BEN FRANKLIN ACADEMY

FINANCIAL STATEMENTS

June 30, 2015

BEN FRANKLIN ACADEMY

ROSTER OF OFFICIALS

June 30, 2015

BOARD OF DIRECTORS

Paige Brock, President

Becky Mullen, Vice President

Jason Sunahara, Treasurer

Bill Castor, Secretary

Matt Warder

Kent Barwind

Kimberly Smith

ADMINISTRATION

Bob Barber, Principal

Halsley Hoff, Business Manager

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S&C Swanhorst & Company LLC
Certified Public Accountants

Board of Directors
Ben Franklin Academy
Highlands Ranch, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and the major fund of the Ben Franklin Academy, component unit of Douglas County School District, as of and for the year ended June 30, 2015, 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 principles 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 and the major fund of the Ben Franklin Academy as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 8 to the financial statements, in the year ended June 30, 2015, the Ben Franklin Academy adopted new accounting guidance as required by Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for 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.

October 21, 2015

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, 2015. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements.

FINANCIAL HIGHLIGHTS

The year ending June 30, 2015 was the fourth year of operations for BFA. The general fund balance for the fiscal year ending June 30, 2015 is $2,593,269.

The primary source of revenue was through funding from the Colorado State School Finance Act. Tax revenue from this source (Per Pupil Revenue) was $5,666,333. BFA received additional non-tax-related income in the form of tuition-based revenues from preschool, $243,025 and full-day kindergarten, $198,448 as well as other child care related programs of $121,962.

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 between them 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 operating revenue passed from Douglas County School District. These activities include instruction and supporting services expense.

FUND FINANCIAL STATEMENTS

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, except that the focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. A fund is a grouping of related accounts that are used to maintain control over resources set aside for specific objectives. BFA keeps track of said monies in its General Fund to demonstrate compliance with financial and legal requirements. Both the balance sheet and the statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental fund and the governmental activities. The General Fund utilizes a modified accrual method for reporting both revenues and expenses and complies with the Colorado state statute relating to governmental fund accounting.

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, 2015, governmental activities net position (negative) totaled ($5,436,498).

Table I: Net Position

	2014-2015 Governmental Activities	2013-2014 Governmental Activities
ASSETS		
Capital Assets, Net	37,858	39,024
Other Assets	3,086,650	2,306,871
TOTAL ASSETS	3,124,508	2,345,895
DEFERRED OUTFLOWS OF RESOURCES – Pensions	873,865	-
LIABILITIES		
Accounts Payable	22,838	19,184
Accrued Liabilities	3,392	71,565
Accrued Salaries and Benefits	456,130	440,944
Unearned Revenues	11,021	-
Noncurrent Liabilities		
Due within One Year	-	300
Due in more than One Year	-	2,300
Net Pension Liability	8,940,822	-
TOTAL LIABILITIES	9,434,203	534,293
DEFERRED INFLOWS OF RESOURCES-Pensions	668	-
NET POSITION		
Net Investment in Capital Assets	37,858	39,024
Restricted for Emergencies	214,000	210,000
Unrestricted	(5,688,356)	1,562,578
TOTAL NET POSITION	(5,436,498)	1,811,602

Table II: Change in Net Position

	2014-2015 Governmental Activities	2013-2014 Governmental Activities
REVENUES		
General Revenues		
Per Pupil Revenue	5,666,333	5,182,613
District Mill Levy	468,045	457,368
Capital Construction Funding	142,765	77,374
Grants	10,065	32,960
Investment Earnings	1,255	669
Other	-	7,505
Program Revenues		
Charges for Services: Instruction	691,323	677,129
Charges for Services: Support	135,240	127,002
Operating Grants: Instruction	8,829	-
Total Revenue	7,123,855	6,562,620
EXPENSES		
Instruction	3,406,527	3,005,453
Support	3,321,583	2,901,211
Total Expenses	6,728,110	5,906,664
Change in Net Position	395,745	655,956
Net Position, Beginning	(5,832,243)	1,155,646
Net Position, Ending	(5,436,498)	1,811,602

BFA has adopted GASB 68

BFA's Net Position is a negative ($5,436,498). The negative balance is due to the adoption of GASB Statement No. 68, resulting in a net pension liability of $8,940,822. FY14 as a whole has not been restated because comparable information is not available.

