the low plan with maximum benefit costs limited to \$1,000 and the high plan with maximum benefit costs limited to \$2,000, per year per participant.

**Workers' compensation.** In 1986, the district joined with other school districts in the state of Colorado to form the Joint School Districts' Workers' Compensation Self-Insurance Pool (Joint Pool), a public entity risk pool currently operating as a common risk management and insurance program with four participating members. The district pays an annual premium to the Joint Pool for its workers' compensation coverage. The Joint Pool may require additional contributions if it determines the financial condition, including cash flow availability, so necessitates additional contributions. Each member of the Joint Pool is responsible for \$100,000 of each loss. Losses between \$100,000 and \$450,000 are pooled between the member districts, and losses in excess of \$450,000 are reinsured for up to statutory limits. The component units participate with the district in the Joint Pool.

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Notes to Basic Financial Statements**

**Claims liability.** A claims liability is reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. The liability is estimated based upon the experience of the district and trends in costs of services. Estimates are revised by management as changes in these factors occur, and such revisions are reflected in operations of the current period. Liabilities include an amount for claims that have been incurred but not reported.

The following represents the changes in the claims liability for the district during the fiscal years ended June 30, 2016, and 2017.

	<b>Dental</b>	
	<b>2016</b>	<b>2017</b>
Claims liability at beginning of year	\$ 57,192	\$ 42,837
Current year claims and changes in estimates	999,295	1,061,204
Claim payments	(1,013,650)	(1,143,586)
Claims liability at end-of-year	\$ 42,837	\$ 39,545

The district maintains commercial insurance coverage for other casualty coverages. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant changes in insurance coverage in fiscal year 2017 as compared to prior years.

**B. Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the district expects such amounts, if any, to be immaterial.

The district is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the district’s counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the district.

**C. Constitutional TABOR Amendment**

In the November 1992 general election, Colorado voters approved an amendment to the Colorado Constitution, commonly known as TABOR. This amendment limits the ability of the state and local governments, such as the district, to increase revenues, debt, and spending. In addition, TABOR requires that the state and local governments obtain voter approval to create any multiple fiscal year direct or indirect debt or other financial obligations without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years.

In the November 1998 general election, the district’s electorate authorized the district to collect, retain, and expend all revenues and other funds collected during fiscal year 1999 and each subsequent year from any source, notwithstanding the TABOR limitations. The district remains subject to TABOR with respect to general mill levy increase restrictions and to the issuance of any new debt without taxpayers’ approval. The TABOR amendment is subject to many interpretations, but the district believes it is in compliance. TABOR requires that an emergency reserve be established. Net position and fund balances of \$4,520,000 have been restricted for this emergency reserve at June 30, 2017.

# ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX

## Notes to Basic Financial Statements

### D. Public Employees' Retirement Association of Colorado (PERA)

#### Summary of Significant Accounting Policies

The district and its two charter schools, Littleton Academy and Littleton Preparatory, participate in the School Division Trust Fund (SCHDTF), a cost-sharing, multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA).

The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### General Information about the Pension Plan

**Plan description.** Eligible employees of the district, Littleton Academy, and Littleton Preparatory are provided with pensions through the School Division Trust Fund (SCHDTF)—a cost-sharing, multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the Federal Internal Revenue Code. Colorado state law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**Benefits provided.** PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases, the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by Federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers, thereby waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained, and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, receive an annual increase of 2 percent, unless PERA has a negative investment

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Notes to Basic Financial Statements**

year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007, receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

**Contributions.** Eligible employees and the district, Littleton Academy, and Littleton Preparatory are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. Eligible employees are required to contribute 8.0 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	<u>For the Year Ended December 31, 2016</u>	<u>For the Year Ended December 31, 2017</u>
Employer Contribution Rate*	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) *	<u>(1.02)%</u>	<u>(1.02)%</u>
Amount Apportioned to the SCHDTF*	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 *	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 *	<u>4.50%</u>	<u>5.00%</u>
Total Employer Contribution Rate to the SCHDTF*	<u><u>18.13%</u></u>	<u><u>18.63%</u></u>

\*Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the district is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the district, Littleton Academy, and Littleton Preparatory were \$17,498,451; \$322,583; and \$507,823; respectively, for the year ended June 30, 2017.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2017, the district, Littleton Academy, and Littleton Preparatory reported a liability of \$629,667,972; \$11,591,001; and \$17,320,645; respectively, for their proportionate shares of the net pension liability. The net pension liability was measured as of December 31, 2016, and the

