

**LIBERTY COMMON SCHOOL**

**FINANCIAL STATEMENTS**

**June 30, 2017**

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Board of Directors  
Liberty Common School  
Fort Collins, Colorado

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Liberty Common School, component unit of Poudre School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of Liberty Common School, 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. 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 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 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 business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Liberty Common School as of June 30, 2017, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 9 to the financial statements, the financial statements as of and for the year ended June 30, 2016, have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

**Other Matters (Required Supplementary Information)**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information 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 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 Matters (Other Information)**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Liberty Common School's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 the 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



November 30, 2017

**Liberty Common School**  
**An authorized charter school of Poudre School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2017**

*This section of the financial report is a required component of the annual audit for governmental organizations and is intended to help explain the financial activity for the fiscal year ended June 30, 2017, through a brief narrative overview and analysis of financial statements. All interested persons are encouraged to read this report and to review the financial statements in conjunction with the descriptions of activity as highlighted below.*

**Financial Highlights**

- For fiscal year 2107, Liberty Common School (the School) experienced a decrease in the general fund balance of (\$855k) due to the contribution of \$910k to the LCS Building Corporation for the purchase of land adjacent to the LCHS building located at 2745 Minnesota Drive, Fort Collins CO.
- The net position for the LCS Building Corporation increased to \$1,789,647 from prior year (\$552,183) due to the land acquisition and the gymnasium expansion at the LCHS building.

**Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction to Liberty Common School's financial statements. This report generally follows the guidelines as set forth by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This rule was intended to help make reports easier to understand for oversight bodies, in particular the Liberty Common School Board of Directors, and for the general public. The report consists of two parts: Management's Discussion and Analysis (this section) and the Basic Financial Statements. The Basic Financial Statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements which provide additional and more detailed information.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the School's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the School's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The *statement of activities* presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and

expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements include not only Liberty Common School itself (known as the *primary government*), but also blended component units of the School. Financial information for LCS Building Corporation (LCSBC), a legally separate organization, is for all practical purposes a part of the School and is blended with the primary government. The Core Knowledge Charter School Foundation (the Foundation), also legally separate, functions, for all practical purposes, as a department for Liberty Common School, and therefore has been included within the financial statements of the general fund. The government-wide financial statements can be found on pages of 1-4 of this report.

### **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Liberty Common School uses fund account to ensure and demonstrate compliance with finance-related legal requirements. The School reports six funds, four of which are a governmental fund: the general fund, pupil activity fund (Athletics), special revenue fund (CKCS Foundation), and capital projects fund. An enterprise fund (LCSBC), and a fiduciary fund, student activities fund (extra-curricular clubs, etc.) Government funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact for the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The School adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the general fund, athletics fund and capital projects fund to demonstrate compliance with this budget.

The basic governmental funds financial statements can be found on pages 1-4 of this report.

The enterprise fund accounts for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Enterprise funds are considered major funds because of community interest in the activities and sources of funding supporting these operations.

Enterprise fund statements can be found on pages 5-7 of this report.

The fiduciary fund accounts for resources held for student activities. The fiduciary fund is not included in the government-wide financial statements because the resources of this fund are not available to support LCS's own operations.

Fiduciary fund statement can be found on page 8 and 30 of this report.

**Notes to Financial Statements**

The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 9 of this report.

**Government-wide Financial Analysis**

The statements of net position may serve over time as a useful indicator of the School’s financial position. The School’s liabilities and deferred inflows of resources exceeded assets and deferred outflows of resource by \$11,575,019 at the end of FY16-17. This net deficit was primarily due to the adoption of accounting standards GASB No. 68 and GASB No. 71 in fiscal year 2015.

The School has debt in excess of its investment in capital assets (site improvements, instructional equipment, computers, and other equipment). The School uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Approximately \$284,000 of net position is restricted to comply with the TABOR amendment. The remaining net position is unrestricted and may be used to meet the School’s ongoing obligations.

<b>Table A-1</b>				
<b>Condensed Statement of Net Position</b>				
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Current assets	3,153,576	4,836,395	826,497	493,365
Cash and investments- restricted	-	-	2,145,327	3,847,666
Pre-paids and other assets	66,439	33,123	-	-
Capital assets	328,726	844,481	18,008,589	15,458,037
<b>Total assets</b>	<b>3,548,741</b>	<b>5,713,999</b>	<b>20,980,413</b>	<b>19,799,069</b>
Deferred outflows of resources:				
Deferred outflows related to pension	10,664,661	1,736,790	-	-
Loss deferred on bond refundings	-	-	120,201	158,551
<b>Total assets &amp; deferred outflows of resources</b>	<b>14,213,402</b>	<b>7,450,789</b>	<b>21,100,614</b>	<b>19,957,620</b>
Current liabilities	626,815	512,439	889,587	1,705,467
Long-term liabilities	26,798,118	13,336,749	18,421,380	18,804,335
<b>Total liabilities</b>	<b>27,424,933</b>	<b>13,849,188</b>	<b>19,310,967</b>	<b>20,509,803</b>
Deferred inflows of resources:				
Deferred inflows related to pension	153,135	189,027	-	-

Total liabilities & deferred inflows of resources	27,578,068		19,310,967	20,509,803
Net investment in capital assets	315,862	844,481	(682,590)	(2,140,664)
Restricted for:				
Debt service	-	-	1,509,773	2,031,919
Repair & replacement of facility	-	-	240,296	240,105
TABOR	284,000	270,000	-	-
Committed for:				
Bond requirements	1,092,963	1,092,963		
Unrestricted	(15,057,491)	(8,794,879)	722,168	(683,543)
<b>Total net position</b>	<b>(13,364,666)</b>	<b>(6,587,426)</b>	<b>1,789,647</b>	<b>(552,183)</b>

### Governmental activities

	Governmental Activities		Business-Type Activities	
	2017	2016	2017	2016
<b>Revenues</b>				
Program revenues:				
Charges for services	362,376	260,428	2,931,402	1,186,540
Capital construction grant	302,535	275,035	-	-
Operating grant & contributions	299,339	296,774	-	-
General revenues:				
Unrestricted earnings on investments	8,580	3,969	3,885	1,330
Per pupil operating revenue	7,674,674	7,548,846	-	-
Mill levy overrides	677,797	675,297	-	-
Miscellaneous	8,625	27,808	-	-
<b>Total revenues</b>	<b>9,333,927</b>	<b>9,088,158</b>	<b>2,935,287</b>	<b>1,187,870</b>
<b>Transfers:</b>	<b>(1,660,000)</b>	<b>-</b>		
<b>Expenses:</b>				
Instructional- student support	4,336,023	6,292,982	-	-
Other support services	4,464,754	2,485,919	526,840	413,546
Interest on debt	-	-	922,817	866,349
Student activities- athletics	123,374		-	-
Capital outlay	487,575		-	-
<b>Total expenses</b>	<b>9,411,726</b>	<b>8,910,838</b>	<b>1,449,657</b>	<b>1,279,895</b>



Change in net position	(1,737,800)	177,320	1,485,630	(92,025)
Net position – beginning	4,330,999	(6,764,746)	(522,183)	(460,158)
Net position - ending	2,593,199	(6,587,426)	933,447	(552,183)

### Financial Analysis of the Government’s Funds

Liberty Common School uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

### General Fund

The general fund is used to capture all operating activities of the School. As of the end of the current fiscal year, the School’s general fund reported an ending fund balance of \$2,352,099. Of this balance, approximately \$284,000 is restricted to indicate that it is not available for spending primarily because it is required to be maintained to comply with the TABOR amendment. An additional \$1,092,963 has been committed by the School’s Board of Directors, as discussed in Note 9 to the financial statements.

