

Legacy Academy
(A Component Unit of Elizabeth School District)

Financial Statements

June 30, 2018



**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

Legacy Academy
(A Component Unit of Elizabeth School District)
Table of Contents
June 30, 2018

Independent Auditors' Report	1
Management's Discussion and Analysis	i
Basic Financial Statements	
<i>Government-wide Financial Statements</i>	
Statement of Net Position	3
Statement of Activities	4
<i>Governmental Fund Financial Statements</i>	
Balance Sheet	5
Statement of Revenues, Expenditures and Changes in Fund Balance	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	7
<i>Proprietary Fund Financial Statements</i>	
Statement of Net Position	8
Statement of Revenues, Expenses and Changes in Net Position	9
Statement of Cash Flows.....	10
<i>Notes to Financial Statements</i>	11
Required Supplementary Information	
Schedule of Proportionate Share of the Net Pension Liability and Contributions.....	29
Schedule of Proportionate Share of the Net OPEB Liability and Contributions.....	30
Budgetary Comparison Schedule – General Fund	31
Notes to Required Supplementary Information	32



**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

Independent Auditors' Report

Board of Directors
Legacy Academy
Elizabeth, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Legacy Academy, component unit of Elizabeth School District, 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 Legacy 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 Legacy 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 8 to the financial statements, in the year ended June 30, 2018, Legacy 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
November 29, 2018



LEGACY ACADEMY
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Introduction

As management of Legacy Academy (the "School"), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal 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

Fiscal year ended June 30, 2018 is the fourth year reporting net pension liability and deferred inflows and outflows following Governmental Accounting Standards Board Statement (GASB) No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. As such, the School included the Net Pension Liability in the amount of \$11,183,943 for FY 2018 and \$9,907,564 for FY 2017 as a noncurrent liability on the Statement of Net Position. The School also participates in a Postemployment Healthcare Benefit Plan and as a result of GASB statement No. 75 has recorded a Net OPEB Liability as of June 30, 2018 of \$255,394. For FY 2018 and FY 2017, the liabilities and deferred inflows of resources of the School exceeded its assets and deferred outflows by \$7,167,292 and \$5,331,653 (net position), respectively.

For the year ended June 30, 2018, the School 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.

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.

The general fund (governmental fund) ending fund balance increased from \$749,677 to \$1,069,105. This increase was due to unanticipated Rural Sustainability funds from the state and the payoff of a technology lease in the prior year. These funds will provide a reserve to draw upon during future years and investment in facility improvements.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

LEGACY ACADEMY
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Government-wide Financial Statements

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

The statement of net position presents information on all of the School's assets and liabilities, and deferred inflows and outflows, with the difference reported as net position.

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

The government-wide statement of activities distinguishes functions/programs of the School supported primarily by per pupil revenue (PPR) or property taxes passed through Elizabeth School District C-1 (the "District"). The governmental activities of the School include instruction and supporting services expenses.

The government-wide financial statements can be found on pages 3-4 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School can be divided into two categories: governmental funds or proprietary funds.

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

LEGACY ACADEMY
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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 impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains one governmental fund, the general fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund because it is considered to be a major fund.

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

Proprietary Fund. The Elbert County Charter School Building Corporation is considered a component unit of the charter school and has one fund, an enterprise fund, and is presented with a statement of net position, revenues, expenses and changes in net position, and cash flows.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 11-28.

Government-wide Financial Analysis

The School's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$7,167,292 at the close of the most recent fiscal year. The negative balance is due primarily to the adoption of GASB Statement No. 68, resulting in a net pension liability of \$11,183,943 representing the School's proportionate share of PERA's net pension liability.

LEGACY ACADEMY
Management's Discussion and Analysis
For the Year Ended June 30, 2018

