

**LIBERTY SCHOOL DISTRICT J-4**  
Joes, Colorado

Financial Statements  
For The Year Ended June 30, 2017

LIBERTY SCHOOL DISTRICT J-4  
 Joes, Colorado  
 Table of Contents  
 June 30, 2017

	<u>Page</u>
Independent Auditor's Report	
Management Discussion and Analysis -----	a-f
 <u>Basic Financial Statements</u>	
Government-wide Financial Statements	
Statement of Net Position -----	1
Statement of Activities -----	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet -----	3
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position -----	4
Statement of Revenues, Expenditures and Changes in Fund Balances -----	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	6
Fiduciary Funds	
Statement of Fiduciary Net Position -----	7
Notes to the Financial Statements -----	8-21
 <u>Required Supplementary Information</u>	
Budgetary Comparison Schedule - General Fund-----	22
Schedule of District's Proportionate Share of Net Pension Liability -----	23
Schedule of Contributions and Related Ratios - Last 10 Years -----	24
 <u>Other Information</u>	
Combining Statements-Nonmajor Governmental Funds	
Combining Balance Sheet-----	25
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance---	26
Individual Fund Financial Statements	
General Fund	
Comparative Balance Sheet -----	27
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual -----	28
Statement of Expenditures - Budget and Actual -----	29-31

LIBERTY SCHOOL DISTRICT J-4  
 Joes, Colorado  
 Table of Contents  
 June 30, 2017  
 (continued)

	<u>Page</u>
Special Revenue Funds	
Food Services Special Revenue Fund	
Comparative Balance Sheet -----	32
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual -----	33
Student Activities Fund	
Comparative Balance Sheet -----	34
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual -----	34
Debt Service Fund	
Bond Redemption Fund	
Comparative Balance Sheet -----	35
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual -----	35
Capital Projects Fund	
Capital Reserve Fund	
Comparative Balance Sheet -----	36
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual -----	36
Agency Funds	
Student Activity Fund	
Statement of Changes in Assets and Liabilities - Budget and Actual ---	37-38
Scholarship Fund	
Comparative Statement of Net Position -----	39
Statement of Changes in Assets and Liabilities - Budget and Actual ---	39

Auditor's Integrity Report

# WINFREY, COUNTY & HAYS, PC

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### INDEPENDENT AUDITOR'S REPORT

Board of Education  
Liberty School District J-4  
P O Box 112  
Joes, Colorado 80822

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Liberty School District J-4, as of and for the year ended June 30, 2017, which collectively comprise the District'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 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 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.

#### **Opinions**

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Liberty School District J-4, as of June 30, 2017, and the respective changes in financial position 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, budgetary comparison information, and pension information on pages a-f and 22-24 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. For the management discussion & analysis 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Liberty School District J-4's basic financial statements. The combining and individual nonmajor fund financial statements and the Auditor's Integrity Report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the Auditor's Integrity Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 such 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, based on our audit and the procedures as described above, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

WINFREY, COUNTY & HAYS, PC  
Certified Public Accountants

*Winfrey, County & Hays, PC*

November 29, 2017

LIBERTY SCHOOL DISTRICT J-4  
Management Discussion and Analysis  
For Fiscal Year Ended June 30, 2017

This discussion and analysis provides an overview of the Liberty School District J-4 financial performance for the fiscal year ending June 30, 2017. The focus of the information is on the primary government general fund.

The District continues to use the financial reporting model proposed by the Governmental Accounting Standards Board (GASB), *Statement No. 34, Basic Financial Discussion and Analysis for State and Local Government*.

### **Financial Highlights**

The net total net position of the District decreased \$482,402 to negative \$849,127.

As of the close of the 2016-17 fiscal year, the District's governmental funds reported combined ending fund balances of \$1,359,814. This represents an increase of \$158,448 from the previous year.

The District had adequate funds available for all appropriations.

### **Overview of Financial Statements**

The discussion and analysis serves as an introduction to the District's basic financial statements. The basic financial statements consist of these components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

#### **1. Government-Wide Financial Statements**

These statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the districts assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position are an indication of whether its financial health is improving or deteriorating. The government wide statements include only:

- A. Government activities - all of the District's basic services are included here, such as instruction, administration, operation of the buildings and grounds, and pupil transportation. Property taxes and state and federal subsidies and grants finance these activities.

#### **2. Fund Financial Statements**

These statements provide detailed information about the most significant funds, not the District as a whole. Some funds are required by state law and bond requirements.

Liberty School District J-4  
Management Discussion and Analysis  
For Fiscal Year Ended June 30, 2017  
(continued)

*Governmental Funds* - Most of the District's activities are reported in governmental funds, which focus on determining our financial status and change in financial status. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be converted into cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps people determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities reported in the Statement of Net position and the Statement of Activities and governmental funds is reconciled in the financial statements.

*Fiduciary Funds* - Acts as a trustee, or fiduciary, for the benefit of parties outside the school district. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operations.

**Financial Analysis of the District as a Whole**

The District's total net position is a negative \$849,127 at the close of business on June 30, 2017. Table 1 represents a detailed view. Table 1 shows a high level overview of net asset changes over time.

Table 1  
Fiscal Year Ended June 30, 2017  
Net Position

	Government Activities	
	<u>6/30/2017</u>	<u>6/30/2016</u>
Current and other assets	1,517,790	1,326,545
Capital assets	<u>1,011,812</u>	<u>1,080,541</u>
Total assets	2,529,603	2,407,086
Deferred Outflows	1,801,139	306,858
Current and other liabilities	262,976	232,243
Long term liabilities	<u>4,797,573</u>	<u>2,711,687</u>
Total Liabilities	5,060,549	2,943,931
Deferred Inflows	119,319	136,738
Net Position		
Invested in capital assets	796,812	760,541
Restricted for Preschool	7,514	0
Restricted for Student Activities	2,064	0
Restricted for TABOR	45,674	47,952
Restricted for Bond Redemption	126,117	128,395
Restricted for Capital Projects	116,878	116,058
Unrestricted	<u>(1,944,185)</u>	<u>(1,419,671)</u>
Total Net Position	<u>(849,127)</u>	<u>(366,725)</u>

Liberty School District J-4  
Management Discussion and Analysis  
For Fiscal Year Ended June 30, 2017  
(continued)

As noted earlier, net position serves as a useful indicator of the District's financial position over time. In the case of the Liberty School District, liabilities exceeded assets by \$849,127. Of the District's \$2,529,603 in total assets, \$1,011,812 (40%) reflects investments in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment). The District uses capital assets to provide services to students; consequently, these assets are not available for future spending.

Liberty School District J-4 remains on solid financial footing during the 2016-2017 fiscal year despite the imposition of the "negative factor" by the Colorado State Assembly. After success years (2012-2013, and 2013-2014) of deficit spending, the Liberty School District's beginning fund balance has finally caught and surpassed 2012 totals, leaving the district some financial security barring major changes in either student populations or state revenues. The beginning fund balance had declined from \$842,974.00 in fiscal year 2011-2012 to a low of just under \$500,000.00 dollars. Due primarily to a decrease in personnel and salaries since 2012 and the community's support by passing the mill levy override in 2014, the district has been able to add on additional elementary teacher to the staff, while maintaining most programs at the secondary level.

The district's funded pupil count average for the past five years is 63.5 students. Enrollment decreased by 4.5 students during fiscal year 2017. Funding for Liberty School District is computed on averaging, over five years, students in grades 1-12, with additional funding provided to the district based on availability for the Colorado Pre-School Program (CPP) and Kindergarten/Preschool allotments. In addition, despite operating a full time kindergarten, the state only funds each kindergarten student as .58 full time equivalent (FTE), compared to 1<sup>st</sup> graders through 12<sup>th</sup> graders who are funded as 1.0 full-time equivalent (FTE). After establishing per base pupil funding rates, the state examines four multipliers or factors that contribute to our overall funding; at-risk student factor based on the number of students who receive federal free lunch designation, a size factor, a personnel factor, and finally a cost of living factor based on the Boulder-Denver Consumer Price Index (CPI). The amounts are used to compute our per pupil operating revenues for each child. Beginning in 2010-2011, because the state did not have enough revenue to fully fund these pupil operating revenues, they changed their interpretation of Amendment 23 and began to balance the state's education budget by reducing per pupil operating revenues by a reduction known as the "negative factor." During the 2017 legislative session, the assembly decided to change the negative factor to the "budget stabilization factor," commonly referred to in the state now as the "BS" factor. Despite a recovering economy the state legislature still has not found ways within the Colorado State Constitutional constraints to fund schools at the rates expected following the passage of Amendment 23. Since 2010-2011, a period of seven years, the state has underfunded Liberty School District. In 2016-2017, those dollar amounts reached and exceeded the \$1 million dollar mark, with a final total of underfunding of \$1,104,770.82.

Major expenses for the district continue to be salaries, at 54%. Sixty six percent of all expenditures go to instruction and 11% on administrative salaries and requirements. Forty-six (46) percent of revenues come from property taxes, thirty-eight (38) percent from state equalization payments and 6 percent from specific ownership taxes.

The results of this year's operations as a whole are reported in the Statement of Activities on Page 2 of the full audit. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the equalization provided by the State of Colorado Department of Education and the property taxes assessed to District taxpayers.



Liberty School District J-4  
Management Discussion and Analysis  
For Fiscal Year Ended June 30, 2017  
(continued)

Table 2 takes the information from that statement and rearranges it slightly so total revenues for the year are more easily seen.

