

Arapahoe County School District Number Six



Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2023

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



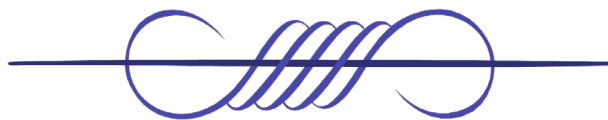
COVER IMAGES: From top to bottom. Justina Ford Elementary, Hopkins Elementary, Newton Middle School, and Gudy Gaskill Elementary.

ARAPAHOE COUNTY
SCHOOL DISTRICT
NUMBER SIX

Littleton, Colorado

Annual Comprehensive
Financial Report

For the Fiscal Year
Ended June 30, 2023



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ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX
Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2023

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INTRODUCTORY SECTION



October 19, 2023

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, 2023, 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 that 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.

The Annual Report is required to conform to GASB Statement No. 87, *Leases*, which requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. This is incorporated into the financial statements.

In May 2020, the Governmental Accounting Standards Board (GASB) adopted Statement No. 96, Subscription-Based Information Technology Arrangement (SBITAs). This standard required the recognition of certain subscription-based information technology arrangements for government end users that were previously classified as information technology (IT) software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. The District reviewed the SBITAs and determined they are insignificant for the year ended June 30, 2023.

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. Most recently, Senate Bill (SB) 21-228 restored the suspended payment to PERA on July 1, 2022, for a total of \$380 million, which includes calculated interest from the suspended payment.

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 2022–2023 was 13,524.

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 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 recovery from the uncertainties in the prior year. The SFA for fiscal year 2022–2023 included a 3.67 percent budget stabilization factor, or a \$297 million statewide K–12 funding

reduction. The district's program revenue budget stabilization factor reduction for the 2022–2023 school year was \$3.7 million which increased funding by \$4.0 million from the previous year's budget stabilization factor result of \$7.7 million. This represents an annual loss of district program revenue when compared to the state fully funding the program revenue. For 2023–2024, the state intends to include inflation of 8.0 percent and set the budget stabilization factor to 1.6 percent.

The state continues to focus on K–12 education funding. Each year comes with new challenges for the state to meet all the obligations of the state's general fund while making TABOR refund to taxpayers.

In November 2020, voters approved the Debt-Free Schools Mill Levy 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. 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. Colorado's economy continues to expand, with positive consumer spending and a robust labor market indicating continued growth. The job market and wage growth are strong along with household savings. The inflationary pressures and challenging economic recovery as federal funding recedes erodes the gains made in wages. These pressures have driven the Federal Reserve to raise interest rates and reduce asset purchases. These measures have increased borrowing costs and have further influenced access to credit, asset prices, business activity, and construction. Continued inflationary pressures and its effects leads to a worsening economic outlook around the world while the possibility of a national downturn looms.

The district received one-time federal funding for COVID-19 of \$14.0 million between fiscal year 2019–2020 and 2022–2023 through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and Elementary and Secondary School Emergency Relief (ESSER), respectively. Projects, salary and benefit expenditures were selected as one-time spending and will not result in a funding shortfall.

Colorado's economic activity remains strong as the economy continues to expand, however, steep price hikes from energy, housing, food, and vehicles have eroded real gains in earnings and income. Persistent inflationary pressures have prompted the Federal Reserve to raise interest rates and reduce asset purchases, measures that have increased borrowing costs and have further influenced access to credit, business activity, and construction. The risk of a near-term recession has escalated significantly. The current forecast anticipates slowing expansion, but the path forward has narrowed. With a worsening economic outlook around the world, the possibility of a national downturn looms.

