

Arapahoe County School District Number Six



Comprehensive Annual Financial Report

*For the Fiscal Year Ended
June 30, 2020*



5776 South Crocker Street
Littleton, Colorado 80120
www.littletonpublicschools.net



SCHOOLS REPRESENTED ON THE COVER—*From top to bottom and left to right:* #1 Littleton Preparatory Charter School; #2 Field Elementary School; #3 Centennial Elementary School; #4 Sandburg Elementary School; #5 Lenski Elementary School; #6 Wilder Elementary School; #7 East Elementary School; #8 The Village Preschool; #9 Twain Elementary School; #10 Highland Elementary School; #11 Littleton Preparatory Charter School; #12 Littleton High School; #13 Goddard Middle School; #14 Hopkins Elementary School; #15 Heritage High School; #16 Powell Middle School; #17 Moody Elementary School; #18 Franklin Elementary School; #19 Goddard Middle School; #20 Heritage High School; #21 Highland Elementary School; #22 Wilder Elementary School; #23 Peabody Elementary School; #24 Franklin Elementary School; and #25 Runyon Elementary School.

ARAPAHOE COUNTY
SCHOOL DISTRICT
NUMBER SIX

Littleton, Colorado

Comprehensive Annual
Financial Report

For the Fiscal Year
Ended June 30, 2020



Prepared by Financial Services

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Chief Financial Officer

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Director of Finance

ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2020

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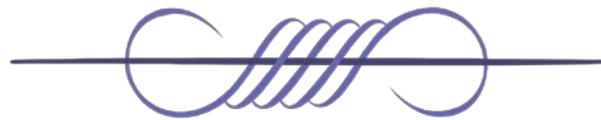
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INTRODUCTORY SECTION



November 23, 2020

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

The Comprehensive Annual Financial Report (CAFR) of the Arapahoe County School District Number Six (the district) as of June 30, 2020, and for the fiscal year then ended, is hereby submitted. Colorado state law requires that each local government undergo an annual audit of the financial statements by independent certified public accountants in accordance with generally accepted auditing standards. This report fulfills that requirement.

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

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

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

This is the third year the CAFR is required to conform to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which establishes financial reporting requirements for most governments that provide postemployment benefits other than pensions (OPEB). Statement No. 75 requires cost-sharing employers participating in the Health Care Trust Fund (HCTF) administered by PERA to record their proportionate share of the HCTF's net OPEB liability.

For GASB Statements No. 68 and No. 75, the district has no legal obligation to fund any shortfall, nor does it have any liability to affect funding, benefits, or annual required contribution decisions made by PERA.

Beginning July 2018, Colorado Revised Statutes (C.R.S. 24-51-413) specifies that the state is required to contribute \$225 million each year to PERA, the pension plan that covers all district employees. A portion of the direct distribution payment is allocated to the district based on the district's proportionate amount of annual payroll to the total payroll of all PERA divisions. This portion is considered a non-employer contribution for financial reporting purposes. PERA's goal is to eliminate its unfunded actuarial accrued liability and reach a 100 percent funded ratio within the next 30 years.

Profile of the District

Arapahoe County School District Number Six, commonly referred to as Littleton Public Schools (LPS), is a political subdivision of the State of Colorado and a corporate body duly organized in 1889 for the purpose of operating and maintaining an educational program for the school-age children residing within its boundaries. The district provides a full range of educational programs and services, including Pre-K–12 instruction, special education and special education preschool, vocational education, and numerous other programs. The number of students enrolled in fiscal year 2019–2020 was 14,691.

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

The district is governed by a five-member Board of Education (the Board), whose members are elected by the qualified electors within the district's boundaries. General duties the Board is empowered to perform include employing all personnel necessary to maintain the operations and carry out the educational programs of the district and paying their compensation, fixing attendance boundaries, establishing annual budgets, determining the educational programs to be offered in the schools of the district, prescribing the textbooks of any course of instruction or study in such educational programs, and levying a property tax on both real and personal properties located within the district's boundaries.

