

Ben Franklin Academy
(A Component Unit of Douglas County School District RE.1)

Financial Statements

June 30, 2018

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Ben Franklin Academy
 (A Component Unit of Douglas County School District RE.1)
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**HINKLE &
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Strategic PC
Business Advisors

Independent Auditors' Report

Board of Directors
Ben Franklin Academy
Highlands Ranch, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Ben Franklin Academy, component unit of Douglas County School District RE.1, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Ben Franklin Academy, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Ben Franklin Academy as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10 to the financial statements, in the year ended June 30, 2018, the Ben Franklin Academy adopted new accounting guidance as required by Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hick & Company, PC

Greenwood Village, Colorado
October 30, 2018



Management's Discussion And Analysis (MD&A)

Required Supplementary Information
June 30, 2018

As management of Ben Franklin Academy (BFA), we offer readers of BFA's basic financial statements this narrative and analysis of the financial activities for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements.

FINANCIAL HIGHLIGHTS

The year ended June 30, 2018 was the seventh year of operations for BFA. The general-fund fund balance for the fiscal year ended June 30, 2018 is \$4,052,769.

The primary source of revenue was through funding from the Colorado State School Finance Act. Tax revenue from this source (Per Pupil Revenue) was \$ 6,292,396. BFA received additional non-tax-related income in the form of tuition-based revenues from preschool, \$246,399, and full-day kindergarten, \$212,692, as well as other child care related programs of \$155,121.

OVERVIEW OF FINANCIAL STATEMENTS

This financial summary is intended to provide an introduction to BFA's basic financial statements. The basic statements are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The statement of activities presents information showing how BFA's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year-end).

The government-wide statement of activities distinguishes functions/programs of BFA that are primarily supported by the per pupil revenue passed from Douglas County School District. These activities include instruction and supporting services expense.

Management's Discussion And Analysis (MD&A)

Required Supplementary Information
June 30, 2018

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of unrestricted resources available at the end of the fiscal year. Such information may be useful in evaluating BFA's near-term financing requirements.

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

BFA adopts an annual appropriated budget for our General Fund. A budgetary comparison has been provided for this fund to demonstrate compliance with the budget as part of the required supplementary information included in the audited financial statements.

PROPRIETARY FUND

The Ben Franklin Academy Building Corporation is considered a component of BFA and is reported as a proprietary fund. The proprietary fund shows income and expense and balance sheet information as it relates to the assets purchased with tax-exempt financing, and related debt.

NOTES TO FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

For the year ended June 30, 2018, governmental activities net position (negative) totaled (\$13,411,007).

Management's Discussion And Analysis (MD&A)

Required Supplementary Information
June 30, 2018

Table I: Net Position

	2017-2018 Governmental Activities	2016-2017 Governmental Activities	2017-2018 Business-Type Activities	2016-2017 Business-Type Activities
ASSETS				
Cash and Investments	4,676,442	4,470,964	-	-
Accounts Receivable	23,007	18,157	-	-
Prepaid Expenses	28,213	-	-	-
Restricted Cash and Investments	-	-	1,955,405	1,943,608
Capital Assets, Net	291,454	34,860	17,565,659	18,187,795
TOTAL ASSETS	5,019,116	4,523,981	19,521,064	20,131,403
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	7,702,253	8,840,630	-	-
OPEB	38,525	-	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	7,740,778	8,840,630	-	-
LIABILITIES				
Accounts Payable	19,953	23,084	-	-
Accrued Liabilities	77,660	68,443	-	-
Accrued Salaries and Benefits	562,561	595,027	-	-
Unearned Revenues	14,719	21,121	-	-
Accrued Interest Payable	-	-	410,850	415,650
Noncurrent Liabilities				
Due within One Year	-	-	330,000	320,000
Due in more than One Year	-	-	19,473,120	19,838,234
Net Pension Liability	23,959,956	21,409,962	-	-
Net OPEB Liability	547,144	-	-	-
TOTAL LIABILITIES	25,181,993	22,117,637	20,213,970	20,573,884
DEFERRED INFLOWS OF RESOURCES				
Pensions	979,754	92,871	-	-
OPEB	9,154	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	988,908	92,871	-	-
NET POSITION				
Net Investment in Capital Assets	291,454	34,860	(2,195,627)	(1,929,211)
Restricted for Debt Service	-	-	1,502,721	1,486,730
Restricted for Emergencies	233,000	245,000	-	-
Unrestricted	(13,935,461)	(9,125,757)	-	-
TOTAL NET POSITION	(13,411,007)	(8,845,897)	(692,906)	(442,481)

Information presented for the year ended June 30, 2017, has not been restated because comparable information is not available.