School's Net Position

Governmental and Business-Type Activities

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Cash and Investments	\$ 997,030	\$ 931,106
Restricted Cash and Investments	685,071	662,223
Accounts Receivable & Prepaid Expenses	274,172	31,269
Capital Assets	4,369,460	4,524,626
Total Assets	<u>6,325,733</u>	<u>6,149,224</u>
 Deferred Outflows of Resources		
Pensions, Net of Accumulated Amortization	3,540,404	3,865,293
OPEB, Net of Accumulated Amortization	18,964	Not Reported
Loss on Debt Refunding, Net	118,628	133,639
Total Deferred Outflow of Resources	<u>3,677,996</u>	<u>3,998,932</u>
 Current Liabilities		
Current Liabilities	218,866	230,156
Long –Term Liabilities	5,030,647	5,236,861
Net Pension Liability	11,183,943	9,907,564
Net OPEB Liability	255,394	Not Reported
Total Liabilities	<u>16,688,850</u>	<u>15,374,581</u>
 Deferred Inflows of Resources		
Pensions, Net of Accumulated Amortization	477,898	105,228
OPEB, Net of Accumulated Amortization	4,273	Not Reported
Total Deferred Inflows of Resources	<u>482,171</u>	<u>105,228</u>
 Net position		
Net Investment in Capital Assets	(542,559)	(578,596)
Restricted for Debt Service	568,138	544,678
Restricted for Repairs and Replacement	100,164	100,087
Restricted for Emergencies	108,000	105,000
Unrestricted	(7,401,035)	(5,502,822)
Total Net Position	<u><u>\$(7,167,292)</u></u>	<u><u>\$(5,331,653)</u></u>

LEGACY ACADEMY
Management's Discussion and Analysis
For the Year Ended June 30, 2018

A portion of the School's Governmental and Business-Type assets (31%) is in cash and cash equivalents and (69%) are net capital assets. As outlined in Note 5 to the financial statements the School participates in a Defined Benefit Pension Plan and has recorded a Net Pension Liability as of June 30, 2018 of \$11,183,943. This and the operating loss in the governmental activities resulted in a negative government-wide Net Position of \$7,167,292.

School's Change in Net Position
For the Years Ended June 30, 2018 and June 30, 2017
Governmental and Business-Type Activities

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Program Revenue:		
Operating Grants and Contributions	\$ 180,075	\$ 93,469
Charges for Services	152,646	129,112
Capital Grants and Contributions		
Total Program Revenues	<u>332,721</u>	<u>222,581</u>
General Revenue:		
Per Pupil Revenue	3,129,260	3,129,226
Capital Construction	109,243	119,004
Grants and Contributions Not Restricted	33,797	41,412
Investment Earnings	33,975	22,737
Other	24,321	9,963
Total General Revenues	<u>3,330,596</u>	<u>3,322,342</u>
Total Revenues	<u>3,663,317</u>	<u>3,544,923</u>
Expenses:		
Current:		
Instruction	3,212,940	2,891,993
Supporting Services	1,688,742	1,440,777
Building Corporation	360,987	374,757
Total Expenses	<u>5,262,669</u>	<u>4,707,527</u>
(Decrease) / Increase in Net Position	(1,599,352)	(1,162,604)
Beginning Net Position, June 30	<u>(5,567,940)</u>	<u>(4,169,049)</u>
Ending Net Position, June 30	<u>\$(7,167,292)</u>	<u>\$(5,331,653)</u>

The largest portion of the School's revenues come from per pupil funding – 85% in FY 2018 and 88% in FY 2017.

LEGACY ACADEMY
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Financial Analysis of the School's Funds

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Fund. The focus of the School's governmental fund is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unrestricted, unassigned fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year.

The general fund reported a positive change in fund balance of \$319,428. The main contributing factors to this were the receipt of \$74,462 in Rural Sustainability funds from the state, the payoff of a technology lease in fiscal year 2017 of \$112,073, and conservative spending. Overall revenue increased in FY 2018 by \$117,050 and expenditures increased by \$44,576. As of the end of the current fiscal year, the School's general fund reported an ending fund balance of \$1,069,105.

Proprietary Fund. Elbert County Charter School Building Corporation's net position increased \$74,026 to a balance of \$43,287.

General Fund Budgetary Highlights

The School approves a budget in June based on enrollment projections for the following school year. In October after enrollment stabilizes, adjustments are made to the budget. The School approved an amended budget during the year to true up the beginning fund balance and adjust to the actual student count. The original General Fund Budget for expenditures was \$3,341,160 and was amended to \$3,418,030. Total expenditures were less than the amended budget by \$97,219.

Capital Asset and Debt Administration

Capital assets. Including the building of the School and other general fund assets, net capital assets were \$4,369,460. Depreciation expense of \$155,166 was reported for the building and other Governmental Activities capital assets.

Long-term leases. The School participates in a long-term lease agreement with the Elbert County Charter School Building Corporation. Monthly principal and interest payments are due under the lease agreement, with interest accruing at a rate of 4%. The lease ends in June 2026. Annual debt service ranges from \$407,102 to \$411,936 with a balloon payment of \$3,082,229 due on June 1, 2026. Monthly payments started July 1, 2016.

