

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

Financial Statements

June 30, 2019



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

Ben Franklin Academy
 (A Component Unit of Douglas County School District RE.1)
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 June 30, 2019

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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, 2019, 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, 2019, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Greenwood Village, Colorado
October 21, 2019

Hick & Company, PC



Management's Discussion And Analysis (MD&A)

Required Supplementary Information
June 30, 2019

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, 2019. 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, 2019 was the eighth year of operations for BFA. The general-fund fund balance for the fiscal year ended June 30, 2019 is \$4,681,730.

The primary source of revenue was through funding from the Colorado State School Finance Act. Tax revenue from this source (Per Pupil Revenue) was \$ 6,854,530. BFA received additional non-tax-related income in the form of tuition-based revenues from preschool, \$241,016, and full-day kindergarten, \$203,885, as well as other child care related programs of \$160,126.

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, 2019

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, 2019, governmental activities net position (negative) totaled (\$12,012,412).

Management's Discussion And Analysis (MD&A)

Required Supplementary Information
June 30, 2019

Table I: Net Position

	2018-2019 Governmental Activities	2017-2018 Governmental Activities	2018-2019 Business- Type Activities	2017-2018 Business- Type Activities
ASSETS				
Cash and Investments	5,533,686	4,676,442	-	-
Accounts Receivable	355	23,007	-	-
Prepaid Expenses	-	28,213	-	-
Restricted Cash and Investments	-	-	1,985,829	1,955,405
Capital Assets, Net	291,151	291,454	16,937,575	17,565,659
TOTAL ASSETS	5,825,192	5,019,116	18,923,404	19,521,064
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	3,927,333	7,702,253	-	-
OPEB	78,442	38,525	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,005,775	7,740,778	-	-
LIABILITIES				
Accounts Payable	33,318	19,953	-	-
Accrued Liabilities	98,164	77,660	-	-
Accrued Salaries and Benefits	714,390	562,561	-	-
Unearned Revenues	6,439	14,719	-	-
Accrued Interest Payable	-	-	404,250	410,850
Noncurrent Liabilities				
Due within One Year	-	-	340,000	330,000
Due in more than One Year	-	-	19,098,006	19,473,120
Net Pension Liability	11,688,948	23,959,956	-	-
Net OPEB Liability	583,792	547,144	-	-
TOTAL LIABILITIES	13,125,051	25,181,993	19,842,256	20,213,970
DEFERRED INFLOWS OF RESOURCES				
Pensions	8,717,439	979,754	-	-
OPEB	889	9,154	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	8,718,328	988,908	-	-
NET POSITION				
Net Investment in Capital Assets	291,151	291,454	(2,457,579)	(2,195,627)
Restricted for Debt Service	-	-	1,538,727	1,502,721
Restricted for Emergencies	257,078	233,000	-	-
Unrestricted	(12,560,461)	(13,935,461)	-	-
TOTAL NET POSITION	(12,012,412)	(13,411,007)	(918,852)	(692,906)

Management's Discussion And Analysis (MD&A)

Required Supplementary Information
June 30, 2019

Table II: Change In Net Position

	2018-2019 Governmental Activities	2017-2018 Governmental Activities	2018-2019 Business-Type Activities	2017-2018 Business-Type Activities
REVENUES				
<i>General Revenues</i>				
Per Pupil Revenue	6,854,530	6,292,396	-	-
District Mill Levy	1,049,436	466,394	-	-
Capital Construction Funding	264,356	226,663	-	-
Contributions	8,701	3,883	-	-
Investment Earnings	18,592	6,595	40,555	22,876
Other	3,430	152	-	-
<i>Program Revenues</i>				
Charges for Services: Instruction	779,697	799,107	-	-
Charges for Services: Support	182,752	181,924	-	-
Operating Grants: Instruction	24,309	15,820	-	-
Operating Grants: Support	2,299	-	-	-
Total Revenue	9,188,102	7,992,934	40,555	22,876
EXPENSES				
Instruction	2,976,912	7,023,852	-	-
Support	3,682,426	3,880,746	-	-
Building Corporation	-	-	1,396,670	1,416,274
Total Expenses	6,659,338	10,904,598	1,396,670	1,416,274
TRANSFERS	(1,130,169)	(1,142,973)	1,130,169	1,142,973
Change in Net Position	1,398,595	(4,054,637)	(255,946)	(250,425)
Net Position, Beginning	(13,411,007)	(9,356,370)	(692,906)	(442,481)
Net Position, Ending	(12,012,412)	(13,411,007)	(918,852)	(692,906)

