

**Liberty Common School**

**Financial Statements**

**June 30, 2019**



**HINKLE &  
COMPANY**  
*Strategic* <sup>PC</sup>  
*Business Advisors*

**Liberty Common School**  
Notes to Financial Statements  
June 30, 2019

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## **Independent Auditors' Report**

Board of Directors  
Liberty Common School  
Fort Collins, Colorado

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, 2019, 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, 2019, 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.

### **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.

### **Supplementary 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.

*Hick & Company, PC*

Greenwood Village, Colorado  
October 3, 2019



**Liberty Common School**  
***An authorized charter school of Poudre School District***  
***Management's Discussion and Analysis***  
***For the Fiscal Year Ended June 30, 2019***

*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, 2019, 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 2019, Liberty Common School (the School) experienced an increase in the general fund balance of \$207,441.
- The net position for the LCS Building Corporation decreased to \$1,723,762 from prior year \$1,820,023.

**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, is discretely presented in the financial statements. The government-wide financial statements can be found on pages 3-4 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 accounting to ensure and demonstrate compliance with finance-related legal requirements. The School reports five funds, three of which are a governmental fund: the general fund, pupil activity fund (Athletics), 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 balances 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 5-7 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 fund statements can be found on pages 8-10 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 statements can be found on page 11 and 38 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 12 of this report.

## **Government-wide Financial Analysis**

The statement 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 \$10,928,710 at the end of FY18-19. This net deficit was primarily due to the adoption of accounting standards GASB No. 68 and GASB No. 71 in fiscal year 2015 and GASB No. 75 in fiscal year 2018.

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 \$300,000 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.

**Table A-1**  
**Condensed Statement of Net Position**

	Governmental Activities		Business-Type Activities	
	2019	2018	2019	2018
Currents assets	3,937,236	3,600,706	848,591	811,253
Cash and investments - restricted	-	-	2,144,767	2,135,030
Prepays and other assets	222,480	45,709	-	-
Capital assets	305,986	312,076	17,217,004	17,714,223
Total assets	<u>4,465,702</u>	<u>3,958,491</u>	<u>20,210,362</u>	<u>20,660,506</u>
Deferred outflows of resources:				
Deferred outflows related to pension & OPEB	7,224,734	8,852,612	-	-
Loss deferred on bond refundings	-	-	36,456	81,851
Total assets & deferred outflows of resources	<u>11,690,436</u>	<u>12,811,103</u>	<u>20,246,818</u>	<u>20,742,357</u>
Currents liabilities	496,019	496,609	907,639	893,909
Long-term liabilities	14,859,315	29,986,760	17,615,417	18,028,425
Total liabilities	<u>15,355,334</u>	<u>30,483,369</u>	<u>18,523,056</u>	<u>18,922,334</u>
Deferred inflows of resources:				
Deferred inflows related to pension & OPEB	8,999,588	1,224,002	-	-
Total liabilities & deferred inflows of resources	<u>24,354,922</u>	<u>31,707,371</u>	<u>18,523,056</u>	<u>18,922,334</u>
Net investment in capital assets	305,986	312,076	(781,957)	(632,351)
Restricted for:				
Debt service	-	-	1,516,497	1,503,980
Repair & replacement of facility	-	-	241,970	241,332
TABOR	300,000	290,000		
Unrestricted	<u>(13,258,458)</u>	<u>(19,498,344)</u>	<u>747,252</u>	<u>707,062</u>
Total net position	<u><u>(12,652,472)</u></u>	<u><u>(18,896,268)</u></u>	<u><u>1,723,762</u></u>	<u><u>1,820,023</u></u>

## Governmental Activities

**Table A-2**  
**Condensed Statement of Activities**

	Governmental Activities		Business-Type Activities	
	2019	2018	2019	2018
<b>Revenues:</b>				
Program revenues:				
Charges for services	237,201	187,231		
Operating grants and contributions	197,836	238,009		
General revenues:				
Per pupil operating revenue	8,520,998	8,080,270		
Additional At-Risk funding	100	195		
Mill levy overrides	987,769	779,539		
Capital construction grant	482,023	293,059		
Grants & contributions not restricted to specific program	615	100,369		
Unrestricted earnings on investments	49,600	24,811	41,254	16,532
Other	9,783	15,258	-	2,530
Total revenues	10,485,925	9,718,740	41,254	19,062
<b>Transfers:</b>	(1,281,227)	(1,450,023)	1,319,638	1,450,023
<b>Expenses:</b>				
Instructional - student support	1,339,275	8,142,269	-	-
Other support services	1,621,627	5,018,668	561,158	536,905
Interest on debt	-	-	895,995	901,804
Total expenses	2,960,902	13,160,937	1,457,153	1,438,709
Change in net position	6,243,796	(4,892,220)	(96,261)	30,376
Net position - beginning	(18,896,268)	(14,004,048)	1,820,023	1,789,647
Net position - ending	(12,652,472)	(18,896,268)	1,723,762	1,820,023

### 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 \$2,971,691. Of this balance, approximately \$300,000 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.

**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.

**Capital Asset and Debt Administration**

Liberty Common School's investment in capital assets decreased by \$(503,309).

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 4.

**Table A-3**  
**Capital Assets**  
**Net of Accumulated Depreciation**

	2019	2018
<b>Governmental Activities</b>		
Equipment	208,267	240,574
Vehicles	84,855	58,638
Water rights	12,864	12,864
Net capital assets	<u>305,986</u>	<u>312,076</u>
<b>Business-Type Activities</b>		
Land	2,443,720	2,443,720
Building & site improvements	14,773,284	15,270,503
Net capital assets	<u>17,217,004</u>	<u>17,714,223</u>

*\* Additional information on capital assets can be found in Note 3 and on pages 18 and 19 of this report*

## Long-term debt

The School currently has no debt. LCSBC, however, carries total bonded debt outstanding of \$18,215,000.