LEGACY ACADEMY
Management’s Discussion and Analysis
For the Year Ended June 30, 2018

Economic Factors and Next Year’s Budget

The FY 2018/2019 budget projects the School will have an increase of approximately \$187,000 to the general fund ending fund balance, which will be used in future years for investment in student-focused technology and facility planning.

Voters in the School’s authorizing district of Elizabeth passed a Mill Levy tax in November, 2018 that will be used to increase staff salaries, technology, and health, safety, and security. Revenues to the School from the Mill Levy are expected to be approximately \$270K per year beginning in full in calendar year 2020.

The School has additional capacity for growth, but at this time anticipates enrollment to stay near current levels. Below are the historical enrollment numbers:

Fiscal Year	Enrollment	Home School
2008 / 2009	369	-
2009 / 2010	287	-
2010 / 2011	302	-
2011 / 2012	418	-
2012 / 2013	427	-
2013 / 2014	382	-
2014 / 2015	343	62
2015 / 2016	359	77
2016 / 2017	409	73
2017 / 2018	396	75
2018 / 2019	386	61

The funded pupil count (FTE) projected for the 2018-19 school year is expected to be 396; 365 in the School and 31 in the Home School program. Home School participants are funded at a .5 FTE, and Kindergarten at a .58. The economic outlook for FY 2018 is favorable with an increase of \$476 per funded FTE or 6.3% in PPR funding. The Capital Construction funding per pupil allocation is expected to be \$291 per funded FTE for FY 2018 compared to \$263 per funded FTE in FY 2018.

Requests for Information

This financial report is designed to provide a general overview of the School’s finances for all those with an interest in the School’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Legacy Academy, Carol Meininger, CFO, 1975 Legacy Circle, Elizabeth, Colorado.

Basic Financial Statements

Legacy Academy
(A Component Unit of Elizabeth School District)
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Investments	\$ 997,030	\$ -	\$ 997,030
Restricted Cash and Investments	-	685,071	685,071
Accounts Receivable	256,391	-	256,391
Prepaid Expenses	17,781	-	17,781
Capital Assets, <i>Not Being Depreciated</i>	-	347,000	347,000
Capital Assets, <i>Net of Accumulated Depreciation</i>	82,456	3,940,004	4,022,460
Total Assets	1,353,658	4,972,075	6,325,733
Deferred Outflows of Resources			
Pensions, <i>Net of Accumulated Amortization</i>	3,540,404	-	3,540,404
OPEB, <i>Net of Accumulated Amortization</i>	18,964	-	18,964
Loss on Debt Refunding, <i>Net of Accumulated Amortization</i>	-	118,628	118,628
Total Deferred Outflows of Resources	3,559,368	118,628	3,677,996
Liabilities			
Accounts Payable	26,401	-	26,401
Accrued Salaries and Benefits	129,237	-	129,237
Unearned Revenues	46,459	-	46,459
Accrued Interest Payable	-	16,769	16,769
Noncurrent Liabilities			
Due Within One Year	-	214,615	214,615
Due in More Than One Year	-	4,816,032	4,816,032
Net Pension Liability	11,183,943	-	11,183,943
Net OPEB Liability	255,394	-	255,394
Total Liabilities	11,641,434	5,047,416	16,688,850
Deferred Inflows of Resources			
Pensions, <i>Net of Accumulated Amortization</i>	477,898	-	477,898
OPEB, <i>Net of Accumulated Amortization</i>	4,273	-	4,273
Total Deferred Inflows of Resources	482,171	-	482,171
Net Position			
Net Investment in Capital Assets	82,456	(625,015)	(542,559)
Restricted for:			
Debt Service	-	568,138	568,138
Repairs and Replacement	-	100,164	100,164
Emergencies	108,000	-	108,000
Unrestricted	(7,401,035)	-	(7,401,035)
Total Net Position	\$ (7,210,579)	\$ 43,287	\$ (7,167,292)

See Notes to Financial Statements.

