Financial Statements
June 30, 2015

Liberty Common School

Independent Auditor's Report

To the Board of Directors of
Liberty Common School
Fort Collins, Colorado

Report on the Financial Statements
We have audited the accompanying basic financial statements of the governmental activities and business-type activities of Liberty Common School (the School), a component unit of Poudre School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Liberty Common School's basic financial statements 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.

Auditor's Responsibility
Our responsibility is to express an opinion 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 auditor's 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 entity's 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 entity's 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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of Liberty Common School as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Adoption of New Accounting Standard

As described in Note 1 and 2 to the financial statements, the School adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date,* which resulted in a restatement of the net position as of July 1, 2014. Our opinions are not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the Schools' proportionate share of the net pension liability and schedule of employer's contributions as 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 (GASB) who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary 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.

Eide Bailly LLP

Fort Collins, Colorado
November 12, 2015

Liberty Common School
An authorized charter school of Poudre School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

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, 2015, 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

- The School implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date,* which has a significant impact on the net position of the School.

- For fiscal year 2015, Liberty Common School (the School) experienced an increase of approximately $34,000 in net position. The governmental activities reflected an increase of $138,024.

- The fund balance of the School experienced an increase of approximately $557,000 for fiscal year 2015.

- Total general fund cash and investments was $4,237,863 at June 30, 2015, as compared to $3,575,838 at June 30, 2014, and represents an increase of $662,025 or 18.5%.

- The School stayed within its operating budget for the General Fund realizing 104% of budgeted revenues while spending 97% of budgeted expenditures.

Overview of 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 as a part of the School and is blended with the primary government. The Core Knowledge Charter School Foundation (the Foundation), also legally separate, functions, for all practical purposes, as a department of Liberty Common School, and therefore has been included within the financial statements of the general fund.

LCSBC issues separate financial statements which can be obtained by contacting the administrative offices of LCSBC.

The government-wide financial statements can be found on pages 10-12 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 two funds, the general fund, a governmental fund and LCSBC, an enterprise fund. Governmental 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 of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The School adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13-16 of this report.

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

Enterprise fund statements can be found on pages 17-19 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 20 of this report.

Government-wide Financial Analysis

Table A-1
Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities	
	2015	2014	2015	2014
Current assets	$ 4,251,129	$ 3,636,471	$ 498,138	$ 508,239
Cash and investments - restricted	-	-	2,181,492	4,612,184
Capital assets	570,826	534,851	13,508,268	11,217,239
Total assets	4,821,955	4,171,322	16,187,898	16,337,662
Deferred outflows of resources:				
Deferred outflows related to pension	733,238	-	-	-
Loss deferred on bond refundings	-	-	196,900	235,249
Total assets and deferred outflows of resources	5,555,193	4,171,322	16,384,798	16,572,911
Current liabilities	420,900	363,494	749,630	534,637
Long-term liabilities	11,898,151	-	16,095,326	16,394,993
Total liabilities	12,319,051	363,494	16,844,956	16,929,630
Deferred inflows of resources:				
Deferred inflows related to pension	888	-	-	-
Total liabilities and deferred inflows of resources	12,319,939	363,494	16,844,956	16,929,630
Net investment in capital assets	570,826	534,851	(2,571,679)	(2,441,877)
Restricted for:				
Debt service	-	-	1,621,113	1,401,303
Repair and replacement of facility	-	-	240,000	240,004
TABOR	258,363	232,737	-	-
Unrestricted	(7,593,935)	3,040,240	250,408	443,851
Total net position	$ (6,764,746)	$ 3,807,828	$ (460,158)	$ (356,719)

The 2014 information is not available with respect to the new accounting standards adopted in the current year.

Total liabilities exceeded assets by $8,154,154 at the close of the most recent fiscal year. This is a significant change from the prior year and primarily due to the adoption of the new accounting standards GASB No. 68 and GASB No. 71. Long-term liabilities increased by $11,898,151 due to the adoption of the new accounting standards in the current year.

The School has debt in excess of its investment in capital assets (site improvements, instructional equipment, school and office equipment and computers) of approximately $2,000,000. The School uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Approximately $258,000 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.

Governmental activities. Governmental activities increased the School's net position by $138,024. Key elements of this increase are as follows:

Table A-2
Condensed Statement of Activities

	Governmental Activities		Business-Type Activities	
	2015	2014	2015	2014
Revenues:				
Program revenues:				
Charges for services	$ 554,538	$ 365,971	$ 1,087,541	$ 1,303,246
Capital grants and contributions	175,540	92,885	-	-
Operating grants and contributions	109,952	236,396	-	-
General revenues:				
Unrestricted earnings on investments	4,271	5,268	257	334
Per pupil operating revenue	7,749,343	7,116,765	-	-
Miscellaneous	18,470	29,085	-	-
Total revenues	8,612,114	7,846,370	1,087,798	1,303,580
Expenses:				
Instructional	5,434,961	5,574,276	-	-
Support services	2,929,820	2,155,483	371,784	664,977
Interest on debt	-	-	819,453	718,450
Food service operations	109,309	102,871	-	-
Total expenses	8,474,090	7,832,630	1,191,237	1,383,427
Change in net position	138,024	13,740	(103,439)	(79,847)
Net position - beginning - restated	(6,902,770)	3,794,088	(356,719)	(276,872)
Net position - ending	$ (6,764,746)	$ 3,807,828	$ (460,158)	$ (356,719)

The 2014 information is not available with respect to the new accounting standards adopted in the current year.