**Table A-4**  
**Outstanding Long-Term Debt**

	2019	2018	Total Percentage Change
<b>Business-Type Activities</b>			
Bonds payable	18,215,000	18,615,000	2.1%
Less discount	<u>(179,583)</u>	<u>(186,575)</u>	3.7%
Bonds payable	<u>18,035,417</u>	<u>18,428,425</u>	2.1%

**\* Additional information on long-term debt and the related facility lease can be found in Note 4**

## 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 183 funded pupil count increased to 185 funded pupil count. These grades are at full-enrollment (180 FPC) and are projected 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 4 FPC.

New students interested in the School are placed on a lottery list that is cleaned annually. 1035 prospective students were on the list as of June 30, 2019. Prospective students on the lottery list include kindergarten students enrolling for fall 2020 through 10<sup>th</sup> grade students graduating in 2022. The School's governing board will amend the 2019-2020 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 October 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 Director of Finance.

Katrina Brossia  
Director of Finance  
Liberty Common School  
1725 Sharp Point Drive  
Fort Collins, CO 80525

## **Basic Financial Statements**

**Liberty Common School**  
Statement of Net Position  
June 30, 2019

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit Foundation
<b>Assets</b>				
Cash and Investments	\$ 3,937,236	\$ 848,591	\$ 4,785,827	\$ 372,902
Restricted Cash and Investments	-	2,144,767	2,144,767	-
Accounts Receivable	12,014	-	12,014	-
Prepaid Expenses	222,480	-	222,480	-
Capital Assets, <i>Not Being Depreciated</i>	12,864	2,443,720	2,456,584	-
Capital Assets, <i>Net of Accumulated Depreciation</i>	293,122	14,773,284	15,066,406	-
<b>Total Assets</b>	<b>4,477,716</b>	<b>20,210,362</b>	<b>24,688,078</b>	<b>372,902</b>
<b>Deferred Outflows of Resources</b>				
Loss on Debt Refunding, <i>Net of Accumulated Amortization</i>	-	36,456	36,456	-
Pensions, <i>Net of Accumulated Amortization</i>	7,187,996	-	7,187,996	-
OPEB, <i>Net of Accumulated Amortization</i>	36,738	-	36,738	-
<b>Total Deferred Outflows of Resources</b>	<b>7,224,734</b>	<b>36,456</b>	<b>7,261,190</b>	<b>-</b>
<b>Liabilities</b>				
Accounts Payable	106,036	-	106,036	-
Accrued Salaries and Benefits	389,983	-	389,983	-
Unearned Revenues	-	104,607	104,607	-
Accrued Interest Payable	-	383,032	383,032	-
Noncurrent Liabilities				
Due Within One Year	-	420,000	420,000	-
Due in More Than One Year	-	17,615,417	17,615,417	-
Net Pension Liability	14,345,862	-	14,345,862	-
Net OPEB Liability	513,453	-	513,453	-
<b>Total Liabilities</b>	<b>15,355,334</b>	<b>18,523,056</b>	<b>33,878,390</b>	<b>-</b>
<b>Deferred Inflows of Resources</b>				
Pensions, <i>Net of Accumulated Amortization</i>	8,994,040	-	8,994,040	-
OPEB, <i>Net of Accumulated Amortization</i>	5,548	-	5,548	-
<b>Total Deferred Inflows of Resources</b>	<b>8,999,588</b>	<b>-</b>	<b>8,999,588</b>	<b>-</b>
<b>Net Position</b>				
Net Investment in Capital Assets	305,986	(781,957)	(475,971)	-
Restricted for:				
Debt Service	-	1,516,497	1,516,497	-
Repair and Replacement	-	241,970	241,970	-
Emergencies	300,000	-	300,000	-
Unrestricted	(13,258,458)	747,252	(12,511,206)	372,902
<b>Total Net Position</b>	<b>\$ (12,652,472)</b>	<b>\$ 1,723,762</b>	<b>\$ (10,928,710)</b>	<b>\$ 372,902</b>

See Notes to Financial Statements.

**Liberty Common School**  
**Statement of Activities**  
**For the Year Ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position			Component Unit Foundation
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
<b>Primary Government</b>							
<i>Governmental Activities</i>							
Instruction	\$ 1,339,275	\$ 232,954	\$ 180,754	\$ (925,567)	\$ -	\$ (925,567)	\$ -
Supporting Services	<u>1,621,627</u>	<u>4,247</u>	<u>17,082</u>	<u>(1,600,298)</u>	<u>-</u>	<u>(1,600,298)</u>	<u>-</u>
Total Governmental Activities	<u>2,960,902</u>	<u>237,201</u>	<u>197,836</u>	<u>(2,525,865)</u>	<u>-</u>	<u>(2,525,865)</u>	<u>-</u>
<i>Business-Type Activities</i>							
Building Corporation	<u>1,457,153</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,457,153)</u>	<u>(1,457,153)</u>	<u>-</u>
Total Primary Government	<u>\$ 4,418,055</u>	<u>\$ 237,201</u>	<u>\$ 197,836</u>	<u>(2,525,865)</u>	<u>(1,457,153)</u>	<u>(3,983,018)</u>	<u>-</u>
<b>Component Unit</b>							
Foundation	<u>\$ 104,202</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(104,202)</u>
<b>General Revenues</b>							
Per Pupil Revenue				8,520,998	-	8,520,998	-
Additional At-Risk Funding				100	-	100	-
District Mill Levy				987,769	-	987,769	-
Capital Construction				482,023	-	482,023	-
Grants and Contributions not Restricted to Specific Programs				615	-	615	234,967
Investment Income				49,600	41,254	90,854	-
Other				9,783	-	9,783	11,925
<b>Transfers</b>				<u>(1,281,227)</u>	<u>1,319,638</u>	<u>38,411</u>	<u>-</u>
Total General Revenues and Transfers				<u>8,769,661</u>	<u>1,360,892</u>	<u>10,130,553</u>	<u>246,892</u>
Change in Net Position				6,243,796	(96,261)	6,147,535	142,690
<b>Net Position, Beginning of year</b>				<u>(18,896,268)</u>	<u>1,820,023</u>	<u>(17,076,245)</u>	<u>230,212</u>
<b>Net Position, End of year</b>				<u>\$ (12,652,472)</u>	<u>\$ 1,723,762</u>	<u>\$ (10,928,710)</u>	<u>\$ 372,902</u>