Management's Discussion And Analysis (MD&A)

Required Supplementary Information
June 30, 2018

Table II: Change In Net Position

	2017-2018 Governmental Activities	2016-2017 Governmental Activities	2017-2018 Business-Type Activities	2016-2017 Business-Type Activities
REVENUES				
<i>General Revenues</i>				
Per Pupil Revenue	6,292,396	5,965,429	-	-
District Mill Levy	466,394	458,581	-	-
Capital Construction Funding	226,663	233,176	-	-
Contributions	3,883	43,019	-	-
Investment Earnings	6,595	3,882	22,876	15,635
Other	152	1,771	-	-
<i>Program Revenues</i>				
Charges for Services: Instruction	799,107	795,990	-	-
Charges for Services: Support	181,924	151,810	-	-
Operating Grants: Instruction	15,820	29,488	-	-
Total Revenue	7,992,934	7,683,146	22,876	15,635
EXPENSES				
Instruction	7,023,852	6,496,262	-	-
Support	3,880,746	3,495,800	-	-
Building Corporation	-	-	1,416,274	1,234,484
Total Expenses	10,904,598	9,992,062	1,416,274	1,234,484
TRANSFERS	(1,142,973)	(1,151,300)	1,142,973	1,151,300
Change in Net Position	(4,054,637)	(3,460,216)	(250,425)	(67,549)
Net Position, Beginning	(9,356,370)	(5,385,681)	(442,481)	(374,932)
Net Position, Ending	(13,411,007)	(8,845,897)	(692,906)	(442,481)

BFA has adopted GASB 68 and GASB 75

BFA's Net Position is a negative (\$13,411,007). The negative balance is due to the adoption of GASB Statement No. 68, resulting in a net pension liability of \$23,959,956. In addition, BFA adopted GASB Statement No. 75 for the year ended June 30, 2018, which resulted in a new OPEB liability of \$547,144.

FUND FINANCIAL ANALYSIS

General Fund Income

Management's Discussion And Analysis (MD&A)

Required Supplementary Information
June 30, 2018

Total Revenues for the period ended June 30, 2018 were \$7,992,934. The main source of income during this time period was from the State of Colorado through the charter authorized by Douglas County School District. Per Pupil Revenue was reported \$6,292,396; equivalent to \$7,306.88 per funded student. In addition, BFA received funding through the Douglas County School District as a component of local revenue (Mills) in the amount of \$466,394. Revenues were slightly increased for additional Capital Construction funding received.

Expenditures

BFA budgeted for General Fund total expenditures (exclusive of appropriated reserves) of \$8,043,011 for the period of July 1, 2017 to June 30, 2018. Actual total expenditures were \$7,730,338. Increased expenses were recognized in comparison with the prior year due to the purchase of a turf field as well as additional/realignment of staff members' salary and benefits.

ANALYSIS OF SIGNIFICANT BUDGET VARIATIONS: GENERAL FUND

The original budget was adopted during the Spring of 2017 for the 2017-2018 school year. At the time the budget had been adopted, actual student count and per pupil distribution rates had not yet been finalized. The budget is then revised in November after the official student enrollment count has been finalized.

CAPITAL ASSETS AND LONG-TERM DEBT

BFA holds assets with a net book value of \$291,454 which includes a turf field, weather station and an overflow parking lot.

In April, 2016, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$19,140,000 in Charter School Revenue Bonds. Bond proceeds were loaned to the Building Corporation to finance the acquisition and construction of educational facilities. BFA uses the building owned by the Building Corporation. The debt accrues interest at rates ranging from 3% to 5%. Interest payments are due semi-annually on July 1 and January 1 each year through 2047. The Building Corporation reports these educational facilities at the book value of \$17,565,659.

Additional information on capital assets and long-term debt is available in Notes 4 and 5 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The primary factor driving the budget for BFA is the future of the Colorado state budget and related Funded Pupil Count. These drivers are regularly monitored and discussed amongst the Board and Management and associated budgetary impact. Student growth and facility financing were all considered during the strategic planning process.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of BFA's financial position. Questions concerning the information contained in this report should be directed to:

Ben Franklin Academy
2270 Plaza Drive
Highlands Ranch, CO 80129

Basic Financial Statements

Ben Franklin Academy
(A Component Unit of Douglas County School District RE.1)
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Investments	\$ 4,676,442	\$ -	\$ 4,676,442
Restricted Cash and Investments	-	1,955,405	1,955,405
Accounts Receivable	23,007	-	23,007
Prepaid Expenses	28,213	-	28,213
Capital Assets, <i>Net of Accumulated Depreciation</i>	<u>291,454</u>	<u>17,565,659</u>	<u>17,857,113</u>
Total Assets	<u>5,019,116</u>	<u>19,521,064</u>	<u>24,540,180</u>
Deferred Outflows of Resources			
Pensions, <i>Net of Accumulated Amortization</i>	7,702,253	-	7,702,253
OPEB, <i>Net of Accumulated Amortization</i>	<u>38,525</u>	<u>-</u>	<u>38,525</u>
Total Deferred Outflows of Resources	<u>7,740,778</u>	<u>-</u>	<u>7,740,778</u>
Liabilities			
Accounts Payable	19,953	-	19,953
Accrued Liabilities	77,660	-	77,660
Accrued Salaries and Benefits	562,561	-	562,561
Unearned Revenues	14,719	-	14,719
Accrued Interest Payable	-	410,850	410,850
Noncurrent Liabilities			
Due Within One Year	-	330,000	330,000
Due in More Than One Year	-	19,473,120	19,473,120
Net Pension Liability	23,959,956	-	23,959,956
Net OPEB Liability	<u>547,144</u>	<u>-</u>	<u>547,144</u>
Total Liabilities	<u>25,181,993</u>	<u>20,213,970</u>	<u>45,395,963</u>
Deferred Inflows of Resources			
Pensions, <i>Net of Accumulated Amortization</i>	979,754	-	979,754
OPEB, <i>Net of Accumulated Amortization</i>	<u>9,154</u>	<u>-</u>	<u>9,154</u>
Total Deferred Inflows of Resources	<u>988,908</u>	<u>-</u>	<u>988,908</u>
Net Position			
Net Investment in Capital Assets	291,454	(2,195,627)	(1,904,173)
Restricted for:			
Debt Service	-	1,502,721	1,502,721
Emergencies	233,000	-	233,000
Unrestricted	<u>(13,935,461)</u>	<u>-</u>	<u>(13,935,461)</u>
Total Net Position	<u>\$ (13,411,007)</u>	<u>\$ (692,906)</u>	<u>\$ (14,103,913)</u>

See Notes to Financial Statements.

Ben Franklin Academy
(A Component Unit of Douglas County School District RE.1)
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government						
<i>Governmental Activities</i>						
Instruction	\$ 7,023,852	\$ 799,107	\$ 15,820	\$ (6,208,925)	\$ -	\$ (6,208,925)
Supporting Services	3,880,746	181,924	-	(3,698,822)	-	(3,698,822)
Total Governmental Activities	10,904,598	981,031	15,820	(9,907,747)	-	(9,907,747)
<i>Business-Type Activities</i>						
Building Corporation	1,416,274	-	-	-	(1,416,274)	(1,416,274)
Total Primary Government	\$ 12,320,872	\$ 981,031	\$ 15,820	(9,907,747)	(1,416,274)	(11,324,021)
General Revenues						
Per Pupil Revenue				6,292,396	-	6,292,396
District Mill Levy				466,394	-	466,394
Capital Construction				226,663	-	226,663
Grants and Contributions not Restricted to Specific Programs				3,883	-	3,883
Investment Income				6,595	22,876	29,471
Other				152	-	152
Transfers				(1,142,973)	1,142,973	-
Total General Revenues and Transfers				5,853,110	1,165,849	7,018,959
Change in Net Position				(4,054,637)	(250,425)	(4,305,062)
Net Position, Beginning of year				(9,356,370)	(442,481)	(9,798,851)
Net Position, End of year				\$ (13,411,007)	\$ (692,906)	\$ (14,103,913)

Ben Franklin Academy
(A Component Unit of Douglas County School District RE.1)
Balance Sheet
Governmental Fund
June 30, 2018

	General
Assets	
Cash and Investments	\$ 4,676,442
Accounts Receivable	23,007
Prepaid Expenditures	28,213
Total Assets	\$ 4,727,662
Liabilities and Fund Balance	
<i>Liabilities</i>	
Accounts Payable	\$ 19,953
Accrued Liabilities	77,660
Accrued Salaries and Benefits	562,561
Unearned Revenues	14,719
Total Liabilities	674,893
<i>Fund Balance</i>	
Nonspendable Prepaid Expenditures	28,213
Restricted for Emergencies	233,000
Unrestricted, Unassigned	3,791,556
Total Fund Balance	4,052,769
Total Liabilities and Fund Balance	\$ 4,727,662

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

Total Fund Balance of the Governmental Fund	\$ 4,052,769
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	291,454
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds.	
Net pension liability	(23,959,956)
Pension-related deferred outflows of resources	7,702,253
Pension-related deferred inflows of resources	(979,754)
Net OPEB liability	(547,144)
OPEB-related deferred outflows of resources	38,525
OPEB-related deferred inflows of resources	(9,154)
Total Net Position of Governmental Activities	\$ (13,411,007)

Ben Franklin Academy
(A Component Unit of Douglas County School District RE.1)
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2018

	General
Revenues	
Local Sources	\$ 7,750,451
State Sources	242,483
Total Revenues	7,992,934
Expenditures	
Instruction	4,026,969
Supporting Services	3,703,369
Total Expenditures	7,730,338
Excess of Revenues Over (Under) Expenditures	262,596
Other Financing Sources	
Transfers In	8,727
Net Change in Fund Balance	271,323
Fund Balance, <i>Beginning of year</i>	3,781,446
Fund Balance, <i>End of year</i>	\$ 4,052,769