FUND FINANCIAL ANALYSIS

General Fund

Income

Total Revenues for the period ended June 30, 2015 were $7,123,855. 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 $5,666,333; equivalent to $6,696.81 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 $468,045.

Expenditures

BFA budgeted for General Fund total expenditures of $6,508,550 for the period of July 1, 2014 to June 30, 2015. Actual total expenditures were $6,305,764.

Fund Balance

As of June 30, 2015, the net change in fund balance was reported at $818,091. Following our strategic plan, BFA has committed to saving 3% of their revenue for the purpose of purchasing the land and building currently being leased through Highmark School Development, LLC/Benjamin Franklin Academy Project Development, LLC.

ANALYSIS OF SIGNIFICANT BUDGET VARIATIONS: GENERAL FUND

The original budget was adopted during the Spring of 2014 for the 2014-2015 school year. At the time the budget had been adopted, actual student count and per pupil distribution rates had not yet been finalized. The budget is then revised in November after the official student enrollment count has been finalized.

CAPITAL ASSETS AND DEBT ADMINISTRATION

BFA holds assets valued at $37,858 which includes playground equipment, weather station, overflow parking lot and a floor cleaner.

BFA entered into a lease agreement with Highmark School Development, LLC in September 2011 and was amended May 21, 2012 to include the building expansion. Highmark leases the building and land to BFA for a monthly charge. The term of the lease spans over a 20 year time period; details of which are presented in Note 7 of the financial statements.

Additional information on capital assets and long-term debt is provided in Note 3 and 4 to 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

STATEMENT OF NET POSITION
June 30, 2015

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Investments	$ 3,086,650
Capital Assets, Not Being Depreciated	11,600
Capital Assets, Net of Accumulated Depreciation	26,258
TOTAL ASSETS	3,124,508
DEFERRED OUTFLOWS OF RESOURCES	
Pensions, Net of Accumulated Amortization	873,865
LIABILITIES	
Accounts Payable	22,838
Accrued Liabilities	3,392
Accrued Salaries and Benefits	456,130
Unearned Revenues	11,021
Noncurrent Liabilities	
Net Pension Liability	8,940,822
TOTAL LIABILITIES	9,434,203
DEFERRED INFLOWS OF RESOURCES	
Pensions, Net of Accumulated Amortization	668
NET POSITION	
Net Investment in Capital Assets	37,858
Restricted for Emergencies	214,000
Unrestricted	(5,688,356)
TOTAL NET POSITION	$ (5,436,498)

The accompanying notes are an integral part of the financial statements.

BEN FRANKLIN ACADEMY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION: GOVERNMENTAL ACTIVITIES
PRIMARY GOVERNMENT				
Governmental Activities				
Instruction	$ 3,406,527	$ 691,323	$ 8,829	$ (2,706,375)
Supporting Services	3,321,583	135,240	-	(3,186,343)
Total Governmental Activities	$ 6,728,110	$ 826,563	$ 8,829	(5,892,718)
GENERAL REVENUES				
Per Pupil Revenue				5,666,333
District Mill Levy				468,045
Capital Construction				142,765
Grants and Contributions not Restricted to Specific Programs				10,065
Investment Income				1,255
TOTAL GENERAL REVENUES				6,288,463
CHANGE IN NET POSITION				395,745
NET POSITION, Beginning				(5,832,243)
NET POSITION, Ending				$ (5,436,498)

The accompanying notes are an integral part of the financial statements.