**Liberty Common School**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2019**

	General	Nonmajor Governmental Funds	Total
<b>Assets</b>			
Cash and Investments	\$ 3,284,016	\$ 653,220	\$ 3,937,236
Accounts Receivable	12,014	-	12,014
Prepaid Expenditures	122,792	99,688	222,480
 Total Assets	 \$ 3,418,822	 \$ 752,908	 \$ 4,171,730
<b>Liabilities and Fund Balances</b>			
<i>Liabilities</i>			
Accounts Payable and Accrued Expenses	\$ 57,148	\$ 48,888	\$ 106,036
Accrued Salaries and Benefits	389,983	-	389,983
 Total Liabilities	 447,131	 48,888	 496,019
<i>Fund Balances</i>			
Nonspendable Prepaid Expenditures	122,792	-	122,792
Restricted for Emergencies	300,000	-	300,000
Committed to Capital Projects	-	608,465	608,465
Assigned to Athletics	-	95,555	95,555
Unrestricted, Unassigned	2,548,899	-	2,548,899
 Total Fund Balances	 2,971,691	 704,020	 3,675,711
 Total Liabilities and Fund Balances	 \$ 3,418,822	 \$ 752,908	 \$ 4,171,730

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

Total Fund Balances of the Governmental Funds	\$ 3,675,711
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	305,986
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds:	
Net pension liability	(14,345,862)
Pension-related deferred outflows of resources	7,187,996
Pension-related deferred inflows of resources	(8,994,040)
Net OPEB liability	(513,453)
OPEB-related deferred outflows of resources	36,738
OPEB-related deferred inflows of resources	(5,548)
Total Net Position of Governmental Activities	\$ (12,652,472)

**Liberty Common School**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2019

	General	Nonmajor Governmental Funds	Total
<b>Revenues</b>			
Local Sources	\$ 9,731,883	\$ 232,277	\$ 9,964,160
State Sources	<u>632,143</u>	<u>-</u>	<u>632,143</u>
Total Revenues	<u>10,364,026</u>	<u>232,277</u>	<u>10,596,303</u>
<b>Expenditures</b>			
Current			
Instruction	4,854,027	150,157	5,004,184
Supporting Services	4,987,558	2,070	4,989,628
Capital Outlay	<u>-</u>	<u>176,586</u>	<u>176,586</u>
Total Expenditures	<u>9,841,585</u>	<u>328,813</u>	<u>10,170,398</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>522,441</u>	<u>(96,536)</u>	<u>425,905</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	100,000	415,000	515,000
Transfers Out	<u>(415,000)</u>	<u>-</u>	<u>(415,000)</u>
Total Other Financing Sources (Uses)	<u>(315,000)</u>	<u>415,000</u>	<u>100,000</u>
<b>Net Change in Fund Balances</b>	207,441	318,464	525,905
<b>Fund Balances, Beginning of year</b>	<u>2,764,250</u>	<u>385,556</u>	<u>3,149,806</u>
<b>Fund Balances, End of year</b>	<u>\$ 2,971,691</u>	<u>\$ 704,020</u>	<u>\$ 3,675,711</u>

**Liberty Common School**  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in  
 Fund Balances of the Governmental Funds to the Statement of Activities  
 For the Year Ended June 30, 2019

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

Net Change in Fund Balances of the Governmental Funds	\$	525,905
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Depreciation expense		(54,990)
Capital outlay		48,900
<p>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 includes the changes in the following:</p>		
Net pension liability		14,971,416
Pension-related deferred outflows of resources		(1,632,843)
Pension-related deferred inflows of resources		(7,781,238)
Net OPEB liability		156,029
OPEB-related deferred outflows of resources		4,965
OPEB-related deferred inflows of resources		<u>5,652</u>
Change in Net Position of Governmental Activities	\$	<u><u>6,243,796</u></u>

**Liberty Common School**  
Statement of Net Position  
Proprietary Fund  
June 30, 2019

	<u>Building Corporation</u>
<b>Assets</b>	
<i>Current Assets</i>	
Cash and Investments	\$ 848,591
Restricted Cash and Investments	<u>2,144,767</u>
Total Current Assets	<u>2,993,358</u>
<i>Noncurrent Assets</i>	
Capital Assets, <i>Not Being Depreciated</i>	2,443,720
Capital Assets, <i>Net of Accumulated Depreciation</i>	<u>14,773,284</u>
Total Noncurrent Assets	<u>17,217,004</u>
Total Assets	<u>20,210,362</u>
<b>Deferred Outflows of Resources</b>	
Loss on Debt Refunding, <i>Net of Accumulated Amortization</i>	<u>36,456</u>
<b>Liabilities</b>	
<i>Current Liabilities</i>	
Unearned Revenues	104,607
Accrued Interest Payable	383,032
Loans Payable, <i>Current Portion</i>	<u>420,000</u>
Total Current Liabilities	<u>907,639</u>
<i>Noncurrent Liabilities</i>	
Loans Payable	<u>17,615,417</u>
Total Liabilities	<u>18,523,056</u>
<b>Net Position</b>	
Net Investment in Capital Assets	(781,957)
Restricted for:	
Debt Service	1,516,497
Repair and Replacement	241,970
Unrestricted	<u>747,252</u>
Total Net Position	<u>\$ 1,723,762</u>

**Liberty Common School**  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Fund  
For the Year Ended June 30, 2019

	Building Corporation
<b>Operating Revenues</b>	
Charges for Services	\$ <u>1,277,374</u>
Total Operating Revenues	<u>1,277,374</u>
<b>Operating Expenses</b>	
Purchased Services	21,675
Depreciation	539,483
Debt Service	
Interest and Fiscal Charges	<u>895,995</u>
Total Operating Expenses	<u>1,457,153</u>
<b>Net Operating Loss</b>	(179,779)
<b>Nonoperating Revenues</b>	
Investment Income	<u>41,254</u>
<b>Net Loss Before Contributed Capital</b>	(138,525)
Contributed Capital Assets	<u>42,264</u>
<b>Change in Net Position</b>	(96,261)
<b>Net Position, <i>Beginning of year</i></b>	<u>1,820,023</u>
<b>Net Position, <i>End of year</i></b>	<u><u>\$ 1,723,762</u></u>