Per pupil operating revenue and charges for services increased as a result of increases in the funded pupil count and related adjustments from the school district authority.

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 $3,830,229, an increase of $557,252. Of this balance, approximately $258,000 is *restricted* to indicate that it is not available for spending primarily because it is required to be maintained to comply with the TABOR amendment. An additional $654,000 has been committed by the School's Board of Directors, as discussed in Note 9 to the financial statements.

The increase in the general fund balance is attributable to the following factors:

- Revenues for fiscal year 2015 were $8,612,114 compared to $7,846,370 for the prior year. The overall increase of 9.8% or $765,744 is attributed to increases in funded number of students, categorical funding and fundraising.

- Expenditures for school operations increased $296,964 from the prior year. This is attributable to additional personnel and increased amounts for salaries, wages and fringe benefits, school expansion related activity, and general operational expenditures. Budgeted operating expenses were increased to accommodate the expansion of the school's academic programs and for ancillary costs.

General Fund Budgetary Highlights

The 2015 final fiscal year budget was adopted in November 2014. Actual revenue was greater than budgeted revenue by approximately 4%. Increases to Capital Construction Grant per pupil funding increased from $94.90 to $169.29 in January 2015 helped to contribute to the increased revenues.

Expenditures were less than budgeted (approximately 3%) primarily due to the conservative management for budgeted discretionary spending and unused budget for general operating contingency.

The primary difference between the original and final budget as presented on page 38 relates to changes in estimated funded pupil counts and related revenues from original projections. Budget was revised for minor budget estimates and for personnel related expenses.

Capital Asset and Debt Administration

Capital assets. The School's investment in capital assets as of June 30, 2015, amounts to $14,079,094. This investment in capital assets includes instructional buildings, land, equipment, school and office equipment, and computers. The total increase in School capital assets was $2,327,004 (19.80%).

The majority of capital assets used by the School are owned by LCSBC, a blended component unit. LCSBC holds the land and buildings used as the School facility and lease these facilities to the School under an operating lease with terms which approximate LCSBC's required debt service obligations (see discussion on the following page).

Table A-3
Capital Assets
Net of Accumulated Depreciation

	2015	2014
Governmental Activities		
Site improvements	$ 462,494	$ 421,046
Equipment	61,735	58,408
Vehicles	33,733	42,533
Water rights	12,864	12,864
Net capital assets	$ 570,826	$ 534,851
Business-Type Activities		
Land	$ 1,528,455	$ 1,528,455
Construction in progress	-	2,059,253
Buildings and site improvements	11,979,813	7,629,531
Net capital assets	$ 13,508,268	$ 11,217,239

Additional information on the School's capital assets can be found in Note 4 on pages 27 – 28 of this report.

Long-term debt. The School currently has no debt. LCSBC, however, carries total bonded debt outstanding of $16,555,000. The purpose of LCSBC is to own and finance the buildings used by the School. The $16,555,000 represents $14,915,000 Series 2014 A Charter School Revenue Bonds and $1,640,000 Series B Charter School Revenue Bonds.

Table A-4
Outstanding Long-Term Debt

	2015	2014	Total Percentage Change
Business-Type Activities			
Bonds payable	$ 16,555,000	$ 16,790,000	-1.40%
Less discount	(154,674)	(160,007)	-3.33%
Bonds payable	$ 16,400,326	$ 16,629,993	-1.38%

Additional information on long-term debt and the related facility lease can be found in Notes 5 and 6 on pages 28 – 31 of this report.

Economic Factors and Next Year's Budgets

Elementary School enrollment stays consistent from prior year with full 3-track enrollment for grades K-6th. Future years are projected to sustain full tracks due to a strong lottery list of over 1,200.

7th and 8th grade enrollment increased from 3 tracks of 29 to 3 tracks of 30. These grades are at full-enrollment. Future years are projected to sustain full tracks due to a strong lottery list of over 187.

45 students were added to the high school aged population from prior year. Future years are projected to increase due to the 3-full tracks moving up from middle school to high school. Currently 7th through 9th grades have 3-full tracks, 2-full tracks in 10th through 12th grades.

New students interested in the School are placed on a lottery list. Over 1,300 prospective students were on the list as of June 30, 2015. Prospective students on the lottery list have projected enrollment dates spanning five years, to the 2019-2020 academic year. The School's governing board will amend the 2015-2016 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. Budgets for continuing school educational programs and facilities expansion will be revised. The School's governance and management believes the interest in the School, as measured by the lottery list, indicates future sustained enrollment in the elementary and secondary school grades. Further growth in student population is expected for the next year.