Legacy Academy
(A Component Unit of Elizabeth School District)
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues 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	\$ 3,212,940	\$ 114,189	\$ 173,073	\$ (2,925,678)	\$ -	\$ (2,925,678)
Supporting Services	1,688,742	38,457	7,002	(1,643,283)	-	(1,643,283)
Total Governmental Activities	<u>4,901,682</u>	<u>152,646</u>	<u>180,075</u>	<u>(4,568,961)</u>	<u>-</u>	<u>(4,568,961)</u>
<i>Business-Type Activities</i>						
Building Corporation	<u>360,987</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(360,987)</u>	<u>(360,987)</u>
Total Primary Government	<u>\$ 5,262,669</u>	<u>\$ 152,646</u>	<u>\$ 180,075</u>	<u>(4,568,961)</u>	<u>(360,987)</u>	<u>(4,929,948)</u>
General Revenues						
Per Pupil Revenue				3,129,260	-	3,129,260
Capital Construction				109,243	-	109,243
Grants and Contributions not Restricted to Specific Programs				33,797	-	33,797
Investment Income				10,897	23,078	33,975
Miscellaneous				24,321	-	24,321
Transfers				<u>(411,935)</u>	<u>411,935</u>	<u>-</u>
Total General Revenues and Transfers				<u>2,895,583</u>	<u>435,013</u>	<u>3,330,596</u>
Change in Net Position				(1,673,378)	74,026	(1,599,352)
Net Position, Beginning of year				<u>(5,537,201)</u>	<u>(30,739)</u>	<u>(5,567,940)</u>
Net Position, End of year				<u>\$ (7,210,579)</u>	<u>\$ 43,287</u>	<u>\$ (7,167,292)</u>

Legacy Academy
(A Component Unit of Elizabeth School District)
Balance Sheet
Governmental Fund
June 30, 2018

	General
Assets	
Cash and Investments	\$ 997,030
Accounts Receivable	256,391
Prepaid Expenditures	17,781
Total Assets	\$ 1,271,202
Liabilities and Fund Balance	
<i>Liabilities</i>	
Accounts Payable	\$ 26,401
Accrued Salaries and Benefits	129,237
Unearned Revenues	46,459
Total Liabilities	202,097
<i>Fund Balance</i>	
Nonspendable Prepaid Expenditures	17,781
Restricted for Emergencies	108,000
Unrestricted	943,324
Total Fund Balance	1,069,105
Total Liabilities and Fund Balance	\$ 1,271,202

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

Total Fund Balance of the Governmental Fund	\$ 1,069,105
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	82,456
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	(11,183,943)
Pension-related deferred outflows of resources	3,540,404
Pension-related deferred inflows of resources	(477,898)
Net OPEB liability	(255,394)
OPEB-related deferred outflows of resources	18,964
OPEB-related deferred inflows of resources	(4,273)
Total Net Position of Governmental Activities	\$ (7,210,579)

See Notes to Financial Statements.

Legacy Academy
(A Component Unit of Elizabeth School District)
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2018

	General
Revenues	
Local Sources	\$ 3,350,921
State Sources	241,429
Federal Sources	47,889
Total Revenues	3,640,239
Expenditures	
Instruction	1,838,820
Supporting Services	1,481,991
Total Expenditures	3,320,811
Net Change in Fund Balance	319,428
Fund Balance, <i>Beginning of year</i>	749,677
Fund Balance, <i>End of year</i>	\$ 1,069,105

Legacy Academy
(A Component Unit of Elizabeth School District)
 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	\$	319,428
<p>Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities.</p>		
Depreciation		(14,452)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes changes in the following.</p>		
Net pension liability		(1,276,379)
Pension-related deferred outflows of resources		(324,889)
Pension-related deferred inflows of resources		(372,670)
Net OPEB Liability		(10,161)
OPEB-related deferred outflows of resources		10,018
OPEB-related deferred inflows of resources		<u>(4,273)</u>
Change in Net Position of Governmental Activities	\$	<u><u>(1,673,378)</u></u>

Legacy Academy
 (A Component Unit of Elizabeth School District)
 Statement of Net Position
 Proprietary Fund
 June 30, 2018

	Building Corporation
Assets	
<i>Current Assets</i>	
Restricted Cash and Cash Equivalents	\$ 180,946
Restricted Investments	504,125
Total Current Assets	685,071
<i>Noncurrent Assets</i>	
Capital Assets, <i>Not Being Depreciated</i>	347,000
Capital Assets, <i>Net of Accumulated Depreciation</i>	3,940,004
Total Noncurrent Assets	4,287,004
Total Assets	4,972,075
Deferred Outflows of Resources	
Loss on Debt Refunding, <i>Net of Accumulated Amortization</i>	118,628
Liabilities	
<i>Current Liabilities</i>	
Accrued Interest Payable	16,769
Loan Payable, <i>Current Portion</i>	214,615
Total Current Liabilities	231,384
<i>Noncurrent Liabilities</i>	
Loan Payable	4,816,032
Total Liabilities	5,047,416
Net Position	
Net Investment in Capital Assets	(625,015)
Restricted for:	
Debt Service	568,138
Repairs and Replacement	100,164
Total Net Position	\$ 43,287

See Notes to Financial Statements.