Table 2  
Fiscal Year Ended June 30, 2017  
Change in Net Position

	Government Activities	
REVENUES	<u>6/30/2017</u>	<u>6/30/2016</u>
Program Revenues		
Charges for service	24,665	24,392
Operating grants	85,127	128,055
General Revenues		
Property taxes	812,628	827,519
Auto taxes	88,794	91,671
State Equalization	624,000	591,899
Other	45,172	46,577
Student Activities	<u>8,129</u>	<u>0</u>
Total Revenues	1,688,516	1,710,114
EXPENSES		
Instruction	1,253,788	814,938
Pupil services	19,771	23,706
Instructional services	51,342	32,804
General administration	107,830	75,044
School administration	172,374	113,331
Business	84,112	50,652
Operations & maintenance	208,324	148,708
Pupil transportation	130,866	98,316
Central services	47,270	45,997
Debt service	6,903	9,260
Student Activities	8,129	0
Food Services	<u>82,274</u>	<u>59,538</u>
Total Expenses	<u>2,172,981</u>	<u>1,472,295</u>
Increase (decrease) in net position	<u>(484,466)</u>	<u>237,819</u>

Government Activities

The primary source of operating revenue for the district comes from the School Finance Act, as amended. Under the SFA, the district received \$15,942.23 per funded student. For the fiscal year the funded pupil count was 59.5 with an actual student count of 80. Funding for the SFA comes from property taxes, specific ownership taxes, and state equalization. Those amounts for this fiscal year are \$700,871, \$87,988, and \$624,000.

Liberty School District J-4  
Management Discussion and Analysis  
For Fiscal Year Ended June 30, 2017  
(continued)

The District Funds

On June 30, 2017, the District governmental funds reported a combined fund balance of \$1,359,814 which is an increase of \$158,448.

The General Fund had an increase of \$159,291 compared with an increase of \$222,184 in the prior year. Revenues decreased \$36,098 while expenditures increased \$52,197.

The Food Service Fund had an increase of \$616 compared with an increase of \$26,734 in the prior year mostly due to higher transfer from the general fund.

The Bond Redemption Fund collected \$111,758 in property taxes and spent \$105,000 for bond principal and \$6,153 for bond interest.

General Fund Budget Highlights

The district's budget is prepared according to Colorado law and is based on accounting for transactions under generally accepted accounting principles. The most significant budgeted fund is the General Fund.

In November of 2014, voters authorized an override of \$265,000.00 in property taxes and approved the floating of a levy based on 25% of the district total program share for subsequent years beginning with the 2015-2016 school year.

Capital Assets and Debt Administration

Capital Assets

On June 30, 2017 the District realized a decrease of \$68,729 in capital assets. The decrease is a result depreciation expense exceeding purchases. The District's capital assets are currently valued at \$1,011,812 compared to last year when the capital assets were \$1,080,541.

Liberty School District J-4  
Management Discussion and Analysis  
For Fiscal Year Ended June 30, 2017  
(continued)

	<u>06/30/17</u>	<u>06/30/16</u>
Sites	50,000	50,000
Buildings & Improvements	2,234,165	2,234,165
Equipment	121,056	121,056
Transportation	<u>344,997</u>	<u>344,997</u>
Total capital assets	2,750,217	2,750,217
Accumulated depreciation	<u>(1,738,405)</u>	<u>(1,669,676)</u>
Total capital assets	<u>1,011,812</u>	<u>1,080,541</u>

Long Term Debt

	<u>2017</u>	<u>2016</u>
Bonds Payable	215,000	320,000
Loan Payable	<u>7,300</u>	<u>7,300</u>
Total	222,300	327,300

More complete information is furnished on page 14.

Economic Factors

For the 2017-2018 school year, the District's financial outlook is promising, but guarded.

- Student enrollment declined slightly, with a decline of 6 students, including graduates in grades 6-12.
- The elementary schools population decreased from 52 to 46 students, but a significant number of these students are either funded only at .58 FTE (kindergarten) or not at all (preschool).

Contacting the District for Financial Management Questions

The District's financial report is designed to provide a general overview of our finances for all those interested. Questions concerning the information provided in this report or requests for additional information should be addressed to the Superintendent of Schools at Liberty Schools, P.O. Box 112, Joes, CO 80822.

## BASIC FINANCIAL STATEMENTS

LIBERTY SCHOOL DISTRICT J4  
 Joes, Colorado  
 Statement of Net Position  
 June 30, 2017

ASSETS	
Cash and cash equivalents	1,217,567
Certificates of deposit	242,714
Cash with fiscal agent	16,115
Accounts/grants receivable	5,542
Inventory	2,153
Accrued property taxes receivable	33,699
Capital assets, net of accumulated depreciation	<u>1,011,812</u>
Total Assets	2,529,603
DEFERRED OUTFLOWS	
	1,801,139
LIABILITIES	
Accounts payable	32,013
Accrued salaries payable	110,597
Unearned revenue	15,366
Noncurrent liabilities	
Due within one year	105,000
Due in more than one year	117,300
Net Pension Liability	<u>4,680,273</u>
Total Liabilities	5,060,549
DEFERRED INFLOWS	
	119,319
NET POSITION	
Invested in Capital Assets	796,812
Restricted for Preschool	7,514
Restricted for Student Activities	2,064
Restricted for TABOR	45,674
Restricted for Capital Projects	126,117
Restricted for Bond Redemption	116,878
Unrestricted	<u>(1,944,185)</u>
Total Net Position	<u>(849,127)</u>

LIBERTY SCHOOL DISTRICT J4  
 Joes, Colorado  
 Statement of Activities  
 For the Year Ended June 30, 2017

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants &amp; Contributions</u>	<u>Capital Grants &amp; Contributions</u>
Governmental Activities				
Instructional	1,253,788		49,630	0
Support Services				
Pupil services	19,771			
Instructional services	51,342			
General administration	107,830			
School administration	172,374			
Business	84,112			
Operations & maintenance	208,324			
Pupil transportation	130,866		18,937	
Central services	47,270			
Debt Service	6,903			
Student Activities	8,129			
Food Services	<u>82,274</u>	<u>24,665</u>	<u>16,561</u>	<u>0</u>
Total Governmental Activities	<u>2,172,981</u>	<u>24,665</u>	<u>85,127</u>	<u>0</u>

General revenues:

Taxes

Property taxes, levied for general purposes

Property taxes, levied for bond redemption

Specific ownership taxes

State Equalization

Donations

Miscellaneous

Investment earnings

Total General Revenues

Change in Net Position

Net Position - Beginning

Change in Accounting - Note 2d

Net Position - Ending

Net (Expense) Revenue and  
Changes in Net Position

Governmental  
Activities

(1,204,158)

(19,771)

(51,342)

(107,830)

(172,374)

(84,112)

(208,324)

(111,929)

(47,270)

(6,903)

(8,129)

(41,048)

(2,063,189)

700,871

111,758

88,794

624,000

8,129

43,594

1,577

1,578,723

(484,466)

(366,725)

2,064

(849,127)

LIBERTY SCHOOL DISTRICT J4  
 Joes, Colorado  
 Balance Sheet  
 Governmental Funds  
 June 30, 2017

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	962,701	254,866	1,217,567
Certificates of deposit	242,714	0	242,714
Cash with fiscal agent	14,836	1,279	16,115
Accrued property taxes receivable	29,281	4,417	33,699
Accounts/grants receivable	3,850	1,692	5,542
Due from other funds	0	138	138
Inventory	<u>0</u>	<u>2,153</u>	<u>2,153</u>
Total Assets	<u>1,253,382</u>	<u>264,546</u>	<u>1,517,928</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	32,013	0	32,013
Payroll deductons	0	0	0
Due to other funds	0	138	138
Accrued salaries payable	<u>110,597</u>	<u>0</u>	<u>110,597</u>
Total Liabilities	142,610	138	142,748
Unearned Revenues	0	15,366	15,366
Fund Balances			
Restricted for			
Preschool	7,514	0	7,514
Student Activities	0	2,064	2,064
TABOR Emergencies	45,674	0	45,674
Bond Redemption	0	116,878	116,878
Capital Projects	0	126,117	126,117
Nonspendable	0	2,153	2,153
Assigned	0	1,830	1,830
Unassigned	<u>1,057,584</u>	<u>0</u>	<u>1,057,584</u>
Total Fund Balances	<u>1,110,772</u>	<u>249,042</u>	<u>1,359,814</u>
Total Liabilities and Fund Balances	<u>1,253,382</u>	<u>264,546</u>	<u>1,517,928</u>



LIBERTY SCHOOL DISTRICT J4  
 Joes, Colorado  
 Balance Sheet  
 Governmental Funds  
 Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position  
 June 30, 2017

Total Governmental Fund Balances	1,359,814
Amounts reported for governmental activities in the statement of net position are different because of the following:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	1,011,812
Deferred outflows of resources are not financial resources and thus are not reported as assets in governmental funds	1,801,139
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(4,902,573)
Deferred inflows of resources are not financial resources and thus are not reported as assets in governmental funds	<u>(119,319)</u>
Net Position of Governmental Activities	<u>(849,127)</u>

LIBERTY SCHOOL DISTRICT J4  
 Joes, Colorado  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2017

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>REVENUES</b>			
Local Sources			
Property Taxes	699,742	111,758	811,500
Specific Ownership Taxes	87,988	806	88,794
Delinquent Taxes & Penalties	1,128	0	1,128
Interest	1,385	266	1,651
Charges for Service	0	24,665	24,665
Donations	0	8,129	8,129
Other	38,300	5,964	44,264
Equalization	624,000	0	624,000
Other	51,858	0	51,858
Federal Sources	<u>16,708</u>	<u>15,817</u>	<u>32,525</u>
Total Revenues	1,521,111	167,405	1,688,516
<b>EXPENDITURES</b>			
Instruction	757,720	0	757,720
Supporting Services			
Students	11,967	0	11,967
Instructional Staff Services	40,052	0	40,052
General Administration	76,361	0	76,361
School Administration	108,388	0	108,388
Business	56,012	0	56,012
Operations & Maintenance	163,947	0	163,947
Pupil Transportation	88,004	0	88,004
Central Services	18,765	0	18,765
Capital Projects	0	7,606	7,606
Food Service	0	59,717	59,717
Student Activities	0	8,129	8,129
Debt Service	0	111,903	111,903
Capital Outlay	<u>21,495</u>	<u>0</u>	<u>21,495</u>
Total Expenditures	<u>1,342,713</u>	<u>187,355</u>	<u>1,530,067</u>
Revenues Over (Under) Expenditures	178,398	(19,950)	158,448
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>(19,108)</u>	<u>19,108</u>	<u>0</u>
Revenues & Other Sources Over (Under)			
Expenditures & Other Sources	159,291	(842)	158,448
Fund Balance - Beginning	951,482	247,820	1,199,302
Change in Accounting	<u>0</u>	<u>2,064</u>	<u>2,064</u>
Fund Balance - Ending	<u>1,110,772</u>	<u>249,042</u>	<u>1,359,814</u>

See auditor's report and notes to the financial statements.