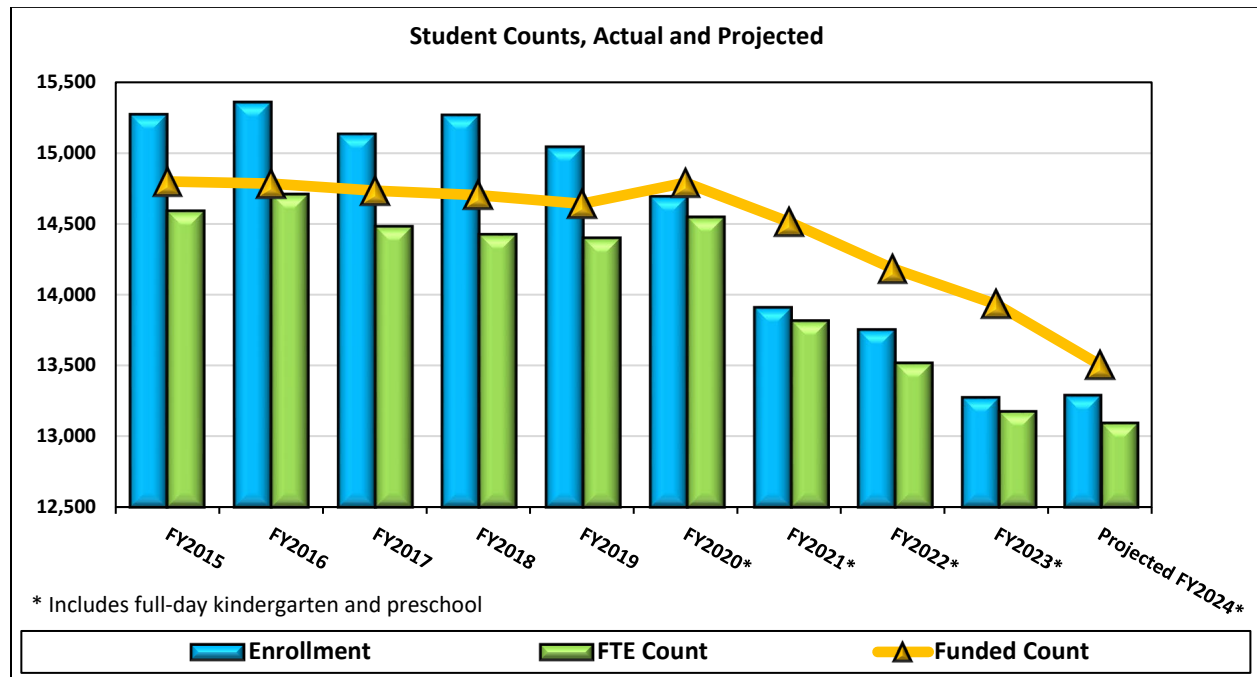
The Denver metro area has the largest share of the state's population and workforce. The unemployment rate improved to 2.8 percent in 2023, outperforming the national average of 3.7 percent. The state's unemployment projection for 2024 is to increase to 4.0 percent due to housing and wage challenges.

Home prices have leveled off at historical highs and have started to recede as interest rates increase and inflation pushes monetary policy. Rent is expected to continue the rise through 2023. In Colorado, single-family home permits are down from the same period last year, while multifamily unit permits are up from the same period one year ago indicating the demand for rental units is strong.

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 decreased \$76.4 million in 2022–2023 to \$899.1 million due to enrollment and property value changes. However, income taxes are expected to increase 0.9 percent in 2023–2024 to

\$905.0 million. The Colorado Constitution requires the SEF to receive one-third of one percent of taxable income.

Enrollment and demographics: In fiscal year 2022–2023, the district’s enrollment decreased by 246 students to 13,278 students due to a continued shifting of students in Colorado. Membership counts for the 2023–2024 school year indicate that enrollment will decrease to 13,238 students. The trends from the last two years continue as the district has seen a lower number in all grade levels. This lower enrollment equates to a loss of revenue of approximately \$1.3 million when compared to budget. This phenomenon has also been felt across the state with lower total enrollment statewide. It is less likely at this time for those students to 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 from the 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 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 for fiscal year 2022–2023 include construction of the new Gaskill Elementary School. Projects for 2023–2024 include completion of the new Little Raven Elementary School, the EPIC campus, the LPS Centennial Stadium, and various projects throughout the district.

In 2022–2023, a new subset of the original LRPC was charged to continue its review of elementary school boundaries east of Broadway and middle schools east of Santa Fe. The request was to bring two or three recommendations to the Board of Education in the fall of 2023–2024 to better balance enrollment at Newton, Powell, and Euclid middle schools and all elementary schools east of Broadway. These

recommendations will be reviewed and data-based decisions made using the Board's and Committee's long-established standards and values before implementing a change.

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 and restored funding from the state to pre-pandemic levels, 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 the 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."

In the spring of 2022, the Board, superintendent, and superintendent staff established five main strategic priorities based on the core beliefs and focus areas:

- Professional Learning Communities and Multi-tiered Systems of Support, Including Equity
- Mental Health and Behavior Support, Including Student and Staff Wellness
- Structure of School - More Time (Longer Year and/or School Day, Smaller Class Sizes)
- Stay Competitive with Compensation
- Long Range Planning (Facilities, Properties, Etc.)

These priorities help focus the work of the Board, the district, and the community as we all work together to improve the lives of all students and staff.