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Notes to Basic Financial Statements**

total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The proportion of the net pension liability was based on the district's, Littleton Academy's, and Littleton Preparatory's contributions to the SCHDTF for the calendar year 2016, relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, the district's and its two charter schools' proportion was 2.212 percent, which was a decrease of 0.012 percent from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the district, Littleton Academy, and Littleton Preparatory recognized net pension expense of \$100,279,970; \$1,887,587; and \$3,149,425; respectively. At June 30, 2017, the district, Littleton Academy, and Littleton Preparatory reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	District		Littleton Academy		Littleton Preparatory	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 7,871,815	\$ 5,541	\$ 144,905	\$ 102	\$ 216,535	\$ 152
Changes of assumptions or other inputs	204,314,127	2,839,482	3,761,038	52,270	5,620,188	78,107
Net difference between projected and actual earnings on pension plan investments	21,054,784	-	387,579	-	579,166	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	3,065,041	-	56,422	-	84,312
Contributions subsequent to the measurement date	8,913,776	-	165,367	-	263,899	-
<b>Total</b>	<b>\$242,154,502</b>	<b>\$5,910,064</b>	<b>\$4,458,889</b>	<b>\$108,794</b>	<b>\$6,679,788</b>	<b>\$162,571</b>

\$8,913,776; \$165,367; and \$263,899 from the district, Littleton Academy, and Littleton Preparatory, respectively, is reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows.

Year Ended:	District	Littleton Academy	Littleton Preparatory
2018	\$ 90,403,795	\$ 1,664,164	\$ 2,486,790
2019	91,223,729	1,679,257	2,509,344
2020	45,493,134	837,443	1,251,406
2021	210,004	3,864	5,778
Total	<u>\$ 227,330,662</u>	<u>\$ 4,184,728</u>	<u>\$ 6,253,318</u>

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Notes to Basic Financial Statements**

**Actuarial assumptions.** The total pension liability in the December 31, 2015, actuarial valuation was determined using the actuarial cost method, actuarial assumptions, and other inputs shown below.

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases—including wage inflation	3.90–10.10 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Discount rate	7.50 percent
Post-retirement benefit increases: PERA Benefit Structure hired prior to 1/1/07	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Based on the 2016 experience analysis and the October 28, 2016, actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA’s Board on November 18, 2016, and effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015, to December 31, 2016:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases—including wage inflation	3.50–9.70 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
Post-retirement benefit increases: PERA Benefit Structure hired prior to 1/1/07	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates used in the December 31, 2015, valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015, valuation were based on the results of an actuarial experience study for the period January 1, 2008, through December 31, 2011, adopted by PERA’s Board on November 13, 2012, and an economic assumption study, adopted by PERA’s Board on November 15, 2013, and January 17, 2014.

As a result of the 2016 experience analysis and the October 28, 2016, actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates,

## ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX

### Notes to Basic Financial Statements

retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016, to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016, actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 18, 2016, adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table on the following page.

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Notes to Basic Financial Statements**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. Equity—Large Cap	21.20%	4.30%
U.S. Equity—Small Cap	7.42%	4.80%
Non U.S. Equity—Developed	18.55%	5.20%
Non U.S. Equity—Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income- Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	<u>100.00%</u>	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25 percent.

**Discount rate.** The discount rate used to measure the total pension liability was 5.26 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA’s Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Notes to Basic Financial Statements**

future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan’s fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan’s fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the SCHDTF’s fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent.

As of the prior measurement date, the projection test indicated the SCHDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent, 2.24 percent higher compared to the current measurement date.

**Sensitivity of the District’s, Littleton Academy’s, and Littleton Preparatory’s proportionate share of the net pension liability to changes in the discount rate.** The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.26 percent) or 1 percentage point higher (6.26 percent) than the current rate:

	<u>1% Decrease (4.26%)</u>	<u>Current Discount Rate (5.26%)</u>	<u>1% Increase (6.26%)</u>
District’s proportionate share of the net pension liability	\$791,787,241	\$629,667,972	\$497,627,696
Littleton Academy’s proportionate share of the net pension liability	14,575,312	11,591,001	9,160,389
Littleton Preparatory’s proportionate share of the net pension liability	21,780,153	17,320,645	13,688,535

**Pension plan fiduciary net position.** Detailed information about the SCHDTF’s fiduciary net position is available in PERA’s comprehensive annual financial report, which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Notes to Basic Financial Statements**

**E. Postemployment Healthcare Benefits**

**Plan description.** The district, Littleton Academy, and Littleton Preparatory contributes to the Health Care Trust Fund (HCTF), a cost-sharing, multiple-employer postemployment healthcare plan administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA-participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**Funding policy.** The district and its two charter schools are required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the district and its two charter schools are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contribution of the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2017, 2016, and 2015, the district's contributions to the HCTF were \$971,001; \$968,952; and \$889,184; respectively, equal to their required contributions for each year. Littleton Academy's contributions to the HCTF for the fiscal years ending June 30, 2017, 2016, and 2015 were \$17,899; \$17,426; and \$17,087; respectively, equal to required contributions for each year, and Littleton Preparatory's contributions to the HCTF for the fiscal years ending June 30, 2017, 2016, and 2015 were \$28,172; \$25,009; and \$24,147; respectively, equal to required contributions for each year.

