

Arapahoe County School District Number Six

Annual Comprehensive Financial Report



*For the Fiscal Year Ended
June 30, 2021*



5776 South Crocker Street, Littleton, Colorado 80120

www.littletonpublicschools.net

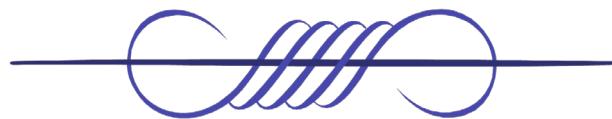
SCHOOLS REPRESENTED ON THE COVER—*From top to bottom and left to right:* Lenski Elementary School; Newton Middle School; Options Secondary Program; Moody Elementary School; East Elementary School.

**ARAPAHOE COUNTY
SCHOOL DISTRICT
NUMBER SIX**

Littleton, Colorado

**Annual Comprehensive
Financial Report**

**For the Fiscal Year
Ended June 30, 2021**



Prepared by Financial Services

**Donna Villamor
Chief Financial Officer**

**Jonathan Levesque
Director of Finance**

ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX
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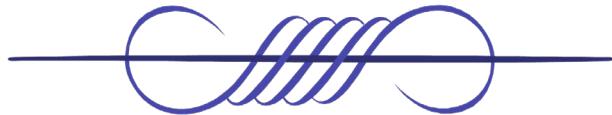
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INTRODUCTORY SECTION



October 22, 2021

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

The Annual Comprehensive Financial Report (Annual Report) of the Arapahoe County School District Number Six (the district) as of June 30, 2021, 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 present fairly the financial position and results of operations of the district's funds. As the cost of internal controls should not outweigh the benefits, the outcome is to provide reasonable, rather than absolute, assurance the financial statements are free of any material misstatements.

The Annual Report 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.

The Annual Report 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).

Additionally, the Annual Report 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 by 2048. However, House Bill (HB) 20-1379 suspended the \$225 million direct distribution payable on July 1, 2020, for the state's 2020–2021 fiscal year due to budget restraints.

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 2020–2021 was 13,912.

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 Annual Report 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 budget stabilization factor was initially 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. Colorado's state budget saw a drastic drop in funding in July 2020 as a result of the COVID-19 lockdown. The SFA for fiscal year 2020–2021 included a 12.77 percent the budget stabilization factor, or a \$1.1 billion statewide K–12 funding reduction. The district's program revenue budget stabilization factor reduction for the 2020–2021 school year was increased by \$7.6 million from the previous year for a total reduction of \$16.7 million, this includes the state's partially restoration of \$1.9 million of the budget cuts in April 2021 once sales tax income was stronger than expected. For 2021–2022, the state funded

inflation of 2.0 percent and set the budget stabilization factor to 6.72 percent. The budget stabilization factor results in a \$9.1 million annual loss of district program revenue when compared to the state fully funding the program revenue.

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. The district experienced the large state funding cut for fiscal year 2020–2021, along with unbudgeted COVID-19 costs. In August 2020, the Board placed 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 district’s community approved this ballot question on November 3, 2020. This allowed the district to cover ongoing building maintenance, capital improvements, and technology expenditures, thereby freeing up the district’s General Fund to be available for purposes such as continuing to attract and retain quality teachers, maintaining school counseling for mental health, and providing career, technical, and skilled trade classes.

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. The negative effects of COVID-19 on Colorado’s economy and the subsequent uneven recovery among households and businesses has left several in economic distress, while others have emerged unscathed or even better off. Spending and employment in sectors tied to in-person services still lag pre-pandemic levels and remain sensitive to the virus. These mismatches are now expected to persist into 2022, boosting inflationary pressures and challenging the economic recovery as federal funding recedes.

The district received one-time federal funding for COVID-19 expenditures of \$6.6 million in fiscal year 2019–2020 and \$5.1 million in fiscal year 2020–2021 through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and Elementary and Secondary School Emergency Relief (ESSER), respectively. These additional federal funds do not cover the large state funding reduction for the district of \$16.7 million seen in the 2020–2021 state budget or the unanticipated COVID-related expenditures that burdened the district to combat the pandemic.

Colorado’s economic activity remains below normal levels despite significant improvement since April 2020. The unemployment rate improved from 6.7 percent in August 2020 to 5.9 percent by August 2021. Colorado’s economy continues to perform better than the national average. The state has a high percentage of the workforce that can work remotely as virus caseloads have remained comparatively low when compared to the national average. The economy is highly dependent upon the course of the COVID-19 pandemic and intermittent periods of rising caseloads until the vaccine is made widely available and administered to all ages.