Annual Audit

State statutes require an annual audit by independent certified public accountants. The accounting firm of Plante and Moran, PLLC 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, 2022. 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,



Todd Lambert
Superintendent



Jonathan Levesque
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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX
PRINCIPAL OFFICIALS

Board of Education



Angela Christensen
President
Term: 2021–2025



Robert Reichardt
Vice President
Term: 2019–2023



Lindley McCrary
Treasurer
Term: 2019–2023



Andrew Graham
Secretary
Term: 2021–2025



Joan Anderssen
Assistant Secretary
Term: 2021–2025

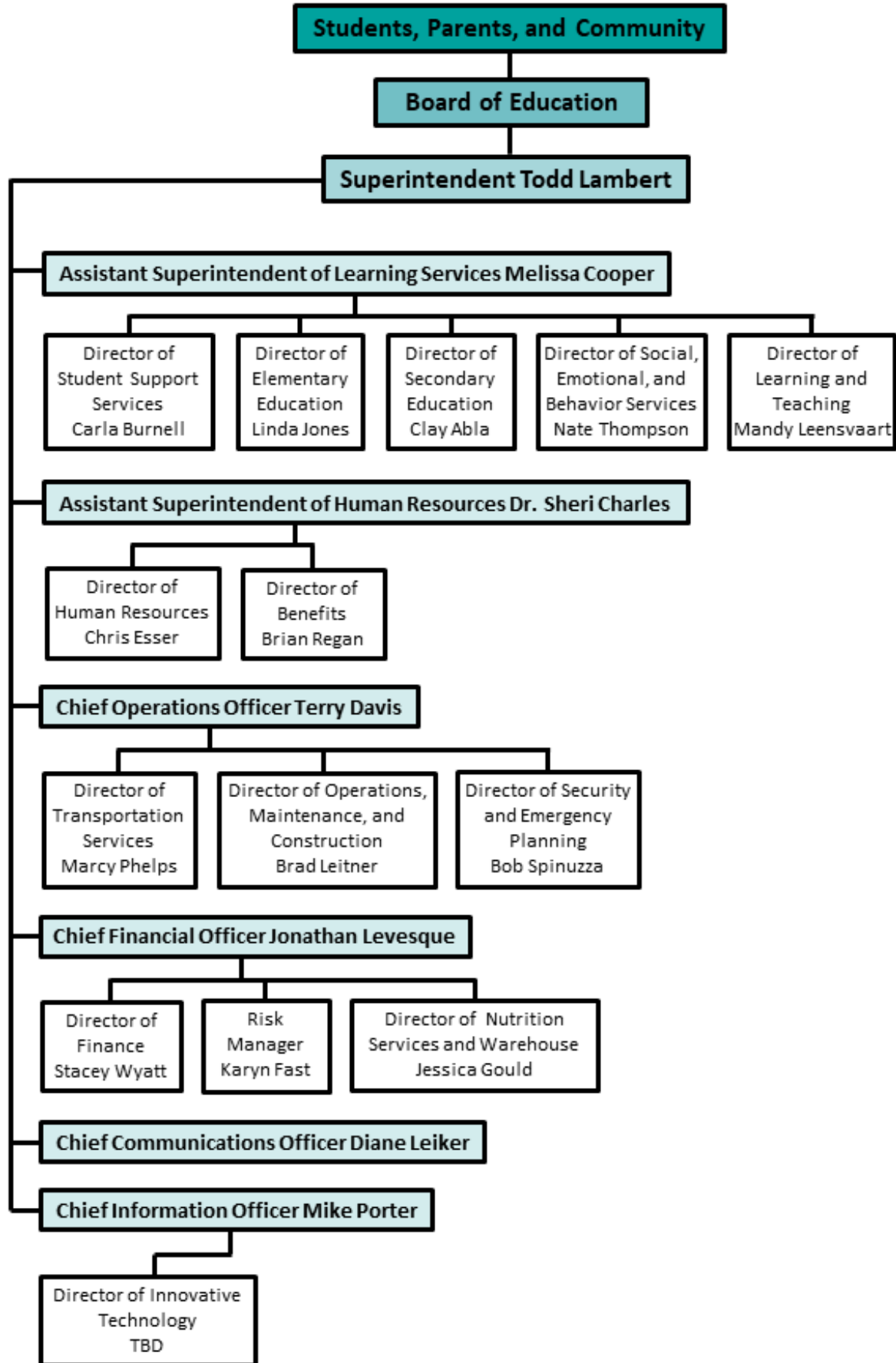
Superintendent and Superintendent’s Staff

Dr. Todd Lambert Superintendent
Melissa Cooper Assistant Superintendent of Learning Services
Dr. Sheri Charles Assistant Superintendent of Human Resources
Terry Davis Chief Operations Officer
Jonathan Levesque Chief Financial Officer
Diane Leiker Chief Communications Officer
Mike Porter Chief Information 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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