**Liberty Common School**  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2019

	<u>Building Corporation</u>
<b>Cash Flows From Operating Activities</b>	
Lease Payments Received	\$ 1,277,790
Cash Paid to Suppliers	(21,675)
Loan Principal Paid	(400,000)
Loan Interest Paid	<u>(850,294)</u>
Net Cash Provided (Used) by Operating Activities	<u>5,821</u>
<b>Cash Flows From Investing Activities</b>	
Investment Income Received	<u>41,254</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	47,075
<b>Cash and Cash Equivalents, <i>Beginning of year</i></b>	<u>2,946,283</u>
<b>Cash and Cash Equivalents, <i>End of year</i></b>	<u>\$ 2,993,358</u>
<b>Reconciliation of Net Operating Loss to Net Cash Provided (Used) by Operating Activities</b>	
Net Operating Loss	\$ (179,779)
Adjustments to Reconcile Net Operating Loss to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	539,483
Amortization of Loss on Debt Refunding	45,395
Amortization of Discounts	6,992
Changes in Assets and Liabilities	
Unearned Revenues	416
Accrued Interest Payable	(6,686)
Loans Payable	<u>(400,000)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 5,821</u>
<b>Noncash Capital Transactions</b>	
Contributed Capital Assets	<u>\$ 42,264</u>

**Liberty Common School**  
Statement of Fiduciary Assets and Liabilities  
Agency Fund  
June 30, 2019

	<u>Student Activities</u>
<b>Assets</b>	
Cash and Investments	\$ 62,565
Accounts Receivable	<u>7,653</u>
Total Assets	<u>\$ 70,218</u>
<b>Liabilities</b>	
Accounts Payable	\$ 1,035
Due to Student Groups	<u>69,183</u>
Total Liabilities	<u>\$ 70,218</u>

**Liberty Common School**  
Notes to Financial Statements  
June 30, 2019

**Note 1: Summary of Significant Accounting Policies**

**Nature of Operations**

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 and does not issue separate financial statements.

The Core 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, 2019

**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.

**Liberty Common School**  
Notes to Financial Statements  
June 30, 2019

**Note 1: Summary of Significant Accounting Policies** (Continued)

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

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.

*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 Net Position/Fund Balance**

*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

**Liberty Common School**  
Notes to Financial Statements  
June 30, 2019

**Note 1: Summary of Significant Accounting Policies** (Continued)

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

*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.

*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 refunding's 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. Employer contributions are recognized when the compensation is payable to the employees.

*Postemployment Benefits Other Than Pensions (OPEB)* - The School participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position, and additions to and deductions from the HCTF'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 HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees.

*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.

**Liberty Common School**  
Notes to Financial Statements  
June 30, 2019

**Note 1: Summary of Significant Accounting Policies** (Continued)

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

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.

**Subsequent Events**

We have evaluated subsequent events through October 3, 2019, the date the financial statements were available to be issued.

**Note 2: Cash and Investments**

At June 30, 2019, cash and investments consisted of the following:

Deposits	\$ 2,755,431
Investments	<u>4,237,728</u>
Total	<u>\$ 6,993,159</u>

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

Cash and Investments	\$ 4,785,827
Restricted Cash and Investments	2,144,767
Agency Fund Cash and Investments	<u>62,565</u>
Total	<u>\$ 6,993,159</u>

**Liberty Common School**  
Notes to Financial Statements  
June 30, 2019

**Note 2: Cash and Investments (Continued)**

**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, 2019, the School had bank deposits of \$1,915,967 collateralized with securities held by the financial institutions' agents but not in the School's name. The Corporation had uninsured deposits of \$598,591.

**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, 2019, 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, 2019 the Corporation had \$2,141,512 invested in a money market fund rated AAAM by Standard and Poor's.

*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.

**Liberty Common School**  
Notes to Financial Statements  
June 30, 2019

**Note 2: Cash and Investments (Continued)**

**Investments** (Continued)

*Local Government Investment Pool* - At June 30, 2019, the School had \$2,096,004 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. Colotrust is measured at the net asset value per share, 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, 2019, the Corporation had investments of \$2,144,767 restricted for future debt service and building repair and replacement.

**Component Unit**

At June 30, 2019, the Foundation had bank deposits totaling \$347,748 and had \$25,154 invested in certificates of deposits under the Foundation's name.

**Note 3: Capital Assets**

Capital asset activity for the year ended June 30, 2019, is summarized below.

<b>Governmental Activities</b>	<b>Balance</b>			<b>Balance</b>
<i>Capital Assets, Not Being Depreciated</i>	<b>6/30/18</b>	<b>Additions</b>	<b>Deletions</b>	<b>6/30/19</b>
Water Rights	\$ 12,864	\$ -	\$ -	\$ 12,864
 <i>Capital Assets, Being Depreciated</i>				
Equipment	332,197	-	-	332,197
Vehicles	110,700	48,900	-	159,600
<b>Total Capital Assets, Being Depreciated</b>	<b>442,897</b>	<b>48,900</b>	<b>-</b>	<b>491,797</b>
 Less Accumulated Depreciation				
Equipment	(91,623)	(32,307)	-	(123,930)
Vehicles	(52,062)	(22,683)	-	(74,745)
<b>Total Accumulated Depreciation</b>	<b>(143,685)</b>	<b>(54,990)</b>	<b>-</b>	<b>(198,675)</b>
 <b>Total Capital Assets, Being Depreciated, net</b>	 <b>299,212</b>	 <b>(6,090)</b>	 <b>-</b>	 <b>293,122</b>
 <b>Governmental Activities Capital Assets, net</b>	 <b>\$ 312,076</b>	 <b>\$ (6,090)</b>	 <b>\$ -</b>	 <b>\$ 305,986</b>