### Non-Major Governmental Funds

#### •Pupil Activities – Special Revenue Fund

The pupil activities – special revenue fund is used to record all transactions relating to athletics. The athletic participation fees and revenues recorded are used for the expenses of student athletics events and activities.

#### •Capital Projects Fund

The capital projects fund is used to account for revenues assigned for ongoing capital needs such as building additions and remodeling and equipment purchases.

### General Fund Budgetary Highlights

- Expenditures for the general fund were \$54,261 under budget
- Expenditures for the Special Revenue Fund- Athletics were \$58,281 under budget with the carryover funds subsidizing fall sports
- Expenditures for the Capital Projects Fund were \$922,060 under budget as planned projects carried over into the FY17-18

### Capital Asset and Debt Administration

Liberty Common School’s investment in capital assets increased by \$2,336,521 due to the purchase of land, campus expansion at the upper school and vestibule build-out at the elementary school.

In December of 2015, the Colorado Educational and Cultural Authority (CECFA) issued \$3,125,000 of Charter School Revenue Bonds, Series 2015, on behalf of the LCS Building Corporation to build a gymnasium at the upper school and a vestibule at the elementary school. The School is required to make monthly lease payments to the LCS Building Corp. for the use of the buildings. The LCS Building Corporation is responsible for making the required loan payments to the Bond Trustee for payment of

the bond interest and principal obligations that are due. The details of long-term debt are in Note 3 and 4 to the financial statements.

<b>Table A-3</b>		
<b>Capital Assets</b>		
<b>Net of Accumulated Depreciation</b>		
	<b>2017</b>	<b>2016</b>
<b>Governmental Activities</b>		
Site Improvements	-	711,992
Equipment	259,018	48,252
Vehicles	55,859	71,373
Water rights	12,864	12,864
<b>Net capital assets</b>	<b>327,741</b>	<b>844,481</b>
<b>Business Type-Activities</b>		
Land	2,443,720	1,528,455
Construction in progress	-	2,487,529
Building & site improvements	15,564,869	11,600,604
<b>Net capital assets</b>	<b>18,008,589</b>	<b>15,616,588</b>

Additional information on capital assets can be found in Note 3 and on pages 14 and 15 of this report.

#### **Long-term debt**

The School currently has no debt. LCSBC, however, carries total bonded debt outstanding of \$19,005,000. The \$19,005,000 represents \$14,365,000 Series 2014A Charter School Revenue Bonds, \$1,570,000 Series 2014B Charter School Revenue Bonds, and \$3,070,000 Series 2015 Charter School Revenue Bonds.

<b>Table A-4</b>			
<b>Outstanding Long-Term Debt</b>			
	<b>2017</b>	<b>2016</b>	<b>Total Percentage Change</b>
<b>Business Type Activities</b>			
Bonds payable	<b>19,005,000</b>	<b>19,375,000</b>	<b>1.9%</b>
Less discount	<b>(193,620)</b>	<b>(200,666)</b>	<b>3.5%</b>
<b>Bonds payable</b>	<b>18,811,380</b>	<b>19,174,334</b>	<b>1.9%</b>

Additional information on long-term debt and the related facility lease can be found in Note 4 and on page 16 of this report.

### **Economic Factors and Next Year's Budgets**

Elementary School enrollment stays consistent from prior year with full 3-track enrollment for grades K-6<sup>th</sup>. Future years are projected to sustain full tracks due to a strong lottery list that is cleaned annually.

Upper School enrollment in the 7<sup>th</sup> and 8<sup>th</sup> grade increased slightly from prior year, prior year 177 funded pupil count increased to 179 funded pupil count. These grades are near full-enrollment (180 FPC) and are project to sustain full tracks due to a strong lottery list. High School enrollment (9<sup>th</sup> through 12<sup>th</sup> grade) increased enrollment from prior year by 25 FPC.

New students interested in the School are placed on a lottery list that is cleaned annually. Over 800 prospective students were on the list as of June 30, 2017. Prospective students on the lottery list have projected enrollment dates spanning five years, to the 2021-2022 academic year. The School's governing board will amend the 2017-2018 operating budget and adjust for actual fall enrollment and per pupil operating revenue, in addition to adjusting other categorical expense areas when October count enrollment and funding levels are known. The amended budget process begins in November and the governing budget typically approves the amended budget at the December Board of Director's meeting.

### **Requests for Information**

This financial report is designed to provide a general overview of Liberty Common school's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be address to the Financial Operations Manager.

Katrina Brossia  
Liberty Common School,  
1725 Sharp Point Drive  
Fort Collins, CO 80023

## **BASIC FINANCIAL STATEMENTS**

## LIBERTY COMMON SCHOOL

STATEMENT OF NET POSITION

June 30, 2017

	PRIMARY GOVERNMENT			COMPONENT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	UNIT FOUNDATION
<b>ASSETS</b>				
Cash and Investments	\$ 3,153,576	\$ 826,497	\$ 3,980,073	\$ 135,420
Restricted Cash and Investments	-	2,145,327	2,145,327	-
Accounts Receivable	14,938	-	14,938	7,609
Prepaid Expenses	51,501	-	51,501	-
Capital Assets, Not Being Depreciated	12,864	2,443,720	2,456,584	-
Capital Assets, Net of Accumulated Depreciation	315,862	15,564,869	15,880,731	-
<b>TOTAL ASSETS</b>	<b>3,548,741</b>	<b>20,980,413</b>	<b>24,529,154</b>	<b>143,029</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Loss on Debt Refunding, Net of Accumulated Amortization	-	120,201	120,201	-
Pensions, Net of Accumulated Amortization	10,664,661	-	10,664,661	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>10,664,661</b>	<b>120,201</b>	<b>10,784,862</b>	<b>-</b>
<b>LIABILITIES</b>				
Accounts Payable	223,327	-	223,327	-
Accrued Salaries and Benefits	334,884	-	334,884	-
Unearned Revenues	68,604	104,329	172,933	-
Accrued Interest Payable	-	395,258	395,258	-
Noncurrent Liabilities				
Due Within One Year	-	390,000	390,000	-
Due in More Than One Year	-	18,421,380	18,421,380	-
Net Pension Liability	26,798,118	-	26,798,118	-
<b>TOTAL LIABILITIES</b>	<b>27,424,933</b>	<b>19,310,967</b>	<b>46,735,900</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pensions, Net of Accumulated Amortization	153,135	-	153,135	-
<b>NET POSITION</b>				
Net Investment in Capital Assets	315,862	(682,590)	(366,728)	-
Restricted for Debt Service	-	1,509,773	1,509,773	-
Restricted for Repair and Replacement	-	240,296	240,296	-
Restricted for Emergencies	284,000	-	284,000	-
Unrestricted	(13,964,528)	722,168	(13,242,360)	143,029
<b>TOTAL NET POSITION</b>	<b>\$ (13,364,666)</b>	<b>\$ 1,789,647</b>	<b>\$ (11,575,019)</b>	<b>\$ 143,029</b>

The accompanying notes are an integral part of the financial statements.