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

Factors Affecting Financial Condition

State funding. The state has not fully funded the Colorado Public School Finance Act of 1994 (SFA) based on the full requirement of the state constitution's Amendment 23 since the national fiscal crisis in 2008. The SFA for fiscal year 2019–2020 included a 7.02 percent reduction (known as the negative factor or budget stabilization factor) or a \$572.4 million statewide K–12 funding reduction. The district's program revenue negative factor reduction for the 2019–2020 school year was decreased by \$1.8 million from the previous year to \$9.2 million. Since March 2020, Colorado's economy has suffered as a result of the COVID-19. For 2020–2021, the state funded inflation of 1.9 percent and set the negative factor to 14.0 percent. The negative factor results in an additional \$9.3 million annual loss of district program revenue for a total loss of funding in the amount of \$18.5 million revenue when compared to the state fully funding the program revenue. The negative factor was originally adopted in 2008 by the state's General Assembly to reduce the overall statewide contribution to K–12 education since local funding of the SFA is primarily fixed. The negative factor was adopted as a mechanism to enable the General Assembly to balance the state's budget.

Beginning in fiscal year 2019–2020, House Bill (HB) 19-1262 provided funding through the school finance formula for full-day kindergarten educational programs. A student enrolled in a full-day kindergarten program is funded at the same amount as students enrolled full-time in other grades. A school district, including its charter schools, that provides full-day kindergarten cannot charge tuition fees for attending kindergarten.

The district incorporated budget balancing strategies in 2020–2021 to help offset the state’s funding cuts with Board-approved budget reductions of \$4.2 million. Due to the large state funding cut for fiscal year 2020–2021, along with unbudgeted COVID-19 costs, in August 2020, the Board approved placement of a Debt-Free Schools Mill Levy Override question on the November 2020 ballot. The question asked voters to approve a tax increase of \$12 million, or no more than 6 mills, for collection starting in 2021. One additional mill can be approved by the Board each year, not to exceed 11 mills in total. The community approved this ballot question on November 3, 2020. This allows the district to cover ongoing building maintenance, capital improvements, and technology expenditures, therefore freeing up dollars in the district’s General Fund to be available for purposes such as continuing to attract and retain quality teachers, maintaining school counselors and mental health support, and providing career, technical, and skilled trade programming.

State and local economy. The state’s economic picture is important to the district because a major source of funding for the district’s General Fund is received through the SFA established by the state legislature. Due to the negative effects of COVID-19 on Colorado’s economy, the state had a budget shortfall of \$3.3 billion this spring, causing a huge budgetary hit to public education. Although the district received \$6.6 million in one-time federal funding through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), it does not cover the large state funding reduction.

Colorado’s economic activity remains far below normal levels despite significant improvement since April 2020. The unemployment rate rose from 2.5 percent in February to 12.2 percent in April before falling to 6.7 percent by August. Colorado’s economy continues to perform better than the national average as the state has a high percentage of the workforce that can work remotely and as virus caseloads remained comparatively low through the summer and into the start of the school year. The economy is highly dependent upon the course of the COVID-19 pandemic and intermittent periods of rising caseloads until a vaccine is developed and made widely available.