BFA has adopted GASB 68 and GASB 75

BFA's Net Position is a negative (\$12,012,412). The negative balance is due to the adoption of GASB Statement No. 68, resulting in a net pension liability of \$11,688,948. As well as the adoption of GASB Statement No. 75, resulting in an OPEB liability of \$583,792.

Management's Discussion And Analysis (MD&A)

Required Supplementary Information
June 30, 2019

FUND FINANCIAL ANALYSIS

General Fund

Income

Total Revenues for the period ended June 30, 2019 were \$9,274,819. 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 \$6,854,530; equivalent to \$7,754.59 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 \$1,049,436. The Mill Levy amount was adjusted based upon the election in November 2018.

Expenditures

BFA budgeted for General Fund total expenditures (exclusive of appropriated reserves) of \$8,915,621 for the period of July 1, 2018 to June 30, 2019. Actual total expenditures were \$8,664,189. Increased expenses were recognized in comparison with the prior year due to increase of MLO funds received. These funds allowed BFA to fund several security enhancements, accelerate our salary project to realign staff salary and benefits in a 2 rather than 3-year process, increase funding for professional development & field trips, replace outdated technology and add additional technology and staff as needed.

ANALYSIS OF SIGNIFICANT BUDGET VARIATIONS: GENERAL FUND

The original budget was adopted during the Spring of 2018 for the 2018-2019 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.

Mostly minor adjustments were made between the time of the original budget adoption and the final 2018/19 budget approved late-fall 2018. The large adjustment was the MLO funding that was approved during the election in November 2018. The final budget was revised in November to include these funds for income and to include expenses, such as those listed above. The category for grants was more due to the PERA Direct Distribution allocation that was not known at budget time. The category of benefits saw increased expenses in PERA due to the rate change as well as the PERA Pension Liability charge. There are no known variations that are expected to have a significant effect on future services or liquidity.

Management's Discussion And Analysis (MD&A)

Required Supplementary Information
June 30, 2019

CAPITAL ASSETS AND LONG-TERM DEBT

BFA holds assets with a net book value of \$291,151 which includes a turf field, an overflow parking lot, dumpster and storage fence enclosures.

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 \$16,937,575.

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, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Investments	\$ 5,533,686	\$ -	\$ 5,533,686
Restricted Cash and Investments	-	1,985,829	1,985,829
Accounts Receivable	355	-	355
Capital Assets, <i>Net of Accumulated Depreciation</i>	291,151	16,937,575	17,228,726
Total Assets	5,825,192	18,923,404	24,748,596
Deferred Outflows of Resources			
Pensions, <i>Net of Accumulated Amortization</i>	3,927,333	-	3,927,333
OPEB, <i>Net of Accumulated Amortization</i>	78,442	-	78,442
Total Deferred Outflows of Resources	4,005,775	-	4,005,775
Liabilities			
Accounts Payable	33,318	-	33,318
Accrued Liabilities	98,164	-	98,164
Accrued Salaries and Benefits	714,390	-	714,390
Unearned Revenues	6,439	-	6,439
Accrued Interest Payable	-	404,250	404,250
Noncurrent Liabilities			
Due Within One Year	-	340,000	340,000
Due in More Than One Year	-	19,098,006	19,098,006
Net Pension Liability	11,688,948	-	11,688,948
Net OPEB Liability	583,792	-	583,792
Total Liabilities	13,125,051	19,842,256	32,967,307
Deferred Inflows of Resources			
Pensions, <i>Net of Accumulated Amortization</i>	8,717,439	-	8,717,439
OPEB, <i>Net of Accumulated Amortization</i>	889	-	889
Total Deferred Inflows of Resources	8,718,328	-	8,718,328
Net Position			
Net Investment in Capital Assets	291,151	(2,457,579)	(2,166,428)
Restricted for:			
Debt Service	-	1,538,727	1,538,727
Emergencies	257,078	-	257,078
Unrestricted	(12,560,641)	-	(12,560,641)
Total Net Position	\$ (12,012,412)	\$ (918,852)	\$ (12,931,264)