## LIBERTY COMMON SCHOOL

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities</b>				
Instruction	\$ 7,468,583	\$ 177,341	\$ 167,223	\$ 186,787
Supporting Services	4,787,553	125,481	-	-
Total Governmental Activities	12,256,136	302,822	167,223	186,787
<b>Business-Type Activities</b>				
Building Corporation	1,420,456	-	-	-
TOTAL PRIMARY GOVERNMENT	\$ 12,256,136	\$ 302,822	\$ 167,223	\$ 186,787
<b>COMPONENT UNIT</b>				
Foundation	\$ 76,293	\$ -	\$ -	\$ -

## GENERAL REVENUES

Per Pupil Revenue

Additional At-Risk Funding

District Mill Levy

Capital Construction

Grants and Contributions not

Restricted to Specific Programs

Investment Income

Other

## TRANSFERS

## TOTAL GENERAL REVENUES AND TRANSFERS

## CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

The accompanying notes are an integral part of the financial statements.

NET EXPENSE (REVENUE) AND CHANGE IN NET POSITION

PRIMARY GOVERNMENT		COMPONENT	
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	UNIT FOUNDATION
\$ (6,937,232)	\$ -	\$ (6,937,232)	\$ -
(4,662,072)	-	(4,662,072)	-
(11,599,304)	-	(11,599,304)	-
-	(1,420,456)	(1,420,456)	-
(11,599,304)	(1,420,456)	(13,019,760)	-
-	-	-	(76,293)
7,674,674	-	7,674,674	-
228	-	228	-
677,797	-	677,797	-
302,535	-	302,535	-
-	-	-	140,601
8,550	3,885	12,435	32
13,311	-	13,311	15,930
(3,828,951)	3,828,951	-	-
4,848,144	3,832,836	8,680,980	156,563
(6,751,160)	2,412,380	(4,338,780)	80,270
(6,613,506)	(622,733)	(7,236,239)	62,759
\$ (13,364,666)	\$ 1,789,647	\$ (11,575,019)	\$ 143,029

## LIBERTY COMMON SCHOOL

BALANCE SHEET  
GOVERNMENTAL FUNDS  
 June 30, 2017

	<u>GENERAL</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
<b>ASSETS</b>			
Cash and Investments	\$ 2,822,446	\$ 331,130	\$ 3,153,576
Accounts Receivable	14,723	215	14,938
Prepaid Expenditures	43,005	8,496	51,501
	<u>2,880,174</u>	<u>339,841</u>	<u>3,220,015</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,880,174</u>	<u>\$ 339,841</u>	<u>\$ 3,220,015</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 124,587	\$ 98,740	\$ 223,327
Accrued Salaries and Benefits	334,884	-	334,884
Unearned Revenues	68,604	-	68,604
	<u>528,075</u>	<u>98,740</u>	<u>626,815</u>
<b>TOTAL LIABILITIES</b>	<u>528,075</u>	<u>98,740</u>	<u>626,815</u>
<b>FUND BALANCES</b>			
Nonspendable Prepaid Expenditures	43,005	8,496	51,501
Restricted for Emergencies	284,000	-	284,000
Committed to Capital Projects	-	163,564	163,564
Assigned to Athletics	-	69,041	69,041
Unrestricted, Unassigned	2,025,094	-	2,025,094
	<u>2,352,099</u>	<u>241,101</u>	<u>2,593,200</u>
<b>TOTAL FUND BALANCES</b>	<u>2,352,099</u>	<u>241,101</u>	<u>2,593,200</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 2,880,174</u>	<u>\$ 339,841</u>	<u>\$ 3,220,015</u>

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balances of Governmental Funds	\$ 2,593,200
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	328,726
Long-term liabilities and related items, including net pension liability (\$26,798,118), pension-related deferred outflows of resources \$10,664,661, and pension-related deferred inflows of resources (\$153,135), are not due and payable in the current year and, therefore, are not reported in governmental funds.	<u>(16,286,592)</u>
<b>Total Net Position of Governmental Activities</b>	<u>\$ (13,364,666)</u>

The accompanying notes are an integral part of the financial statements.



LIBERTY COMMON SCHOOL

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2017

	<u>GENERAL</u>	NONMAJOR <u>GOVERNMENTAL</u> <u>FUNDS</u>	<u>TOTAL</u>
REVENUES			
Local Sources	\$ 8,800,052	\$ 63,889	8,863,941
State Sources	469,986	-	469,986
TOTAL REVENUES	<u>9,270,038</u>	<u>63,889</u>	<u>9,333,927</u>
EXPENDITURES			
Current			
Instruction	4,336,023	121,743	4,457,766
Supporting Services	4,464,754	1,631	4,466,385
Capital Outlay	-	487,575	487,575
TOTAL EXPENDITURES	<u>8,800,777</u>	<u>610,949</u>	<u>9,411,726</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>469,261</u>	<u>(547,060)</u>	<u>(77,799)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	415,000	415,000
Transfers Out	(1,325,000)	(750,000)	(2,075,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,325,000)</u>	<u>(335,000)</u>	<u>(1,660,000)</u>
NET CHANGE IN FUND BALANCES	(855,739)	(882,060)	(1,737,799)
FUND BALANCES, Beginning	<u>3,207,838</u>	<u>1,123,161</u>	<u>4,330,999</u>
FUND BALANCES, Ending	<u>\$ 2,352,099</u>	<u>\$ 241,101</u>	<u>\$ 2,593,200</u>

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balances of Governmental Funds	\$ (1,737,799)
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense (\$65,670) and loss on disposals (\$686,095) exceeded capital outlay \$236,010 in the current year.	(515,755)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change in net pension liability (\$13,461,369), pension-related deferred outflows of resources \$8,927,871, and pension-related deferred inflows of resources \$35,892 in the current year.	<u>(4,497,606)</u>
Change in Net Position of Governmental Activities	<u>\$ (6,751,160)</u>

The accompanying notes are an integral part of the financial statements.