Ben Franklin Academy

(A Component Unit of Douglas County School District RE.1)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities For the Year Ended June 30, 2018

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

Net Change in Fund Balance of the Governmental Fund	\$ 271,323
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(21,156)
Capital outlay	277,750
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes changes in the following.	
Net pension liability	(2,549,994)
Pension-related deferred outflows of resources	(1,138,377)
Pension-related deferred inflows of resources	(886,883)
Net OPEB liability	(17,203)
OPEB-related deferred outflows of resources	19,057
OPEB-related deferred inflows of resources	<u>(9,154)</u>
Change in Net Position of Governmental Activities	<u>\$ (4,054,637)</u>

Ben Franklin Academy
 (A Component Unit of Douglas County School District RE.1)
 Statement of Net Position
 Proprietary Fund
 June 30, 2018

	Building Corporation
Assets	
<i>Current Assets</i>	
Restricted Cash and Investments	\$ 1,955,405
<i>Noncurrent Assets</i>	
Capital Assets, <i>Net of Accumulated Depreciation</i>	17,565,659
Total Assets	19,521,064
Liabilities	
<i>Current Liabilities</i>	
Accrued Interest Payable	410,850
Loan Payable, <i>Current Portion</i>	330,000
Total Current Liabilities	740,850
<i>Noncurrent Liabilities</i>	
Loan Payable	19,473,120
Total Liabilities	20,213,970
Net Position	
Net Investment in Capital Assets	(2,195,627)
Restricted for Debt Service	1,502,721
Total Net Position	\$ (692,906)

Ben Franklin Academy
(A Component Unit of Douglas County School District RE.1)
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2018

	<u>Building Corporation</u>
Operating Revenues	
Rental Income	\$ <u>1,151,700</u>
Total Operating Revenues	<u>1,151,700</u>
Operating Expenses	
Purchased Services	7,552
Depreciation	622,136
Debt Service	
Interest	<u>786,586</u>
Total Operating Expenses	<u>1,416,274</u>
Net Operating Income (Loss)	(264,574)
Nonoperating Revenues	
Investment Income	<u>22,876</u>
Net Loss Before Transfers	(241,698)
Transfers	
Transfers Out	<u>(8,727)</u>
Change in Net Position	(250,425)
Net Position, <i>Beginning of year</i>	<u>(442,481)</u>
Net Position, <i>End of year</i>	<u><u>\$ (692,906)</u></u>

Ben Franklin Academy
 (A Component Unit of Douglas County School District RE.1)
 Statement of Cash Flows
 Proprietary Fund
 For the Year Ended June 30, 2018

	Building Corporation
Cash Flows From Operating Activities	
Rental Payments Received	\$ 1,151,700
Cash Paid to Suppliers	(7,552)
Loan Interest Paid	(826,500)
Loan Principal Paid	(320,000)
Net Cash Provided (Used) by Operating Activities	(2,352)
Cash Flows From Investing Activities	
Investment Income Received	22,876
Transfers to BFA	(8,727)
Net Cash Provided (Used) by Investing Activities	14,149
Net Change in Cash and Cash Equivalents	11,797
Cash and Cash Equivalents, <i>Beginning of year</i>	1,943,608
Cash and Cash Equivalents, <i>End of year</i>	\$ 1,955,405
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Net Operating Income (Loss)	\$ (264,574)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	622,136
Amortization of Premium	(35,114)
Changes in Assets and Liabilities	
Accrued Interest Payable	(4,800)
Loan Payable	(320,000)
Net Cash Provided (Used) by Operating Activities	\$ (2,352)

Ben Franklin Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies

Ben Franklin Academy (BFA) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within Douglas County School District (the District). BFA began operations in the Fall of 2011.

The accounting policies of BFA conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles. Following is a summary of BFA's more significant policies.

Reporting Entity

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

BFA includes the Ben Franklin Academy Building Corporation (the Corporation) within its reporting entity. The Corporation was organized in January 2016, primarily to finance the acquisition and construction of educational facilities, and currently leases facilities only to BFA. The Corporation is blended into BFA's financial statements as an enterprise fund, and does not issue separate financial statements.

BFA is a component unit of the District. The District authorized BFA's charter and the majority of BFA's funding is provided by the District.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of BFA. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Ben Franklin Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements (Continued)

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

Separate financial statements are provided for the governmental fund and the proprietary fund. Major individual funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

Ben Franklin Academy
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Notes to Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

(Continued)

BFA reports the following major governmental fund:

General Fund - This fund is the general operating fund of BFA. It is currently used to account for all financial activities of BFA.

BFA reports one major proprietary fund, as follows:

Building Corporation - This fund is used to account for the financial activities of the Corporation, including facilities acquisition and construction, and the related debt service.