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, 2019

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	\$ 2,976,912	\$ 779,697	\$ 24,309	\$ (2,172,906)	\$ -	\$ (2,172,906)
Supporting Services	3,682,426	182,752	2,299	(3,497,375)	-	(3,497,375)
Total Governmental Activities	6,659,338	962,449	26,608	(5,670,281)	-	(5,670,281)
<i>Business-Type Activities</i>						
Building Corporation	1,396,670	-	-	-	(1,396,670)	(1,396,670)
Total Primary Government	\$ 8,056,008	\$ 962,449	\$ 26,608	(5,670,281)	(1,396,670)	(7,066,951)
General Revenues						
Per Pupil Revenue				6,854,530	-	6,854,530
District Mill Levy				1,049,436	-	1,049,436
Capital Construction				264,356	-	264,356
Grants and Contributions not Restricted to Specific Programs				8,701	-	8,701
Investment Income				18,592	40,555	59,147
Other				3,430	-	3,430
Transfers				(1,130,169)	1,130,169	-
Total General Revenues and Transfers				7,068,876	1,170,724	8,239,600
Change in Net Position				1,398,595	(225,946)	1,172,649
Net Position, Beginning of year				(13,411,007)	(692,906)	(14,103,913)
Net Position, End of year				\$ (12,012,412)	\$ (918,852)	\$ (12,931,264)

Ben Franklin Academy
 (A Component Unit of Douglas County School District RE.1)
 Balance Sheet
 Governmental Fund
 June 30, 2019

	General
Assets	
Cash and Investments	\$ 5,533,686
Accounts Receivable	355
	Total Assets
	\$ <u>5,534,041</u>
Liabilities and Fund Balance	
<i>Liabilities</i>	
Accounts Payable	\$ 33,318
Accrued Liabilities	98,164
Accrued Salaries and Benefits	714,390
Unearned Revenues	6,439
	Total Liabilities
	852,311
<i>Fund Balance</i>	
Restricted for Emergencies	257,078
Unrestricted, Unassigned	4,424,652
	Total Fund Balance
	4,681,730
	Total Liabilities and Fund Balance
	\$ <u>5,534,041</u>

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

Total Fund Balance of the Governmental Fund	\$ 4,681,730
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	291,151
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	(11,688,948)
Pension-related deferred outflows of resources	3,927,333
Pension-related deferred inflows of resources	(8,717,439)
Net OPEB liability	(583,792)
OPEB-related deferred outflows of resources	78,442
OPEB-related deferred inflows of resources	(889)
	Total Net Position of Governmental Activities
	\$ <u>(12,012,412)</u>

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, 2019

	General
Revenues	
Local Sources	\$ 8,897,138
State Sources	377,681
Total Revenues	9,274,819
Expenditures	
Instruction	4,774,053
Supporting Services	3,890,136
Total Expenditures	8,664,189
Excess of Revenues Over (Under) Expenditures	610,630
Other Financing Sources	
Transfers In	18,331
Net Change in Fund Balance	628,961
Fund Balance, Beginning of year	4,052,769
Fund Balance, End of year	\$ 4,681,730

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, 2019

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

Net Change in Fund Balance of the Governmental Fund	\$ 628,961
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	(32,153)
Capital outlay	31,850
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	12,271,008
Pension-related deferred outflows of resources	(3,774,920)
Pension-related deferred inflows of resources	(7,737,685)
Net OPEB liability	(36,648)
OPEB-related deferred outflows of resources	39,917
OPEB-related deferred inflows of resources	<u>8,265</u>
Change in Net Position of Governmental Activities	<u>\$ 1,398,595</u>