# Required Supplementary Information



This page left blank and  
unnumbered intentionally  
for presentation purposes



**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**

**General Fund**

**Budgetary Comparison Schedule**

**For the Fiscal Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 67,271,384	\$ 67,271,384	\$ 67,489,819	\$ 218,435
Specific ownership taxes	6,021,609	6,021,609	6,445,006	423,397
Intergovernmental revenue:				
Federal grants	847,000	847,000	988,167	141,167
State equalization aid	63,738,436	63,738,436	63,606,020	(132,416)
State education of students with disabilities	2,600,000	2,600,000	2,540,651	(59,349)
Other state entitlements	1,910,000	1,910,000	2,010,913	100,913
Investment earnings	85,000	85,000	156,998	71,998
Other	4,878,632	4,878,632	5,088,425	209,793
Total revenues	<u>147,352,061</u>	<u>147,352,061</u>	<u>148,325,999</u>	<u>973,938</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	90,853,506	93,332,365	91,076,018	2,256,347
Support services:				
Pupil services	8,109,410	8,515,950	8,270,514	245,436
Instructional staff services	8,471,991	10,430,432	7,764,961	2,665,471
General administration	1,681,259	1,933,938	1,670,491	263,447
School administration	8,829,501	9,380,011	9,180,269	199,742
Financial administration	1,705,748	1,895,726	1,312,371	583,355
Operations administration	12,212,316	12,767,177	12,272,645	494,532
Transportation	4,833,298	5,018,112	4,249,815	768,297
Central administration	6,919,467	7,361,428	6,843,813	517,615
Community services	277,488	277,447	244,546	32,901
Contingency reserve	35,066,929	28,048,327	-	28,048,327
Total expenditures	<u>178,960,913</u>	<u>178,960,913</u>	<u>142,885,443</u>	<u>36,075,470</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(31,608,852)</u>	<u>(31,608,852)</u>	<u>5,440,556</u>	<u>37,049,408</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	208,042	208,042	213,802	5,760
Transfers out	<u>(6,455,239)</u>	<u>(6,455,239)</u>	<u>(6,495,420)</u>	<u>(40,181)</u>
Total other financing sources (uses)	<u>(6,247,197)</u>	<u>(6,247,197)</u>	<u>(6,281,618)</u>	<u>(34,421)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(37,856,049)</u>	<u>(37,856,049)</u>	<u>(841,062)</u>	<u>37,014,987</u>
<b>FUND BALANCE—BEGINNING</b>	<u>37,856,049</u>	<u>37,856,049</u>	<u>38,726,350</u>	<u>870,301</u>
<b>FUND BALANCE—ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,885,288</u>	<u>\$ 37,885,288</u>

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Risk Management Fund**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Investment earnings	\$ 2,500	\$ 2,500	\$ 10,534	\$ 8,034
Other	97,024	97,024	94,164	(2,860)
Total revenues	<u>99,524</u>	<u>99,524</u>	<u>104,698</u>	<u>5,174</u>
<b>EXPENDITURES</b>				
Current:				
Risk management	2,302,211	2,302,211	2,146,289	155,922
Contingency reserve	<u>1,400,000</u>	<u>1,400,000</u>	<u>-</u>	<u>1,400,000</u>
Total expenditures	<u>3,702,211</u>	<u>3,702,211</u>	<u>2,146,289</u>	<u>1,555,922</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(3,602,687)</u>	<u>(3,602,687)</u>	<u>(2,041,591)</u>	<u>1,561,096</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>2,274,693</u>	<u>2,274,693</u>	<u>2,274,693</u>	<u>-</u>
Total other financing sources	<u>2,274,693</u>	<u>2,274,693</u>	<u>2,274,693</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,327,994)	(1,327,994)	233,102	1,561,096
<b>FUND BALANCE—BEGINNING</b>	<u>1,327,994</u>	<u>1,327,994</u>	<u>1,386,391</u>	<u>58,397</u>
<b>FUND BALANCE—ENDING</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,619,493</u></u>	<u><u>\$ 1,619,493</u></u>

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Notes to Required Supplementary Information**  
**June 30, 2017**