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 addressed to the Financial Operations Manager, Liberty Common School, 1725 Sharp Point Drive, Fort Collins, Colorado 80525.

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	$ 4,237,863	$ 498,138	$ 4,736,001
Restricted cash and investments	-	2,181,492	2,181,492
Accounts receivable-Poudre School District	13,266	-	13,266
Capital assets not being depreciated:			
Land	-	1,528,455	1,528,455
Water rights	12,864	-	12,864
Capital assets, net of accumulated depreciation:			
Building and site improvements	462,494	11,600,006	12,062,500
Equipment and track	61,735	379,807	441,542
Vehicles	33,733	-	33,733
Total assets	4,821,955	16,187,898	21,009,853
Deferred outflows of resources			
Pension plan	733,238	-	733,238
Loss deferred on bond refundings	-	196,900	196,900
Total deferred outflows of resources	$ 733,238	$ 196,900	$ 930,138

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accounts payable	$ 98,681	$ -	$ 98,681
Accrued salaries and benefits	322,219	-	322,219
Unearned rental income	-	89,911	89,911
Accrued interest payable	-	354,719	354,719
Noncurrent liabilities			
Due within one year	-	305,000	305,000
Due in more than one year	-	16,095,326	16,095,326
Net pension liability-due in more than one year	11,898,151	-	11,898,151
Total liabilities	12,319,051	16,844,956	29,164,007
Deferred inflows of resources:			
Pension plan	888	-	888
Total deferred inflows of resources	888	-	888
Net position			
Net investment in capital assets	570,826	(2,571,679)	(2,000,853)
Restricted for:			
Debt service	-	1,621,113	1,621,113
Repair and replacement of facility	-	240,000	240,000
TABOR	258,363	-	258,363
Unrestricted net position	(7,593,935)	250,408	(7,343,527)
Total net position	$ (6,764,746)	$ (460,158)	$ (7,224,904)

		Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental Activities:							
Instructional	$ 5,434,961	$ 443,741	$ 7,155	$ -	$ (4,984,065)	$ -	$ (4,984,065)
Support services:							
Operations and maintenance	491,302	-	-	175,540	(315,762)	-	(315,762)
General administration	2,438,518	-	102,797	-	(2,335,721)	-	(2,335,721)
Food service operations	109,309	110,797	-	-	1,488	-	1,488
Total governmental activities	8,474,090	554,538	109,952	175,540	(7,634,060)	-	(7,634,060)
Business-Type Activities:							
Support services	371,784	1,087,541	-	-	-	715,757	715,757
Interest on debt	819,453	-	-	-	-	(819,453)	(819,453)
Total business-type activities	1,191,237	1,087,541	-	-	-	(103,696)	(103,696)
General revenues:							
Unrestricted earnings on investments					4,271	257	4,528
Per pupil funding					7,749,343	-	7,749,343
Miscellaneous					18,470	-	18,470
Total general revenues					7,772,084	257	7,772,341
Changes in net position					138,024	(103,439)	34,585
Net position - beginning, as restated					(6,902,770)	(356,719)	(7,259,489)
Net position - ending					$ (6,764,746)	$ (460,158)	$ (7,224,904)

See Notes to Financial Statements

Assets		
Cash and investments	$	4,237,863
Due from Poudre School District		13,266
Total assets	$	4,251,129
Liabilities		
Accounts payable	$	98,681
Accrued salaries and benefits		322,219
Total liabilities		420,900
Fund Balance		
Restricted fund balance (NOTE 9)		258,363
Committed fund balance (NOTE 9)		654,000
Unassigned fund balance		2,917,866
Total fund balance		3,830,229
Total liabilities and fund balance	$	4,251,129

Amounts reported for governmental activities in the statement of net position are different because:		
Total fund balance - governmental fund		$ 3,830,229
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund. The cost of the assets is $1,119,786 and the accumulated depreciation is $548,960.		570,826
Deferred outflows and inflows of resources related to pensions are applicable to future periods, and, therefore, are not reported in the fund.		
Deferred outflow	733,238	
Deferred inflow	(888)	732,350
Pension liability		(11,898,151)
Total net position		$ (6,764,746)

Revenues	
Per pupil funding	$ 7,749,343
Capital construction funding	175,540
Activity fees and fundraisers	378,941
Lunch sales	110,797
Tuition	64,800
Grants and contributions	109,952
Other income	18,470
Interest income	4,271
Total revenues	8,612,114
Expenditures	
Current-	
Instruction	5,421,478
Operations and maintenance	491,302
General administration	1,961,269
Capital outlay	71,504
Food service operations	109,309
Total expenditures	8,054,862
Net change in fund balance	557,252
Fund balance - beginning	3,272,977
Fund balance - ending	$ 3,830,229

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balance - governmental fund	$	557,252
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets are allocated over their estimated useful lives and reported as deprecation expense. This is the amount by which depreciation expense exceeds capital outlay in the current period.		35,975
In the statement of activities, the cost of pension benefits earned by pension participants net of employee contributions is reported as pension expense. In the governmental funds, the contributions are reported as expense.		(455,203)
Change in net position	$	138,024