Ben Franklin Academy
 (A Component Unit of Douglas County School District RE.1)
 Statement of Net Position
 Proprietary Fund
 June 30, 2019

	Building Corporation
Assets	
<i>Current Assets</i>	
Restricted Cash and Investments	\$ 1,985,829
<i>Noncurrent Assets</i>	
Capital Assets, <i>Net of Accumulated Depreciation</i>	16,937,575
Total Assets	18,923,404
Liabilities	
<i>Current Liabilities</i>	
Accrued Interest Payable	404,250
Loan Payable, <i>Current Portion</i>	340,000
Total Current Liabilities	744,250
<i>Noncurrent Liabilities</i>	
Loan Payable	19,098,006
Total Liabilities	19,842,256
Net Position	
Net Investment in Capital Assets	(2,457,579)
Restricted for Debt Service	1,538,727
Total Net Position	\$ (918,852)

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, 2019

	Building Corporation
Operating Revenues	
Rental Income	\$ <u>1,148,500</u>
Total Operating Revenues	<u>1,148,500</u>
Operating Expenses	
Depreciation	628,084
Debt Service	
Interest	<u>768,586</u>
Total Operating Expenses	<u>1,396,670</u>
Net Operating Income (Loss)	(248,170)
Nonoperating Revenues	
Investment Income	<u>40,555</u>
Net Loss Before Transfers	(207,615)
Transfers	
Transfers Out	<u>(18,331)</u>
Change in Net Position	(225,946)
Net Position, <i>Beginning of year</i>	<u>(692,906)</u>
Net Position, <i>End of year</i>	<u><u>\$ (918,852)</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, 2019

	Building Corporation
Cash Flows From Operating Activities	
Rental Payments Received	\$ 1,148,500
Loan Interest Paid	(810,300)
Loan Principal Paid	<u>(330,000)</u>
Net Cash Provided (Used) by Operating Activities	<u>8,200</u>
Cash Flows From Investing Activities	
Investment Income Received	40,555
Transfers to BFA	<u>(18,331)</u>
Net Cash Provided (Used) by Investing Activities	<u>22,224</u>
Net Change in Cash and Cash Equivalents	30,424
Cash and Cash Equivalents, <i>Beginning of year</i>	<u>1,955,405</u>
Cash and Cash Equivalents, <i>End of year</i>	<u><u>\$ 1,985,829</u></u>
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Net Operating Income (Loss)	\$ (248,170)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	628,084
Amortization of Premium	(35,114)
Changes in Assets and Liabilities	
Accrued Interest Payable	(6,600)
Loan Payable	<u>(330,000)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 8,200</u></u>

Ben Franklin Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2019

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, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted revenues not properly included among program revenues are reported instead as *general revenues*. 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
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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

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	10 - 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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Notes to Financial Statements
June 30, 2019

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 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
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2019

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.

Subsequent Events

We have evaluated subsequent events through October 21, 2019, the date the financial statements were available to be issued.

Note 2: Stewardship, Compliance and Accountability

Accountability

At June 30, 2019, the Corporation had a negative net position of \$918,852. Management expects this negative balance to be eliminated as the Corporation's debt is paid.

Note 3: Cash and Investments

A summary of cash and investments at June 30, 2019, follows:

Deposits	\$ 3,833,313
Investments	<u>3,686,202</u>
Total	<u><u>\$ 7,519,515</u></u>

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

Cash and Investments	\$ 5,533,686
Restricted Cash and Investments	<u>1,985,829</u>
Total	<u><u>\$ 7,519,515</u></u>

Ben Franklin Academy
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Notes to Financial Statements
June 30, 2019

Note 3: Cash and Investments (Continued)

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2019, BFA had bank deposits of \$3,461,439 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.