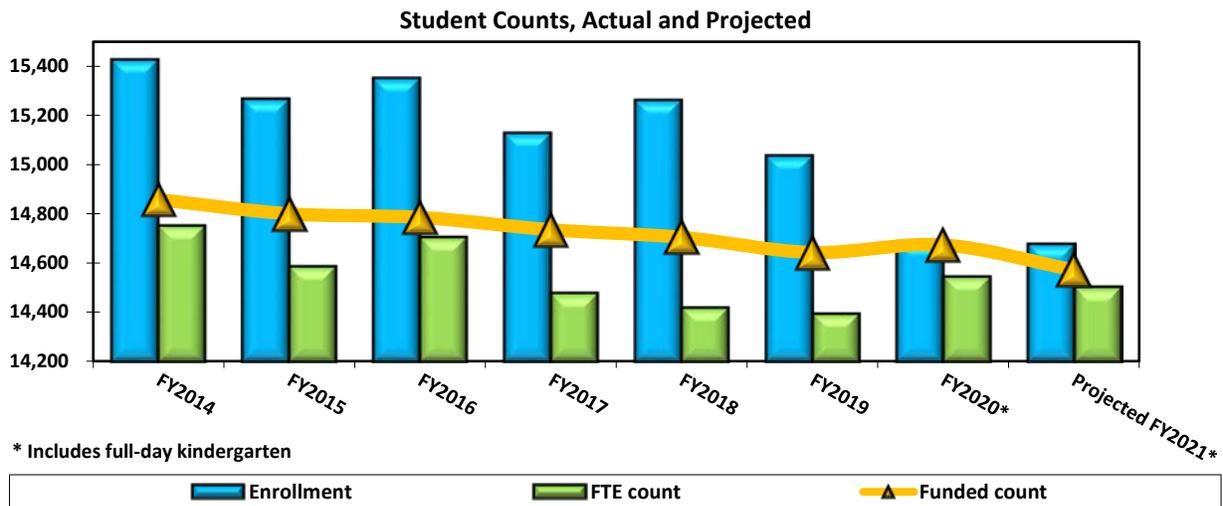
The Denver metro area has the largest share of the state’s population and workforce. The impacts of the COVID-19 pandemic and related recession have impacted the region’s labor market, with only a small number of the jobs lost in March and April being regained in subsequent months. In response to the downturn in tourism, business travel, requirements for physical distancing, and shifts in consumer activity, many businesses have reduced their workforces or shuttered their doors. In spite of the downturn, residential real estate and construction markets remain hot in the Denver metro area; however, nonresidential construction activity continues to cool from 2016 highs. Additionally, the Denver metro area is home to a large concentration of oil and gas firms, many of which have reduced their workforces in the low energy price environment.

Home price appreciation continues to lessen in the Denver metro region along with other regions of the state following several years of double-digit gains. COVID-19-related restrictions and uncertainty limited the number of homes put on the market; however, home prices are expected to remain elevated as demand for housing in the area continues to exceed limited supply. According to data from the Denver Metro Association of Realtors, August 2020 posted the most home sales of any August on record in spite

of the lowest inventory of any August on record. The average single family home price in the area reached a record \$606,330 in August, a 5.6 percent increase year-to-date over 2019 prices.

The State Education Fund (SEF) continues to support a large share of education funding. Revenue to the State Education Fund from income taxes fell by 6.7 percent in 2019–2020, but is expected to increase 8.2 percent in 2020–2021, and decrease 3.9 percent in FY 2021–2022. The Colorado Constitution required the SEF to receive one-third of one percent of taxable income. The State Education Fund’s year-end balance was \$143.3 million in FY 2019–2020 and is projected to increase to \$378.1 million in 2020–2021.

Enrollment and demographics. In fiscal year 2019–2020, the district’s enrollment decreased by 348 students to 14,691 students. Preliminary membership counts for the 2020–2021 school year indicate that enrollment will decrease over 730 due to COVID-19. The district has seen a lower number of preschoolers, a higher number of students being homeschooled, and families moving out of state. This lower enrollment equates to a loss of revenue of approximately \$1.0 million. The district is not the only school district with lower-than-projected students. The metro area enrollment is down approximately 10,000 students. It is uncertain at this time if those students will return next school year. The student full-time equivalent (FTE) count is less than enrollment mostly due to part-time students. The actual SFA funded count allows for the current year FTE count to be averaged with up to four previous years’ counts. Declining enrollment, along with the per-pupil revenue cuts (negative factor) incorporated in the state’s SFA, continues to challenge the district to provide services and keep a balanced budget while maintaining necessary reserves for long-term fiscal stability.