**Liberty Common School**  
Notes to Financial Statements  
June 30, 2019

**Note 3: Capital Assets** (Continued)

<b>Business-Type Activities</b>	<b>Balance 6/30/18</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/19</b>
Capital Assets, <i>Not Being Depreciated</i>				
Land	\$ 2,443,720	\$ -	\$ -	\$ 2,443,720
Capital Assets, <i>Being Depreciated</i>				
Buildings	18,399,152	42,264	-	18,441,416
Land Improvements	774,256	-	-	774,256
Equipment	137,244	-	-	137,244
Total Capital Assets, <i>Being Depreciated</i>	<u>19,310,652</u>	<u>42,264</u>	<u>-</u>	<u>19,352,916</u>
Less Accumulated Depreciation				
Buildings	(3,483,245)	(492,892)	-	(3,976,137)
Land Improvements	(482,130)	(35,350)	-	(517,480)
Equipment	(74,774)	(11,241)	-	(86,015)
Total Accumulated Depreciation	<u>(4,040,149)</u>	<u>(539,483)</u>	<u>-</u>	<u>(4,579,632)</u>
Total Capital Assets, <i>Being Depreciated, net</i>	<u>15,270,503</u>	<u>(497,219)</u>	<u>-</u>	<u>14,773,284</u>
Business-Type Activities Capital Assets, <i>net</i>	<u>\$ 17,714,223</u>	<u>\$ (497,219)</u>	<u>\$ -</u>	<u>\$ 17,217,004</u>

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

**Note 4: Long-Term Debt**

Following is a summary of the long-term debt transactions for the year ended June 30, 2019:

<b>Business-Type Activities</b>	<b>Balance 6/30/18</b>	<b>Additions</b>	<b>Payments</b>	<b>Balance 6/30/19</b>	<b>Due Within One Year</b>
2014 Building Loan	\$ 15,615,000	\$ -	\$ (330,000)	\$ 15,285,000	\$ 350,000
2014 Loan Discount	(138,672)	-	5,336	(133,336)	-
2015 Building Loan	3,000,000	-	(70,000)	2,930,000	70,000
2015 Loan Discount	(47,903)	-	1,656	(46,247)	-
Total	<u>\$ 18,428,425</u>	<u>\$ -</u>	<u>\$ (393,008)</u>	<u>\$ 18,035,417</u>	<u>\$ 420,000</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.

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 annually on January 15, from 2015 through 2044.

**Liberty Common School**  
Notes to Financial Statements  
June 30, 2019

**Note 4: Long-Term Debt** (Continued)

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 annually 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>
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	455,000	796,106	1,251,106
2024	470,000	780,675	1,250,675
2025-2029	2,685,000	3,576,488	6,261,488
2030-2034	3,370,000	2,896,213	6,266,213
2035-2039	4,240,000	2,036,000	6,276,000
2040-2044	5,380,000	886,000	6,266,000
2045-2046	330,000	20,000	350,000
Total	<u>\$ 18,215,000</u>	<u>\$ 13,459,132</u>	<u>\$ 31,674,132</u>

**Note 5: Interfund Transactions**

During the year ended June 30, 2019, the General Fund subsidized the activities of the Athletics Fund through a transfer of \$100,000 and transferred \$315,000 to the Capital Projects Fund for future capital 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 (PERA). All employees of the School participate in the SDTF. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available financial report (CAFR) that includes information on the SDTF that 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, 2019

**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 under which the member retires, the benefit option selected at retirement, and age at retirement. The lifetime retirement benefit is the greater of the a) highest average salary over three years 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 eligible amounts as of 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 with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

As of December 31, 2018, retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Thereafter, retirees under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5% or the average consumer price index for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. § 24-51-413.

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

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 under which service credit was obtained, and the qualified survivor who will receive the benefits.

*Contributions* - The School, eligible employees and the State are required to contribute to the SDTF at a rate set by Colorado statute. These contribution requirements are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. The contribution rate for eligible employees is 8% of covered salaries during the period of July 1, 2018 through June 30, 2019. The School's contribution rate for calendar years 2019 and 2018 was 20.15% 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).

**Liberty Common School**  
Notes to Financial Statements  
June 30, 2019

**Note 6: Defined Benefit Pension Plan (Continued)**

**General Information** (Continued)

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SDTF. The School's contributions to the SDTF for the year ended June 30, 2019, were \$890,411, 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, 2019, the School reported a net pension liability of 14,345,862, representing its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

School's proportionate share of net pension liability	\$ 16,307,462
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School	<u>(1,961,600)</u>
Proportionate share of the net pension liability	<u>\$ 14,345,862</u>

The net pension liability was measured at December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll forward the total pension liability to December 31, 2018.

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, 2018, relative to the contributions of all participating employers. At December 31, 2018, the School's proportion was 0.0810177821%, which was a decrease of 0.0148436450% from its proportion measured at December 31, 2017.

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 for the SDTF are listed below. A full copy of the bill can be found online at [www.leg.colorado.gov](http://www.leg.colorado.gov).

**Liberty Common School**  
Notes to Financial Statements  
June 30, 2019

**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)

- Increases employer contribution rates for the SDTF by 0.25 percent on July 1, 2019.
- Increases employee contribution rates for the SDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SDTF is considered a nonemployer contribution for financial reporting purposes.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the State, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

During the year ended June 30, 2019, the direct distribution for the SDTF was \$126,505,000.

For the year ended June 30, 2019, the School recognized pension expense of \$1,269,386 which included \$10,078 of support from the state as a nonemployer contributing entity. At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 486,626	\$ -
Changes of assumptions and other inputs	2,677,717	8,921,583
Net difference between projected and actual earnings on plan investments	781,939	-
Changes in proportion	2,716,773	72,457
Contributions subsequent to the measurement date	524,941	-
	<hr/>	<hr/>
Total	\$ 7,187,996	\$ 8,994,040

**Liberty Common School**  
Notes to Financial Statements  
June 30, 2019

**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)

School contributions subsequent to the measurement date of \$524,941 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:

<u>Year Ended June 30,</u>	
2019	\$ 466,287
2020	(1,880,498)
2021	(1,344,511)
2022	<u>427,737</u>
Total	<u>\$ (2,330,985)</u>

*Actuarial Assumptions* - The actuarial valuation as of December 31, 2017, determined the total pension liability using the following actuarial assumptions and other inputs.

Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate <sup>1</sup>	4.78%
Future post-employment benefit increases:	
Hired prior to 1/1/2007	0% through 2019 and 1.5% compounded annually thereafter
Hired after 12/31/2006	ad hoc

<sup>1</sup>The discount rate reflected in the roll-forward calculation of the total pension liability to the measurement date was 7.25%.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments, adjusted as follows:

- *Males*: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

**Liberty Common School**  
Notes to Financial Statements  
June 30, 2019

**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)

- *Females*: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. The significant changes affecting the plan included decreasing the investment rate of return assumption from 7.5% per year, compounded annually, net of investment expenses, to 7.25%, and updating mortality assumptions based on RP-2014 mortality tables.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the SDTF, including long-term historical data, estimates inherent in current market data, and 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.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset 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, 2019

**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)

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Target Allocation</b>	<b>30 Year Expected Geometric Real Rate of Return</b>
U.S. Equity - Large Cap	21.20%	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.83%	5.40%
Core Fixed Income	19.32%	19.32%	1.20%
High Yield	1.38%	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	1.84%	0.60%
Emerging Market Debt	0.46%	0.46%	3.90%
Core Real Estate	8.50%	8.50%	4.90%
Opportunity Fund	6.00%	6.00%	3.80%
Private Equity	8.50%	8.50%	6.60%
Cash	1.00%	1.00%	0.20%
Total	<u>100.00%</u>	<u>100.00%</u>	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

*Discount Rate* - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

**Liberty Common School**  
Notes to Financial Statements  
June 30, 2019

**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)

- As specified in law, the State will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount determination does not use the municipal bond rate, and therefore, the discount rate is 7.25 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.43 percent were used in the discount rate determination resulting in a discount rate of 4.78 percent, 2.47 percent lower compared to the current measurement date.

*Sensitivity of the School's Proportionate Share 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 7.25%, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate, as follows:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Proportionate share of the net pension liability	\$ 18,238,310	\$ 14,345,862	\$ 11,079,443

**Liberty Common School**  
Notes to Financial Statements  
June 30, 2019

**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)

*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**

**General Information**

*Plan Description* - All employees of the School are eligible to receive postemployment benefits other than pensions (OPEB) through the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). Title 24, Article 51, Part 12 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 HCTF. That report may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits Provided* - The HCTF provides a healthcare premium subsidy to eligible benefit recipients and retirees who choose to enroll. Eligibility to enroll is voluntary and includes benefit recipients, their eligible dependents and surviving spouses, among others. Eligible benefit recipients may enroll in the HCTF upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period. The health care premium subsidy is based on the benefit structure under which the member retires and the member's years of service credit.

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare, and \$115 per month for benefit recipients who are over 65 years of age or who are under 65 years of age and entitled to Medicare. An additional subsidy is provided if the benefit recipient has not participated in Social Security and is not otherwise eligible for Medicare Part A. The maximum subsidy is based on 20 or more years of service. The subsidy is reduced for each year of service less than 20 years. The benefit recipient pays the remaining portion of the premium not covered by the subsidy.

*Contributions* - As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the School's contributions to the School Division Trust Fund (SDTF) (see Note 6) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. The School's apportionment to the HCTF for the year ended June 30, 2019, was \$47,476, equal to the required amount.

**Liberty Common School**  
Notes to Financial Statements  
June 30, 2019

**Note 7: Postemployment Healthcare Benefits (Continued)**

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

At June 30, 2019, the School reported a net OPEB liability of \$513,453, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2018.

The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year ended December 31, 2018, relative to the contributions of all participating employers. At December 31, 2018, the School's proportion was 0.0377388832%, which was a decrease of 0.0001389839% from its proportion measured at December 31, 2017.

For the year ended June 30, 2019, the School recognized OPEB expense of \$41,167. At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,864	\$ 782
Changes of assumptions and other inputs	3,602	-
Net difference between projected and actual earnings on plan investments	2,952	-
Changes in proportion	1,507	4,766
Contributions subsequent to the measurement date	26,813	-
 Total	 \$ 36,738	 \$ 5,548

School contributions subsequent to the measurement date of \$26,813 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<b><u>Year Ended June 30,</u></b>			
2019		\$	374
2020			374
2021			374
2022			2,426
2023			794
2024			35
 Total		 \$	 4,377

**Liberty Common School**  
Notes to Financial Statements  
June 30, 2019

**Note 7: Postemployment Healthcare Benefits (Continued)**

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

*Actuarial Assumptions* - The actuarial valuation as of December 31, 2017, determined the total OPEB liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
Service-based premium subsidy	0.0%
Medicare plans	5.0%
Medicare Part A premiums:	
3% for 2017, gradually rising to 4.25% in 2023	

Healthy mortality assumptions for active members were based on 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. Healthy, post-retirement mortality assumptions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments. For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

Health care cost trend rates are based on published annual health care inflation surveys in conjunction with actual plan experience, building block models and heuristics developed by actuaries and administrators, and other projected trends.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, and were adopted by PERA's governing board on November 18, 2016. In addition, certain actuarial assumptions pertaining to per capita health care costs and the related trends are analyzed by PERA's actuary as needed.

The long-term expected rate of return on the HCTF 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.

**Liberty Common School**  
Notes to Financial Statements  
June 30, 2019

**Note 7: Postemployment Healthcare Benefits (Continued)**

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

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 presented previously (see Note 6).

*Discount Rate* - The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the current contribution rate. Based on this assumption, the HCTF's fiduciary net position was projected to be available to make all projected future OPEB payments to current active and inactive employees. Therefore, the long-term expected rate of return on HCTF investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate* - The following presents the School's proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as the School's proportionate share of the net OPEB liability if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate, as follows:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Proportionate share of the net OPEB liability	\$ 574,510	\$ 513,453	\$ 461,256

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates* - The following presents the School's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates, ranging from 3% to 5%, as well as the School's proportionate share of the net OPEB liability if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as follows:

	<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
Proportionate share of the net OPEB liability	\$ 476,960	\$ 513,453	\$ 506,708

**Liberty Common School**  
Notes to Financial Statements  
June 30, 2019

**Note 7: Postemployment Healthcare Benefits (Continued)**

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

*OPEB Plan Fiduciary Net Position* - Detailed information about the HCTF'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 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, 2019, 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.