Ben Franklin Academy
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Notes to Financial Statements
June 30, 2019

Note 3: Cash and Investments (Continued)

Investments (Continued)

Local Government Investment Pool - At June 30, 2019, BFA and the Corporation had \$1,700,373 invested in the Colorado Local Government Liquid Asset Trust (Colorist), 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 CalTrust. Colotrult operates in conformity with the Securities and Exchange Commission's Rule 2a-7. Colotrult is measured at the net asset value per share, with each share valued at \$1. Colotrult is rated AAAM by Standard and Poor's. Investments of Colotrult 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 \$1,985,829 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, 2019, is summarized below.

	Balance 06/30/18	Additions	Deletions	Balance 06/30/19
Governmental Activities				
<i>Capital Assets, Being Depreciated</i>				
Land Improvements	\$ 313,550	\$ 31,850	\$ -	\$ 345,400
Equipment	55,730	-	-	55,730
Total Capital Assets, Being Depreciated	369,280	31,850	-	401,130
Less Accumulated Depreciation				
Land Improvements	(22,096)	(32,153)	-	(54,249)
Equipment	(55,730)	-	-	(55,730)
Total Accumulated Depreciation	(77,826)	(32,153)	-	(109,979)
Governmental Activities Capital Assets, Net	\$ 291,454	\$ (303)	\$ -	\$ 291,151
Business-Type Activities				
<i>Capital Assets, Being Depreciated</i>				
Buildings	\$ 18,842,709	\$ -	\$ -	\$ 18,842,709
Less Accumulated Depreciation	(1,277,050)	(628,084)	-	(1,905,134)
Business-Type Activities Capital Assets, Net	\$ 17,565,659	\$ (628,084)	\$ -	\$ 16,937,575

Ben Franklin Academy
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Notes to Financial Statements
June 30, 2019

Note 4: Capital Assets (Continued)

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

Note 5: Long-Term Debt

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

Business-Type Activities	Balance 06/30/18	Additions	Payments	Balance 06/30/19	Due Within One Year
2016 Building Loan	\$ 18,820,000	\$ -	\$ 330,000	\$ 18,490,000	\$ 340,000
Loan Premium	983,120	-	35,114	948,006	-
Total	\$ 19,803,120	\$ -	\$ 365,114	\$ 19,438,006	\$ 340,000

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:

Year Ended June 30,	Principal	Interest	Total
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	4,180,000	342,400	4,522,400
Total	\$ 18,490,000	\$ 13,324,150	\$ 31,814,150

Ben Franklin Academy
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Notes to Financial Statements
June 30, 2019

Note 6: Interfund Transactions

During the year ended June 30, 2019, the Corporation's trustee distributed excess interest earnings of \$18,331 to BFA.

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 (PERA). All employees of BFA participate in the SDTF. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available financial report (CAFR) that includes information on the SDTF that may be obtained at www.copera.org/investments/pera-financial-reports.

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

Retirees may elect to withdraw their contributions upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

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

Ben Franklin Academy
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 Notes to Financial Statements
 June 30, 2019

Note 7: Defined Benefit Pension Plan (Continued)

General Information *(Continued)*

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

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

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

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and BFA is statutorily committed to pay the contributions to the SDTF. BFA's contributions to the SDTF for the year ended June 30, 2019, were \$740,542, equal to the required contributions.

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

At June 30, 2019, BFA reported a net pension liability of \$11,688,948, representing its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by BFA as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated BFA were as follows:

School's proportionate share of net pension liability	\$ 13,287,246
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School	<u>(1,598,298)</u>
Proportionate share of the net pension liability	<u>\$ 11,688,948</u>

Ben Franklin Academy
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Notes to Financial Statements
June 30, 2019

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)

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

BFA's proportion of the net pension liability was based on BFA's contributions to the SDTF for the calendar year ended December 31, 2018, relative to the contributions of all participating employers. At December 31, 2018, BFA's proportion was 0.0660129447%, which was a decrease of 0.0080828789% from its proportion measured at December 31, 2017.