Assets	
Cash	$ 498,138
Restricted cash and investments	2,181,492
Capital assets, not being depreciated:	
Land	1,528,455
Capital assets, net of accumulated depreciation:	
Building and site improvements	11,600,006
Track and equipment	379,807
Total assets	16,187,898
Deferred outflows of resources	
Bond refundings	196,900
Total assets and deferred outflows of resources	$ 16,384,798
Liabilities	
Unearned rental income	$ 89,911
Accrued interest payable	354,719
Noncurrent liabilities:	
Due within one year	305,000
Due in more than a year	16,095,326
Total liabilities	16,844,956
Net position	
Bond debt in excess of capital assets	(2,571,679)
Restricted for debt service	1,621,113
Restricted for repair and replacement of facility	240,000
Unrestricted net position	250,408
Total net position	(460,158)
Total liabilities and net position	$ 16,384,798

Revenues	
Rental income	$ 1,087,541
Interest income	257
Total operating revenue	1,087,798
Expense	
Interest expense	819,453
Depreciation	359,584
Bond issuance cost	2,000
General and administrative expense	10,200
Total operating expense	1,191,237
Operating (loss)	(103,439)
Net position - beginning of year	(356,719)
Net position - ending	$ (460,158)

Cash flows from operating activities:	
Cash received from building rental	$ 1,075,362
Payments to suppliers for goods and services	(12,200)
Cash paid for interest	(618,600)
Interest received	257
Net cash provided by operating activities	444,819
Cash flows from capital and related financing activities:	
Payments for the purchase of property	(2,650,612)
Repayment of bonds payable	(235,000)
Net cash (used) by capital and related financing activities	(2,885,612)
Cash flows from investing activities:	
Net decrease in cash and investments held for bond reserve	2,430,692
Net cash provided by investing activities	2,430,692
Net increase in cash	(10,101)
Cash at beginning of year	508,239
Cash at end of year	$ 498,138
Reconciliation of operating (loss) to net cash provided by operating activities:	
Operating (loss)	$ (103,439)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation and amortization expense	403,265
Changes in operating assets and liabilities:	
Accrued interest payable	157,172
Deferred rental income	(12,179)
Net cash provided by operating activities	$ 444,819

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Liberty Common School (the School) conform to accounting principles generally accepted in the United States of America. The following is a summary of the School's significant accounting policies:

Reporting Entity
The School is a charter school organized under the Colorado Charter Schools Act (Colorado Revised Statutes §22-30.5-101). This Act permits school districts to contract with individuals and organizations for the operation of schools within the district. The statutes define these contracted schools as "charter schools." Charter schools are financed from a portion of the school district's School Finance Act revenues and from revenues generated by the charter schools within limits established by the Charter School Act. Charter schools have separate governing boards; however, the school district's board of education must approve all charter school applications and budgets.

The School began operations in July 1997 and is governed by a seven member Board of Directors elected by the School community. The School operates under a charter granted by the Poudre School District (the District) Board of Education. The School's current charter is effective until June 30, 2019. The School is funded based on the level of per pupil operating revenue (PPR) as defined by the State of Colorado Legislature and the number of full-time equivalent (FTE) students. As of the designated count day (October 1, 2014), there were 1036.6 FTE students enrolled. The PPR rate for the fiscal year ended June 30, 2015, was $6,665.

The accompanying financial statements present the School and its component units, entities for which the School is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the School's operations.

The Core Knowledge Charter School Foundation (the Foundation), a non-profit organization, was formed to initiate the operations of the School and to perform fund-raising operations external to Poudre School District. The Foundation is included within the financial statements of the general fund.

LCS Building Corporation (LCSBC) is a nonprofit corporation organized in 1998 primarily to own and finance the building used by Liberty Common School, a related party. LCSBC is considered a blended component unit of the School.

LCS2 Building Corporation is a nonprofit corporation organized in 2011 to own and finance the middle and high school building used by Liberty Common School, a related party. In fiscal year 2014, the assets and liabilities of LCS2 building Corporation were transferred to LCS Building Corporation. The assets, liabilities, net assets, revenues and expenses of LCS2 Building Corporation are included in these financial statements as LCS Building Corporation.

The School is a component unit of the District and is included in the District's Comprehensive Annual Financial Report.

Government-wide and Fund Financial Statements
The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component units. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a 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 individuals 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. Other items not included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting and Financial Statement Presentation
The government-wide financial statements and the proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Revenue from per pupil operating revenue is recognized in the fiscal year for which the funding is provided. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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*. *Measurable* means that the amount of the transaction can be determined. *Available* means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Charges for services are considered revenue once the service is rendered, and as such are considered susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

Fund Accounting
The accounts of the School are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major funds presented in the accompanying basic financial statements are as follows:

Major Governmental Funds

General Fund: The General Fund is the School's primary operating fund. It accounts for all financial resources of the School, except those required legally or by sound financial management to be accounted for in another fund.