LIBERTY SCHOOL DISTRICT J4  
 Joes, Colorado  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2017

Net change in fund balances - total governmental funds		158,448
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.</p>		
Capital outlays	0	
Depreciation expense	<u>(68,729)</u>	(68,729)
<p>The issuance of long-term debt (e.g. bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>		
Bond Payments		105,000
<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.</p>		
Pension expenses		<u>(679,185)</u>
Change in position of governmental activities		<u>(484,466)</u>

LIBERTY SCHOOL DISTRICT J4  
 Joes, Colorado  
 Combining Statement of Fiduciary Net Position  
 Agency Funds  
 June 30, 2017

ASSETS	Student Activity <u>Fund</u>	Scholarship <u>Fund</u>	<u>Total</u>
Cash in bank	44,794	15,850	60,644
LIABILITIES			
Due to student activities	<u>44,794</u>	<u>15,850</u>	<u>60,644</u>
NET POSITION	<u>0</u>	<u>0</u>	<u>0</u>

## Notes to Financial Statements

LIBERTY SCHOOL DISTRICT J-4  
 Joes, Colorado  
 Notes to Financial Statements  
 June 30, 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The District is a political subdivision of the State of Colorado which is governed by an elected board of 5 members. A summary of the Liberty School District J-4's significant accounting policies applied in the preparation of these financial statements follows.

A. Reporting Entity

The Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the school as a reporting entity, management has addressed all potential component units which may or may not fall within the District's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. The District is considered to be a primary government because it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. It has no component units. Neither is it a component unit of any other entity.

This report includes all funds of Liberty School District J-4.

B. Basis of Presentation

The District implemented the provisions of GASB 68, "Accounting and Financial Reporting for Pensions Plans - an amendment to No. 27", during the year ended June 30, 2017. GASB 68 replaced the requirements of Statement No. 27, "Accounting for Pensions by State and Local Governmental employers", and GASB 50, "Pension Disclosures-an amendment to GASB Statements No. 25 and 27", as they relate to pension plans that are administered trusts or equivalent arrangements that meet certain criteria. GASB 68 enhances the standards for footnote disclosures and required supplementary information (RSI) for pension plans, including net pension liability (NPL), ratio of fiduciary net position (FNP) to total pension liability (TPL), actuarial methods, and assumptions.

Government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the school district. As a general rule, the effect of interfund activity has been eliminated from these statements

The statement of activities demonstrates the degree to which the direct expenses of given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. In addition, program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements are also provided in the report for all of the governmental funds and the fiduciary funds of the district. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The District reports the following major governmental funds:

The General Fund is the district's primary operating fund. It accounts for all financial resources except those required to be in another fund.

LIBERTY SCHOOL DISTRICT J-4  
 Joes, Colorado  
 Notes to Financial Statements  
 June 30, 2017  
 (continued)

Nonmajor Funds

The Food Service Fund accounts for revenue and expenditures to provide hot meals to students, teachers, and visitors.

Student Activity Fund accounts for the revenues reported and the expenditures of each of the activities reported.

The Capital Projects Fund accounts for acquisitions and major improvements in capital assets.

The Bond Redemption Fund collects property taxes to pay principal and interest on a bond issue to replace the roof and other major repairs.

Additionally the district reports the Student Activity agency fund and the Scholarship agency fund that accounts for cash held by the district for related organizations. It is custodial in nature and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and the fiduciary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position.

The 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 the amount of the transaction can be determined and "available" means collectible with the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year end. Revenues from federal, state, and other grants designated for payment of specific school district expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

D. Budgets and Budgetary Accounting

All funds must have budgets to be allowed expenditures. Budgets for all funds except proprietary funds are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at year end.

Budget Calendar -

Submission of a proposed budget to the Board of Education is due by May 31. On June 10 or within ten days after submission of the proposed budget, a notice shall be published stating the proposed budget is on file and available for inspection.

The last date for final adoption of the budget and appropriation resolution is June 30.

January 31 is last date to change adopted budget.

By December 15, the Board of Education certifies to County Commissioners the mill levy against the assessed valuation for the general and bond redemption funds.

The legal level of budgetary control is at the individual fund level.

LIBERTY SCHOOL DISTRICT J-4  
 Joes, Colorado  
 Notes to Financial Statements  
 June 30, 2017  
 (continued)

E. Encumbrances

Encumbrance accounting where purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is not utilized by the District.

F. Assets, Liabilities and Fund Balances/Net Position

1. Deposits

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to deposit funds in institutions who are members of the Federal Deposit Insurance Corporation to the extent that the deposit is insured or is secured by pledge of eligible collateral as required by CRS 11-10.5-107

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds."

Accounts receivable and property taxes receivables are shown at gross. Uncollectibles have not been material.

3. Inventories

The purchase method is used to account for inventories in the governmental funds. Under this method, inventories are recorded as expenditures when purchased.

A physical inventory was taken as of June 30, 2017 for the Food Services special revenue fund. The inventory consisted of government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies were both valued at cost using the first-in, first-out (FIFO) method.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the school district as assets with an initial, individual cost of more than \$5,000 for governmental activities and an estimated life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair 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.

Property, plant and equipment are depreciated in the proprietary funds using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings & Improvements	25-50
Equipment	5-15
Transportation	7-10



LIBERTY SCHOOL DISTRICT J-4  
Joes, Colorado  
Notes to Financial Statements  
June 30, 2017  
(continued)

5. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Compensated absence benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Accumulated sick leave benefits are paid to employees upon termination of employment.

Certain personnel and full-time employees receive between seven and eight and one-half days of sick leave each year, which can be accumulated as long as the employee is with the District. Upon leaving employment, the employee shall be paid for up to twenty days at the current one-day substitute's rate.

6. Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds issuance costs are reported as deferred charges and amortized over the term of the debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure. Actual results could differ from those estimates.

8. Fund Balance and Net Position

In the government-wide financial statements, net position are classified in the following categories;

Invested in Capital Assets, Net of Related Debt – this category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding debt balances that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net position – indicates that portion of net position which has been legally segregated for specific purposes or is not available for appropriation.

Unrestricted Net position – represents the amount which is not reserved for any purpose and is available for appropriation and expenditure in future periods.

When restricted and unrestricted funds are available, restricted are deemed first spent.

In the fund financial statements, fund balances of governmental funds are classified in the following categories;

Nonspendable – amounts that cannot be spent because they are either in not spendable form such as inventory and prepaid expenses, or legally or contractually required to be maintained intact such as the corpus of a permanent fund which is required to be retained in perpetuity. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale.

LIBERTY SCHOOL DISTRICT J-4  
 Joes, Colorado  
 Notes to Financial Statements  
 June 30, 2017  
 (continued)

Restricted – when constraints placed on the use of resources either (a) externally imposed by creditors or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – amounts that can be only used for specific purposes pursuant to constraints imposed by formal action of the government's Board of Education. These amounts cannot be changed except by taking the same type of action employed to previously commit these amounts.

Assigned – amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the governing body itself, or the Superintendent who has been delegated the authority to assign amounts to be used for specific purposes.

Unassigned – the residual for the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount.

When committed, assigned, or unassigned funds are available, committed is first spent, then assigned.

At June 30, 2017 the amounts restricted were \$45,674 for the Tabor Reserve, \$116,878 in the Bond Redemption Fund for bond retirement, \$126,117 for Capital Projects, \$7514 for the Preschool Fund, and \$2,064 for the Student Activities Special Revenue Fund.

## (2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.
- B. The District is in compliance with Financial Policies and Procedures handbook prepared by the Colorado Department of Education.
- C. In November 2014 the taxpayers approved a tax override of \$265,000 and the floating of a levy based on 25% of the district total program share for subsequent years beginning with the 2015-2016 fiscal year.
- D. During the 2016-17 fiscal year, the school transferred \$2,064 of the Student Activities Agency Fund's fund balance to create the Student Activities Special Revenue Fund. This adjustment is noted on page 2 as a change in accounting policy.
- E. Expenditures in the Student Activities Agency Fund of \$119,561 exceeds the budgeted amount of \$111,500. This may be a violation of state budget laws.

## (3) DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

- A. Deposits - are in 2 financial institutions. They are displayed on the balance sheets as "Cash in Bank" and Certificates of Deposit", and are carried at cost. Deposits of the District are listed by appropriate risk category as follows:

The Colorado Public Deposit Protection Act (PDPA) requires that all political subdivisions of the State 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 specified under the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

LIBERTY SCHOOL DISTRICT J-4  
 Joes, Colorado  
 Notes to the Financial Statements  
 June 30, 2017  
 (continued)

The Colorado Division of Banking and Financial Services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Custodial Credit Risk - the risk that, in the event of bank failure, the District's deposits may not be returned to it. The District does not have a written deposit policy for custodial credit risk.