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

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

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

Ben Franklin Academy
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 Notes to Financial Statements
 June 30, 2019

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)

For the year ended June 30, 2019, BFA recognized pension benefit of \$209,714 which includes \$8,211 of support from the state as a nonemployer contributing entity. At June 30, 2019, BFA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 396,500	\$ -
Changes of assumptions and other inputs	2,181,792	7,269,268
Net difference between projected and actual earnings on plan investments	637,120	-
Changes in proportion	225,165	1,448,171
Contributions subsequent to the measurement date	486,756	-
Total	\$ 3,927,333	\$ 8,717,439

School contributions subsequent to the measurement date of \$486,756 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30,</u>			
2020		\$	(839,801)
2021			(2,855,825)
2022			(1,929,754)
2023			348,518
Total		\$	(5,276,862)

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

Ben Franklin Academy
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 Notes to Financial Statements
 June 30, 2019

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⁾	4.78%
Future post-retirement benefit increases:	
Hired prior to 1/1/2007	0% through 2019 and 1.5% compounded annually thereafter
Hired after 12/31/2006	ad hoc

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

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

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

- *Males*: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- *Females*: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

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

Ben Franklin Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2019

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)

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

Several factors were considered in evaluating the long-term rate of return assumption for the SDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class, as follows:

<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	100.00%	

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

Ben Franklin Academy
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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)

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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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)

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ <u>14,860,497</u>	\$ <u>11,688,948</u>	\$ <u>9,027,483</u>

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.

Ben Franklin Academy
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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.

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 HCFT for the year ended June 30, 2019, was \$39,481, 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, 2019, BFA reported a net OPEB liability of \$583,792, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2018.

Ben Franklin Academy
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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)

BFA's proportion of the net OPEB liability was based on BFA's contributions to the HCTF for the calendar year ended December 31, 2018, relative to the contributions of all participating employers. At December 31, 2018, BFA's proportion was 0.0429087765%, which was an increase of 0.0008078099% from its proportion measured at December 31, 2017.

For the year ended June 30, 2019, BFA recognized OPEB expense of \$57,881. At June 30, 2019, 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	\$ 2,119	\$ 889
Change of assumptions and other inputs	4,095	-
Net difference between projected and actual earnings on plan investments	3,357	-
Changes in proportion	42,917	-
Contributions subsequent to the measurement date	25,954	-
Total	\$ 78,442	\$ 889

School contributions subsequent to the measurement date of \$25,954 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:

<u>Year Ended June 30,</u>			
2020		\$	11,500
2021			11,500
2022			11,500
2023			13,832
2024			3,173
Thereafter			94
Total		\$	51,599

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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)

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

Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
Service-based premium subsidy	0.0%
Medicare plans	5.0%
Medicare Part A premiums:	
3.25% for 2018, gradually rising to 5.00% in 2025	

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

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

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

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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 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 (see 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>653,212</u>	\$ <u>583,792</u>	\$ <u>524,444</u>

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:

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 Notes to Financial Statements
 June 30, 2019

Note 8: Postemployment Healthcare Benefits (Continued)

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Proportionate share of the net OPEB liability	\$ <u>542,300</u>	<u>583,792</u>	\$ <u>576,122</u>

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, 2019, significant amounts of related expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of 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, 2019, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$257,078.

Ben Franklin Academy
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 Notes to Financial Statements
 June 30, 2019

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 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 \$226,083 were made under this agreement during the year ended June 30, 2019.

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

<u>Year Ended June 30,</u>		
2020	\$	226,080
2021		229,997
2022		232,297
2023		234,620
2024		236,966
2025-2029		1,220,852
2030-2034		1,283,128
2036-2037		<u>575,971</u>
Total	\$	<u><u>4,239,911</u></u>

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, 2019

	12/31/18
Proportionate Share of the Net Pension Liability	
BFA's Proportion of the Net Pension Liability	0.0660129447%
BFA's Proportionate Share of the Net Pension Liability	\$ 11,688,948
BFA's Covered-Employee Payroll	\$ 3,628,736
BFA's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	322%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57%
	6/30/19
BFA Contributions	
Statutorily Required Contribution	\$ 740,542
Contributions in Relation to the Statutorily Required Contribution	(740,542)
Contribution Deficiency (Excess)	\$ <u><u> -</u></u>
BFA's Covered-Employee Payroll	\$ 3,870,733
Contributions as a Percentage of Covered-Employee Payroll	19.13%

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.