Assets, Liabilities and Net Position/Fund Balance

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

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

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

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

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

Buildings and Improvements	30 years
Land Improvements	30 years
Equipment	5 years

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

Ben Franklin Academy
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Note 1: Summary of Significant Accounting Policies (Continued)

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

Unearned Revenues - Unearned revenues represent resources received by BFA before it has a legal claim to them, including tuition and fees.

Compensated Absences - Employees of BFA are allowed to accumulate unused personal time off. Upon termination of employment from BFA, an employee will be compensated for all accrued personal time off at the rate of \$40 per day. A liability for compensated absences is not reported in the financial statements because the amount is insignificant.

Long-Term Debt - In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as current expenses or expenditures.

Pensions - BFA participates in the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to and deductions from the SDTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the SDTF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees.

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

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

Ben Franklin Academy
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 Notes to Financial Statements
 June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

Risk Management

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

Note 2: Stewardship, Compliance and Accountability

Accountability

At June 30, 2018, the Corporation had a negative net position of \$692,906. Management expects this negative balance to be eliminated as the Corporation's debt is paid.

Note 3: Deposits and Investments

A summary of cash and investments at June 30, 2018, follows:

Deposits	\$ 4,287,609
Investments	<u>2,344,238</u>
Total	<u>\$ 6,631,847</u>

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

Cash and Investments	\$ 4,676,442
Restricted Cash and Investments	<u>1,955,405</u>
Total	<u>\$ 6,631,847</u>

Ben Franklin Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2018

Note 3: Deposits and Investments (Continued)

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2018, BFA had bank deposits of \$4,052,260 collateralized with securities held by the financial institution's agent but not in BFA's name.

Investments

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

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

Interest Rate Risk - State statutes generally limit the maturity of investment securities to five years from the date of purchase, unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

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

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Notes to Financial Statements
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Note 3: Deposits and Investments (Continued)

Investments (Continued)

Local Government Investment Pool - At June 30, 2018, BFA and the Corporation had \$2,344,238 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates in conformity with the Securities and Exchange Commission's Rule 2a-7. Colotrust is measured at the net asset value per share, with each share valued at \$1. Colotrust is rated AAAM by Standard and Poor's. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Restricted Cash and Investments

Cash and investments of \$1,955,405 have been restricted by the Corporation's loan agreement for capital outlay and future debt service.

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2018, is summarized below.

	Balance 6/30/17	Additions	Deletions	Balance 6/30/18
Governmental Activities				
<i>Capital Assets, Being Depreciated</i>				
Land Improvements	\$ 35,800	\$ 277,750	\$ -	\$ 313,550
Equipment	55,730	-	-	55,730
Total Capital Assets, <i>Being Depreciated</i>	<u>91,530</u>	<u>277,750</u>	<u>-</u>	<u>369,280</u>
Less Accumulated Depreciation				
Land Improvements	(2,386)	(19,710)	-	(22,096)
Equipment	(54,284)	(1,446)	-	(55,730)
Total Accumulated Depreciation	<u>(56,670)</u>	<u>(21,156)</u>	<u>-</u>	<u>(77,826)</u>
Total Governmental Activities Capital Assets, <i>Net</i>	<u>\$ 34,860</u>	<u>\$ 256,594</u>	<u>\$ -</u>	<u>\$ 291,454</u>
Business-Type Activities				
<i>Capital Assets, Being Depreciated</i>				
Buildings and Improvements	\$ 18,842,709	\$ -	\$ -	\$ 18,842,709
Less Accumulated Depreciation	(654,914)	(622,136)	-	(1,277,050)
Total Business-Type Activities Capital Assets, <i>Net</i>	<u>\$ 18,187,795</u>	<u>\$ (622,136)</u>	<u>\$ -</u>	<u>\$ 17,565,659</u>

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

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Note 5: Long-Term Debt

Following is a summary of long-term debt transactions for the year ended June 30, 2018:

	<u>Balance 6/30/17</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 6/30/18</u>	<u>Due Within One Year</u>
Business-Type Activities					
2016 Building Loan	\$ 19,140,000	\$ -	\$ 320,000	\$ 18,820,000	\$ 330,000
Premium	1,018,234	-	35,114	983,120	-
Total	<u>\$ 20,158,234</u>	<u>\$ -</u>	<u>\$ 355,114</u>	<u>\$ 19,803,120</u>	<u>\$ 330,000</u>

In April, 2016, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$19,140,000 Charter School Revenue Bonds, Series 2016. Bond proceeds were loaned to the Corporation to finance the purchase and construction of educational facilities. BFA is obligated under a lease agreement to make monthly lease payments to the Corporation for using the facilities. The Corporation is required to make equal loan payments to the Trustee, for payment of the bonds. The bonds accrue interest at rates ranging from 3% to 5%. Interest payments are due semi-annually on July 1 and January 1. Principal payments are due annually on July 1, beginning in 2017, through 2046.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 330,000	\$ 815,100	\$ 1,145,100
2020	340,000	801,700	1,141,700
2021	355,000	787,800	1,142,800
2022	370,000	773,300	1,143,300
2023	385,000	758,200	1,143,200
2024 - 2028	2,180,000	3,522,025	5,702,025
2029 - 2033	2,770,000	2,915,750	5,685,750
2034 - 2038	3,530,000	2,135,375	5,665,375
2039 - 2043	4,380,000	1,287,600	5,667,600
2044 - 2047	<u>4,180,000</u>	<u>342,400</u>	<u>4,522,400</u>
Total	<u>\$ 18,820,000</u>	<u>\$ 14,139,250</u>	<u>\$ 32,959,250</u>