Legacy Academy
(A Component Unit of Elizabeth School District)
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2018

	Building Corporation
Operating Revenues	
Lease Revenue	\$ <u>411,935</u>
Operating Expenses	
Purchased Services	231
Depreciation	140,714
Debt Service	
Interest	<u>220,042</u>
Total Operating Expenses	<u>360,987</u>
Net Operating Income	50,948
Nonoperating Revenues	
Investment Income	<u>23,078</u>
Change in Net Position	74,026
Net Position, <i>Beginning of year</i>	<u>(30,739)</u>
Net Position, <i>End of year</i>	<u><u>\$ 43,287</u></u>

Legacy Academy
(A Component Unit of Elizabeth School District)
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2018

	Building Corporation
Cash Flows From Operating Activities	
Lease Payments Received	\$ 411,935
Cash Paid to Vendors	(231)
Loan Principal Paid	(206,214)
Loan Interest Paid	(205,720)
Net Cash Provided (Used) by Operating Activities	(230)
Cash Flows From Investing Activities	
Investment Income Received	23,078
Net Increase in Cash and Cash Equivalents	22,848
Cash and Cash Equivalents, <i>Beginning of year</i>	158,098
Cash and Cash Equivalents, <i>End of year</i>	\$ 180,946
Reconciliation of Net Operating Income to Net Cash Provided (Used) by Operating Activities	
Net Operating Income	\$ 50,948
Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	140,714
Amortization of Loss on Debt Refunding	15,011
Changes in Assets and Liabilities	
Accrued Interest Payable	(689)
Loan Payable	(206,214)
Net Cash Provided (Used) by Operating Activities	\$ (230)

Legacy Academy
(A Component Unit of Elizabeth School District)
Notes to Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies

Legacy Academy (the School) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Elizabeth School District (the District).

The accounting policies of the School 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 financial reporting principles. Following is a summary of the School's more significant policies.

Reporting Entity

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

The School includes the Elbert County Charter School Building Corporation (the Building Corporation) within its reporting entity. The Building Corporation was organized exclusively for the purpose of holding title to real and/or personal property for, and to make same available for use by, the School and to otherwise provide facilities, equipment and other physical plant and related support to the School. The Building Corporation is blended into the School's financial statements as an enterprise fund, and does not issue separate financial statements.

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

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the School. 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.

Legacy Academy
(A Component Unit of Elizabeth School District)
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.

Separate financial statements are provided for the governmental and proprietary funds. 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 are the proprietary 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. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current year. Intergovernmental revenues, grants and interest associated with the current year are considered to be susceptible to accrual and have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

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

Legacy Academy
(A Component Unit of Elizabeth School District)
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)

The School reports the following major funds:

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

Building Corporation - This fund is used to account for the financial activities of the Building Corporation, which are primarily related to capital assets 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 land, buildings and equipment, are reported in the government-wide financial statements and the proprietary fund in the fund financial statements. Capital assets are defined by the School 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	40 years
Equipment	5 - 15 years

Interest incurred during construction is included in the capitalized value of capital assets in the proprietary fund.

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

Legacy Academy
(A Component Unit of Elizabeth School District)
Notes to Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

Compensated Absences - The School's policy allows employees to accumulate unused vacation and sick leave. Accumulated unused leave is paid to employees annually at 60% of the daily substitute rate. Therefore, no liability is reported in the financial statements for these compensated absences.

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 in the applicable statement of net position. Premiums, discounts, and accounting losses resulting from debt refundings are deferred and amortized over the life of the debt using the straight-line method. In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

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

Postemployment Benefits Other Than Pensions (OPEB) - The School participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer 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.

Legacy Academy
 (A Component Unit of Elizabeth School District)
 Notes to Financial Statements
 June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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

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.

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

Risk Management

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

Note 2: Cash and Investments

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

Petty Cash	\$ 600
Deposits	44,290
Investments	<u>1,637,211</u>
Total	<u>\$ 1,682,101</u>

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

Cash and Investments	\$ 997,030
Restricted Cash and Investments	<u>685,071</u>
Total	<u>\$ 1,682,101</u>

Legacy Academy
 (A Component Unit of Elizabeth School District)
 Notes to Financial Statements
 June 30, 2018

Note 2: Cash and Investments (Continued)

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Investments

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

- 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

At June 30, 2018, the School and Building Corporation had the following investments:

Investment	Maturity	Total
Local Government Investment Pool	N/A	1,133,086
Guaranteed Investment Contract (GIC)	3/1/35	<u>504,125</u>
Total		<u>\$ 1,637,211</u>

Interest Rate Risk - State statutes generally limit investments to an original maturity of 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. At June 30, 2018, the issuer of the Building Corporation's GIC, Natixis Funding Corp., had a long-term rating of A2 from Moody's Investors Service.