BEN FRANKLIN ACADEMY

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2015

		GENERAL
ASSETS		
Cash and Investments	$	3,086,650
TOTAL ASSETS	$	3,086,650
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts Payable	$	22,838
Accrued Liabilities		3,392
Accrued Salaries and Benefits		456,130
Unearned Revenues		11,021
TOTAL LIABILITIES		493,381
FUND BALANCE		
Restricted for Emergencies		214,000
Unrestricted, Unassigned		2,379,269
TOTAL FUND BALANCE		2,593,269
TOTAL LIABILITIES AND FUND BALANCE	$	3,086,650

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

Total Fund Balance of the Governmental Fund	$	2,593,269
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.		37,858
Long-term liabilities and related items, including net pension liability ($8,940,822), deferred outflows of resources $873,865, and deferred inflows of resources ($668), are not due and payable in the current year and, therefore, are not reported in governmental funds.		(8,067,625)
Total Net Position of Governmental Activities	$	(5,436,498)

The accompanying notes are an integral part of the financial statements.

BEN FRANKLIN ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
Year Ended June 30, 2015

	GENERAL
REVENUES	
Local Sources	$ 6,972,261
State Sources	151,594
TOTAL REVENUES	7,123,855
EXPENDITURES	
Instruction	3,107,490
Supporting Services	3,198,274
TOTAL EXPENDITURES	6,305,764
NET CHANGE IN FUND BALANCE	818,091
FUND BALANCE, Beginning	1,775,178
FUND BALANCE, Ending	$ 2,593,269

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

Net Change in Fund Balance of the Governmental Fund	$ 818,091
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. This is the amount by which depreciation expense ($12,766) exceeded capital outlay $11,600 in the current year.	(1,166)
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 amount represents the change in accrued compensated absences $2,600, net pension liability ($1,004,103), pension-related deferred outflows of resources $580,991, and pension-related deferred inflows of resources ($668) in the current year.	(421,180)
Change in Net Position of Governmental Activities	$ 395,745

The accompanying notes are an integral part of the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ben Franklin Academy (BFA) was established on July 26, 2010, pursuant to the Colorado Charter Schools Act to form and operate a charter school within the 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 financial 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 the organization has the potential to provide benefits to, or impose financial burdens on, BFA. Based on the application of this criteria, BFA does not include additional organizations within its reporting entity.

BFA is a component unit of the District. The District granted 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. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported in a single column.

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 intergovernmental 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.

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*. 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, BFA 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 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, as well as expenditures related to compensated absences, are recorded only when payment is due.

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.

BFA reports the following major fund:

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

Assets, Liabilities and Net Position/Fund Balance

Cash and Investments - Investments are reported at fair value.

Capital Assets - Capital assets are reported in the government-wide financial statements. Capital assets are defined by BFA 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 estimated fair market value at 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. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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.

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 student 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.

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. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

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 contracted employees; and natural disasters. BFA carries commercial insurance for these risks of loss.

NOTE 2: CASH AND INVESTMENTS

Cash and investments at June 30, 2015, consisted of the following.

Deposits	$ 2,708,511
Investments	378,139
Total	**$ 3,086,650**

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. At June 30, 2015, BFA had bank deposits of $2,575,106 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
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years 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 generally do not limit the amount BFA may invest in one issuer, except for corporate securities.

Local Government Investment Pool - At June 30, 2015, BFA had $378,139 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established by State statutes 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 as promulgated under the Investment Company Act of 1940, as amended. 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.

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015, is summarized below.

	Balances 6/30/14	Additions	Deletions	Balances 6/30/15
Governmental Activities				
Capital Assets, Not Being Depreciated				
Construction in Progress	$ -	$ 11,600	$ -	$ 11,600
Capital Assets, Being Depreciated				
Equipment	64,730	-	-	64,730
Accumulated Depreciation	(25,706)	(12,766)	-	(38,472)
Total Capital Assets, Being Depreciated, Net	39,024	(12,766)	-	26,258
Total Governmental Activities Capital Assets, Net	**$ 39,024**	**$ (1,166)**	**$ -**	**$ 37,858**

Depreciation expense was charged to the supporting services program of BFA.