Note 6: Interfund Transactions

During the year ended June 30, 2018, the Corporation's trustee distributed excess interest earnings of \$8,727 to BFA.

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Note 7: Defined Benefit Pension Plan

General Information

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

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

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

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

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

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Notes to Financial Statements
June 30, 2018

Note 7: Defined Benefit Pension Plan (Continued)

General Information (Continued)

Contributions - BFA and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. BFA's contribution rate for calendar years 2018 and 2017 was 20.15% and 19.65% of covered salaries, respectively. However, a portion of BFA's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 8). BFA's contributions to the SDTF for the year ended June 30, 2018, were \$696,600, equal to the required contributions.

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

At June 30, 2018, BFA reported a net pension liability of \$23,959,956, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017.

BFA's proportion of the net pension liability was based on BFA's contributions to the SDTF for the calendar year ended December 31, 2017, relative to the contributions of all participating employers. At December 31, 2017, BFA's proportion was 0.0740958236%, which was an increase of 0.0021872549% from its proportion measured at December 31, 2016.

During the 2018 legislative session, the State Legislature passed Senate Bill (SB) 18-200 with the goal of eliminating the unfunded pension liability of the SDTF within the next 30 years. The significant provisions of the legislation include increased age and service requirements to receive full retirement benefits, highest average salary calculated over five years rather than three years, changes to includable employee salaries, increased contributions from employees and employers, and an annual direct distribution from the State of Colorado. BFA's estimated net pension liability at June 30, 2018, had the provisions of SB 18-200 been effective was \$10,824,900.

For the year ended June 30, 2018, BFA recognized pension expense of \$5,551,221. At June 30, 2018, BFA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Ben Franklin Academy
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 Notes to Financial Statements
 June 30, 2018

Note 7: Defined Benefit Pension Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 440,522	\$ -
Changes of assumptions and other inputs	6,117,866	38,824
Net difference between projected and actual earnings on plan investments	-	940,930
Changes in proportion	719,301	-
Contributions subsequent to the measurement date	424,564	-
Total	\$ 7,702,253	\$ 979,754

BFA contributions subsequent to the measurement date of \$424,564 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,

2019	\$ 4,162,308
2020	2,391,646
2021	97,962
2022	(353,981)
Total	\$ 6,297,935

Actuarial Assumptions - The actuarial valuation as of December 31, 2016, determined the total pension liability using the following actuarial assumptions and other inputs.

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 Notes to Financial Statements
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Note 7: Defined Benefit Pension Plan (Continued)

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

Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate ⁽¹⁾	5.26%
Future post-retirement benefit increases:	
Hired prior to 1/1/2007	2.0%
Hired after 12/31/2006	ad hoc

⁽¹⁾ The discount rate reflected in the roll-forward calculation of the total pension liability to the measurement date was 4.78%.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates. Healthy, post-retirement mortality assumptions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments. For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

On November 18, 2016, PERA's governing board adopted revised economic and demographic assumptions based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, which were effective on December 31, 2016. The significant changes affecting the plan included decreasing the investment rate of return assumption from 7.5% per year, compounded annually, net of investment expenses, to 7.25%, and updating mortality assumptions based on RP-2014 mortality tables.

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

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

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Note 7: Defined Benefit Pension Plan (Continued)

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

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

Discount Rate - The discount rate used to measure the total pension liability was 4.78%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently require annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103%, the employer contribution rate will decrease 0.5% each year, to a minimum of 10.15%.

Based on the assumptions described previously, the SDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate, defined as the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index, was used in the determination of the discount rate. The long-term expected rate of return of 7.25% on plan investments was applied to all periods through 2041, and the municipal bond index rate was applied to periods after 2041 to develop the discount rate. On the measurement date of December 31, 2017, the municipal bond index rate was 3.43%, resulting in a discount rate of 4.78%. The discount rate at the prior measurement date was 5.26%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents BFA's proportionate share of the net pension liability calculated using the discount rate of 4.78%, as well as BFA's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower (3.78%) or one percentage point higher (5.78%) than the current rate, as follows:

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Note 7: Defined Benefit Pension Plan (Continued)

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

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	\$ 30,265,499	\$ 23,959,956	\$ 18,821,658

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

Note 8: Postemployment Healthcare Benefits

General Information

Plan Description - All employees of BFA are eligible to receive postemployment benefits other than pensions (OPEB) through the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). Title 24, Article 51, Part 12 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the HCTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

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

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

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Note 8: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

Contributions - As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of BFA's contributions to the School Division Trust Fund (SDTF) (See Note 7) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. BFA's apportionment to the HCTF for the year ended June 30, 2018, was \$35,703, equal to the required amount.