At June 30, 2017, the District's cash deposits had a bank balance and carrying balance as follows:

	Bank <u>Balance</u>	Carrying <u>Balance</u>
Insured (FDIC)	571,870	500,000
With County Treasurer		16,115
Uninsured: Collateral held by District's agent in agent's name	<u>841,843</u>	<u>1,004,810</u>
Total Deposits	1,413,713	1,520,925
Shown as certificates of deposit		(242,714)
Amount in Agency Fund		<u>(60,644)</u>
Cash		1,217,567

As presented above, deposits with a bank balance of \$841,843 and a carrying balance of \$1,004,810 as of June 30, 2017, are uninsured, are exposed to custodial credit risk, and are collateralized with securities held by the pledging financial institution.

- B. Accrued Property Taxes Receivable - the amount budgeted for the current year, not yet collected.

Property Tax Calendar - taxes are levied by December 15, tax bills are mailed January 1 of the following year, creating an enforceable lien on the property. If paid by installments of one-half each, the first is due February 28, the second June 15. If paid in one payment, the due date is April 30. Taxes are delinquent if not paid by those dates. Notice of delinquencies are mailed in September, and tax sales scheduled for November.

- C. Changes in General Fixed Assets

	Beginning <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	Ending <u>Balance</u>
Governmental Activities				
Land	50,000	0	0	50,000
Buildings & Improvements	2,234,164	0	0	2,234,164
Furniture & Equipment	121,056	0	0	121,056
Transportation	<u>344,997</u>	<u>0</u>	<u>0</u>	<u>344,997</u>
Total	2,750,217	0	0	2,750,217
Less Accumulated Depreciation				
Buildings & Improvements	1,284,983	44,923	0	1,329,906
Furniture & Equipment	78,773	7,300	0	86,073
Transportation	<u>305,921</u>	<u>16,506</u>	<u>0</u>	<u>322,427</u>
Total	<u>1,669,677</u>	<u>68,729</u>	<u>0</u>	<u>1,738,406</u>
Governmental Activities				
Capital Assets, Net	<u>1,080,540</u>	<u>(68,729)</u>	<u>0</u>	<u>1,011,811</u>

Depreciation expense for the governmental activities was allocated \$50,665 to instruction, \$16,506 to transportation and \$1,558 to food service.

LIBERTY SCHOOL DISTRICT J-4  
 Joes, Colorado  
 Notes to the Financial Statements  
 June 30, 2017  
 (continued)

D. Changes in Long-Term Debt -

	Beginning <u>Balance</u>	<u>Issued</u>	<u>Paid</u>	Ending <u>Balance</u>	Due within <u>One Year</u>
Bonds Payable	320,000	0	105,000	215,000	105,000
CDE Repayment	<u>7,300</u>	<u>0</u>	<u>0</u>	<u>7,300</u>	<u>7,300</u>
Total	327,300	0	105,000	222,300	112,300

The bonds will be retired by tax levies in the Bond Redemption Fund. The compensated absences and CDE repayment will be liquidated by the General Fund and is payable at \$7,300 per year. The District believes the current portion of the compensated absences is negligible and is therefore not reported.

On November 27, 2013, the District issued \$520,000 of general obligation bonds after approval by the voters to make improvements to the District's schools. Interest payments are due on June 1 and December 1 of each year.

Debt service requirement to maturity:

Year Ending	<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	105,000	3,737	108,737	
2019	<u>110,000</u>	<u>1,265</u>	<u>111,265</u>	
Total	215,000	5,002	220,002	

(4) OTHER INFORMATION

- A. Risk Management - The District 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 District has joined Colorado School District Self Insurance Pool, a public entity risk pool currently operating as a common risk management and insurance program for members. The District pays an annual premium to CSDSI for its property and casualty insurance coverage. The intergovernmental agreement of formation of CSDSI provides that the Pool will be financially self-sustaining through member contributions and additional assessments, if necessary, and the Pool will purchase excess insurance through commercial companies for members' claims in excess of a specified self-insured retention, which is determined each policy year.

The District carries commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

- B. Accrued Salaries and Benefits Payable - teachers and certain other instructional employees are budgeted and paid over a twelve month period from September 1 to August 31 but are earned over a school year of approximately a nine month period. The salaries earned but not paid at June 30 are shown as an accrued liability.
- C. Operating Transfers In (Out) - The General Fund transferred \$19,108 to the Food Service Fund for operating purposes.

LIBERTY SCHOOL DISTRICT J-4  
 Joes, Colorado  
 Notes to the Financial Statements  
 June 30, 2017  
 (continued)

D. Defined Benefit Pension Plan

Summary of Significant Accounting Policies

*Pensions.* The District 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.

**General Information about the Pension Plan**

*Plan description.* Eligible employees of the District 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](http://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.

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 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.

LIBERTY SCHOOL DISTRICT J-4  
 Joes, Colorado  
 Notes to the Financial Statements  
 June 30, 2017  
 (continued)

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 the District 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:

	<u>For the Year Ended</u>	
	<u>December 31</u>	
	<u>2016</u>	<u>2017</u>
Employer Contribution Rate <sup>1</sup>	10.15%	10.15%
Care Trust Fund as Specified in C.R.S. § 24-51-208(1)(f) <sup>1</sup>	-1.02%	-1.02%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	<u>4.50%</u>	<u>5.00%</u>
Total Employer Contribution Rate to the SCHDTF <sup>1</sup>	18.13%	19.65%

<sup>1</sup> Rates are expressed as a percentage of salary 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 the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from District were \$132,065 for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$4,680,273 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The District proportion of the net pension liability was based on District contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, the District proportion was 0.0157193991 percent, which was a decrease of 0.0005571764 percent from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$679,185. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

LIBERTY SCHOOL DISTRICT J-4  
 Joes, Colorado  
 Notes to the Financial Statements  
 June 30, 2017  
 (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	58,511	41
Changes of assumptions or other inputs	1,518,651	21,106
Net difference between projected and actual earnings on pension plan investments	156,499	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	98,172
Contributions subsequent to the measurement date	<u>67,479</u>	<u>N/A</u>
Total	1,801,139	119,319

There is \$67,479 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date that is recognized as a reduction of the net pension liability for the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Fiscal Year Ended June 30,</b>	
2018	(64,138)
2019	(23,462)
2020	(10,572)
2021	-
2022	-
Thereafter	-

*Actuarial assumptions.* The table below includes the actuarial assumptions and other inputs utilized in the December 31, 2015 actuarial valuation and the revised assumptions utilized in the roll forward of the total pension liability from December 31, 2015 to December 31, 2016:

LIBERTY SCHOOL DISTRICT J-4  
 Joes, Colorado  
 Notes to the Financial Statements  
 June 30, 2017  
 (continued)

	<u>12/31/2015</u>	<u>12/31/2016</u>
	<u>Actuarial Valuation</u>	<u>Roll Forward</u>
Actuarial cost method	Entry Age	Entry Age
Price inflation	2.80 percent	2.40 percent
Real wage growth	1.10 percent	1.10 percent
Wage inflation	3.90 percent	3.50 percent
Salary increases, including wage inflation	3.90-10.10 percent	3.50-9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.50 percent	7.25 percent
Discount rate	7.50 percent	5.26 percent
Post-retirement benefit increases:		
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2.0 percent	2.0 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)		Financed by the Annual Increase Reserve (AIR)

Mortality rates used in the December 31, 2015 valuation 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. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA’s Board on November 13, 2012, and an economic assumption study, adopted by PERA’s Board on November 15, 2013 and January 17, 2014.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA’s Board on November 18, 2016 to more closely reflect PERA’s actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active members reflect 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 rate sand a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- i. **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 SCHOOL DISTRICT J-4  
 Joes, Colorado  
 Notes to the Financial Statements  
 June 30, 2017  
 (continued)

- ii. **Females:** Morality 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 changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

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. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption of the SCHDTF, 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 expenses and inflation) were developed by the investment consultant 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 November 18, 2016 adoption of the long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

LIBERTY SCHOOL DISTRICT J-4  
 Joes, Colorado  
 Notes to the Financial Statements  
 June 30, 2017  
 (continued)

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 5.26 percent. The projection of cash flows used to determine the discount rate applied the actuarial method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- 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 current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employee contributions were assumed to be made at the rates equal to the fixed statutory rates specified in law, including 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.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan 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. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of the AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), 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 end of the month.

Based on the above assumptions and methods, the GASB Statement No. 67 projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent.

As of the prior measurement date, the GASB Statement No. 67 projecting test indicated the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investment of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent.

LIBERTY SCHOOL DISTRICT J-4  
 Joes, Colorado  
 Notes to the Financial Statements  
 June 30, 2017  
 (continued)

*Sensitivity of the District'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 5.26 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 (4.26 percent) or 1-percentage point higher (6.26 percent) than the current rate:

	1% Decrease	Current Discount	1% Increase
Proportionate share of	<u>(4.26%)</u>	<u>Rate (5.26%)</u>	<u>(6.26%)</u>
the net pension liability	5,885,293	4,680,273	3,698,828

*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](http://www.copera.org/investments/pera-financial-reports).

E. Other Post-Employment Benefits

Health Care Trust Fund

*Plan Description* – The Liberty School District 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](http://www.copera.org/investments/pera-financial-reports).

*Funding Policy* – The Liberty School District 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 the Liberty School District 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, 2017, 2016 and 2015, the Liberty School District contributions to the HCTF were \$7,344, \$7,156 and \$7,046, respectively, equal to their required contributions for each year.

- F. Joint Venture - The District participates in the East Central Board of Cooperative Educational Services which is not reflected in these financial statements. One member of the board is from the District. The Board has final authority for all budgeting and financing of the joint venture. Each member pays a \$2,500 membership fee and then contributes additional monies in the relationship their student enrollment is to the total enrollment of all the members.