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

LCS Building Corporation: LCS Building Corporation accounts for all financial activities associated with the School's ownership and rental of the elementary, middle-school and high-school facilities

Use of Estimates in the Preparation of Financial Statements
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. The estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

Cash and Investments
Cash and investments include cash on hand, demand deposits, certificates of deposit, and investments in investment pools set up under state statute (ColoTrust). Investments are carried at fair value.

Capital Assets
Capital assets purchased by the School, which include building improvements, computers, instructional equipment, and office and school equipment, are reported in the government-wide financial statements. Capital assets purchased by the Foundation are reported in both the government-wide and fund financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. An annual capital asset inventory is performed in accordance with state law.

All reported capital assets, except for land, water rights, and construction in progress, are depreciated. Depreciation on all assets is provided using the straight-line method over estimated useful lives of three to forty years.

Pensions
Liberty Common School participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund 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/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Implementation of GASB Statement No. 68 and GASB Statement No. 71
As of July 1, 2014, the School adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments to calculate and report the costs and obligations associated with pensions in the basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 2 and the additional disclosures required by these standards are included in Note 7.

Deferred Outflows of Resources
In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School has two items that qualify for reporting in this category. They are the charges on bond refundings and changes in net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until the time. The School has one item that qualifies for reporting in this category. The School reports changes in net position liability not included in pension expense reported in the government-wide statement of net position.

Accrued Salaries and Benefits
Salaries of teachers and certain other employees are paid over a 12-month period ending either July 31 or August 31. However, most salaries are earned over the traditional school year of September through May. The difference between salary and related benefit amounts earned from July 1 or August 1 through June 30 and the corresponding amounts paid during this period is shown as a liability for accrued salaries and benefits in the amount of $322,219.

Long-Term Debt
Long-term debt is reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the life debt using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Bond issuance costs are recognized as an outflow of resources in the reporting period in which they are incurred.

Net Position/Fund Balance
In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed. Net position invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvements of those assets.

In the fund financial statements, fund equity of the School's governmental funds is classified as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balances indicate amounts that cannot be spent either a) due to form; for example, inventories and prepaid amounts or b) due to legal or contractual requirements to be maintained intact.

Restricted fund balances indicate amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation. (Note 9)

Committed fund balances indicate amounts constrained for a specific purpose by a government using its highest level of decision-making authority. It would require an ordinance by the School's board to remove or change the constraints placed on the resources. This action must occur prior to year-end; however, the amount can be determined in the subsequent period. (Note 9)

Assigned fund balances indicate amounts for governmental funds, other than the general fund, any remaining positive amounts not classified in the above categories. For the general fund, amounts constrained for the intent to be used for a specific purpose has been delegated to the Financial Operations Manager.

Unassigned fund balances indicate amounts in the general fund that are not classified as nonspendable, restricted, committed or assigned. The general fund is the only fund that would report a positive amount in unassigned fund balance. When both unassigned and committed or assigned resources are available for use, it is the School's policy to use committed or assigned resources first, then unassigned resources as needed.

Income Taxes
The Foundation is a nonprofit organization as described in section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Note 2 - Restatement of Net Position and Change in Reporting Entity

As of July 1, 2014, the School adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* The implementation of these standards requires governments to calculate and report the costs and obligations associated with pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date.

The adjustments to the beginning balance of net position is as follows:

Net Position at June 30, 2014, as previously reported	$ 3,807,828
Net Pension Liability at June 30, 2014	(11,064,079)
Deferred outflows of resources related to contributions made from January 1, 2014 - June 30, 2014	353,481
Net position at July 1, 2014, as restated	$ (6,902,770)

Note 3 - Cash and Investments

Colorado statutes govern the School's deposits of cash and investments. The Colorado Public Deposit Protection Act (PDPA) requires that all units of a local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to one hundred and two percent of the uninsured deposits. At June 30, 2015, the School's carrying amount of deposits was $4,005,538 and the bank balance was $4,125,630.

As a requirement of the Charter School Revenue Bond agreement, the enterprise fund of the School must maintain several bond escrow accounts. These accounts are held by a trustee. Monthly rent payments (NOTE 6) from the School are deposited in the accounts and the semi-annual bond payments are made from the accounts. At June 30, 2015, approximately $1,621,000 is held in a reserve account required by the bond agreement which is to be used for the payment of principal and interest on the bonds in the event that sufficient funds are not available to make such payments when due. The accounts consist of cash and money market funds. The Trustee also maintains a project escrow account of approximately $320,000 to be used for facility expansion.

In addition to the accounts described above, the enterprise fund of the School is required to deposit $40,000 in a repair and replacement fund annually. These deposits will be required until the fund reaches a balance of $240,000. Withdrawals from the fund will be allowed for maintenance and repair of the school facility, but any draws against the fund must be replenished within three years of making such a draw. The balance of this account was $240,000 at June 30, 2015.