LIBERTY COMMON SCHOOL  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
June 30, 2017

	<u>BUILDING CORPORATION</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and Investments	\$ 826,497
Restricted Cash and Investments	<u>2,145,327</u>
<b>TOTAL CURRENT ASSETS</b>	<u>2,971,824</u>
<b>NONCURRENT ASSETS</b>	
Capital Assets, Not Being Depreciated	2,443,720
Capital Assets, Net of Accumulated Depreciation	<u>15,564,869</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>18,008,589</u>
<b>TOTAL ASSETS</b>	<u>20,980,413</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Loss on Debt Refunding, Net of Accumulated Amortization	<u>120,201</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Unearned Revenues	104,329
Accrued Interest Payable	395,258
Loans Payable, Current Portion	<u>390,000</u>
<b>TOTAL CURRENT LIABILITIES</b>	889,587
<b>NONCURRENT LIABILITIES</b>	
Loans Payable	<u>18,421,380</u>
<b>TOTAL LIABILITIES</b>	<u>19,310,967</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	(682,590)
Restricted for Debt Service	1,509,773
Restricted for Repair and Replacement	240,296
Unrestricted	<u>722,168</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 1,789,647</u></u>

The accompanying notes are an integral part of the financial statements.

LIBERTY COMMON SCHOOL

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
Year Ended June 30, 2017

	<u>BUILDING CORPORATION</u>
OPERATING REVENUES	
Charges for Services	\$ 1,271,402
OPERATING EXPENSES	
Purchased Services	7,132
Depreciation	494,708
Debt Service	
Interest	918,616
TOTAL OPERATING EXPENSES	<u>1,420,456</u>
NET OPERATING INCOME (LOSS)	<u>(149,054)</u>
NONOPERATING REVENUES	
Investment Income	3,885
NET INCOME (LOSS) BEFORE CONTRIBUTED CAPITAL AND TRANSFERS	(145,169)
Contributed Capital Assets	897,549
Transfers In	<u>1,660,000</u>
CHANGE IN NET POSITION	2,412,380
NET POSITION, Beginning	<u>(622,733)</u>
NET POSITION, Ending	<u>\$ 1,789,647</u>

The accompanying notes are an integral part of the financial statements.

## LIBERTY COMMON SCHOOL

STATEMENT OF CASH FLOWSPROPRIETARY FUND

Increase (Decrease) in Cash and Cash Equivalents

Year Ended June 30, 2017

	<u>BUILDING CORPORATION</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Lease Payments Received	\$ 1,271,024
Cash Paid to Suppliers	(7,132)
Loan Principal Paid	(370,000)
Loan Interest Paid	(879,635)
	<hr/>
Net Cash Provided (Used) by Operating Activities	14,257
	<hr/>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Construction and Acquisition of Capital Assets	(2,888,798)
Transfers from Other Funds	1,660,000
	<hr/>
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,228,798)
	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Income Received	3,885
	<hr/>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(1,210,656)
	<hr/>
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	4,182,480
	<hr/>
<b>CASH AND CASH EQUIVALENTS, Ending</b>	\$ 2,971,824
	<hr/> <hr/>
<b>RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Net Operating Income (Loss)	\$ (149,054)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	494,708
Amortization of Loss on Refunding	38,349
Amortization of Discounts	7,046
Changes in Assets and Liabilities	
Unearned Revenues	(378)
Accrued Interest Payable	(6,414)
Loans Payable	(370,000)
	<hr/>
Net Cash Provided (Used) by Operating Activities	\$ 14,257
	<hr/> <hr/>
<b>NONCASH CAPITAL TRANSACTIONS</b>	
Contributed Capital Assets	\$ 897,549
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

LIBERTY COMMON SCHOOL

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUND

June 30, 2017

	<u>STUDENT ACTIVITIES</u>
ASSETS	
Cash and Investments	<u>\$ 68,818</u>
LIABILITIES	
Accounts Payable	9,545
Due to Component Unit	7,609
Due to Student Groups	<u>51,664</u>
TOTAL LIABILITIES	<u>\$ 68,818</u>

The accompanying notes are an integral part of the financial statements.

LIBERTY COMMON SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Liberty Common School (the “School”) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Poudre School District (the “District”).

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the School’s more significant accounting policies.

**Reporting Entity**

The financial reporting entity consists of the School, organizations for which the School is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the School. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. Legally separate organizations for which the School is financially accountable are considered part of the reporting entity. Financial accountability exists if the School appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if there is a potential for the organization to provide benefits to, or impose financial burdens on, the School. Based on the application of this criteria, the School includes the following entities in its reporting entity.

The LCS Building Corporation (the “Corporation”) was organized to hold title to real or personal property for, and to make same available for use by, the School. The Corporation is blended into the School’s financial statements as an enterprise fund. Separate financial statements for the Corporation are available at the School.

The Knowledge Charter School Foundation (the “Foundation”) is a non-profit entity formed exclusively for charitable and educational purposes, and currently provides support exclusively to the School. The Foundation has a separate governing board. The Foundation is discretely presented in the School’s financial statements and does not issue separate financial statements.

The School is a component unit of the District. The School’s charter was authorized by the District and the majority of the School’s funding is provided by the District.

**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 nonfiduciary activities of the School and its component units. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The *primary government* is reported separately from the legally separate *component unit* for which the School is financially accountable.

LIBERTY COMMON SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Government-wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted revenues not properly included among program revenues are reported instead as *general revenues*.

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

**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*, as is the proprietary fund in the fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The agency fund financial statements are reported using the accrual basis of accounting.

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. Available means collected within the current year or soon enough thereafter to pay liabilities of the current year, not to exceed 60 days. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The School reports the following major governmental and proprietary funds:

*General Fund* - This is the general operating fund of the School. It is currently used to account for all financial activities of the School, except those accounted for in another fund.

LIBERTY COMMON SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation** (Continued)

*Building Corporation* - This fund is used to account for the financial activities of the Corporation, primarily related to the acquisition of capital assets and the related debt service.

Additionally, the School reports the following fund type:

The *Agency Fund* is used to account for resources used to support student activities. The School holds all resources in a purely custodial capacity.

**Assets, Liabilities and Fund Balances/Net Position**

*Cash Equivalents* - For purposes of the statement of cash flows, cash equivalents include investments with original maturities of three months or less.

*Receivables* - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

*Prepaid Expenses* - Certain payments to vendors reflect costs applicable to future years and are reported as prepaid expenses.

*Capital Assets* - Capital assets, which include land, buildings, and equipment, are reported in the government-wide financial statements and the proprietary fund in the fund financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation. Interest incurred during construction is included in the capitalized value of capital assets in the business-type activities and the enterprise fund.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported in the statement of net position in the government-wide financial statements and the proprietary fund in the fund financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method.

Buildings	40 years
Land Improvements	7 - 20 years
Equipment	3 - 15 years
Vehicles	5 - 7 years

*Accrued Salaries and Benefits* - Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period, generally from August to July, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, are reported as a liability of the General Fund.