At June 30, 2016, total assets were \$2,617,821, deferred outflows were \$1,070,149, total liabilities were \$9,079,354, deferred inflows were \$709,709, net position was \$(6,101,093), revenues were \$8,398,687, and expenses were \$8,359,060.

Complete financial statements may be obtained from the BOCES office at 820 Second Street, Limon, CO 80828.

REQUIRED SUPPLEMENTARY INFORMATION

LIBERTY SCHOOL DISTRICT J4  
 Joes, Colorado  
 Budgetary Comparison Schedule - Major Governmental Funds  
 For the Year Ended June 30, 2017

	<u>General Fund</u>			Variance With Final Budget Positive (Negative)
	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Local sources	825,822	825,822	828,544	2,722
State Sources	687,027	687,027	675,858	(11,169)
Federal Sources	<u>19,733</u>	<u>19,733</u>	<u>16,708</u>	<u>(3,025)</u>
Total Revenues	1,532,582	1,532,582	1,521,111	(11,471)
<b>EXPENDITURES</b>				
<b>Current</b>				
Instruction	817,341	817,341	757,720	59,621
Supporting Services				
Pupils	14,288	14,288	11,967	2,321
Instructional Staff - Library	49,899	49,899	40,052	9,847
General Administration	80,914	80,914	76,361	4,553
School Administration	109,650	109,650	108,388	1,262
Business Services	52,568	52,568	56,012	(3,444)
Operations & Maintenance	191,272	191,272	163,947	27,325
Pupil Transportation	123,627	123,627	88,004	35,623
Central Support	28,200	28,200	18,765	9,435
Contingency Reserve	981,803	981,803	0	981,803
Capital Outlay	<u>4,500</u>	<u>4,500</u>	<u>21,495</u>	<u>(16,995)</u>
Total Expenditures	<u>2,454,062</u>	<u>2,454,062</u>	<u>1,342,713</u>	<u>1,111,349</u>
Excess of revenues over (under) Expenditures	(921,480)	(921,480)	178,398	1,099,878
Other Financing Uses				
Operating Transfers In (Out)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(19,108)</u>	<u>10,892</u>
Excess of Revenues over (under) Expenditures & Other Uses	(951,480)	(951,480)	159,291	1,110,771
Fund Balance - Beginning	<u>951,480</u>	<u>951,480</u>	<u>951,482</u>	<u>2</u>
Fund Balance - Ending	<u>0</u>	<u>0</u>	<u>1,110,772</u>	<u>1,110,772</u>

See auditor's report and notes to the financial statements.

LIBERTY SCHOOL DISTRICT J4  
 Joes, Colorado  
 Schedule of District's Proportionate Share of the Net Pension Liability  
 Last 10 Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Proportion (percentage) of the collective net pension liability	0.015719%	0.016277%	0.016318%	0.017981%
Proportionate share of the collective net pension liability	4,680,273	2,489,387	2,211,662	2,235,908
Covered payroll	705,515	706,510	690,201	726,621
Proportionate share of the net pension liability as a percentage of its covered employee payroll	663.38%	352.35%	320.44%	307.71%
Plan fiduciary net position as a percentage of total pension liability	43.10%	59.20%	62.80%	64.06%

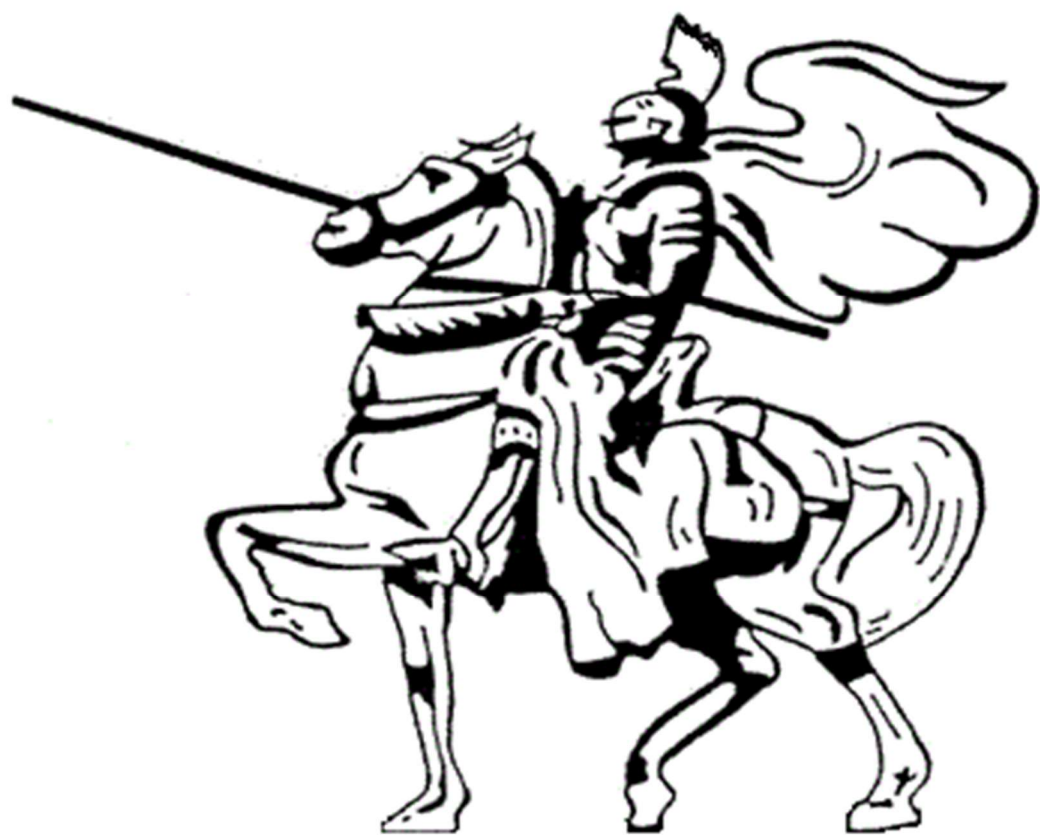
The amounts presented for each year were determined as of December 31.

LIBERTY SCHOOL DISTRICT J4  
 Joes, Colorado  
 Schedule of Contributions and Related Ratios  
 Last 10 Fiscal Years

As of June 30,	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Statutorily required contributions	132,065	123,914	116,654	112,878	121,654	106,470	92,068	87,344	77,598	70,625
Contributions in relation to the statutorily required contribution	<u>132,065</u>	<u>123,914</u>	<u>116,654</u>	<u>112,878</u>	<u>121,654</u>	<u>106,470</u>	<u>92,068</u>	<u>87,344</u>	<u>77,598</u>	<u>70,625</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered-employee payroll	720,015	701,308	690,773	706,027	808,739	750,878	693,349	704,516	676,195	666,775
Contributions as a percentage of covered-employee payroll	18.34%	17.67%	16.89%	15.99%	15.04%	14.18%	13.28%	12.40%	11.48%	10.59%

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## OTHER INFORMATION

## COMBINING STATEMENTS

LIBERTY SCHOOL DISTRICT J4  
 Joes, Colorado  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2017

	<u>Special Revenue Funds</u>				
	<u>Food</u>	<u>Student</u>	<u>Capital</u>	<u>Bond</u>	
	<u>Service</u>	<u>Activity</u>	<u>Projects</u>	<u>Redemption</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and cash equivalents	0	17,430	126,255	111,181	254,866
Cash with fiscal agent	0	0	0	1,279	1,279
Property tax receivable	0	0	0	4,417	4,417
Accounts/grants receivable	1,692	0	0		1,692
Inventory	2,153	0	0	0	2,153
Due from other funds	<u>138</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>138</u>
Total Assets	<u>3,983</u>	<u>17,430</u>	<u>126,255</u>	<u>116,878</u>	<u>264,546</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Due to other funds	0	0	138	0	138
Unearned Revenues	0	15,366	0	0	15,366
Fund Balances					
Restricted for					
Student Activities	0	2,064	0	0	2,064
Bond Redemption	0	0	0	116,878	116,878
Capital Projects	0	0	126,117	0	126,117
Nonspendable	2,153	0	0	0	2,153
Assigned	<u>1,830</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,830</u>
Total Fund Balances	<u>3,983</u>	<u>2,064</u>	<u>126,117</u>	<u>116,878</u>	<u>249,042</u>
Total Liabilities and Fund Balance	<u>3,983</u>	<u>17,430</u>	<u>126,255</u>	<u>116,878</u>	<u>264,546</u>

LIBERTY SCHOOL DISTRICT J4  
 Joes, Colorado  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2017

	<u>Special Revenue Funds</u>				<u>Total</u>
	<u>Food Service</u>	<u>Student Activity</u>	<u>Capital Projects</u>	<u>Bond Redemption</u>	
<b>REVENUES</b>					
Local Sources					
Property Taxes	0	0	0	111,758	111,758
Specific Ownership Taxes	0	0	0	806	806
Interest	0	0	108	158	266
Charges for Service	24,665	0	0	0	24,665
Donations	0	8,129	0	0	8,129
Insurance Claims	0	0	5,220	0	5,220
Other	744	0	0	0	744
Federal Sources	<u>15,817</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>15,817</u>
Total Revenues	41,226	8,129	5,328	112,722	167,405
<b>EXPENDITURES</b>					
Capital Projects	0	0	7,606	0	7,606
Food Service	59,717	0	0	0	59,717
Student Activities	0	8,129	0	0	8,129
Debt Service	<u>0</u>	<u>0</u>	<u>0</u>	<u>111,903</u>	<u>111,903</u>
Total Expenditures	<u>59,717</u>	<u>8,129</u>	<u>7,606</u>	<u>111,903</u>	<u>187,355</u>
Revenues over (under)					
Expenditures	(18,491)	0	(2,278)	820	(19,950)
Other Financing Sources (Uses)					
Operating Transfers In (Out)	<u>19,108</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>19,108</u>
Revenues & Other Sources over (under)					
Expenditures & Other Sources	616	0	(2,278)	820	(842)
Fund Balance - Beginning	3,367	0	128,395	116,058	247,820
Change in Accounting	<u>0</u>	<u>2,064</u>	<u>0</u>	<u>0</u>	<u>2,064</u>
Fund Balance - Ending	<u>3,983</u>	<u>2,064</u>	<u>126,117</u>	<u>116,878</u>	<u>249,042</u>

See auditor's report and notes to the financial statements.