**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, 2019, the reserve was reported as restricted fund balance in the General Fund in the amount of \$300,000.

## **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, 2019

	<u>12/31/18</u>	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>
<b>Proportionate Share of the Net Pension Liability</b>					
School's Proportion of the Net Pension Liability	0.0810177821%	0.0906632641%	0.0900054997%	0.0872008066%	0.0877874598%
School's Proportionate Share of the Net Pension Liability	\$ 14,345,862	\$ 29,317,278	\$ 26,798,118	\$ 13,336,749	\$ 11,898,151
School's Covered-Employee Payroll	\$ 4,453,983	\$ 4,182,189	\$ 4,039,608	\$ 3,800,191	\$ 3,677,665
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	322%	701%	663%	351%	324%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57%	44%	43%	59%	63%
	<u>6/30/19</u>	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>
<b>School Contributions</b>					
Statutorily Required Contribution	\$ 890,411	\$ 798,849	\$ 756,696	\$ 695,577	\$ 621,305
Contributions in Relation to the Statutorily Required Contribution	<u>(890,411)</u>	<u>(798,849)</u>	<u>(756,696)</u>	<u>(695,577)</u>	<u>(621,305)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered-Employee Payroll	\$ 4,654,525	\$ 4,230,479	\$ 4,116,967	\$ 3,920,951	\$ 3,708,370
Contributions as a Percentage of Covered-Employee Payroll	19.13%	18.88%	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.

**Liberty Common School**  
 Required Supplementary Information  
 Schedule of Proportionate Share of the Net OPEB Liability and Contributions  
 Public Employees' Retirement Association of Colorado Health Care Trust Fund  
 June 30, 2019

	12/31/18	12/31/17
<b>Proportionate Share of the Net OPEB Liability</b>		
School's Proportion of the Net OPEB Liability	0.0377388832%	0.0515145210%
School's Proportionate Share of the Net OPEB Liability	\$ 513,453	\$ 669,482
School's Covered Payroll	\$ 4,453,983	\$ 4,437,851
School's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	12%	15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	17%	18%
	6/30/18	6/30/18
<b>School's Contributions</b>		
Statutorily Required Contribution	\$ 47,476	\$ 43,151
Contributions in Relation to the Statutorily Required Contribution	(47,476)	(43,151)
Contribution Deficiency (Excess)	\$ -	\$ -
School's Covered Payroll	\$ 4,654,525	\$ 4,662,271
Contributions as a Percentage of Covered Payroll	1.02%	0.93%

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.

**Liberty Common School**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2019**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
<i>Local Sources</i>				
Per Pupil Revenue	\$ 8,585,775	\$ 8,520,000	\$ 8,520,998	\$ 998
District Mill Levy	930,938	988,298	987,769	(529)
Tuition and Fees	74,000	141,500	151,336	9,836
Food Service Fees	352	4,200	4,247	47
Grants and Contributions	-	-	615	615
Investment Income	18,000	48,000	49,600	1,600
Other	-	18,002	17,318	(684)
<b>Total Local Sources</b>	<u>9,609,065</u>	<u>9,720,000</u>	<u>9,731,883</u>	<u>11,883</u>
<i>State Sources</i>				
Additional At-Risk Funding	-	-	100	100
Capital Construction	282,517	277,000	331,364	54,364
Grants	169,316	172,000	300,679	128,679
<b>Total State Sources</b>	<u>451,833</u>	<u>449,000</u>	<u>632,143</u>	<u>183,143</u>
<b>Total Revenues</b>	<u>10,060,898</u>	<u>10,169,000</u>	<u>10,364,026</u>	<u>195,026</u>
<b>Expenditures</b>				
<i>Instruction</i>				
Salaries	3,380,460	3,322,000	3,323,846	(1,846)
Benefits	1,076,104	900,550	979,899	(79,349)
Purchased Services	260,000	280,000	276,271	3,729
Supplies and Materials	240,000	268,500	254,129	14,371
Property	20,000	19,600	19,577	23
Other	-	305	305	-
<b>Total Instruction</b>	<u>4,976,564</u>	<u>4,790,955</u>	<u>4,854,027</u>	<u>(63,072)</u>
<i>Supporting Services</i>				
Salaries	1,785,386	2,000,000	1,960,722	39,278
Benefits	591,923	605,000	620,851	(15,851)
Purchased Services	2,272,975	2,105,500	2,051,823	53,677
Supplies and Materials	304,550	301,200	291,470	9,730
Property	70,000	41,650	53,003	(11,353)
Other	9,500	9,695	9,689	6
<b>Total Supporting Services</b>	<u>5,034,334</u>	<u>5,063,045</u>	<u>4,987,558</u>	<u>75,487</u>
Reserves	50,000	1,805,000	-	1,805,000
<b>Total Expenditures</b>	<u>10,060,898</u>	<u>11,659,000</u>	<u>9,841,585</u>	<u>1,817,415</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	-	(1,490,000)	522,441	2,012,441
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	100,000	100,000	-
Transfers Out	-	(415,000)	(415,000)	-
<b>Net Change in Fund Balance</b>	-	(1,805,000)	207,441	2,012,441
<b>Fund Balance, Beginning of year</b>	<u>2,652,099</u>	<u>2,764,251</u>	<u>2,764,250</u>	<u>(1)</u>
<b>Fund Balance, End of year</b>	<u>\$ 2,652,099</u>	<u>\$ 959,251</u>	<u>\$ 2,971,691</u>	<u>\$ 2,012,440</u>

See the accompanying Independent Auditors' Report.