*Unearned Revenues* - Unearned revenues include grants received before eligibility requirements established by the provider have been met, and resources received by the School or Corporation before they have a legal claim to them, including tuition, fees and rent.



LIBERTY COMMON SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities and Fund Balances/Net Position (Continued)**

*Long-Term Debt* - In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums, discounts, and accounting losses resulting from debt refundings are deferred and amortized over the life of the debt using the straight-line method. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

*Pensions* - The School participates in the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan 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 and deductions from the SDTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the SDTF. 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.

*Net Position/Fund Balances* - In the government-wide and fund financial statements, net position and fund balances are restricted when constraints placed on the use of resources are externally imposed. The Board of Directors is authorized to establish a fund balance commitment through passage of a resolution, and may assign fund balances to a specific purpose through an informal action.

The School has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the School uses restricted fund balance first, followed by committed, assigned and unassigned balances.

**Risk Management**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School carries commercial insurance for these risks of loss.

**NOTE 2: CASH AND INVESTMENTS**

At June 30, 2017, cash and investments consisted of the following:

Deposits	\$ 3,576,939
Investments	<u>2,617,279</u>
Total	<u>\$ 6,194,218</u>

LIBERTY COMMON SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 2: CASH AND INVESTMENTS (Continued)**

Cash and investments are reported in the financial statements as follows:

Cash	\$ 3,980,073
Restricted Investments	2,145,327
Agency Fund Cash	<u>68,818</u>
Total	<u><b>\$ 6,194,218</b></u>

**Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to 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. The PDPA allows the financial 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 uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2017, the School had bank deposits of \$2,609,309 collateralized with securities held by the financial institutions' agents but not in the School's name. The Corporation had uninsured deposits of \$587,391.

**Investments**

The School is required to comply with State statutes which specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

*Fair Value Measurements* - At June 30, 2017, the School's investment in the local government investment pool and the Corporation's investment in a money market fund were reported at the net asset value per share.

*Interest Rate Risk* - State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years.

*Credit Risk* - State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with the Securities and Exchange Commission's Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by one or more nationally recognized statistical rating organizations. At June 30, 2017, the Corporation had \$2,145,327 invested in a money market fund rated AAAM by Standard and Poor's.

LIBERTY COMMON SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 2: CASH AND INVESTMENTS (Continued)**

**Investments (Continued)**

*Concentration of Credit Risk* - State statutes do not limit the amount the School may invest in a single issuer of investments securities, except for corporate securities.

*Local Government Investment Pool* - At June 30, 2017, the School had \$471,952 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates in conformity with the Securities and Exchange Commission's Rule 2a-7, with each share valued at \$1. Colotrust is rated AAAM by Standard and Poor's. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

**Restricted Investments**

At June 30, 2017, the Corporation had investments of \$2,145,327 restricted for future debt service and building repair and replacement.

**NOTE 3: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017, is summarized below. Certain prior year balances have been reclassified to conform to the current year presentation.

	<u>Balances</u> 6/30/16	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 6/30/17
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Water Rights	\$ 12,864	\$ -	\$ -	\$ 12,864
Capital Assets, Being Depreciated				
Land Improvements	854,037	-	854,037	-
Equipment	479,181	236,010	394,167	321,024
Vehicles	91,000	-	-	91,000
Total Capital Assets, Being Depreciated	<u>1,424,218</u>	<u>236,010</u>	<u>1,248,204</u>	<u>412,024</u>
Less Accumulated Depreciation				
Land Improvements	(167,942)	-	(167,942)	-
Equipment	(405,032)	(50,156)	(394,167)	(61,021)
Vehicles	(19,627)	(15,514)	-	(35,141)
Total Accumulated Depreciation	<u>(592,601)</u>	<u>(65,670)</u>	<u>(562,109)</u>	<u>(96,162)</u>
Capital Assets, Being Depreciated, Net	<u>831,617</u>	<u>170,340</u>	<u>686,095</u>	<u>315,862</u>
Governmental Activities Capital Assets, Net	<u>\$ 844,481</u>	<u>\$ 170,340</u>	<u>\$ 686,095</u>	<u>\$ 328,726</u>

Depreciation expense of the governmental activities was charged to the supporting services program.

LIBERTY COMMON SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 3: CAPITAL ASSETS (Continued)**

	<u>Balances</u> 6/30/16	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 6/30/17
<b>Business-Type Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 1,528,455	\$ 915,265	\$ -	\$ 2,443,720
Construction in Progress	<u>2,543,008</u>	<u>1,933,680</u>	<u>4,476,688</u>	<u>-</u>
Total Capital Assets, Not Being Depreciated	<u>4,071,463</u>	<u>2,848,945</u>	<u>4,476,688</u>	<u>2,443,720</u>
Capital Assets, Being Depreciated				
Buildings	13,799,526	4,363,314	-	18,162,840
Land Improvements	757,300	16,956	-	774,256
Equipment	<u>79,898</u>	<u>78,702</u>	<u>21,356</u>	<u>137,244</u>
Total Capital Assets, Being Depreciated	<u>14,636,724</u>	<u>4,458,972</u>	<u>21,356</u>	<u>19,074,340</u>
Less Accumulated Depreciation				
Buildings	(2,544,509)	(454,651)	-	(2,999,160)
Land Improvements	(411,712)	(35,068)	-	(446,780)
Equipment	<u>(79,898)</u>	<u>(4,989)</u>	<u>(21,356)</u>	<u>(63,531)</u>
Total Accumulated Depreciation	<u>(3,036,119)</u>	<u>(494,708)</u>	<u>(21,356)</u>	<u>(3,509,471)</u>
Capital Assets, Being Depreciated, Net	<u>11,600,605</u>	<u>3,964,264</u>	<u>-</u>	<u>15,564,869</u>
Business-Type Activities Capital Assets, Net	<u><b>\$15,672,068</b></u>	<u><b>\$ 6,813,209</b></u>	<u><b>\$ 4,476,688</b></u>	<u><b>\$18,008,589</b></u>

**NOTE 4: LONG-TERM DEBT**

Following is a summary of the long-term debt transactions for the year ended June 30, 2017:

	<u>Balance</u> 6/30/16	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> 6/30/17	<u>Due Within</u> <u>One Year</u>
<b>Business-Type Activities</b>					
2014 Building Loan	\$ 16,250,000	\$ -	\$ 315,000	\$ 15,935,000	\$ 320,000
2014 Loan Discount	(149,340)	-	(5,334)	(144,006)	-
2015 Building Loan	3,125,000	-	55,000	3,070,000	70,000
2015 Loan Discount	<u>(51,326)</u>	<u>-</u>	<u>(1,712)</u>	<u>(49,614)</u>	<u>-</u>
Total	<u><b>\$19,174,334</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 362,954</b></u>	<u><b>\$18,811,380</b></u>	<u><b>\$ 390,000</b></u>

In March, 2014, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$15,150,000 Charter School Refunding and Improvement Revenue Bonds, Series 2014A, and \$1,640,000 Charter School Revenue Bonds, Series 2014B. Bond proceeds were used to refund the Charter School Revenue Refunding and Improvement Bonds, Series 2003, originally loaned to the Corporation to finance improvements to the School's education facilities, and the Charter School Revenue Bonds, Series 2011, originally loaned to the Corporation to acquire and construct a middle/high school facility.