Major Initiatives

In 2018–2019, the LPS Long-Range Planning Committee (LRPC), representing a cross-section of the community, continued discussions on instructional programs and facility needs. Based on the LRPC’s recommendation, the Board of Education placed a \$298.9 million bond measure on the November 2018 ballot. Voters approved the bond measure, sending a strong endorsement of the district’s commitment to providing the resources needed for students to succeed. Major projects in 2019–2020 included construction costs for the new Newton Middle School and the new elementary school on the Ames campus (recently named Dr. Justina Ford Elementary School), new turf fields at the middle and high schools, and the remodeling design for the Highland Early Childhood Education Center. Projects for the 2020–2021 fiscal year include design and construction for a new elementary school on the Franklin

campus, the purchase of property for the new career and technical education and innovation center, and various projects throughout the district.

Additionally, since the fall of 2018, LRPC studied potential changes to the district's enrollment boundaries, which was part of their original charge from the Board of Education in 2017. The LRPC considered many different scenarios at each level: elementary, middle, and high. The committee solicited feedback from the community and the Board of Education multiple times, and in August 2020, the Board approved new school boundaries, which will be effective for the 2021–2022 school year.

Long-Term Financial Planning

The district's long-range financial projections are regularly updated for review and consideration by the Board. These include forecasts of student enrollment, upon which school funding is computed. Without additional K–12 funding, the district's current financial forecast indicates that budgetary efficiencies may need to be sought and considered by the Board in 2021–2022. With the passage of the debt-free schools mill levy override, an implementation plan will be developed in alignment with the Board's strategic plan during calendar year 2021. This plan will then be incorporated into the district's long-range financial forecasting and planning model.

Strategic Plan

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

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

The environment should foster community engagement, staff collaboration, and student learning. The district will continue to address the diverse community needs and keep the public involved as active partners in increasing achievement levels, a major component of the LPS strategic plan. LPS has established a district achievement goal that states, “One hundred percent of LPS students will graduate prepared for meaningful post-secondary opportunities.”

Annual Audit

State statutes require an annual audit by independent certified public accountants. The accounting firm of CliftonLarsonAllen LLP serves as the independent auditor for the district. In addition to meeting the requirements set forth in state law, the audit is also designed to meet the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the district for its CAFR for the fiscal year ended June 30, 2019. In order to be awarded the Certificate of Achievement, the district published an easily readable and efficiently organized CAFR. That report satisfied both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements. The Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the award program’s requirements, and we are submitting it to GFOA to determine its eligibility for a new Certificate of Achievement.

Additionally, the Meritorious Budget Award was conferred by the Association of School Business Officials International to the district for its fiscal year 2019–2020 budget document. In order to qualify for the Meritorious Budget Award, the district’s budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

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

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

Respectfully submitted,



Brian Ewert
Superintendent



Donna Villamor
Chief Financial Officer

ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX
CAFR AWARD CERTIFICATE



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Arapahoe County School
District Number Six, Colorado**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX
PRINCIPAL OFFICIALS**