INDIVIDUAL FUND FINANCIAL STATEMENTS

## GENERAL FUND

The General Fund is used to account for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in another fund. It is the most significant fund in relation to the District's overall operation

LIBERTY SCHOOL DISTRICT J4  
 Joes, Colorado  
 General Fund  
 Comparative Balance Sheet

	<u>6/30/17</u>	<u>6/30/16</u>	<u>Change</u>
<b>ASSETS</b>			
Cash In Bank	962,701	788,105	174,596
Certificates of Deposit	242,714	241,329	1,385
Cash with Fiscal Agent	14,836	16,162	(1,326)
Accounts/Grants Receivable	3,850	2,715	1,135
Accrued Property Tax Receivable	<u>29,281</u>	<u>30,323</u>	<u>(1,041)</u>
Total Assets	<u>1,253,382</u>	<u>1,078,633</u>	<u>174,749</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Current Liabilities			
Accounts Payable	32,013	12,855	19,158
Accrued Salaries and Benefits Payable	<u>110,597</u>	<u>107,421</u>	<u>3,176</u>
Total Current Liabilities	142,610	120,276	22,334
 Unearned Revenue	 0	 6,875	 (6,875)
 Fund Balance			
Restricted for Preschool	7,514	0	7,514
Restricted for TABOR	45,674	47,952	(2,278)
Unassigned	<u>1,057,584</u>	<u>903,530</u>	<u>154,054</u>
Total Fund Balance	<u>1,110,772</u>	<u>951,482</u>	<u>159,291</u>
 Total Liabilities and Fund Balance	 <u>1,253,382</u>	 <u>1,078,633</u>	 <u>174,749</u>



## LIBERTY SCHOOL DISTRICT J4

Joes, Colorado

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

REVENUES	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
Local Sources				
Property Taxes	725,626	699,742	(25,884)	715,593
Specific Ownership Taxes	45,887	87,988	42,101	90,794
Delinquent Taxes & Penalties	1,000	1,128	128	174
Investment Interest	1,372	1,385	13	1,372
Other	<u>51,937</u>	<u>38,300</u>	<u>(13,637)</u>	<u>48,437</u>
Total Local Sources	825,822	828,544	2,722	856,370
State Sources				
Equalization	624,002	624,000	(2)	591,899
Vocational Education	7,500	13,620	6,120	0
Transportation	19,516	18,937	(579)	16,517
ELPA	2,312	0	(2,312)	2,312
BOCES Services	30,197	15,631	(14,566)	47,670
Other	<u>3,500</u>	<u>3,671</u>	<u>171</u>	<u>22,653</u>
Total State Sources	687,027	675,858	(11,169)	681,051
Federal Sources				
Grants	11,000	7,268	(3,732)	10,405
BOCES Flowthrough	<u>8,733</u>	<u>9,440</u>	<u>707</u>	<u>9,383</u>
Total Federal Sources	<u>19,733</u>	<u>16,708</u>	<u>(3,025)</u>	<u>19,788</u>
Total Revenues	1,532,582	1,521,111	(11,471)	1,557,209
Expenditures	<u>2,454,062</u>	<u>1,342,713</u>	<u>1,111,349</u>	<u>1,290,516</u>
Excess of Revenues over (under) Expenditures	(921,480)	178,398	1,099,878	266,692
Other Financing Uses				
Operating Transfers In (Out)	<u>(30,000)</u>	<u>(19,108)</u>	<u>10,892</u>	<u>(44,509)</u>
Excess of Revenues over (under) Expenditures & Other Uses	(951,480)	159,291	1,110,771	222,184
Fund Balance - Beginning	<u>951,480</u>	<u>951,482</u>	<u>2</u>	<u>729,298</u>
Fund Balance - Ending	<u>0</u>	<u>1,110,772</u>	<u>1,110,772</u>	<u>951,482</u>

See auditor's report and notes to the financial statements.

LIBERTY SCHOOL DISTRICT J4  
 Joes, Colorado  
 General Fund  
 Statement of Expenditures - Budget and Actual  
 For the Year Ended June 30, 2017  
 With Comparative Actual Amounts for the Year Ended June 30, 2016

INSTRUCTION	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
Current				
Salaries	505,633	493,958	11,675	471,916
Employee Benefits	190,432	163,494	26,938	152,758
Purchased Services	78,411	63,568	14,843	81,287
Supplies and Material	22,865	22,438	427	21,640
Other	20,000	14,262	5,738	15,547
Capital Outlay	<u>500</u>	<u>280</u>	<u>220</u>	<u>271</u>
Total Instruction	817,841	758,000	59,840	743,419
SUPPORTING SERVICES				
Pupil				
Current				
Salaries	12,069	9,856	2,213	18,188
Benefits	2,019	2,008	12	3,853
Supplies and Material	<u>200</u>	<u>104</u>	<u>96</u>	<u>85</u>
Total Pupil	14,288	11,967	2,321	22,126
Instructional Staff Services				
Current				
Salaries	8,864	16,521	(7,657)	21,622
Employee Benefits	7,836	4,428	3,408	4,575
Purchased Services	32,399	18,335	14,064	4,599
Supplies and Material	<u>800</u>	<u>768</u>	<u>32</u>	<u>129</u>
Total Instructional Staff	49,899	40,052	9,847	30,926

LIBERTY SCHOOL DISTRICT J4  
 Joes, Colorado  
 General Fund  
 Statement of Expenditures - Budget and Actual  
 For the Year Ended June 30, 2017  
 With Comparative Actual Amounts for the Year Ended June 30, 2016  
 (continued)

SUPPORTING SERVICES (continued)	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
General Administration				
Current				
Salaries	34,318	34,921	(603)	32,055
Employee Benefits	11,571	11,531	40	10,506
Purchased Services	22,150	18,704	3,446	17,553
Supplies and Material	1,525	1,151	374	1,403
Other	11,350	10,055	1,295	10,742
Capital Outlay	<u>500</u>	<u>0</u>	<u>500</u>	<u>0</u>
Total General Administration	81,414	76,361	5,053	72,259
School Administration				
Current				
Salaries	82,574	81,483	1,091	80,074
Employee Benefits	27,076	26,905	171	26,299
Capital Outlay	<u>0</u>	<u>326</u>	<u>(326)</u>	<u>0</u>
Total School Administration	109,650	108,714	936	106,373
Business				
Current				
Salaries	30,320	31,183	(863)	30,320
Employee Benefits	12,748	12,271	477	11,862
Purchased Services	6,000	4,466	1,534	2,220
Supplies	3,500	8,093	(4,593)	3,615
Capital Outlay	<u>500</u>	<u>0</u>	<u>500</u>	<u>0</u>
Total Business	53,068	56,012	(2,944)	48,018
Operations and Maintenance				
Current				
Salaries	43,864	45,994	(2,130)	38,561
Employee Benefits	15,462	14,939	523	13,030
Purchased Services	64,446	58,342	6,104	49,212
Supplies and Material	67,500	44,672	22,828	44,555
Capital Outlay	<u>3,000</u>	<u>2,930</u>	<u>70</u>	<u>0</u>
Total Operations & Maintenance	194,272	166,877	27,395	145,357

LIBERTY SCHOOL DISTRICT J4  
 Joes, Colorado  
 General Fund  
 Statement of Expenditures - Budget and Actual  
 For the Year Ended June 30, 2017  
 With Comparative Actual Amounts for the Year Ended June 30, 2016  
 (continued)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>	Actual Prior Year
SUPPORTING SERVICES (continued)				
Pupil Transportation				
Current				
Salaries	43,491	32,509	10,982	26,730
Employee Benefits	12,736	10,480	2,256	8,344
Purchased Services	31,500	27,980	3,520	25,569
Supplies and Material	35,900	17,035	18,865	13,164
Capital Outlay	<u>0</u>	<u>17,959</u>	<u>(17,959)</u>	<u>0</u>
Total Transportation	123,627	105,963	17,664	73,807
Central Support Services				
Current				
Purchased Services	28,200	18,765	9,435	41,101
Supplies and Material	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Central Support	28,200	18,765	9,435	41,101
Other Support Services				
Current				
Debt Service	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,130</u>
TOTAL SUPPORTING SERVICES	654,418	584,712	69,706	547,097
CONTINGENCY RESERVE	<u>981,803</u>	<u>0</u>	<u>981,803</u>	<u>0</u>
TOTAL EXPENDITURES	<u>2,454,062</u>	<u>1,342,713</u>	<u>1,111,349</u>	<u>1,290,516</u>



## SPECIAL REVENUE FUNDS

Food Services Fund - to account for revenue and expenditures associated with providing hot meals to students, teachers, and visitors.

Student Activities Fund— to account for the revenues reported and the expenditures of each of the activities reported.