The School is authorized by Colorado statutes to invest in the following:

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

At June 30, 2015, the School's enterprise fund investments consist of cash and money market accounts.

At June 30, 2015, the School had the following investments and maturities:

Investment Type	Fair Value	Investment Maturity
Government Investment Pool - ColoTrust	$ 465,397	Average - 56 days
Certificates of deposit	265,066	9 - 12 months
	$ 730,463	

Interest Rate Risk
As a means of limiting local government exposure to fair value losses arising from interest rates, state law limits maturities to five years or less.

The School participates in a local government investment pool, ColoTrust, an SEC-registered investment pool. The investment pool operates similarly to a money market fund; each share is equal in value to $1.00. The carrying amount and fair value of the investment are the same. Investments consist primarily of U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services in connection with direct investment and withdrawal functions of the investment pools. Substantially all securities owned by the investment pool are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by each investment pool.

The Trustee is required to maintain liquidity of the investment funds held so as to meet cash requirements of the principal and interest requirements of the bonds on a semiannual basis.

Credit Risk
The local government investment pool has received a rating of AAAm by Standard & Poor's. The money market mutual funds are not rated. The cash and investment reserve accounts owned by LCSBC are in the custody of the Trustee, these funds are used primarily to make bond principal and interest payments. These funds are invested by the Trustee as directed by LCSBC; investments are limited to investments as allowed by the State of Colorado.

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Water rights	$ 12,864	$ -	$ -	$ 12,864
Total capital assets, not being depreciated	12,864	-	-	12,864
Capital assets, being depreciated				
Site improvements	556,801	54,694	-	611,495
Equipment	434,617	16,810	-	451,427
Vehicles	44,000	-	-	44,000
Total capital assets, being depreciated	1,035,418	71,504	-	1,106,922
Less accumulated depreciation				
Site improvements	(135,755)	(13,246)	-	(149,001)
Equipment	(376,209)	(13,483)	-	(389,692)
Vehicles	(1,467)	(8,800)	-	(10,267)
Total accumulated depreciation	(513,431)	(35,529)	-	(548,960)
Total capital assets, being depreciated, net	521,987	35,975	-	557,962
Governmental activities capital assets, net	$ 534,851	$ 35,975	$ -	$ 570,826

Depreciation expense of $22,046 was charged to general and administrative expense and depreciation expense of $13,483 was charged to instructional expense of the primary government.

Business-Type Activities

	Beginning Balance	Increases	Reclassifications	Ending Balance
Capital assets, not being depreciated				
Land	$ 1,528,455	$ -	$ -	$ 1,528,455
Construction in progress	2,059,253	2,650,613	(4,709,866)	-
Total capital assets, not being depreciated	3,587,708	2,650,613	(4,709,866)	1,528,455
Capital assets, being depreciated				
Building and site improvements	9,089,660	-	4,709,866	13,799,526
Track	684,400	-	-	684,400
Landscaping	72,900	-	-	72,900
Equipment	79,898	-	-	79,898
Total capital assets, being depreciated	9,926,858	-	4,709,866	14,636,724
Less accumulated depreciation				
Buildings and site improvements	(1,874,157)	(325,364)	-	(2,199,521)
Track	(270,372)	(34,220)	-	(304,592)
Landscaping	(72,900)	-	-	(72,900)
Equipment	(79,898)	-	-	(79,898)
Total accumulated depreciation	(2,297,327)	(359,584)	-	(2,656,911)
Total capital assets, being depreciated, net	7,629,531	(359,584)	-	11,979,813
Business-type activities capital assets, net	$ 11,217,239	$ 2,291,029	$ -	$ 13,508,268

Note 5 - Long-Term Debt

The Colorado Educational and Cultural Facilities Authority (the Authority) has issued its Charter School Revenue Bonds as the Liberty Common Project. The bonds were issued for LCSBC's use in constructing the building that is a part of the school facility, and for defeasing the previously issued bonds of LCSBC and LCSBC2. The Authority and LCSBC have entered into a loan agreement wherein the proceeds of the Authority bonds have been loaned to LCSBC. The bonds are payable solely from the loan rights pledged to the Authority under the loan agreement, pledges of funds and revenue by the Trustee to the Authority, and the assignment of the Authority's mortgage on the facility and the security interest in the pledged revenues of LCSBC. The bonds do not constitute a debt of the Authority and are considered the obligation of LCSBC.

LCSBC has granted the Authority a mortgage lien on the real estate and a security interest in the lease revenues from the School. The Authority's rights under the agreement have been assigned to the Trustee.

The lease revenue which is the basis of the pledged revenues is described in Note 6. The lease revenue over the term of the agreement is equal to the expected principal and interest payments to be made over the life of the bonds, approximately $32,000,000. 100% of the lease revenues have been pledged under the agreement. Lease revenue attributable to the revised lease was approximately $1,087,000 for the year ended June 30, 2015.

