

ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX



Comprehensive Annual Financial Report

For the
Fiscal Year Ended
June 30, 2011

Littleton Public Schools
5776 S. Crocker Street
Littleton, Colorado 80120



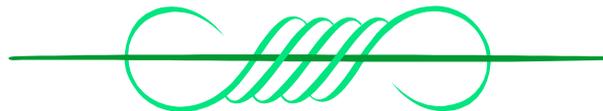
ON THE COVER— *Top of page:* (Euclid Middle School). *Middle of page from left to right:* (Lenski Elementary). *Bottom of page:* (Lenski Elementary).

**ARAPAHOE COUNTY
SCHOOL DISTRICT
NUMBER SIX**

Littleton, Colorado

**Comprehensive Annual
Financial Report**

**For the Fiscal Year
Ended June 30, 2011**



Prepared by Financial Services

**Scott G. Myers
Chief Financial Officer**

**Donna M. Holstlaw
Director of Finance and Risk Management**

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October 28, 2011

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, 2011, and for the fiscal year then ended, is hereby submitted. Colorado state law requires that each local government undergo an annual audit of the financial statements by independent certified public accountants, in accordance with generally accepted auditing standards. This report fulfills that requirement.

Responsibility for the accuracy, completeness and fairness of the information presented in this report rests with the management of the District, based upon a comprehensive framework of internal control that it has established for this purpose. The District's financial services department prepared this report which contains management's representations concerning the finances of the District. To the best of our knowledge and belief, the enclosed data are accurate in all material respects, reported in a manner to present fairly the financial position and results of operations of the District's funds. As the cost of internal controls should not outweigh the benefits, the outcome is to provide reasonable, rather than absolute, assurance the financial statement 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*. This reporting standard is intended to parallel private sector reporting by consolidating governmental activities and business-type activities into a single total column for government-wide activities. GASB statement 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 the MD&A and should be read in conjunction with it.

Fax Numbers

Board/Superintendent 303-347-3439 • Instruction 303-347-4394 • Business Services 303-347-3460
Human Resources 303-347-3384 • Property Management 303-347-3454
School/Community Relations & Communications • 303-347-3476

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

Profile of the District

Arapahoe County School District Number Six, commonly referred to as Littleton Public Schools (LPS), is a political subdivision of the State of Colorado and a corporate body duly organized in 1889 for the purpose of operating and maintaining an educational program for the school-age children residing within its boundaries. The District provides a full range of educational programs and services, including K-12 instruction, special education and special education preschool, vocational education, and numerous other programs. The number of students enrolled in fiscal year 2010-2011 was 15,506.

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

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

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

Factors Affecting Financial Condition

State and local economy The recovery of Colorado's economy has slowed along with the national economy. Consumer spending lost momentum through the summer and the state's employment growth stalled in August, 2011. Construction activity has begun to awaken in small pockets of the state, but overall the state's housing and non-residential real estate markets continue to struggle. The Denver metropolitan economy is expected to perform similarly to the national economy and will likely experience a drag on growth as all levels of government pull back on spending.

Colorado's labor market has shown significant improvement over the past 20 months driven by corporate profits and consumer sentiment starting to trend upward. Labor statistics show that Colorado gained 29,600 jobs between January, 2010 and August, 2011. However, business and consumer sentiment fell through the summer and Colorado lost 1,800 jobs in August, 2011. The unemployment rate had declined from over 9.0 percent to 8.5 percent during the summer of 2011, but is expected to remain high through 2012. Whether Colorado's employment begins to

pick up once again, stalls, or continues to lose ground will depend on the health of the national economy.

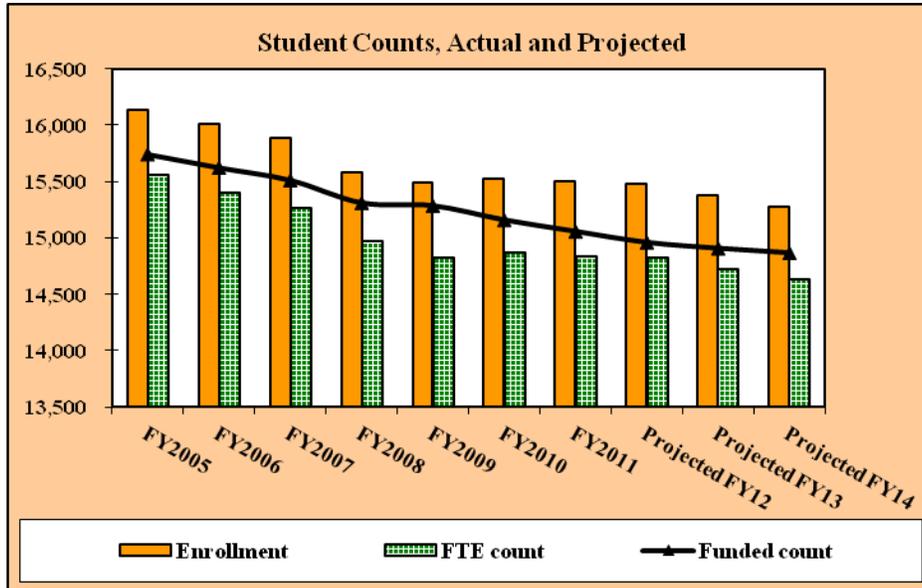
Consumer spending continued to rebound through the last quarter of 2010, but slowed during the first half of calendar year 2011 as consumers sought to pay off debt, grappled with continued high unemployment, rising food and gasoline prices, and slow wage growth. Colorado retail sales fell faster than the nation in 2009, before accelerating at rates faster than the nation in the second half of 2010. After decreasing 11.3 percent in 2009, retail trade grew back at a brisk 6.6 percent rate in 2010 as consumers recovered from the fright from the financial crisis. Growth in retail sales is expected to slow over the rest of calendar year 2011 and remain subdued through 2012.