**NOTE 1: Budgetary Information**

- a. The District prepares budgets for all funds, except the Fiduciary Fund (Agency Fund). During May, the superintendent of schools submits to the Board of Education a proposed budget for all funds for the fiscal year commencing July 1. The budget includes proposed expenditures and the means for financing them.
- b. Notice is provided to taxpayers of the availability for inspection of the proposed budget. Prior to June 30, the budget is adopted by formal resolution of the Board of Education. C.R.S. 22-44-110 (5) allows the Board of Education to review and change the Adopted Budget, with respect to both revenues and expenditures, at any time prior to January 31.
- c. Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between departments within any fund and the reallocation of budget line items within any department within any fund rests with the superintendent of schools. Revisions that alter the total expenditures of any fund must be approved by the Board of Education. Appropriations are based on total funds expected to be available in each budget year including beginning fund balances and reserves as established by the Board of Education.
- d. Budgets are adopted on a basis consistent with GAAP.
- e. The budgets reported in the accompanying financial statements and schedules as adopted by the Board of Education were done so as authorized.
- f. Appropriations for all funds lapse at the fiscal year end.
- g. The Risk Management Fund is a sub-fund of the General Fund and its budget is approved by the Board of Education annually. The Statement of Revenues, Expenditures, and Changes in Fund Balances combines the actual revenues and expenditures of the General Fund and the Risk Management Fund. A budgetary comparison schedule is provided separately for both the General Fund and the Risk Management Fund. The following is a reconciliation of the General Fund actual revenues and expenditures as reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance.

	<b>General Fund</b>	<b>Risk Management Fund</b>	<b>Total</b>
Revenue	\$ 148,325,999	\$ 104,698	\$ 148,430,697
Expenditures	(142,885,443)	(2,146,289)	(145,031,732)
Excess Revenues			
Over (Under) Expenditures	5,440,556	(2,041,591)	3,398,965
Other Sources (Uses)	(6,281,618)	2,274,693	(4,006,925)
Net Change in Fund Balances	(841,062)	233,102	(607,960)
Fund Balance—Beginning	38,726,350	1,386,391	40,112,741
Fund Balance—Ending	\$ 37,885,288	\$ 1,619,493	\$ 39,504,781

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Schedules of Required Supplementary Information**  
**June 30, 2017**

**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**PERA Pension Plan**  
**Last Ten Fiscal Years\***  
**(Dollar amounts in thousands)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability (asset)	2.27%	2.25%	2.22%	2.21%
District's proportionate share of the net pension liability (asset)	\$ 277,142	\$ 291,875	\$ 325,723	\$ 629,668
District covered payroll	\$ 90,007	\$ 90,761	\$ 93,180	\$ 94,917
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	307.91%	321.59%	349.56%	663.39%
Plan fiduciary net position as a percentage of the total pension liability	64.06%	62.80%	59.20%	43.10%

Note: The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

\* Information for 2007 to 2012 is not available.

**Schedule of the District Contributions**  
**PERA Pension Plan**  
**Last Ten Fiscal Years\***  
**(Dollar amounts in thousands)**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 12,046	\$ 13,039	\$ 14,260	\$ 15,327	\$ 16,843	\$ 17,498
Contributions in relation to the contractually required contribution	(12,046)	(13,039)	(14,260)	(15,327)	(16,843)	(17,498)
Contribution deficiency (excess)	<u>\$ -</u>					
District's covered payroll	\$ 88,496	\$ 90,415	\$ 89,784	\$ 91,217	\$ 95,915	\$ 95,196
Contributions as a percentage of covered payroll	13.61%	14.42%	15.88%	16.80%	17.56%	18.38%

Note: The amounts presented for each fiscal year were determined as of June 30.

\* Information for 2008 to 2011 is not available.

# Combining and Individual Fund Statements and Schedules



This page left blank and  
unnumbered intentionally  
for presentation purposes



# ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX

## Nonmajor Governmental Funds

The first statements and schedules in this supplementary information are those of the nonmajor governmental funds. Special revenue funds are used to account for specific revenues that are restricted or committed to expenditures for particular purposes.

**Designated Purpose Grants Fund.** This fund is used to account for federal, state, and local grants which are restricted as to the type of expenditures for the grants may be used.

**Extended Day Care Fund.** This fund is used to account for preschool, full-day kindergarten, and before- and after- school day care programs.

**Nutrition Services Fund.** This fund is used to account for the operation of breakfast, lunch, and summer feeding programs

**Student Athletic and Activities Fund.** This fund accounts for extracurricular activities at the elementary, middle, and high school levels; intramural athletic programs at the middle level; and varsity athletics programs and District-sponsored activities at the high school level.

**Capital Projects Fund.** This fund is used to account for the acquisition of land, construction of new facilities, alterations and improvements to existing structures, and the acquisition of school buses and/or other equipment.