(Continued)

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, 2019
(Continued)

	<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-Employee 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-Employee 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-Employee Payroll	\$ 3,500,308	\$ 3,333,281	\$ 3,112,456	\$ 2,865,433	\$ 2,679,924
Contributions as a Percentage of Covered-Employee 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, 2019

	<u>12/31/18</u>	<u>12/31/17</u>
Proportionate Share of the Net OPEB Liability		
BFA's Proportion of the Net OPEB Liability	0.0429087765%	0.0421009666%
BFA's Proportionate Share of the Net OPEB Liability	\$ 583,792	\$ 547,144
BFA's Covered Payroll	\$ 3,628,736	\$ 3,417,953
BFA's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	16%	16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	17%	18%
	<u>6/30/19</u>	<u>6/30/18</u>
BFA Contributions		
Statutorily Required Contribution	\$ 39,481	\$ 35,703
Contributions in Relation to the Statutorily Required Contribution	<u>(39,481)</u>	<u>(35,703)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
BFA's Covered Payroll	\$ 3,870,733	\$ 3,500,308
Contributions as a Percentage of Covered Payroll	1.02%	1.02%

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, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
<i>Local Sources</i>				
Per Pupil Revenue	\$ 6,786,276	\$ 6,844,952	\$ 6,854,530	\$ 9,578
District Mill Levy	475,299	1,037,600	1,049,436	11,836
Tuition and Fees	823,990	841,980	939,823	97,843
Facility Rental	15,000	15,000	22,626	7,626
Contributions	5,000	5,000	8,701	3,701
Investment Income	2,500	2,500	18,592	16,092
Other	250	250	3,430	3,180
Total Local Sources	<u>8,108,315</u>	<u>8,747,282</u>	<u>8,897,138</u>	<u>149,856</u>
<i>State Sources</i>				
Capital Construction	226,662	226,662	264,356	37,694
Grants	15,819	17,717	113,325	95,608
Total State Sources	<u>242,481</u>	<u>244,379</u>	<u>377,681</u>	<u>133,302</u>
Total Revenues	<u>8,350,796</u>	<u>8,991,661</u>	<u>9,274,819</u>	<u>283,158</u>
Expenditures				
Salaries	4,027,475	4,136,682	4,081,552	55,130
Employee Benefits	1,160,178	1,145,070	1,193,145	(48,075)
Purchased Services	2,449,324	2,722,653	2,588,374	134,279
Supplies	418,006	436,956	371,109	65,847
Property	171,500	431,500	402,253	29,247
Other	40,000	42,760	27,756	15,004
Contingency	3,605,904	4,052,770	-	4,052,770
Total Expenditures	<u>11,872,387</u>	<u>12,968,391</u>	<u>8,664,189</u>	<u>4,304,202</u>
Excess of Revenues Over (Under) Expenditures	(3,521,591)	(3,976,730)	610,630	4,587,360
Other Financing Sources				
Transfers In	-	18,331	18,331	-
Net Change in Fund Balance	(3,521,591)	(3,958,399)	628,961	4,587,360
Fund Balance, Beginning of year	<u>3,605,904</u>	<u>4,052,770</u>	<u>4,052,769</u>	<u>(1)</u>
Fund Balance, End of year	<u>\$ 84,313</u>	<u>\$ 94,371</u>	<u>\$ 4,681,730</u>	<u>\$ 4,587,359</u>

Ben Franklin Academy
(A Component Unit of Douglas County School District RE.1)
Required Supplementary Information
June 30, 2019

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

The Public Employees' Retirement Association of Colorado (PERA) School Division Trust Fund's net pension liability and associated amounts are measured annually at December 31, based on an actuarial valuation as of the previous December 31. 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, 2019, the total pension liability was determined by an actuarial valuation as of December 31, 2017. The following revised economic and demographic assumptions were effective as of December 31, 2017.

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

Note 2: Stewardship, Compliance and Accountability

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.