LIBERTY COMMON SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 4: LONG-TERM DEBT (Continued)**

Interest accrues on the bonds at rates ranging from 3% to 5.625% per annum and is payable semi-annually on January 15 and July 15. Principal payments are due on January 15, from 2015 through 2044.

In December, 2015, CECFA issued \$3,125,000 Charter School Revenue Bonds, Series 2015. Bond proceeds were loaned to the Corporation to finance improvements to the School's education facilities. Interest accrues on the bonds at rates ranging from 2% to 4% per annum and is payable semi-annually on January 15 and July 15. Principal payments are due on January 15, from 2017 through 2046.

The School is obligated under a lease agreement to make monthly payments to the Corporation for using the education facilities. The Corporation is required to make equal loan payments to the Trustee, for payment of the bonds. Future debt service requirements for the bonds are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 390,000	\$ 861,950	\$ 1,251,950
2019	400,000	850,294	1,250,294
2020	420,000	835,288	1,255,288
2021	425,000	822,600	1,247,600
2022	440,000	809,763	1,249,763
2023 - 2027	2,465,000	3,797,900	6,262,900
2028 - 2032	3,080,000	3,181,319	6,261,319
2033 - 2037	3,850,000	2,414,588	6,264,588
2038 - 2042	4,895,000	1,379,344	6,274,344
2043 - 2046	<u>2,640,000</u>	<u>218,331</u>	<u>2,858,331</u>
Total	<u>\$ 19,005,000</u>	<u>\$ 15,171,377</u>	<u>\$ 34,176,377</u>

**NOTE 5: INTERFUND TRANSACTIONS**

During the year ended June 30, 2017, the General Fund subsidized the activities of the Athletics Fund through a transfer of \$50,000, and transferred \$365,000 to the Capital Projects Fund for future capital projects. In addition, the School provided \$1,660,000 to the Corporation to assist with the current facility improvement projects.

**NOTE 6: DEFINED BENEFIT PENSION PLAN**

**General Information**

*Plan Description* - The School contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). All employees of the School participate in the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the SDTF. That report may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

LIBERTY COMMON SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)**

**General Information** (Continued)

*Benefits Provided* - The SDTF provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement. The retirement benefit is the greater of the a) highest average salary multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the participant's contribution account plus an equal match on the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors. In no case can the benefit amount exceed the highest average salary or the amount allowed by applicable federal regulations.

Retirees may elect to withdraw their contributions upon termination of employment, and may be eligible to receive a matching amount if five years of service credit is earned and certain other criteria is met. Retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) as established by State statutes. Retirees who began employment before January 1, 2007, receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average consumer price index for the prior calendar year. Retirees that began employment after January 1, 2007, receive an annual increase of the lesser of 2% or the average consumer price index for the prior calendar year, with certain limitations.

Disability benefits are available for plan participants once they reach five years of earned service credit and meet the definition of a disability. The disability benefit amount is based on the retirement benefit formula described previously, considering a minimum of twenty years of service credit.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure in place, and the qualified survivor receiving the benefits.

*Contributions* - The School and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The School's contribution rate for calendar years 2016 and 2017 was 19.15% and 19.65% of covered salaries, respectively. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 7). The School's contributions to the SDTF for the year ended June 30, 2017, were \$798,689, equal to the required contributions.

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

At June 30, 2017, the School reported a net pension liability of \$26,798,118, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at December 31, 2016, and the 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.

LIBERTY COMMON SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)**

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

The School's proportion of the net pension liability was based on the School's contributions to the SDTF for the calendar year ended December 31, 2016, relative to the contributions of all participating employers. At December 31, 2016, the School's proportion was 0.0900054997%, which was an increase of 0.0028046931% from its proportion measured at December 31, 2015.

For the year ended June 30, 2017, the School recognized pension expense of \$5,245,220. At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 331,498	\$ 230
Changes of assumptions and other inputs	8,695,431	117,081
Net difference between projected and actual earnings on plan investments	870,178	-
Changes in proportion	330,537	35,824
Contributions subsequent to the measurement date	<u>437,017</u>	<u>-</u>
Total	<b><u>\$ 10,664,661</u></b>	<b><u>\$ 153,135</u></b>

School contributions subsequent to the measurement date of \$437,017 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,

2018	\$ 4,042,277
2019	4,026,859
2020	1,996,435
2021	<u>8,938</u>
Total	<b><u>\$ 10,074,509</u></b>

*Actuarial Assumptions* - The actuarial valuation as of December 31, 2015, determined the total pension liability using the following actuarial assumptions and other inputs. On November 18, 2016, PERA's governing board adopted revised economic and demographic assumptions, which were effective on December 31, 2016, and which were reflected in the roll-forward calculation of the total pension liability from December 31, 2015, to December 31, 2016, as follows:

LIBERTY COMMON SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)**

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

	<u>Assumptions</u>	<u>Revised Assumptions</u>
Price inflation	2.8%	2.4%
Real wage growth	1.1%	1.1%
Wage inflation	3.9%	3.5%
Salary increases, including wage inflation	3.9% - 10.1%	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.5%	7.25%
Discount rate	7.5%	5.26%
Future post-retirement benefit increases:		
Hired prior to 1/1/07	2%	2%
Hired after 12/31/06	ad hoc	ad hoc

Mortality rates were based on the RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with males set back one year, and females set back two years. Active member mortality was adjusted to 55 percent of the base rate for males and 40 percent for females. For disabled retirees, the RP-2000 Disabled Retiree Mortality Table was used, set back two years.

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 governing board on November 13, 2012, and an economic assumption study adopted by PERA's governing board on November 15, 2013, and January 17, 2014.

As a result of a 2016 experience analysis, revised economic and demographic actuarial assumptions were adopted by PERA's governing board on November 18, 2016, to more closely reflect PERA's actual experience. The revised assumptions reflected in the roll-forward of the total pension liability included healthy mortality assumptions for active members using the RP-2014 White Collar Employee Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates. For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected rate of return on plan investments was determined using 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 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.

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as follows:



LIBERTY COMMON SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)**

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

<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><u>100.00%</u></u>	

*Discount Rate* - The discount rate used to measure the total pension liability was 5.26%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently require annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103%, the employer contribution rate will decrease 0.5% each year, to a minimum of 10.15%.