Legacy Academy
 (A Component Unit of Elizabeth School District)
 Notes to Financial Statements
 June 30, 2018

Note 2: Cash and Investments (Continued)

Investments (Continued)

Concentration of Credit Risk - State statutes do not limit the amount the School may invest in a single issuer of investments securities, except for corporate securities. At June 30, 2018, the Building Corporation's investment in the GIC represented 31% of the total investments.

Local Government Investment Pool - At June 30, 2018, the School and the Building Corporation had \$952,140 and \$180,946, respectively, invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. 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 reported 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 \$685,071 have been restricted for debt service and building repairs and replacement in accordance with the Building Corporation's loan agreement.

Note 3: Capital Assets

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

	<u>Balance</u> <u>6/30/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/18</u>
Governmental Activities				
<i>Capital Assets, Being Depreciated</i>				
Equipment	\$ 164,076	\$ -	\$ -	\$ 164,076
Less Accumulated Depreciation	<u>(67,168)</u>	<u>(14,452)</u>	<u>-</u>	<u>(81,620)</u>
Governmental Activities Capital Assets, <i>Net</i>	<u>\$ 96,908</u>	<u>\$ (14,452)</u>	<u>\$ -</u>	<u>\$ 82,456</u>

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

Legacy Academy
(A Component Unit of Elizabeth School District)
 Notes to Financial Statements
 June 30, 2018

Note 3: Capital Assets (Continued)

	<u>Balance 6/30/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/18</u>
Business-Type Activities				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 347,000	\$ -	\$ -	\$ 347,000
<i>Capital Assets, Being Depreciated</i>				
Buildings	5,628,576	-	-	5,628,576
Less Accumulated Depreciation	<u>(1,547,858)</u>	<u>(140,714)</u>	<u>-</u>	<u>(1,688,572)</u>
<i>Capital Assets, Being Depreciated, Net</i>	<u>4,080,718</u>	<u>(140,714)</u>	<u>-</u>	<u>3,940,004</u>
Business-Type Activities Capital Assets, Net	<u>\$ 4,427,718</u>	<u>\$ (140,714)</u>	<u>\$ -</u>	<u>\$ 4,287,004</u>

Note 4: 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	\$ 5,236,861	\$ -	\$ 206,214	\$ 5,030,647	\$ 214,615

In June 2016, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$5,435,000 Charter School Revenue Refunding Note, Series 2016. Proceeds were used to refund the outstanding Charter School Revenue Refunding and Improvement Bonds, Series 2004, originally loaned to the Building Corporation to finance the acquisition and construction of the School's educational facilities.

The School is obligated under a lease agreement to make monthly payments to the Building Corporation for using the facilities. The Building Corporation is required to make equal loan payments to the trustee, for payment of the note. Interest accrues on the note at 4% per annum. Beginning on July 1, 2016, monthly principal and interest payments are required by the agreements, with a balloon payment of \$3,082,229 due on June 1, 2026.

Legacy Academy
 (A Component Unit of Elizabeth School District)
 Notes to Financial Statements
 June 30, 2018

Note 4: Long-Term Debt (Continued)

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 214,615	\$ 197,321	\$ 411,936
2020	223,357	188,575	411,932
2021	232,458	179,476	411,934
2022	241,927	170,004	411,931
2023	251,784	160,149	411,933
2024 - 2026	<u>3,866,506</u>	<u>417,210</u>	<u>4,283,716</u>
Total	<u>\$ 5,030,647</u>	<u>\$ 1,312,735</u>	<u>\$ 6,343,382</u>

Note 5: Defined Benefit Pension Plan

General Information

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

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.

Legacy Academy
(A Component Unit of Elizabeth School District)
Notes to Financial Statements
June 30, 2018

Note 5: Defined Benefit Pension Plan (Continued)

General Information (Continued)

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

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

Contributions - The School and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The School's contribution rate for calendar years 2018 and 2017 was 20.15% and 19.65% of covered salaries, respectively. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 6). The School's contributions to the SDTF for the year ended June 30, 2018, were \$328,162, 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, the School reported a net pension liability of \$11,183,943, 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.