LIBERTY SCHOOL DISTRICT J4  
 Joes, Colorado  
 Food Services Special Revenue Fund  
 Comparative Balance Sheet

	<u>6/30/17</u>	<u>6/30/16</u>	<u>Change</u>
<b>ASSETS</b>			
Current Assets			
Accounts/Grants Receivable	1,692	1,319	373
Due From Capital Projects Fund	138	138	0
Inventory	<u>2,153</u>	<u>2,002</u>	<u>151</u>
Total Current Assets	<u>3,983</u>	<u>3,459</u>	<u>524</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Payroll Deductons	<u>0</u>	<u>92</u>	<u>(92)</u>
<b>FUND BALANCE</b>			
Nonspendable	2,153	2,002	151
Assigned	<u>1,830</u>	<u>1,365</u>	<u>465</u>
Total Fund Balance	<u>3,983</u>	<u>3,367</u>	<u>616</u>
Total Liabilities and Fund Balance	<u>3,983</u>	<u>3,459</u>	<u>524</u>

LIBERTY SCHOOL DISTRICT J4  
 Joes, Colorado  
 Food Services Special Revenue Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended June 30, 2017

REVENUES	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
Local Revenue				
Charges for Service				
Student Meals	18,186	16,811	(1,375)	16,080
Adult Meals	5,682	5,784	102	5,651
Other	2,500	2,070	(430)	2,661
State Revenue	200	744	544	566
Federal Revenue	11,500	13,009	1,509	11,917
Commodities	<u>0</u>	<u>2,807</u>	<u>2,807</u>	<u>3,043</u>
Total Revenue	38,068	41,226	3,158	39,918
EXPENDITURES				
Salaries	22,498	23,303	(805)	21,236
Benefits	11,219	10,208	1,011	10,190
Food & Milk	29,551	24,260	5,291	23,380
Non-Food	1,500	1,145	355	1,043
Repairs	1,000	0	1,000	0
Freight	300	180	120	194
Equipment	1,500	621	879	1,500
Miscellaneous	<u>500</u>	<u>0</u>	<u>500</u>	<u>150</u>
Total Expenditures	<u>68,068</u>	<u>59,717</u>	<u>8,351</u>	<u>57,693</u>
Excess of Revenue over (under) Expenditures	(30,000)	(18,491)	11,509	(17,775)
NON-OPERATING REVENUE				
Operating Transfers In	<u>30,000</u>	<u>19,108</u>	<u>(10,892)</u>	<u>44,509</u>
Excess of Revenue and Other Sources Over (under) Expenditures	0	616	616	26,734
Fund Balance - Beginning	<u>0</u>	<u>3,367</u>	<u>3,367</u>	<u>(23,367)</u>
Fund Balance - Ending	<u>0</u>	<u>3,983</u>	<u>3,983</u>	<u>3,367</u>

See auditor's report and notes to the financial statements.



LIBERTY SCHOOL DISTRICT J4  
 Joes, Colorado  
 Student Activities Special Revenue Fund  
 Comparative Balance Sheet

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>Change</u>
Assets			
Cash	<u>17,430</u>	<u>0</u>	<u>17,430</u>
 LIABILITIES AND FUND EQUITY			
Liabilities			
Unearned Revenue	15,366	0	15,366
Fund Balance			
Restricted	<u>2,064</u>	<u>0</u>	<u>2,064</u>
Total Liabilities and Fund Balance	<u>17,430</u>	<u>0</u>	<u>17,430</u>

Student Activities Special Revenue Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended June 30, 2017  
 With Comparative Actual Amounts for the Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
REVENUES				
Donations	<u>8,500</u>	<u>8,129</u>	<u>371</u>	<u>0</u>
EXPENDITURES				
Supplies	<u>8,500</u>	<u>8,129</u>	<u>371</u>	<u>0</u>
Excess of Revenues over (under) expenditures	0	0	0	0
Fund Balance - Beginning	0	0	0	0
Change in Accounting	<u>0</u>	<u>2,064</u>	<u>2,064</u>	<u>0</u>
Fund Balance - Ending	<u>0</u>	<u>2,064</u>	<u>2,064</u>	<u>0</u>

See auditor's report and notes to the financial statements.

## DEBT SERVICE FUND

Bond Redemption Fund - to account for payment of principle and interest on bonds issued January 15, 1997.  
Financing is provided by a specific annual property tax levy.

LIBERTY SCHOOL DISTRICT J4  
 Joes, Colorado  
 Bond Redemption Debt Service Fund  
 Comparative Balance Sheet

	<u>6/30/17</u>	<u>6/30/16</u>	<u>Change</u>
<b>ASSETS</b>			
Cash	111,181	108,232	2,949
Cash with Fiscal Agent	1,279	1,437	(158)
Accrued Property Taxes Receivable	<u>4,417</u>	<u>6,389</u>	<u>(1,971)</u>
Total Assets	<u>116,878</u>	<u>116,058</u>	<u>820</u>
 <b>FUND BALANCE</b>			
Restricted For Bond Redemption	<u>116,878</u>	<u>116,058</u>	<u>820</u>

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
 For the Year Ended June 30, 2017  
 With Comparative Actual Amounts for the Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
<b>REVENUES</b>				
Property Taxes	98,110	111,758	13,648	111,752
Specific Ownership Taxes	15,881	806	(15,075)	877
Interest	<u>0</u>	<u>158</u>	<u>158</u>	<u>224</u>
Total Revenues	113,991	112,722	(1,269)	112,853
 <b>EXPENDITURES</b>				
Fiscal Agent Fee	750	750	0	750
Bond Interest	131	6,153	(6,022)	8,510
Bond Principal	<u>113,110</u>	<u>105,000</u>	<u>8,110</u>	<u>100,000</u>
Total Expenditures	<u>113,991</u>	<u>111,903</u>	<u>2,089</u>	<u>109,260</u>
Revenues over (under) Expenditures	0	820	820	3,593
Fund Balance - Beginning	<u>0</u>	<u>116,058</u>	<u>116,058</u>	<u>112,465</u>
Fund Balance - Ending	<u>0</u>	<u>116,878</u>	<u>116,878</u>	<u>116,058</u>

See auditor's report and notes to the financial statements.

## CAPITAL PROJECTS FUND

Capital Reserve Fund - to account for acquisition of land or improvements and construction of structures thereon, or acquisition of land with existing structures thereon and equipment and furnishing therein; construction of additions to existing structures; procurement of equipment for new buildings and additions to existing buildings and installation thereof; alterations and improvements to existing structures where the estimated cost of such projects for labor and materials is in excess of two thousand five hundred dollars; acquisition of school buses or other equipment, the estimated unit cost of which, including any necessary installations, is in excess of one thousand dollars; installment purchase agreements or lease agreements with an option to purchase for a period not to exceed twenty years under which a school district becomes entitled to the use of real property and related equipment for a school site, building, or structure. Also allowed are lease agreements with option to purchase for a period of one year or less, including lease agreements consisting of a series of one-year terms renewable at the option of the district. Financing is provided by transfers from the General Fund.

LIBERTY SCHOOL DISTRICT J4  
 Joes, Colorado  
 Capital Reserve Capital Projects Fund  
 Comparative Balance Sheet

	<u>6/30/17</u>	<u>6/30/16</u>	<u>Change</u>
<b>ASSETS</b>			
Cash	<u>126,255</u>	<u>128,533</u>	<u>(2,278)</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Due to Other Funds	138	138	0
<b>FUND BALANCE</b>			
Restricted	<u>126,117</u>	<u>128,395</u>	<u>(2,278)</u>
Total Liabilites and Fund Balance	<u>126,255</u>	<u>128,533</u>	<u>(2,278)</u>

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
 For the Year Ended June 30, 2017  
 With Comparative Actual Amounts for the Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
<b>REVENUES</b>				
BEST Grant	105,863	0	(105,863)	0
Insurance Claims	0	5,220	5,220	0
Interest Income	<u>200</u>	<u>108</u>	<u>(92)</u>	<u>134</u>
Total Revenues	106,063	5,328	(100,735)	134
<b>EXPENDITURES</b>				
Repairs	0	7,606	(7,606)	4,896
Bond Issue Costs	30	0	30	0
Capital Outlay	<u>106,033</u>	<u>0</u>	<u>106,033</u>	<u>32,296</u>
Total Expenditures	<u>106,063</u>	<u>7,606</u>	<u>98,427</u>	<u>37,192</u>
Excess of Revenues over (under) Expenditures	0	(2,278)	(2,308)	(37,058)
Fund Balance - Beginning	0	<u>128,395</u>	<u>128,395</u>	<u>165,452</u>
Fund Balance - Ending	<u>0</u>	<u>126,117</u>	<u>126,087</u>	<u>128,395</u>



## AGENCY FUNDS

Student Activity Fund - used to act as custodian for the classes and activities of the district.

Scholarship Fund - used to account for resources held by the District for scholarships to be distributed to area students for post-secondary education.