Inflation, as measured by the Denver-Boulder-Greeley Consumer Price Index (CPI), increased 3.8 percent in the first half of 2011 compared with the first half of 2010. Inflation is expected to be 3.2 percent in 2011 compared to the 1.9 percent in 2010. Prices are expected to increase at a more moderate 2.2 percent rate in 2012 because of ongoing weakness in the economy.

Colorado's housing market is seeing a very slow recovery as economic growth is slowing and consumers are less confident about the economy. Many homeowners are unable to sell their homes because values are less than mortgages owed, and vacancies and foreclosures continued to place downward pressure on prices. The softness in the housing market is driven by more uncertainty in national and global economies as consumers are less confident about the economic recovery. Foreclosure filings have been falling since peaking in 2009. The sustained declines in filings suggest that households are participating in lender programs to avoid foreclosure. Home prices in the Denver metropolitan area have held up much better than most other metropolitan areas.

The state's current projections indicate further reductions to K-12 funding may be made during fiscal 2012-2013. The state's current forecasts show that Colorado school districts, already hit with a 6.6 percent cut in funding for fiscal 2011 and 12.97 percent in fiscal 2012, could face more reductions of funding. The state budget is projected to be approximately \$500.0 million short for the fiscal year that ends in June, 2013. The governor's office must present a 2012-2013 spending plan to the legislature's Joint Budget Committee by November, 2011. With no additional federal stimulus money, the cuts to education could be deeper. The District is planning for additional funding reductions and will develop a budget balancing plan incorporating the \$12.0 million of additional revenues from a property tax mill levy override approved by voters in the November, 2010 general election.

Enrollment The District has been experiencing declining enrollment since the 2001-2002 school year. This declining enrollment continues to challenge the District to provide services and keep a balanced budget while maintaining necessary reserves. The District's funded pupil count declined by 102 students in fiscal 2010-2011. Long-range projections indicate that funded pupil counts will continue to decline. The full-time equivalent count is less than enrollment due to one-half day kindergarten students.



Long-term financial planning The District continuously updates long-range financial projections, which are regularly reviewed and considered by the Board. These include forecasts of student enrollment, upon which school funding is computed. With the continued financial difficulties of the state and its inability to adequately fund education, the forecast indicates that budgetary efficiencies and reductions will need to be continually sought and considered by the Board. Proposition 103, which will be included on the state’s November, 2011 general election ballot would generate through increased income and sales taxes an estimated \$500.0 million annually starting in 2012 until it sunsets five years later. This could provide some relief to further education funding reductions if approved by voters until more permanent funding solutions are found.

Strategic Plan The superintendent and staff work closely with the Board of Education to ensure that the Adopted Budget takes into account the Strategic Plan. The 2006 - 2012 Strategic Plan, adopted August, 2006, included a mission statement “To educate all students for the future by challenging every individual to continuously learn, achieve, and act with purpose and compassion.” Along with this mission, the District’s achievement goal is 90 percent of all students will be on or above grade level in reading, math, writing, and science by 2011-2012.

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

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its CAFR for the fiscal year ended June 30, 2010. 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.

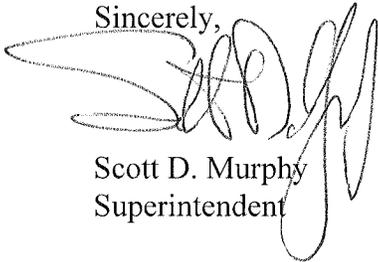
The Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the award program's requirements, and we are submitting it to GFOA to determine its eligibility for a new Certificate of Achievement.

The Meritorious Budget Award was conferred by the Association of School Business Officials International to the District for its fiscal year 2010-2011 budget document.

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, without the leadership and support of the Board of Education of the District preparation of this report would not have been possible.

Sincerely,



Scott D. Murphy
Superintendent



Scott G. Myers
Chief Financial Officer

ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX
CAFR AWARD CERTIFICATE

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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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

Board of Education

Bob Colwell President
Renée Howell Vice President
Sue Chandler Secretary
Mary Nichols Assistant Secretary
Lucie Stanish Treasurer

Superintendent's Staff

Scott Murphy Superintendent
Connie Bouwman Assistant Superintendent of Learning Services
Lori Kinney Assistant Superintendent of Human Resources

MISSION STATEMENT

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

**ARAPAHOE COUNTY SCHOOL DISTRICT NUMBER SIX
ORGANIZATIONAL CHART**