The School's proportion of the net pension liability was based on the School's contributions to the SDTF for the calendar year ended December 31, 2017, relative to the contributions of all participating employers. At December 31, 2017, the School's proportion was 0.0345861844%, which was an increase of 0.0013101446% 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. The School's estimated net pension liability at June 30, 2018, had the provisions of SB 18-200 been effective was \$5,052,808.

For the year ended June 30, 2018, the School recognized pension expense of \$2,435,307. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Legacy Academy
 (A Component Unit of Elizabeth School District)
 Notes to Financial Statements
 June 30, 2018

Note 5: 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	\$ 205,625	\$ -
Changes of assumptions and other inputs	2,855,676	18,122
Net difference between projected and actual earnings on plan investments	-	439,204
Changes in proportion	295,917	20,572
Contributions subsequent to the measurement date	183,186	-
Total	\$ 3,540,404	\$ 477,898

School contributions subsequent to the measurement date of \$183,186 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	\$ 1,868,121
2020	1,120,351
2021	56,079
2022	(165,231)
Total	\$ 2,879,320

Legacy Academy
 (A Component Unit of Elizabeth School District)
 Notes to Financial Statements
 June 30, 2018

Note 5: Defined Benefit Pension Plan (Continued)

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

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

Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate ⁽¹⁾	5.26%
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:

Legacy Academy
(A Component Unit of Elizabeth School District)
Notes to Financial Statements
June 30, 2018

Note 5: 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 the School's proportionate share of the net pension liability calculated using the discount rate of 4.78%, as well as the School's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower (3.78%) or one percentage point higher (5.78%) than the current rate, as follows:

Legacy Academy
 (A Component Unit of Elizabeth School District)
 Notes to Financial Statements
 June 30, 2018

Note 5: 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	\$ 14,127,222	\$ 11,183,943	\$ 8,785,506

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 6: Postemployment Healthcare Benefits

General Information

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

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

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

Contributions - As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the School's contributions to the School Division Trust Fund (SDTF) (See Note 5) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. The School's apportionment to the HCTF for the year ended June 30, 2018, was \$16,819, equal to the required amount.

Legacy Academy
 (A Component Unit of Elizabeth School District)
 Notes to Financial Statements
 June 30, 2018

Note 6: Postemployment Healthcare Benefits (Continued)

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

At June 30, 2018, the School reported a net OPEB liability of \$255,394, 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.

The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year ended December 31, 2017, relative to the contributions of all participating employers. At December 31, 2017, the School's proportion was 0.0196517356%, which was an increase of 0.0007372241% from its proportion measured at December 31, 2016.

For the year ended June 30, 2018, the School recognized OPEB expense of \$21,510. At June 30, 2018, the School 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	\$ 1,208	\$ -
Net difference between projected and actual earnings on plan investments	-	4,273
Changes in proportion	7,989	-
Contributions subsequent to the measurement date	9,767	-
Total	\$ 18,964	\$ 4,273

School contributions subsequent to the measurement date of \$9,767 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:

Year Ended June 30,

2019		\$ 739
2020		739
2021		739
2022		739
2023		1,807
2024		161
Total		\$ 4,924

Legacy Academy
 (A Component Unit of Elizabeth School District)
 Notes to Financial Statements
 June 30, 2018

Note 6: Postemployment Healthcare Benefits (Continued)

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

Actuarial Assumptions - The actuarial valuation as of December 31, 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 OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
Service-based premium subsidy	0.0%
Medicare plans	5.0%
Medicare Part A premiums:	
3% for 2017, gradually rising to 4.25% in 2023	

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

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

The actuarial assumptions used in the December 31, 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.

Legacy Academy
 (A Component Unit of Elizabeth School District)
 Notes to Financial Statements
 June 30, 2018

Note 6: Postemployment Healthcare Benefits (Continued)

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

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as presented previously in Note 5.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 287,143	\$ 255,394	\$ 228,295

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

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Proportionate share of the net OPEB liability	\$ 248,367	\$ 255,394	\$ 263,857

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.

Legacy Academy
(A Component Unit of Elizabeth School District)
 Notes to Financial Statements
 June 30, 2018

Note 7: Commitments and Contingencies

Claims and Judgments

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

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2018, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$108,000.

Note 8: Change in Accounting Principle

For the year ended June 30, 2018, the School 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.