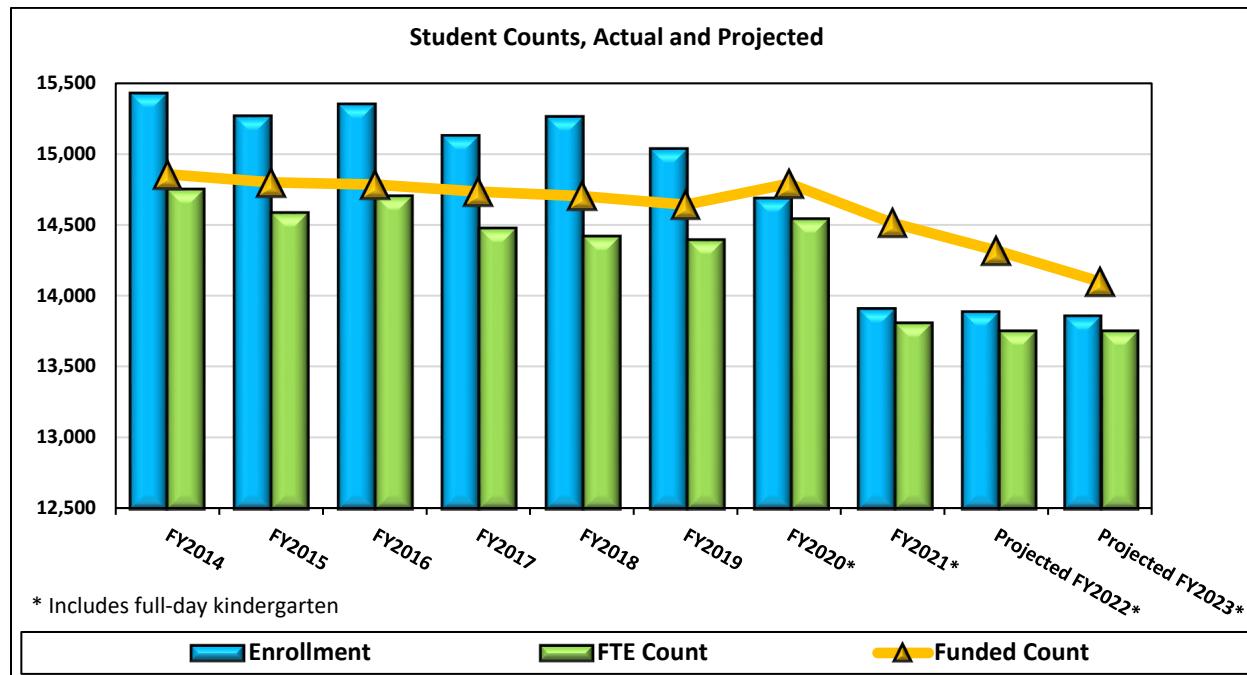
The Denver metro area has the largest share of the state’s population and workforce. The impacts of the pandemic and related recession continue to influence the region’s labor market. Leisure and hospitality industries continue to be impacted most, and the recent resurgence in COVID-19 cases heightens risks to the region’s jobs recovery. Reflecting ongoing elevated demand, low inventories, and low interest rates, area home prices continue to appreciate, supporting additional residential construction activity. Nonresidential construction activity, however, remains subdued.

Home price appreciation in the metro Denver area accelerated at the end of 2020 and the first half of 2021. Historically low interest rates increased demand, while pandemic-related uncertainty has kept homeowners from putting their homes on the market. Inventories have improved in recent months, but

home prices are expected to remain elevated as demand for housing in the metro Denver area continues to outpace limited supply. According to data from the Denver Metro Association of Realtors, in July 2021 the median sales price for a single-family detached home saw double-digit growth over 2020 prices across all counties in the region except Boulder, and exceeded 20 percent in Denver and Douglas counties.

The State Education Fund (SEF) continues to support a large share of education funding. The SEF is required to be used to fund kindergarten through twelfth grade public education. Revenue to the SEF from income taxes rose by 46.8 percent in 2020–2021 totaling \$950 million; however, it is expected to decrease 18.8 percent in 2021–2022, and increase 17.3 percent in fiscal year 2022–2023. The Colorado Constitution requires the SEF to receive one-third of one percent of taxable income. The SEF's year-end balance was \$1.07 billion in fiscal year 2021–2021 and is projected to decrease to \$1.03 billion in 2021–2022.

Enrollment and demographics. In fiscal year 2020–2021, the district's enrollment decreased by 779 students to 13,912 students due to the COVID-19. Preliminary membership counts for the 2021–2022 school year indicate that enrollment will decrease to 13,540 students. The trends from last year continues as the district has seen a lower number in all grade levels. This lower enrollment equates to a loss of revenue of approximately \$0.8 million when compared to budget. This phenomenon has also been felt across the state with lower total enrollment state-wide. It is uncertain at this time if those students will return to the district. 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 (budget stabilization 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 2020–2021 included construction costs for the new Newton Middle School, the new Dr. Justina Ford Elementary School, and the new elementary school on the Franklin campus; purchase of property and design for the Career Exploration Center (CEC); and security and technology upgrades. Projects for the 2021–2022 fiscal year include design and construction for a new elementary school on the Moody campus, construction of the CEC, and various projects throughout the district.

Additionally, since the fall of 2018, LRPC explored enrollment boundaries and increased transportation challenges in the south metro area to better balance enrollment and provide boundaries for the new elementary schools on the Ford and Franklin campuses. The LRPC considered 14 different elementary scenarios, six different middle school scenarios, and four different high school scenarios. In August 2020, the Board approved new school boundaries effective 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. With the passage of the debt-free schools mill levy override and restored funding from the state to pre-pandemic levels in the 2021–2022 school year, the district's long-range financial projections are stable and in alignment with the Board's strategic plan.