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

At June 30, 2018, BFA reported a net OPEB liability of \$547,144, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2017.

BFA's proportion of the net OPEB liability was based on BFA's contributions to the HCTF for the calendar year ended December 31, 2017, relative to the contributions of all participating employers. At December 31, 2017, BFA's proportion was 0.0421009666%, which was an increase of 0.0012272760% from its proportion measured at December 31, 2016.

For the year ended June 30, 2018, BFA recognized OPEB expense of \$45,333. At June 30, 2018, BFA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,588	\$ -
Net difference between projected and actual earnings on plan investments	-	9,154
Changes in proportion	13,299	-
Contributions subsequent to the measurement date	22,638	-
Total	\$ 38,525	\$ 9,154

BFA contributions subsequent to the measurement date of \$22,638 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

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Note 8: Postemployment Healthcare Benefits (Continued)

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

Year Ended June 30,

2019		\$		833
2020				833
2021				833
2022				833
2023				3,121
2024				280
Total		\$		6,733

Actuarial Assumptions - The actuarial valuation as of December 31, 2016, determined the total OPEB liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

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

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates. Healthy, post-retirement mortality assumptions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments. For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

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

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Note 8: Postemployment Healthcare Benefits (Continued)

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

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

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

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as presented previously in Note 7.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ <u>615,162</u>	\$ <u>547,144</u>	\$ <u>489,089</u>

Ben Franklin Academy
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 Notes to Financial Statements
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Note 8: Postemployment Healthcare Benefits (Continued)

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

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

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Proportionate share of the net OPEB liability	\$ 532,090	\$ 547,144	\$ 565,276

OPEB Plan Fiduciary Net Position - Detailed information about the HCTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

Note 9: Commitments and Contingencies

Claims and Judgments

BFA participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, BFA may be required to reimburse the other government. At June 30, 2018, significant amounts of related expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of BFA.

Tabor Amendment

In November 1992, Colorado voters approved the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to interpretation, but management believes BFA is in substantial compliance with the requirements of the Amendment. In accordance with the Amendment, BFA has established a reserve for emergencies, representing 3% of qualifying expenditures. At June 30, 2018, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$233,000.

Ben Franklin Academy
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 Notes to Financial Statements
 June 30, 2018

Note 9: Commitments and Contingencies (Continued)

Ground Lease

In April 2016, the Corporation assumed the rights, title and interest in a ground lease agreement payable to the Englewood/McLellan Reservoir Foundation, allowing the Corporation to use the land upon which BFA's educational facilities reside. Monthly payments of \$15,570 are required under the agreement through August 31, 2017, with annual increases effective every September 1, through 2020, at which time the payments will be adjusted with the Consumer Price Index, with minimum increases of 1% and maximum of 3%, through maturity on August 31, 2036. In addition, the agreement allows for five optional extensions of 10 years each. Lease payments of \$199,830 were made under this agreement during the year ended June 30, 2018.

Future minimum lease payments, through the initial term, assuming increases of 1% after September 1, 2020, are as follows:

Year Ended June 30,

2019	\$ 213,666
2020	226,080
2021	229,997
2022	232,297
2023	234,620
2024 - 2028	1,208,764
2029 - 2033	1,270,424
2034 - 2037	<u>837,728</u>
Total	<u>\$ 4,453,576</u>

Note 10: Change in Accounting Principle

For the year ended June 30, 2018, BFA adopted the standards of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, net position of the governmental activities at June 30, 2017, was restated to reflect the cumulative effect of adopting the standards.

Ben Franklin Academy
(A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2018

Note 10: Change in Accounting Principle (Continued)

Certain balances of deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2017, were not available and have not been reported in the financial statements.

	Governmental Activities
Net Position, June 30, 2017, <i>as Originally Stated</i>	\$ (8,845,897)
Deferred Outflows of Resources	19,468
Net OPEB Liability	(529,941)
Net Position, June 30, 2017, <i>as Restated</i>	\$ (9,356,370)

Required Supplementary Information

Ben Franklin Academy
(A Component Unit of Douglas County School District RE.1)
 Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability and Contributions
 Public Employees' Retirement Association of Colorado
 School Division Trust Fund
 June 30, 2018