Based on the assumptions described previously, the SDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate, defined as the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index, was used in the determination of the discount rate. The long-term expected rate of return of 7.25% on plan investments was applied to all periods through 2041, and the municipal bond index rate was applied to periods after 2041 to develop the discount rate. On the measurement date of December 31, 2016, the municipal bond index rate was 3.86%, resulting in a discount rate of 5.26%. The discount rate at the prior measurement date was 7.5%.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* - The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 5.26%, as well as the School's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower (4.26%) or one percentage point higher (6.26%) than the current rate, as follows:

LIBERTY COMMON SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)**

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

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	<b><u>\$ 33,697,772</u></b>	<b><u>\$ 26,798,118</u></b>	<b><u>\$ 21,178,599</u></b>

*Pension Plan Fiduciary Net Position* - Detailed information about the SDTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**NOTE 7: POSTEMPLOYMENT HEALTHCARE BENEFITS**

*Plan Description* - The School contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by the PERA. The HCTF provides a health care premium subsidy to PERA benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained by contacting PERA as described previously.

*Funding Policy* - The School is required to contribute at a rate of 1.02% of covered salaries for all PERA participants. No employee contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The School's apportionment to the HCTF for the years ended June 30, 2017, 2016 and 2015 was \$41,993, \$40,000 and \$35,400, respectively, equal to the required amounts for each year.

**NOTE 8: COMMITMENTS AND CONTINGENCIES**

**Claims and Judgments**

The School participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the School may be required to reimburse the other government. At June 30, 2017, significant amounts of related expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

LIBERTY COMMON SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 8: COMMITMENTS AND CONTINGENCIES (Continued)**

**Tabor Amendment**

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2017, the reserve was reported as restricted fund balance in the General Fund in the amount of \$284,000.

**NOTE 9: RESTATEMENTS**

During the year ended June 30, 2017, the School and the Corporation restated previous financial statements to correct misstatements. As a result, beginning net position and fund balances were restated as follows.

	Governmental				
	<u>Activities</u>	<u>General Fund</u>	<u>Agency Fund</u>	<u>Corporation</u>	<u>Foundation</u>
Balances, June 30, 2016, as Originally Stated	\$ (6,587,426)	\$ 3,233,918	\$ 72,979	\$ (552,183)	\$ -
Foundation Presentation	(26,080)	(26,080)	(36,679)	-	62,759
Debt Issuance Costs	-	-	-	(126,029)	-
Capitalized Interest	-	-	-	55,479	-
Balances, June 30, 2016, as Restated	<u>\$ (6,613,506)</u>	<u>\$ 3,207,838</u>	<u>\$ 36,300</u>	<u>\$ (622,733)</u>	<u>\$ 62,759</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

LIBERTY COMMON SCHOOL

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
AND CONTRIBUTIONS

PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO SCHOOL DIVISION TRUST FUND

June 30, 2017

	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY			
School's Proportion of the Net Pension Liability	0.0900054997%	0.0872008066%	0.0877874598%
School's Proportionate Share of the Net Pension Liability	\$ 26,798,118	\$ 13,336,749	\$ 11,898,151
School's Covered Payroll	\$ 4,039,608	\$ 3,800,191	\$ 3,677,665
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	663%	351%	324%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	43%	59%	63%
	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>
SCHOOL CONTRIBUTIONS			
Statutorily Required Contribution	\$ 756,696	\$ 695,577	\$ 621,305
Contributions in Relation to the Statutorily Required Contribution	<u>(756,696)</u>	<u>(695,577)</u>	<u>(621,305)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 4,116,967	\$ 3,920,951	\$ 3,708,370
Contributions as a Percentage of Covered Payroll	18.38%	17.74%	16.75%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

See the accompanying Independent Auditors' Report.

## LIBERTY COMMON SCHOOL

BUGETARY COMPARISON SCHEDULEGENERAL FUND

Year Ended June 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
<b>REVENUES</b>				
<b>Local Sources</b>				
Per Pupil Revenue	\$ 7,530,555	\$ 7,680,000	\$ 7,674,674	\$ (5,326)
District Mill Levy	672,535	672,535	677,797	5,262
Tuition and Fees	92,300	204,913	113,581	(91,332)
Food Service Fees	130,000	137,000	125,481	(11,519)
Grants and Contributions	-	270,000	186,787	(83,213)
Investment Income	-	7,257	8,421	1,164
Other	-	3,442	13,311	9,869
Total Local Sources	<u>8,425,390</u>	<u>8,975,147</u>	<u>8,800,052</u>	<u>(175,095)</u>
<b>State Sources</b>				
Additional At-Risk Funding	-	-	228	228
Capital Construction	294,180	302,000	302,535	535
Grants	145,577	163,000	167,223	4,223
Total State Sources	<u>439,757</u>	<u>465,000</u>	<u>469,986</u>	<u>4,986</u>
<b>TOTAL REVENUES</b>	<u>8,865,147</u>	<u>9,440,147</u>	<u>9,270,038</u>	<u>(170,109)</u>
<b>EXPENDITURES</b>				
<b>Instruction</b>				
Salaries	3,102,136	3,000,000	2,951,905	48,095
Benefits	946,000	875,000	856,525	18,475
Purchased Services	200,000	265,000	254,974	10,026
Supplies and Materials	180,000	225,000	209,844	15,156
Property	13,000	80,000	62,343	17,657
Other	1,419	1,000	432	568
Total Instruction	<u>4,442,555</u>	<u>4,446,000</u>	<u>4,336,023</u>	<u>109,977</u>
<b>Supporting Services</b>				
Salaries	1,320,751	1,441,000	1,402,916	38,084
Benefits	431,068	450,000	434,658	15,342
Purchased Services	2,048,923	2,124,500	2,085,165	39,335
Supplies and Materials	426,250	383,147	368,653	14,494
Property	136,200	171,000	164,734	6,266
Other	59,400	9,500	8,628	872
Total Supporting Services	<u>4,422,592</u>	<u>4,579,147</u>	<u>4,464,754</u>	<u>114,393</u>
Reserves	<u>1,358,918</u>	<u>1,368,217</u>	<u>-</u>	<u>1,368,217</u>
<b>TOTAL EXPENDITURES</b>	<u>10,224,065</u>	<u>10,393,364</u>	<u>8,800,777</u>	<u>1,592,587</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,358,918)</u>	<u>(953,217)</u>	<u>469,261</u>	<u>1,422,478</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	<u>-</u>	<u>(1,325,000)</u>	<u>(1,325,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(1,358,918)</u>	<u>(2,278,217)</u>	<u>(855,739)</u>	<u>1,422,478</u>
FUND BALANCE, Beginning	<u>3,080,229</u>	<u>3,233,918</u>	<u>3,207,838</u>	<u>(26,080)</u>
FUND BALANCE, Ending	<u>\$ 1,721,311</u>	<u>\$ 955,701</u>	<u>\$ 2,352,099</u>	<u>\$ 1,396,398</u>

See the accompanying Independent Auditors' Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017

**NOTE 1: SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS**

The Public Employees' Retirement Association of Colorado School Division Trust Fund's net pension liability and associated amounts are measured annually at December 31, based on an actuarial valuation as of the previous December 31. The School's contributions and related ratios represent cash contributions and any related accruals that coincide with the School's fiscal year ending on June 30.