LIBERTY SCHOOL DISTRICT J4  
 Joes, Colorado  
 Student Activity Agency Fund  
 Statement of Changes in Assets and Liabilities - Budget and Actual  
 For the Year Ended June 30, 2017

	Balance			Balance
	<u>July 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30</u>
Activity	221	282	146	357
Cashway - Hot Lunch	1	6,852	6,853	0
Homecoming	21	0	0	21
Arts of Learning	0	3,000	3,000	0
Target	159	0	159	0
Playground	1,288	0	207	1,081
Library	99	763	720	142
School Computers	1	0	1	0
History Maps Nelson	2,209	0	2,209	0
Washington DC Trip	1	0	1	0
3rd 4th 5th Grade Nelson	15	0	15	0
K-5 Reading - Nelson 20	19,000	0	19,000	0
Science Dept - Nelson	325	517	842	0
Student Co - Nelson 20	500	0	500	0
New York Trip - Nelson	0	2,500	0	2,500
Weights - Nelson 2016	6	0	6	0
School Lunch Nelson	1,000	0	1,000	0
FCCLA - Nelson 2016	3,308	0	3,308	0
Science Fair - Nelson 2	3,000	2,480	5,480	0
Ag Shop - Nelson 2016	1,000	0	1,000	0
FFA - Nelson 2016	3,000	12	3,012	0
JH Sports - Nelson 2016	8,300	1,256	9,556	0
Student Council-Nelson 2017	0	500	304	196
Liberty FFA-Nelson 2017	0	4,780	3,344	1,436
English Essay-Nelson 2017	0	1,000	0	1,000
General Athletics	1,050	8,921	8,784	1,187
PE	90	0	58	32
HS Volleyball	348	0	0	348
HSG Basketbll	1,399	0	0	1,399
HSB Basketball	574	109	630	53
HS Track	380	0	72	308
JH Athletics	413	0	160	253
Drama	44	0	44	0
Student Council	751	46	179	618
Concession Equipment	165	0	0	165
6th Grade	0	22	0	22



LIBERTY SCHOOL DISTRICT J4  
 Joes, Colorado  
 Student Activity Agency Fund  
 Statement of Changes in Assets and Liabilities - Budget and Actual  
 For the Year Ended June 30, 2017  
 (continued)

	Balance <u>July 1</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30</u>
7th Grade	23	22	0	44
8th Grade	397	52	0	449
9th grade	256	1,303	822	738
10th Grade	1,169	1,277	88	2,358
11th Grade	572	12,829	12,837	565
12th Grade	391	1,126	1,517	0
12th Grade	7,363	5,290	12,653	0
Art	198	475	160	513
Music	1,693	10	1,703	0
N H S	13	0	0	13
Yearbook	3,595	1,771	1,640	3,726
FCCLA	1,069	873	789	1,152
FBLA	2,123	0	163	1,960
FBLA - Other	137	0	137	0
FFA	7,553	16,958	11,220	13,291
FFA Scholarship	465	0	0	465
JR Aggies	869	0	574	295
JBS Five Rivers - Gran	593	0	593	0
Pre K	0	30	30	0
Pre K Equipment	221	0	114	106
Elementary	4,367	5,222	3,375	6,215
Elementary Special	76	0	0	76
Elem - Kindergarten	301	468	0	769
Elem - 1st	228	0	228	0
Elem - 2nd	222	114	0	336
Elem - 3rd	70	0	70	0
Elem - 4th	144	166	0	310
Elem - 5th	129	37	166	0
Elem - 6th	52	0	52	0
Math	<u>192</u>	<u>146</u>	<u>39</u>	<u>299</u>
Total	83,148	81,207	119,561	44,794
Budget	<u>0</u>	<u>111,500</u>	<u>111,500</u>	<u>0</u>
Variance - Favorable (Unfavorable)	<u>83,148</u>	<u>(30,293)</u>	<u>8,061</u>	<u>44,794</u>

See auditor's report and notes to the financial statements.

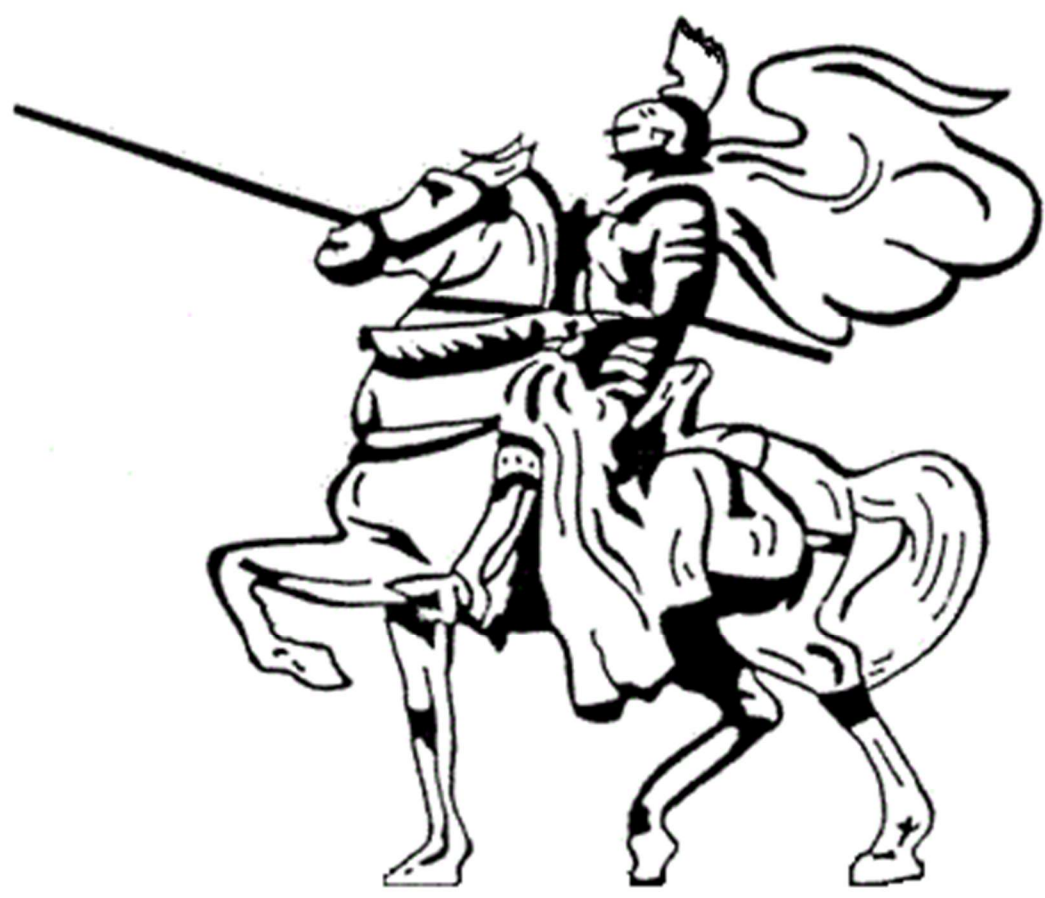
LIBERTY SCHOOL DISTRICT J4  
 Joes, Colorado  
 Scholarship Agency Fund  
 Comparative Statement of Net Position

	<u>6/30/17</u>	<u>6/30/16</u>	<u>Change</u>
<b>ASSETS</b>			
Current Assets			
Cash	9,810	11,614	(1,804)
Investments	<u>6,040</u>	<u>6,039</u>	<u>1</u>
Total Current Assets	<u>15,850</u>	<u>17,653</u>	<u>(1,803)</u>
<b>LIABILITIES</b>			
Due to Scholarship Recipients	<u>15,850</u>	<u>17,653</u>	<u>(1,803)</u>

Scholarship Agency Fund  
 Statement of Changes in Assets and Liabilities - Budget and Actual  
 For the Year Ended June 30, 2017  
 With Comparative Actual Amounts for the Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
<b>Additions</b>				
Contributions	15,000	5,821	(9,179)	13,201
Interest	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>
Total Additions	15,000	5,822	(9,178)	13,201
<b>Deductions</b>				
Scholarship Paid	15,000	7,625	7,375	8,875
Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Deductions	<u>15,000</u>	<u>7,625</u>	<u>7,375</u>	<u>8,875</u>
Excess of Additions over (under) Deductions	<u>0</u>	<u>(1,803)</u>	<u>(1,803)</u>	<u>4,326</u>
Due to scholarship recipients beginning of year			<u>17,653</u>	
Due to scholarship recipients end of year			<u>15,850</u>	

See auditor's report and notes to the financial statements.



AUDITOR'S INTEGRITY REPORT



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 3230 - LIBERTY J-4  
 Fiscal Year: 2016-17  
 Colorado School District/BOCES

**Revenues, Expenditures, & Fund Balance by Fund**

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	+	1000 - 5999 Total Revenues & Other Sources	-	0001-0999 Total Expenditures & Other Uses	=	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
<b>Governmental</b>							
10 General Fund	951,482		1,440,338		1,288,562		1,103,258
18 Risk Mgmt Sub-Fund of General Fund	0		0		0		0
19 Colorado Preschool Program Fund	0		61,665		54,151		7,514
<b>Sub-Total</b>	<b>951,482</b>		<b>1,502,003</b>		<b>1,342,713</b>		<b>1,110,772</b>
11 Charter School Fund	0		0		0		0
20.26-29 Special Revenue Fund	0		0		0		0
06 Supplemental Cap Const, Tech, Main, Fund	0		0		0		0
21 Food Service Spec Revenue Fund	3,367		60,333		59,717		3,983
22 Govt Designated-Purpose Grants Fund	0		0		0		0
23 Pupil Activity Special Revenue Fund	2,064		8,129		8,129		2,064
24 Full Day Kindergarten Mill Levy Override	0		0		0		0
25 Transportation Fund	0		0		0		0
31 Bond Redemption Fund	116,058		112,722		111,902		116,878
39 Certificate of Participation (COP) Debt Service Fund	0		0		0		0
41 Building Fund	0		0		0		0
42 Special Building Fund	0		0		0		0
43 Capital Reserve Capital Projects Fund	128,395		5,328		7,606		126,117
46 Supplemental Cap Const, Tech, Main Fund	0		0		0		0
<b>Totals</b>	<b>1,201,366</b>		<b>1,668,516</b>		<b>1,530,067</b>		<b>1,359,814</b>
<b>Proprietary</b>							
50 Other Enterprise Funds	0		0		0		0
64 (63) Risk-Related Activity Fund	0		0		0		0
60.65-69 Other Internal Service Funds	0		0		0		0
<b>Totals</b>	<b>0</b>		<b>0</b>		<b>0</b>		<b>0</b>
<b>Fiduciary</b>							
70 Other Trust and Agency Funds	0		0		0		0
72 Private Purpose Trust Fund	0		0		0		0
73 Agency Fund	17,653		5,822		7,625		15,850
74 Pupil Activity Agency Fund	83,148		81,207		119,561		44,794
79 GASB 34/Permanent Fund	0		0		0		0
85 Foundations	0		0		0		0
<b>Totals</b>	<b>100,800</b>		<b>87,029</b>		<b>127,186</b>		<b>60,644</b>
			<b>FINAL</b>				