	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
Proportionate Share of the Net Pension Liability					
BFA's Proportion of the Net Pension Liability	0.0740958236%	0.0719085687%	0.0690406818%	0.0659675699%	0.0622245074%
BFA's Proportionate Share of the Net Pension Liability	\$ 23,959,956	\$ 21,409,962	\$ 10,559,285	\$ 8,940,822	\$ 7,936,719
BFA's Covered Payroll	\$ 3,417,953	\$ 3,227,385	\$ 3,008,777	\$ 2,763,570	\$ 2,508,468
BFA's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	701%	663%	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44%	43%	59%	63%	64%
	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
BFA Contributions					
Statutorily Required Contribution	\$ 660,897	\$ 612,702	\$ 551,944	\$ 483,892	\$ 428,474
Contributions in Relation to the Statutorily Required Contribution	<u>(660,897)</u>	<u>(612,702)</u>	<u>(551,944)</u>	<u>(483,892)</u>	<u>(428,474)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BFA's Covered Payroll	\$ 3,500,308	\$ 3,333,281	\$ 3,112,456	\$ 2,865,433	\$ 2,679,924
Contributions as a Percentage of Covered Payroll	18.88%	18.38%	17.73%	16.89%	15.99%

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

Ben Franklin Academy
(A Component Unit of Douglas County School District RE.1)
 Required Supplementary Information
 Schedule of Proportionate Share of the Net OPEB Liability and Contributions
 Public Employees' Retirement Association of Colorado
 Health Care Trust Fund
 June 30, 2018

	12/31/17
Proportionate Share of the Net OPEB Liability	
BFA's Proportion of the Net OPEB Liability	0.0421009666%
BFA's Proportionate Share of the Net OPEB Liability	\$ 547,144
BFA's Covered-Employee Payroll	\$ 3,545,669
BFA's Proportionate Share of the Net OPEB Liability as a Percentage of Covered-Employee Payroll	15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18%
	6/30/18
BFA Contributions	
Statutorily Required Contribution	\$ 35,703
Contributions in Relation to the Statutorily Required Contribution	(35,703)
Contribution Deficiency (Excess)	\$ -
BFA's Covered-Employee Payroll	\$ 3,615,839
Contributions as a Percentage of Covered-Employee Payroll	0.99%

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

Ben Franklin Academy
 (A Component Unit of Douglas County School District RE.1)
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
<i>Local Sources</i>				
Per Pupil Revenue	\$ 6,069,590	\$ 6,301,825	\$ 6,292,396	\$ (9,429)
District Mill Levy	466,378	476,923	466,394	(10,529)
Tuition and Fees	840,589	830,589	954,227	123,638
Facility Rental	15,000	15,000	26,804	11,804
Contributions	5,000	5,000	3,883	(1,117)
Investment Income	2,500	2,500	6,595	4,095
Other	250	250	152	(98)
Total Local Sources	<u>7,399,307</u>	<u>7,632,087</u>	<u>7,750,451</u>	<u>118,364</u>
<i>State Sources</i>				
Capital Construction	233,592	219,563	226,663	7,100
Grants	29,488	15,819	15,820	1
Total State Sources	<u>263,080</u>	<u>235,382</u>	<u>242,483</u>	<u>7,101</u>
Total Revenues	<u>7,662,387</u>	<u>7,867,469</u>	<u>7,992,934</u>	<u>125,465</u>
Expenditures				
Salaries	3,606,340	3,707,344	3,615,839	91,505
Employee Benefits	990,541	1,012,728	950,736	61,992
Purchased Services	2,350,432	2,440,139	2,384,511	55,628
Supplies	393,117	395,617	334,561	61,056
Property	153,500	431,250	418,713	12,537
Other	55,933	55,933	25,978	29,955
Contingency	3,599,938	3,781,446	-	3,781,446
Total Expenditures	<u>11,149,801</u>	<u>11,824,457</u>	<u>7,730,338</u>	<u>4,094,119</u>
Excess of Revenues Over (Under) Expenditures	(3,487,414)	(3,956,988)	262,596	4,219,584
Other Financing Sources				
Transfers In	-	-	8,727	8,727
Net Change in Fund Balance	(3,487,414)	(3,956,988)	271,323	4,228,311
Fund Balance, Beginning of year	<u>3,599,938</u>	<u>4,191,581</u>	<u>3,781,446</u>	<u>(410,135)</u>
Fund Balance, End of year	<u>\$ 112,524</u>	<u>\$ 234,593</u>	<u>\$ 4,052,769</u>	<u>\$ 3,818,176</u>

Ben Franklin Academy
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Notes to Required Supplementary Information
June 30, 2018

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

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

Changes in Assumptions and Other Inputs

For the year ended June 30, 2018, the total pension liability was determined by an actuarial valuation as of December 31, 2016. The following revised economic and demographic assumptions were effective as of December 31, 2016.

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

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

Budgets are required by State statutes for all funds and are adopted on a basis consistent with generally accepted accounting principles.

BFA adheres to the following procedures to establish the budgetary information reflected in the financial statements.

- Management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Prior to June 30, the budget is adopted by the Board of Directors.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- All budget appropriations lapse at fiscal year end.