**Changes in Assumptions and Other Inputs**

For the year ended June 30, 2017, the total pension liability was determined by an actuarial valuation as of December 31, 2015. In addition, the following revised economic and demographic assumptions were effective as of December 31, 2016, and were reflected in the roll-forward procedures to determine the total pension liability at December 31, 2016.

- Investment rate of return assumption decreased from 7.5% per year, compounded annually, net of investment expenses, to 7.25%.
- Price inflation assumption decreased from 2.8% per year to 2.4%.
- Real rate of investment return assumption increased from 4.7% per year, net of investment expenses, to 4.85%.
- Wage inflation assumption decreased from 3.9% per year to 3.5%.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables, updated from the RP-2000 Mortality Tables.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY****Budgets and Budgetary Accounting**

Budgets are required by State statutes for all funds, and are adopted on a basis consistent with generally accepted accounting principles (GAAP). The School adheres to the following procedures to establish the budgetary information reported in the financial statements.

- By April 30, management submits to the Board of Directors a proposed budget for the General Fund for the fiscal year commencing the following July 1. By June 30, proposed budgets for the remaining funds are submitted to the Board of Directors. The budgets include proposed expenditures and the means of financing them.
- Prior to June 30, the budgets are adopted by the Board of Directors.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- All budget appropriations lapse at fiscal year end.

**SUPPLEMENTARY INFORMATION**



LIBERTY COMMON SCHOOL  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2017

	ATHLETICS	CAPITAL PROJECTS	TOTAL
<b>ASSETS</b>			
Cash and Investments	\$ 69,678	\$ 261,452	\$ 331,130
Accounts Receivable	215	-	215
Prepaid Expenditures	-	8,496	8,496
	<u>\$ 69,893</u>	<u>\$ 269,948</u>	<u>\$ 339,841</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 852	\$ 97,888	\$ 98,740
	<u>\$ 852</u>	<u>\$ 97,888</u>	<u>\$ 98,740</u>
<b>FUND BALANCES</b>			
Nonspendable Prepaid Expenditures	-	8,496	8,496
Committed to Capital Projects	-	163,564	163,564
Assigned to Athletics	69,041	-	69,041
	<u>69,041</u>	<u>172,060</u>	<u>241,101</u>
<b>TOTAL FUND BALANCES</b>	<u>69,041</u>	<u>172,060</u>	<u>241,101</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 69,893</u>	<u>\$ 269,948</u>	<u>\$ 339,841</u>

See the accompanying Independent Auditors' Report.

## LIBERTY COMMON SCHOOL

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2017

	<u>ATHLETICS</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL</u>
REVENUES			
Local Sources	\$ 63,760	\$ 129	\$ 63,889
EXPENDITURES			
Current			
Instruction	121,743	-	121,743
Supporting Services	1,631	-	1,631
Capital Outlay	-	487,575	487,575
TOTAL EXPENDITURES	<u>123,374</u>	<u>487,575</u>	<u>610,949</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(59,614)</u>	<u>(487,446)</u>	<u>(547,060)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	50,000	365,000	415,000
Transfers Out	-	(750,000)	(750,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>50,000</u>	<u>(385,000)</u>	<u>(335,000)</u>
NET CHANGE IN FUND BALANCES	(9,614)	(872,446)	(882,060)
FUND BALANCES, Beginning	<u>78,655</u>	<u>1,044,506</u>	<u>1,123,161</u>
FUND BALANCES, Ending	<u>\$ 69,041</u>	<u>\$ 172,060</u>	<u>\$ 241,101</u>

See the accompanying Independent Auditors' Report.

## LIBERTY COMMON SCHOOL

BUGETARY COMPARISON SCHEDULEATHLETICS FUND

Year Ended June 30, 2017

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Activity Fees	\$ 53,000	\$ 53,000	\$ 63,760	\$ 10,760
EXPENDITURES				
Salaries	60,000	50,500	54,781	(4,281)
Benefits	13,000	20,000	21,239	(1,239)
Purchased Services	27,010	31,000	30,522	478
Supplies and Materials	15,000	15,500	12,296	3,204
Property	15,000	15,000	-	15,000
Other	8,000	6,000	4,536	1,464
Reserves	63,208	43,655	-	43,655
TOTAL EXPENDITURES	<u>201,218</u>	<u>181,655</u>	<u>123,374</u>	<u>58,281</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(148,218)	(128,655)	(59,614)	69,041
OTHER FINANCING SOURCES				
Transfers In	<u>148,218</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	(78,655)	(9,614)	69,041
FUND BALANCE, Beginning	<u>-</u>	<u>78,655</u>	<u>78,655</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,041</u>	<u>\$ 69,041</u>

See the accompanying Independent Auditors' Report.

## LIBERTY COMMON SCHOOL

BUGETARY COMPARISON SCHEDULECAPITAL PROJECTS FUND

Year Ended June 30, 2017

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Investment Income	\$ 121	\$ -	\$ 129	\$ 129
EXPENDITURES				
Capital Outlay	-	1,409,506	487,575	921,931
Reserves	1,051,121	-	-	-
TOTAL EXPENDITURES	1,051,121	1,409,506	487,575	921,931
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,051,000)	(1,409,506)	(487,446)	922,060
OTHER FINANCING SOURCES (USES)				
Transfers In	1,051,000	365,000	365,000	-
Transfers Out	-	-	(750,000)	(750,000)
TOTAL OTHER FINANCING SOURCES (USES)	1,051,000	365,000	(385,000)	(750,000)
NET CHANGE IN FUND BALANCE	-	(1,044,506)	(872,446)	172,060
FUND BALANCE, Beginning	-	1,044,506	1,044,506	-
FUND BALANCE, Ending	\$ -	\$ -	\$ 172,060	\$ 172,060

See the accompanying Independent Auditors' Report.

LIBERTY COMMON SCHOOL

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUND

June 30, 2017

	<u>BALANCES</u> 6/30/16	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCES</u> 6/30/17
<b>Student Activities Fund</b>				
<b>ASSETS</b>				
Cash and Investments	<u>\$ 36,300</u>	<u>\$ 169,755</u>	<u>\$ 137,237</u>	<u>\$ 68,818</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ 9,545	\$ -	\$ 9,545
Due to Component Unit	-	7,609	-	7,609
Due to Student Groups	<u>36,300</u>	<u>152,601</u>	<u>137,237</u>	<u>51,664</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 36,300</u>	<u>\$ 169,755</u>	<u>\$ 137,237</u>	<u>\$ 68,818</u>

See the accompanying Independent Auditors' Report.