**Liberty Common School**  
Notes to Required Supplementary Information  
June 30, 2019

**Note 1: Schedule of Proportionate Share of the Net Pension Liability and Contributions**

The Public Employees' Retirement Association of Colorado (PERA) 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, 2019, the total pension liability was determined by an actuarial valuation as of December 31, 2017. The following revised economic and demographic assumptions were effective as of December 31, 2017.

- Investment rate of return assumption of 7.25% per year, compounded annually. This assumption did not change from the prior year.
- Price inflation assumption of 2.4% per year. This assumption did not change from the prior year.
- Real rate of investment return assumption decreased from 4.85% per year, net of investment expenses, to 4.78%. The rate reflected in the roll-forward calculation of the collective total pension liability to the measurement date increased from 4.78% to 7.25%.
- Wage inflation assumption of 3.5% per year. This assumption did not change from the prior year.
- Healthy and disabled mortality assumptions are based on the RP-2014 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, 2019

	<u>Athletics</u>	<u>Building</u>	<u>Capital Projects</u>	<u>Total</u>
<b>Assets</b>				
Cash and Investments	\$ 98,164	\$ 150,659	\$ 404,397	\$ 653,220
Prepaid Expenditures	<u>-</u>	<u>-</u>	<u>99,688</u>	<u>99,688</u>
Total Assets	<u>\$ 98,164</u>	<u>\$ 150,659</u>	<u>\$ 504,085</u>	<u>\$ 752,908</u>
<b>Liabilities and Fund Balances</b>				
<i>Liabilities</i>				
Accounts Payable and Accrued Expenses	<u>\$ 2,609</u>	<u>\$ -</u>	<u>\$ 46,279</u>	<u>\$ 48,888</u>
<i>Fund Balances</i>				
Committed to Capital Projects	-	150,659	457,806	608,465
Assigned to Athletics	<u>95,555</u>	<u>-</u>	<u>-</u>	<u>95,555</u>
Total Fund Balances	<u>95,555</u>	<u>150,659</u>	<u>457,806</u>	<u>704,020</u>
Total Liabilities and Fund Balances	<u>\$ 98,164</u>	<u>\$ 150,659</u>	<u>\$ 504,085</u>	<u>\$ 752,908</u>

**Liberty Common School**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2019

	Athletics	Capital Projects - 41	Capital Projects - 43	Total
<b>Revenues</b>				
Local Sources	\$ 81,618	\$ 150,659	\$ -	\$ 232,277
<b>Expenditures</b>				
<i>Current</i>				
Instruction	150,157	-	-	150,157
Supporting Services	2,070	-	-	2,070
Capital Outlay	-	-	176,586	176,586
Total Expenditures	152,227	-	176,586	328,813
<b>Excess of Revenues Over (Under) Expenditures</b>	(70,609)	150,659	(176,586)	(96,536)
<b>Other Financing Sources</b>				
Bond proceeds	-	-	-	-
Transfers In	100,000	-	315,000	415,000
<b>Total Other Financing Sources</b>	100,000	-	315,000	415,000
<b>Net Change in Fund Balances</b>	29,391	150,659	138,414	318,464
<b>Fund Balances, Beginning of year</b>	66,164	-	319,392	385,556
<b>Fund Balances, End of year</b>	\$ 95,555	\$ 150,659	\$ 457,806	\$ 704,020

**Liberty Common School**  
 Budgetary Comparison Schedule  
 Athletics Fund  
 For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
<i>Local Sources</i>				
Activity Fees	\$ 85,000	\$ 85,000	\$ 81,618	\$ (3,382)
<b>Expenditures</b>				
Salaries	-	67,650	67,853	(203)
Benefits	94,664	17,000	15,605	1,395
Purchased Services	41,000	54,000	44,606	9,394
Supplies and Materials	12,500	22,000	20,594	1,406
Other	3,000	5,000	3,569	1,431
Reserves	-	85,514	-	85,514
Total Expenditures	151,164	251,164	152,227	98,937
<b>Excess of Revenues Over (Under) Expenditures</b>	(66,164)	(166,164)	(70,609)	95,555
<b>Other Financing Sources</b>				
Transfers In	-	100,000	100,000	-
<b>Net Change in Fund Balance</b>	(66,164)	(66,164)	29,391	95,555
<b>Fund Balance, Beginning of year</b>	66,164	66,164	66,164	-
<b>Fund Balance, End of year</b>	\$ -	\$ -	\$ 95,555	\$ 95,555

**Liberty Common School**  
 Budgetary Comparison Schedule  
 Capital Projects Fund  
 For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Expenditures</b>				
Capital Outlay	\$ 78,706	\$ 132,606	\$ 176,586	\$ (43,980)
Reserves	-	501,786	-	501,786
	<u>78,706</u>	<u>634,392</u>	<u>176,586</u>	<u>457,806</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(78,706)	(634,392)	(176,586)	457,806
<b>Other Financing Sources</b>				
Transfers In	-	315,000	315,000	-
<b>Net Change in Fund Balance</b>	(78,706)	(319,392)	138,414	457,806
<b>Fund Balance, Beginning of year</b>	<u>319,392</u>	<u>319,392</u>	<u>319,392</u>	<u>-</u>
<b>Fund Balance, End of year</b>	<u>\$ 240,686</u>	<u>\$ -</u>	<u>\$ 457,806</u>	<u>\$ 457,806</u>

**Liberty Common School**  
Statement of Changes in Assets and Liabilities  
Agency Fund  
For the Year Ended June 30, 2019

	Balance 6/30/18	Additions	Deductions	Balance 6/30/19
<b>Assets</b>				
Cash and Investments	\$ 56,461	\$ 28,676	\$ (22,572)	\$ 62,565
Accounts Receivable	1,905	7,653	(1,905)	7,653
Total Assets	\$ 58,366	\$ 36,329	\$ (24,477)	\$ 70,218
<b>Liabilities</b>				
Accounts Payable	\$ 3,505	\$ 1,035	\$ (3,505)	\$ 1,035
Due to Student Groups	54,861	35,294	(20,972)	69,183
Total Liabilities	\$ 58,366	\$ 36,329	\$ (24,477)	\$ 70,218