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, as <i>Originally Stated</i>	\$ (5,300,914)
Deferred Outflows of Resources	8,946
Net OPEB Liability	(245,233)
Net Position, June 30, 2017, as <i>Restated</i>	\$ (5,537,201)

Required Supplementary Information

Legacy Academy
(A Component Unit of Elizabeth School District)
 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					
School's Proportion of the Net Pension Liability	0.0345861844%	0.0332760398%	0.0329638138%	0.0338270822%	0.0341654382%
School's Proportionate Share of the Net Pension Liability	\$ 11,183,943	\$ 9,907,564	\$ 5,041,583	\$ 4,584,706	\$ 4,357,792
School's Covered Payroll	\$ 1,595,420	\$ 1,493,489	\$ 1,436,555	\$ 1,417,110	\$ 1,377,313
School'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>
School Contributions					
Statutorily Required Contribution	\$ 311,326	\$ 280,792	\$ 259,367	\$ 241,141	\$ 225,620
Contributions in Relation to the Statutorily Required Contribution	<u>(311,326)</u>	<u>(280,792)</u>	<u>(259,367)</u>	<u>(241,141)</u>	<u>(225,620)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 1,648,917	\$ 1,527,455	\$ 1,462,512	\$ 1,428,635	\$ 1,412,121
Contributions as a Percentage of Covered Payroll	18.88%	18.38%	17.73%	16.88%	15.98%

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.

Legacy Academy
(A Component Unit of Elizabeth School District)
 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	
School's Proportion of the Net OPEB Liability	0.0196517356%
School's Proportionate Share of the Net OPEB Liability	\$ 255,394
School's Covered-Employee Payroll	\$ 1,690,926
School'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
School Contributions	
Statutorily Required Contribution	\$ 16,819
Contributions in Relation to the Statutorily Required Contribution	(16,819)
Contribution Deficiency (Excess)	\$ -
School's Covered-Employee Payroll	\$ 1,736,065
Contributions as a Percentage of Covered-Employee Payroll	0.97%

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.

Legacy Academy
(A Component Unit of Elizabeth School District)
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	\$ 3,199,173	\$ 3,126,221	\$ 3,129,260	\$ 3,039
Tuition	30,603	30,603	36,194	5,591
Student Fees and Activities	57,682	61,049	77,995	16,946
Transportation Fees	32,260	32,260	38,457	6,197
Contributions and Donations	15,150	15,150	33,797	18,647
Investment Income	900	6,946	10,897	3,951
Miscellaneous	24,000	39,338	24,321	(15,017)
Total Local Sources	<u>3,359,768</u>	<u>3,311,567</u>	<u>3,350,921</u>	<u>39,354</u>
<i>State Sources</i>				
Capital Construction	112,237	107,294	109,243	1,949
Grants	48,000	120,028	132,186	12,158
Total State Sources	<u>160,237</u>	<u>227,322</u>	<u>241,429</u>	<u>14,107</u>
<i>Federal Sources</i>				
Grants	46,400	46,400	47,889	1,489
Total Revenues	<u>3,566,405</u>	<u>3,585,289</u>	<u>3,640,239</u>	<u>54,950</u>
Expenditures				
Salaries	1,703,550	1,743,280	1,736,065	7,215
Employee Benefits	420,598	435,223	413,469	21,754
Purchased Services	841,812	870,219	838,102	32,117
Supplies	154,733	164,385	140,384	24,001
Property	151,824	196,824	185,096	11,728
Miscellaneous	6,099	6,099	7,695	(1,596)
Debt Service				
Principal	58,694	-	-	-
Interest and Fiscal Charges	3,850	2,000	-	2,000
Total Expenditures	<u>3,341,160</u>	<u>3,418,030</u>	<u>3,320,811</u>	<u>97,219</u>
Net Change in Fund Balance	225,245	167,259	319,428	152,169
Fund Balance, Beginning of year	<u>634,915</u>	<u>749,677</u>	<u>749,677</u>	<u>-</u>
Fund Balance, End of year	<u>\$ 860,160</u>	<u>\$ 916,936</u>	<u>\$ 1,069,105</u>	<u>\$ 152,169</u>

See accompanying Independent Auditors' Report.

Legacy Academy
(A Component Unit of Elizabeth School District)
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. The School's contributions and related ratios represent cash contributions and any related accruals that coincide with the School's fiscal year ending on June 30.

Changes in Assumptions and Other Inputs

For the year ended June 30, 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

Budgets and Budgetary Accounting

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

The School 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 budgets lapse at fiscal year end.