Strategic Plan

The superintendent and staff work closely with the Board to ensure that their vision and strategic plan is fulfilled. In November 2014, the Board approved revisions to the strategic plan to better guide the work of the district, students, and community and align the district's direction to coincide with 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 Annual Report for the fiscal year ended June 30, 2020. In order to be awarded the Certificate of Achievement, the district published an easily readable and efficiently organized Annual Report. 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 Annual Report 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.

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

In closing, we 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
ANNUAL REPORT 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, 2020

Christopher P. Morrell

Executive Director/CEO

ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX PRINCIPAL OFFICIALS

Board of Education



Robert Reichardt
President
Term: 2019–2023



Kelly Perez
Vice President
Term: 2017–2021



Jack Reutzel
Secretary
Term: 2017–2021



Angela Christensen
Assistant Secretary
Term: 2021



Lindley McCrary
Treasurer
Term: 2019–2023

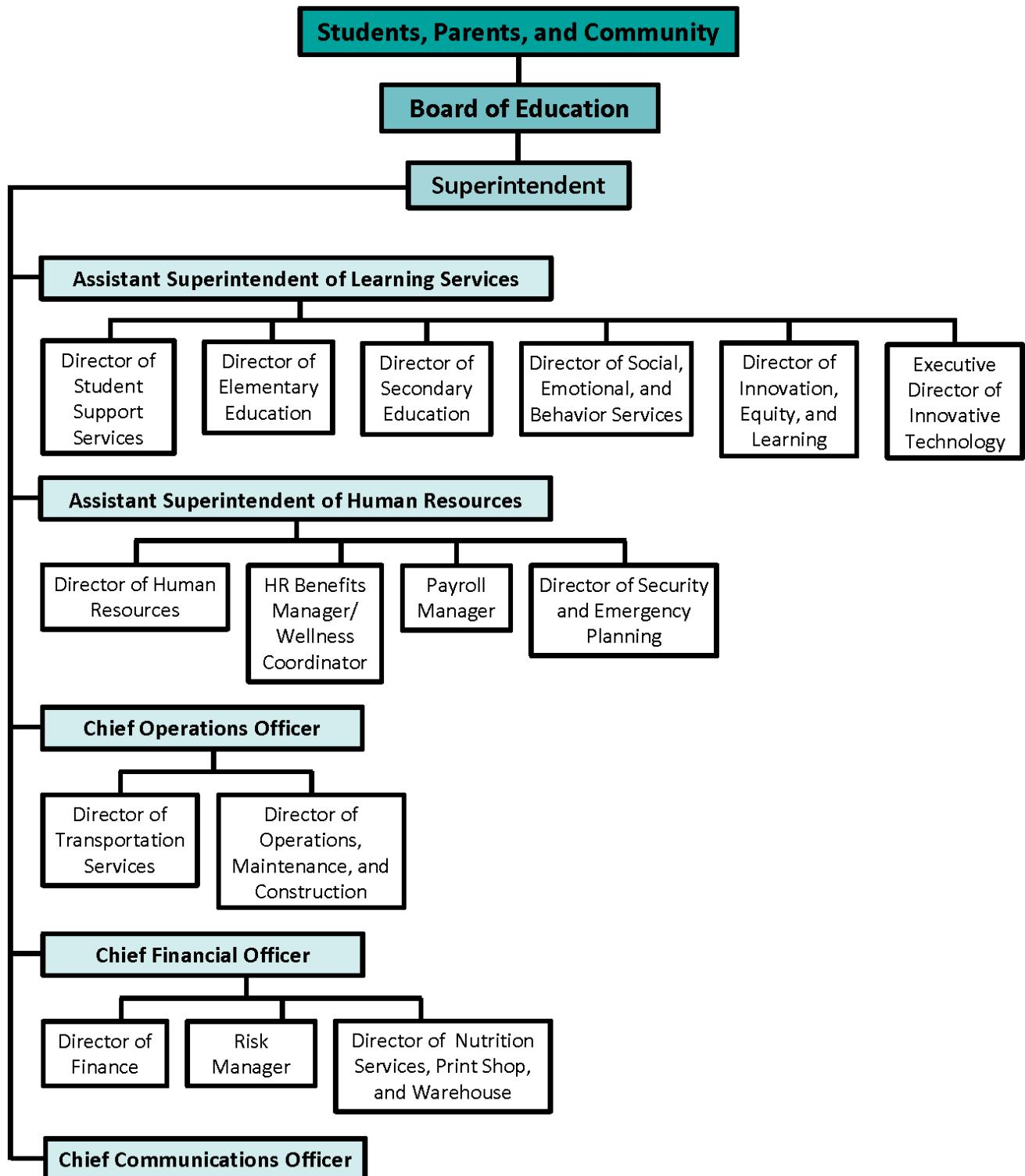
Superintendent and Superintendent's Staff

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