Following is a summary of business-type activity long-term debt at June 30, 2015:

Charter School Refunding and Improvement Revenue Bonds, Series 2014 A, due in annual installments ranging from $235,000 to $4,170,000 through January 2044; interest from 3.0% to 5.0% is payable semi-annually on January 15th and July 15th. The bonds are subject to mandatory sinking fund requirements. Revenue from the rental of the building (NOTE 6) has been pledged to pay bond principal and interest.	$ 14,915,000
Charter School Revenue Bonds Series 2014 B, due in one payment of $1,640,000 on January 15, 2044: Interest rate is 5.625%, interest is payable semi-annually on January 15th and July 15th. The bonds are subject to mandatory sinking fund requirements. Revenue from the rental of the building (NOTE 6) has been pledged to pay bond principal and interest.	1,640,000
Bond discount	(154,674)
Current portion of bonds payable	(305,000)
	$ 16,095,326

The annual debt service requirements to amortize all outstanding bonds as of June 30, 2015, are as follows:

Year Ending	Principal	Interest	Total
June 30, 2016	$ 305,000	$ 773,931	$ 1,078,931
June 30, 2017	315,000	764,125	1,079,125
June 30, 2018	320,000	754,019	1,074,019
June 30, 2019	330,000	743,763	1,073,763
June 30, 2020	350,000	730,156	1,080,156
June 30, 2021 - 2025	1,905,000	3,471,194	5,376,194
June 30, 2026 - 2030	2,380,000	3,004,688	5,384,688
June 30, 2031- 2035	3,010,000	2,378,331	5,388,331
June 30, 2036 - 2040	3,825,000	1,566,656	5,391,656
June 30, 2041 - 2044	3,815,000	495,219	4,310,219
Total	$ 16,555,000	$ 14,682,082	$ 31,237,082

The amount of defeased bonds outstanding at June 30, 2015, was $10,810,000.

Changes in Long-Term Debt

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds payable	$ 16,790,000	$ -	$ (235,000)	$ 16,555,000	$ 305,000
Less: Discount on bonds	(160,007)	-	5,333	(154,674)	-
Total bonds payable	$ 16,629,993	$ -	$ (229,667)	$ 16,400,326	$ 305,000

Note 6 - Leases

The School leases its buildings and certain equipment from the enterprise fund of the School. The building lease requires monthly payments which approximate the required payments on the bonds (Note 5) and may be terminated in any year by non-appropriation of funds. The enterprise fund of the School has pledged the lease payments to pay bond principal and interest.

Rent expense was approximately $1,087,000 for the year ended June 30, 2015.

Future projected lease payments as of June 30, 2015, are as follows:

2016	$ 1,079,012
2017	1,076,997
2018	1,073,912
2019	1,076,427
2020	1,077,537
2021-2025	5,377,405
2026-2030	5,385,508
2031-2035	5,387,592
2036-2040	5,392,190
2041-2044	3,860,951
	$ 30,787,531

The lease includes certain restrictive covenants which apply to the School relating to unrestricted cash, working capital and fund balance. The School was in compliance with the covenants at June 30, 2015.

Note 7 - Defined Benefit Pension Plan

General Information about the Pension Plan

Plan description. Eligible employees of Liberty Common School are provided with pensions through the School Division Trust Fund (SCHDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. 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 comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- $15 times the first 10 years of service credit plus $20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts 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.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SCHDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 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(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions. Eligible employees and Liberty Common School are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq*. Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	Year Ended		
	December 31,		June 30
	2014	2015	2015
Employer contribution rate	10.15%	10.15%	10.15%
Amount of employer contribution apportioned to Health Care Trust Fund	-1.02%	-1.02%	-1.02%
Amount apportioned to the SCHDTF	9.13%	9.13%	9.13%
Amortization equalization disbursement	3.80%	4.20%	4.00%
Supplemental amortization equalization disbursement	3.50%	4.00%	3.75%
Total employer contribution rate to SCHDTF	16.43%	17.33%	16.88%

Rates are expressed as a percentage of salary0 as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and Liberty Common School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Liberty Common School were $621,305 for the year ended June 30, 2015.

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

At June 30, 2015, the Liberty Common School reported a liability of $11,898,151 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The Liberty Common School proportion of the net pension liability was based on Liberty Common School contributions to the SCHDTF for the calendar year 2014 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2014, the Liberty Common School proportion was .088%, which was an increase of .001% from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, Liberty Common School recognized pension expense of $1,076,508. At June 30, 2015, Liberty Common School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 273,619	$ -
Changes in proportion and differences between contributions recognized and proportionate share of contributions	97,191	-
Contributions subsequent to measurement date	362,428	-
Difference between expected and actual experience	-	888
	$ 733,238	$ 888

$362,428 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2016	$ 104,073
2017	104,073
2018	93,373
2019	68,404
	$ 369,923

Actuarial assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

The SCHDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	**Target Allocation**	**10 Year Expected Geometric Real Rate of Return**
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

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 7.50%.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the SCHDTF'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 on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of Liberty Common School's *proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	Decrease of 1% (6.50%)	Current Discount Rate 7.50%	Increase of 1% (8.50%)
Proportionate share of the net pension liability	$ 15,688,797	$ 11,898,151	$ 8,725,313

Pension plan fiduciary net position. Detailed information about the SCHDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Defined Contribution Pension Plan

Voluntary Investment Program

Plan Description - Employees of the Liberty Common School that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S, as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Plan. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings. The School does not contribute to this plan on behalf of its employees.