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2017**

	<u>Designated Purpose Grants Fund</u>	<u>Extended Day Care Program Fund</u>	<u>Nutrition Services Fund</u>
<b>ASSETS</b>			
Equity in pooled cash and investments	\$ 928,466	\$ 2,356,051	\$ 1,156,139
Due from other governments	505,342	-	181,943
Total assets	<u>\$ 1,433,808</u>	<u>\$ 2,356,051</u>	<u>\$ 1,338,082</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts and contracts payable	\$ 19,719	\$ 3,506	\$ 2,055
Accrued compensation	264,235	296,890	59,436
Unearned revenue	1,149,854	48,435	163,876
Total liabilities	<u>1,433,808</u>	<u>348,831</u>	<u>225,367</u>
Fund balances:			
Restricted for:			
Nutrition services	-	-	1,112,715
Committed for:			
Capital projects	-	-	-
Student care services	-	2,007,220	-
Pupil activities	-	-	-
Assigned for:			
Beverage sponsorship for student needs	-	-	-
Total fund balances	<u>-</u>	<u>2,007,220</u>	<u>1,112,715</u>
Total liabilities and fund balances	<u>\$ 1,433,808</u>	<u>\$ 2,356,051</u>	<u>\$ 1,338,082</u>

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2017**

	<b>Student Athletic and Activities Fund</b>	<b>Capital Projects Fund</b>	<b>Total Nonmajor Governmental Funds</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Equity in pooled cash and investments	\$ 1,095,034	\$ 3,528,956	\$ 9,064,646
Due from other governments	14,720	-	702,005
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 1,109,754</u>	<u>\$ 3,528,956</u>	<u>\$ 9,766,651</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts and contracts payable	\$ 23,452	\$ 48,658	\$ 97,390
Accrued compensation	37,308	-	657,869
Unearned revenue	5,610	-	1,367,775
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>66,370</u>	<u>48,658</u>	<u>2,123,034</u>
 Fund balances:			
Restricted for:			
Nutrition services	-	-	1,112,715
Committed for:			
Capital projects	-	3,480,298	3,480,298
Student care services	-	-	2,007,220
Pupil activities	1,004,936	-	1,004,936
Assigned for:			
Beverage sponsorship for student needs	38,448	-	38,448
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balances	<u>1,043,384</u>	<u>3,480,298</u>	<u>7,643,617</u>
Total liabilities and fund balances	<u>\$ 1,109,754</u>	<u>\$ 3,528,956</u>	<u>\$ 9,766,651</u>

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2017**

	Designated Purpose Grants Fund	Extended Day Care Program Fund	Nutrition Services Fund
<b>REVENUES</b>			
Intergovernmental revenue:			
Federal grants	\$ 4,338,105	\$ -	\$ 1,399,509
Donated commodities	-	-	265,199
State grants	357,177	-	49,881
Food sales	-	-	2,116,018
Pupil activities	-	-	-
Student care	-	5,476,593	-
Investment earnings	-	14,993	8,532
Other	300,796	20,832	85,770
	<u>4,996,078</u>	<u>5,512,418</u>	<u>3,924,909</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	2,651,076	-	-
Support services	2,345,002	4,922,615	3,905,151
Capital outlay	-	10,000	-
	<u>4,996,078</u>	<u>4,932,615</u>	<u>3,905,151</u>
<b>EXCESS OF REVENUES OVER (UNDER)</b>			
<b>EXPENDITURES</b>	-	579,803	19,758
<b>OTHER FINANCING SOURCES</b>			
Transfers in	-	-	-
Transfers out	-	(213,802)	-
	<u>-</u>	<u>(213,802)</u>	<u>-</u>
Total other financing sources	-	(213,802)	-
<b>NET CHANGE IN FUND BALANCE</b>	-	366,001	19,758
<b>FUND BALANCE—BEGINNING</b>	<u>-</u>	<u>1,641,219</u>	<u>1,092,957</u>
<b>FUND BALANCES—ENDING</b>	<u>\$ -</u>	<u>\$ 2,007,220</u>	<u>\$ 1,112,715</u>

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2017**

	Student Athletic and Activities Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Intergovernmental revenue:			
Federal grants	\$ -	\$ -	\$ 5,737,614
Donated commodities	-	-	265,199
State grants	-	-	407,058
Food sales	-	-	2,116,018
Pupil activities	2,160,240	-	2,160,240
Student care	-	-	5,476,593
Investment earnings	8,314	23,886	55,725
Other	15,432	271,339	694,169
	<u>2,183,986</u>	<u>295,225</u>	<u>16,912,616</u>
Total revenues			
<b>EXPENDITURES</b>			
Current:			
Instruction	-	-	2,651,076
Support services	4,175,959	-	15,348,727
Capital outlay	42,090	2,368,841	2,420,931
	<u>4,218,049</u>	<u>2,368,841</u>	<u>20,420,734</u>
Total expenditures			
<b>EXCESS OF REVENUES OVER (UNDER)</b>			
<b>EXPENDITURES</b>	(2,034,063)	(2,073,616)	(3,508,118)
<b>OTHER FINANCING SOURCES</b>			
Transfers in	1,872,623	2,348,104	4,220,727
Transfers out	-	-	(213,802)
	<u>1,872,623</u>	<u>2,348,104</u>	<u>4,006,925</u>
Total other financing sources			
<b>NET CHANGE IN FUND BALANCE</b>	(161,440)	274,488	498,807
<b>FUND BALANCE—BEGINNING</b>	<u>1,204,824</u>	<u>3,205,810</u>	<u>7,144,810</u>
<b>FUND BALANCES—ENDING</b>	<u>\$ 1,043,384</u>	<u>\$ 3,480,298</u>	<u>\$ 7,643,617</u>

ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX  
 Designated Purpose Grants Fund  
 Budgetary Comparison Schedule  
 For the Fiscal Year Ended June 30, 2017

	Budget		Actual	Variance With Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenue:				
Federal grants	\$ 4,408,845	\$ 4,408,845	\$ 4,338,105	\$ (70,740)
State grants	1,062,068	1,062,068	357,177	(704,891)
Other	647,042	647,042	300,796	(346,246)
Total revenues	<u>6,117,955</u>	<u>6,117,955</u>	<u>4,996,078</u>	<u>(1,121,877)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	4,068,440	4,068,440	2,651,076	1,417,364
Support services	2,049,515	2,049,515	2,345,002	(295,487)
Total expenditures	<u>6,117,955</u>	<u>6,117,955</u>	<u>4,996,078</u>	<u>1,121,877</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
<b>FUND BALANCE—BEGINNING</b>	-	-	-	-
<b>FUND BALANCE—ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Extended Day Care Program Fund**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2017**

	Budget		Actual	Variance With
	Original	Final		Final Budget- Positive (Negative)
<b>REVENUES</b>				
Student care fees	\$ 5,296,753	\$ 5,296,753	\$ 5,476,593	\$ 179,840
Investment earnings	3,595	3,595	14,993	11,398
Contributions	7,000	7,000	20,832	13,832
Total revenues	<u>5,307,348</u>	<u>5,307,348</u>	<u>5,512,418</u>	<u>205,070</u>
<b>EXPENDITURES</b>				
Salaries and employee benefits	4,449,649	4,454,186	4,491,069	(36,883)
Purchased services	178,389	178,464	170,172	8,292
Supplies	383,164	394,080	192,002	202,078
Equipment	9,405	27,350	31,912	(4,562)
Other	78,699	77,282	47,460	29,822
Transfers out	208,042	208,042	213,802	(5,760)
Contingency reserve	1,369,530	1,337,474	-	1,337,474
Total expenditures	<u>6,676,878</u>	<u>6,676,878</u>	<u>5,146,417</u>	<u>1,530,461</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,369,530)	(1,369,530)	366,001	1,735,531
<b>FUND BALANCE—BEGINNING</b>	<u>1,369,530</u>	<u>1,369,530</u>	<u>1,641,219</u>	<u>271,689</u>
<b>FUND BALANCE—ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,007,220</u>	<u>\$ 2,007,220</u>

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**

**Nutrition Services Fund**

**Budgetary Comparison Schedule**

**For the Fiscal Year Ended June 30, 2017**

	Budget		Actual	Variance With Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Food sales	\$ 2,280,500	\$ 2,280,500	\$ 2,116,018	\$ (164,482)
Federal aid:				
Federal government programs reimbursements	1,401,500	1,401,500	1,399,509	(1,991)
Donated commodities	272,874	272,874	265,199	(7,675)
State programs reimbursement	51,000	51,000	49,881	(1,119)
Investment earnings	1,500	1,500	8,532	7,032
Other	103,921	103,921	85,770	(18,151)
<b>Total revenues</b>	<b>4,111,295</b>	<b>4,111,295</b>	<b>3,924,909</b>	<b>(186,386)</b>
<b>EXPENDITURES</b>				
Salaries and employee benefits	2,006,971	2,006,971	2,014,710	(7,739)
Purchased services	222,700	222,700	197,437	25,263
Supplies	111,750	111,750	116,499	(4,749)
Food costs:				
Purchased food	1,432,000	1,432,000	1,271,498	160,502
Donated commodities	272,874	272,874	265,199	7,675
Equipment	58,500	58,500	35,066	23,434
Other	6,500	6,500	4,742	1,758
Contingency reserve	1,226,463	1,226,463	-	1,226,463
<b>Total expenditures</b>	<b>5,337,758</b>	<b>5,337,758</b>	<b>3,905,151</b>	<b>1,432,607</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(1,226,463)</b>	<b>(1,226,463)</b>	<b>19,758</b>	<b>1,246,221</b>
<b>FUND BALANCE—BEGINNING</b>	<b>1,226,463</b>	<b>1,226,463</b>	<b>1,092,957</b>	<b>(133,506)</b>
<b>FUND BALANCE—ENDING</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,112,715</b>	<b>\$ 1,112,715</b>

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Student Athletic and Activities Fund**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2017**