Board of Education



Jack Reutzel
President
Term: 2017–2021



Kelly Perez
Vice President
Term: 2017–2021



Robert Reichardt
Secretary
Term: 2019–2023



Lindley McCrary
Assistant Secretary
Term: 2019–2023



Carrie Warren-Gully
Treasurer
Term: 2017–2021

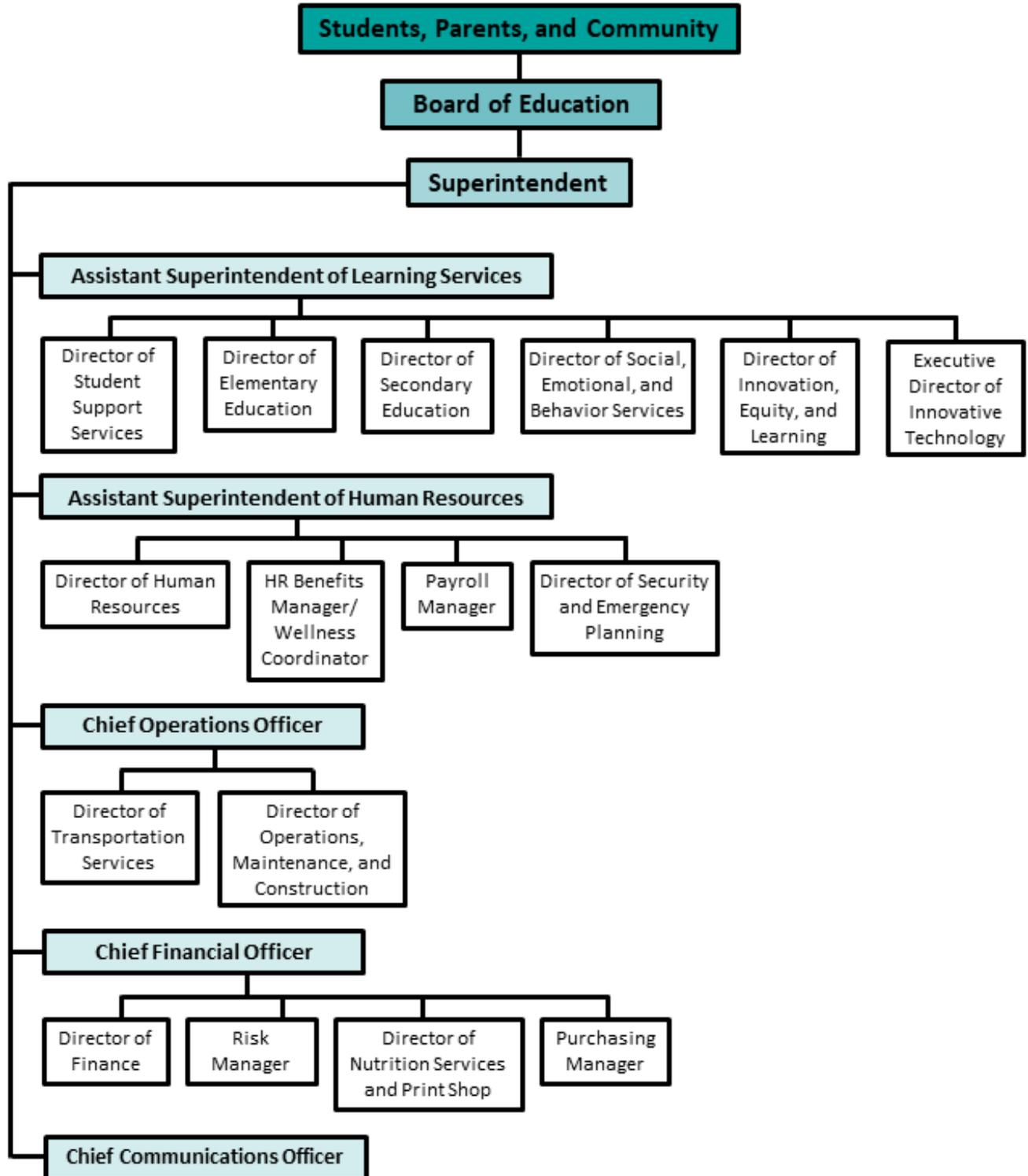
Superintendent and Superintendent’s Staff

Brian Ewert..... Superintendent
 Dr. Tera Helmon.....Assistant Superintendent of Learning Services
 Mike Jones Assistant Superintendent of Human Resources
 Terry Davis.....Chief Operations Officer
 Diane Leiker..... Chief Communications Officer
 Donna Villamor..... Chief Financial Officer

MISSION STATEMENT

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

ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX
ORGANIZATIONAL CHART



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