Other Post-Employment Benefits

Health Care Trust Fund

Plan Description – Liberty Common School contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – Liberty Common School is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for Liberty Common School are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2015 and each of the two preceding year ends, the Liberty Common School contributions to the HCTF were $35,400, $36,400 and $33,730, respectively, equal to their required contributions for each year.

Note 8 - Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School carries commercial insurance for these and other risks of loss. Settled claims have not exceeded this coverage since inception.

Note 9 - Restriction of Net Position/Designations of Fund Balance

Restriction of Net Position/Fund Balance

The State of Colorado enacted a constitutional amendment effective December 31, 1992, to limit increases in government revenues. The limitation generally restricts growth in revenue of a governmental entity (excluding enterprise operations) to a base amount plus increases for growth and inflation. In addition, the amendment requires government entities to create an emergency "reserve" of 3% of annual spending, excluding bonded debt service. On November 3, 1998, voter approval was given to Poudre School District to remove the restriction on growth in revenue effective beginning the fiscal year ended June 30, 1998. The 3% emergency reserve is, however, still required both at the District and the School level. At June 30, 2015, the School has complied with the requirements to include emergency reserves in its budgetary basis fund balance.

Committed Fund Balance

The School's board of directors has committed a portion of fund balance to meet contractual obligations for real property. The bond covenant provision requires an annual calculation of 8% of actual expenditures and an annual accrual of salary and benefits to be held in a combination of unrestricted cash and working capital. The board of director's designations for unreserved fund balance at June 30, 2015, are as follows:

Board commitment	$ 654,000

Required Supplemental Information
June 30, 2015

Liberty Common School

	Original Budget	Final Budget	Actual Amount	Variances - Over (Under)
Revenue				
Per pupil funding-gross	$ -	$ -	$ 7,924,883	$ -
Less admininstrative fees				
budgeted as net expense	-	-	(244,546)	-
Per pupil funding-net	7,127,455	7,533,552	7,680,337	146,785
Activity fees and fundraisers	150,000	235,000	378,941	143,941
Lunch sales	125,000	110,000	110,797	797
Tuition	48,600	48,600	64,800	16,200
Grants and contributions	130,000	85,000	109,952	24,952
Interest and other income	18,945	17,848	22,741	4,893
Total revenue	7,600,000	8,030,000	8,367,568	337,568
Expenditures				
Current -				
Instruction-gross	-	-	5,421,478	-
Less PPR budgeted				
as net expense	-	-	(108,881)	-
Instruction-net	5,284,420	5,475,968	5,312,597	(163,371)
Operations and maintenance	275,000	315,000	491,302	176,302
General administration-gross	-	-	1,961,269	-
Less PPR budgeted				
as net expense	-	-	(135,665)	-
General administration-net	1,788,341	1,951,452	1,825,604	(125,848)
Food service operations	116,000	110,000	109,309	(691)
Capital outlay	65,000	65,000	71,504	6,504
Contingency	71,239	112,580	-	(112,580)
Total expenditures	7,600,000	8,030,000	7,810,316	(219,684)
Excess (deficiency) of revenues over (under) expenditures	-	-	557,252	557,252
Net change in fund balance	-	-	557,252	557,252
Fund balance - beginning	1,945,129	1,945,129	3,272,977	1,327,848
Fund balance - ending	$ 1,945,129	$ 1,945,129	$ 3,830,229	$ 1,885,100

Note 1 – Budgets and Budgetary Accounting

Budgets for all governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United State of America (US GAAP). The School adopts a legal budget for all funds. All appropriations lapse at year-end.

The level on which expenditures may not legally exceed appropriations is the fund level. Expenditures may not exceed the appropriation levels for legally adopted budgets. Revisions to an appropriation require approval by the Board at a public meeting, with prior published notice of the proposed change.

Budget amounts included in the financial statements are based on the final general fund budget as approved by the Board on November 20, 2014.

	2015
School's Cumulative Proportion of the Net Pension Liability	0.08674326%
School's Cumulative Proportionate Share of the Net Pension Liability	$ 11,898,151
School's Covered-Employee Payroll	$ 3,677,665
School's Cumulative Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	324%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.8%

The amounts reported are measured as of December 31, 2014 (measurement date).

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School will present information for those years for which information is available.

	2015
Statutorily Required Contribution	$ 621,305
Contributions in Relation to the Statutorily Required Contribution	621,305
Contribution Deficiency (Excess)	$ -
School's Covered-Employee Payroll	$ 3,708,370
Contributions as a Percentage of Covered-Employee Payroll	16.8%

The amounts reported are measured as of June 30, 2015 (measurement date).

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School will present information for those years for which information is available.