	Budget		Actual	Variance With Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Pupil activities	\$ 2,168,000	\$ 2,168,000	\$ 2,160,240	\$ (7,760)
Investment earnings	3,000	3,000	8,314	5,314
Other	15,800	15,800	15,432	(368)
Total revenues	<u>2,186,800</u>	<u>2,186,800</u>	<u>2,183,986</u>	<u>(2,814)</u>
<b>EXPENDITURES</b>				
Current:				
Support services	4,059,423	5,362,408	4,218,049	1,144,359
Contingency reserve	1,302,985	-	-	-
Total expenditures	<u>5,362,408</u>	<u>5,362,408</u>	<u>4,218,049</u>	<u>1,144,359</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(3,175,608)	(3,175,608)	(2,034,063)	1,141,545
<b>OTHER FINANCING SOURCES</b>				
Transfers in	1,872,623	1,872,623	1,872,623	-
Total other financing sources	<u>1,872,623</u>	<u>1,872,623</u>	<u>1,872,623</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,302,985)	(1,302,985)	(161,440)	1,141,545
<b>FUND BALANCE—BEGINNING</b>	<u>1,302,985</u>	<u>1,302,985</u>	<u>1,204,824</u>	<u>(98,161)</u>
<b>FUND BALANCE—ENDING</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,043,384</u></u>	<u><u>\$ 1,043,384</u></u>

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Capital Projects Fund**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2017**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>REVENUES</b>				
Investment earnings	\$ 7,500	\$ 7,500	\$ 23,886	\$ 16,386
Other revenue	650,000	650,000	271,339	(378,661)
Total revenues	<u>657,500</u>	<u>657,500</u>	<u>295,225</u>	<u>(362,275)</u>
<b>EXPENDITURES</b>				
Capital outlay	2,897,000	3,564,008	2,368,841	1,195,167
Contingency reserve	3,002,898	2,335,890	-	2,335,890
Total expenditures	<u>5,899,898</u>	<u>5,899,898</u>	<u>2,368,841</u>	<u>3,531,057</u>
<b>EXCESS OF REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	(5,242,398)	(5,242,398)	(2,073,616)	3,168,782
<b>OTHER FINANCING SOURCES</b>				
Transfers in	2,307,923	2,307,923	2,348,104	40,181
<b>NET CHANGE IN FUND BALANCE</b>	(2,934,475)	(2,934,475)	274,488	3,208,963
<b>FUND BALANCE—BEGINNING</b>	<u>2,934,475</u>	<u>2,934,475</u>	<u>3,205,810</u>	<u>271,335</u>
<b>FUND BALANCE—ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,480,298</u>	<u>\$ 3,480,298</u>

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Debt Service Fund**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2017**

	Budget		Actual	Variance With Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 12,892,290	\$ 12,892,290	\$ 12,876,104	\$ (16,186)
Investment earnings	11,000	11,000	51,048	40,048
Total revenues	<u>12,903,290</u>	<u>12,903,290</u>	<u>12,927,152</u>	<u>23,862</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal	5,680,000	5,680,000	5,680,000	-
Interest and fiscal charges	5,921,475	5,921,475	5,921,030	445
Contingency reserve	<u>11,799,896</u>	<u>11,799,896</u>	<u>-</u>	<u>11,799,896</u>
Total expenditures	<u>23,401,371</u>	<u>23,401,371</u>	<u>11,601,030</u>	<u>11,800,341</u>
<b>NET CHANGE IN FUND BALANCE</b>	(10,498,081)	(10,498,081)	1,326,122	11,824,203
<b>FUND BALANCE—BEGINNING</b>	<u>10,498,081</u>	<u>10,498,081</u>	<u>10,554,228</u>	<u>56,147</u>
<b>FUND BALANCE—ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,880,350</u>	<u>\$ 11,880,350</u>

ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX  
 Capital Projects—Building Fund  
 Budgetary Comparison Schedule  
 For the Fiscal Year Ended June 30, 2017

	Budget		Actual	Variance With
	Original	Final		Final Budget- Positive (Negative)
<b>REVENUES</b>				
Interest earnings	\$ 166,000	\$ 166,000	\$ 97,909	\$ (68,091)
Other	-	-	6,386	6,386
Total revenues	<u>166,000</u>	<u>166,000</u>	<u>104,295</u>	<u>(61,705)</u>
<b>EXPENDITURES</b>				
Capital projects:				
Building and improvements	22,906,613	22,906,613	20,334,512	2,572,101
Contingency reserve	5,364,002	5,364,002	-	5,364,002
Total expenditures	<u>28,270,615</u>	<u>28,270,615</u>	<u>20,334,512</u>	<u>7,936,103</u>
<b>NET CHANGE IN FUND BALANCE</b>	(28,104,615)	(28,104,615)	(20,230,217)	7,874,398
<b>FUND BALANCE—BEGINNING</b>	<u>28,104,615</u>	<u>28,104,615</u>	<u>28,084,105</u>	<u>(20,510)</u>
<b>FUND BALANCE—ENDING</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,853,888</u></u>	<u><u>\$ 7,853,888</u></u>

ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX  
Statement of Changes in Assets and Liabilities  
Fiduciary Fund (Agency Fund)  
For the Fiscal Year Ended June 30, 2017

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
<b>ASSETS</b>				
Equity in pooled cash and investments	\$ 406,436	\$ 510,758	\$ 671,193	\$ 246,001
Total assets	<u>\$ 406,436</u>	<u>\$ 510,758</u>	<u>\$ 671,193</u>	<u>\$ 246,001</u>
<b>LIABILITIES</b>				
Due to student clubs and other organizations	\$ 406,436	\$ 510,758	\$ 671,193	\$ 246,001
Total liabilities	<u>\$ 406,436</u>	<u>\$ 510,758</u>	<u>\$ 671,193</u>	<u>\$ 246,001</u>

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Combining Statement of Net Position**  
**Component Units**  
**June 30, 2017**

	Littleton Academy Charter School	Littleton Preparatory Charter School	Total Component Units
<b>ASSETS</b>			
Equity in pooled cash and investments	\$ 1,886,894	\$ 1,489,062	\$ 3,375,956
Restricted cash and investments	601,133	782,823	1,383,956
Capital assets—net of accumulated depreciation			
Land	1,019,806	870,000	1,889,806
Land improvements	142,897	-	142,897
Building and leasehold improvements	4,379,297	5,719,776	10,099,073
Equipment	7,269	7,282	14,551
Construction in progress	134,871	-	134,871
Total assets	<u>8,172,167</u>	<u>8,868,943</u>	<u>17,041,110</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on refunding	330,774	-	330,774
Deferred pension outflows of resources	4,458,889	6,679,788	11,138,677
Total deferred outflows	<u>4,789,663</u>	<u>6,679,788</u>	<u>11,469,451</u>
<b>LIABILITIES</b>			
Accounts and contracts payable	3,040	15,036	18,076
Accrued compensation	162,981	225,745	388,726
Accrued interest	83,336	29,188	112,524
Unearned revenue	2,503	26,170	28,673
Noncurrent liabilities:			
Due within one year	147,908	130,074	277,982
Due in more than one year	4,026,481	7,001,770	11,028,251
Net pension liability	11,591,001	17,320,645	28,911,646
Total liabilities	<u>16,017,250</u>	<u>24,748,628</u>	<u>40,765,878</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension inflows of resources	108,794	162,571	271,365
<b>NET POSITION</b>			
Net investment in capital assets	2,173,748	(54,537)	2,119,211
Restricted for:			
Debt service	84,575	113,385	197,960
Emergency reserve under TABOR	117,900	148,100	266,000
Repair and replacement	100,000	160,000	260,000
Unrestricted	(5,640,437)	(9,729,416)	(15,369,853)
Total net position	<u>\$ (3,164,214)</u>	<u>\$ (9,362,468)</u>	<u>\$ (12,526,682)</u>

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX**  
**Combining Statement of Activities**  
**Component Units**  
**For the Fiscal Year Ended June 30, 2017**

	<u>Littleton Academy Charter School</u>	<u>Littleton Preparatory Charter School</u>	<u>Total Component Units</u>
<b>REVENUES</b>			
Intergovernmental revenue:			
State equalization aid	\$ 3,166,750	\$ 3,848,321	\$ 7,015,071
Supplemental funding from District	361,440	376,068	737,508
Fees for services	204,952	390,819	595,771
Investment earnings	22,106	11,882	33,988
Capital grants and contributions	123,058	149,518	272,576
Operating grants and contributions	49,794	53,130	102,924
Other	57,028	159,095	216,123
	<u>3,985,128</u>	<u>4,988,833</u>	<u>8,973,961</u>
<b>EXPENSES</b>			
Current:			
Instruction	4,180,322	5,921,932	10,102,254
Support services	1,241,940	1,702,256	2,944,196
Debt service:			
Interest charges	211,021	347,676	558,697
	<u>5,633,283</u>	<u>7,971,864</u>	<u>13,605,147</u>
<b>CHANGE IN NET POSITION</b>	(1,648,155)	(2,983,031)	(4,631,186)
<b>NET POSITION—BEGINNING</b>	<u>(1,516,059)</u>	<u>(6,379,437)</u>	<u>(7,895,496)</u>
<b>NET POSITION—END OF THE YEAR</b>	<u><u>\$ (3,164,214)</u></u>	<u><u>\$ (9,362,468)</u></u>	<u><u>\$ (12,526,682)</u></u>

This page left blank and  
unnumbered intentionally  
for presentation purposes