NOTE 4: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended June 30, 2015.

	Balances 6/30/14	Additions	Payments	Balances 6/30/15	Due Within One Year
Compensated Absences	**$ 2,600**	**$ -**	**$ 2,600**	**$ -**	**$ -**

Compensated absences are paid with resources of the General Fund.

NOTE 5: DEFINED BENEFIT PENSION PLAN

General Information

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

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

General Information (Continued)

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 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 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 the plan has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average consumer price index for the prior calendar year. Retirees that began employment after January 1, 2007, receive an annual increase of the lesser of 2% or the average consumer price index for the prior calendar year, with certain limitations.

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

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

Contributions - BFA and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. BFA's contribution rate for calendar years 2014 and 2015 was 17.45% and 18.35%, respectively. However, a portion of BFA's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 6). BFA's contributions to the SDFT for the year ended June 30, 2015, were $513,119, 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, 2015, BFA reported a net pension liability of $8,940,822, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. BFA's proportion of the net pension liability was based on BFA's contributions to the SDTF for the calendar year ended December 31, 2014, relative to the contributions of all participating employers. At December 31, 2014, BFA's proportion was 0.0659675699%, which was an increase of 0.0037430625% from its proportion measured at December 31, 2013.

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)

For the year ended June 30, 2015, BFA recognized pension expense of $904,822. At June 30, 2015, 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	$ -	$ 668
Net difference between projected and actual earnings on plan investments	205,610	-
Change in proportion	348,393	-
Contributions subsequent to the measurement date	319,862	-
Total	$ 873,865	$ 668

Academy contributions subsequent to the measurement date of $319,862 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,	
2016	$ 180,189
2017	180,189
2018	141,554
2019	51,403
Total	$ 553,335

Actuarial Assumptions - The actuarial valuation at December 31, 2013, determined the total pension liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Price inflation	2.8%
Real wage growth	1.1%
Wage inflation	3.9%
Salary increases, including wage inflation	3.9% - 10.1%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.50%
Future post-retirement benefit increases:	
Hired prior to 1/1/07	2%
Hired after 12/31/06	ad hoc

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)

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

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

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 presented to the PERA governing board on November 15, 2013, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as follows:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	26.76%	5.00%
U.S. Equity - Small Cap	4.40%	5.19%
Non U.S. Equity - Developed	22.06%	5.29%
Non U.S. Equity - Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Government/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	**100.00%**	

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)

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. 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 percent, the employer contribution rate will decrease 1% each year, to a minimum of 10.15%. Based on those assumptions, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments to current participants. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. In addition, the discount rate did not change from the prior measurement date.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents BFA's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as BFA's proportionate share of the net pension liability if it were calculated using a discount that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate, as follows:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of net pension liability	$ 11,789,290	$ 8,940,822	$ 6,556,605

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

Plan Description - BFA contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to PERA benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained as described previously.

Funding Policy - BFA is required to contribute at a rate of 1.02% of covered salaries for all PERA participants. No employee contributions are required. The contribution requirements for BFA are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. BFA's apportionment to the HCTF for the years ended June 30, 2015, 2014 and 2013 was $29,227, $27,335 and $23,583, respectively, equal to the required amounts for each year.

NOTE 7: 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, 2015, 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 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 management believes it is in substantial compliance with the Amendment. In accordance with the Amendment, BFA has established a reserve for emergencies representing 3% of qualifying expenditures. At June 30, 2015, the reserve, of $214,000, was reported as restricted fund balance in the General Fund.

Operating Leases

Effective March 22, 2011, BFA entered into a sublease agreement with a division of HighMark School Development, LLC, the developer of the educational facilities used by BFA. The agreement requires monthly payments totaling $799,786 each year, with an initial term of 240 months, beginning September 1, 2011. Beginning September 1, 2014, and each year thereafter, the lease payments increase by 3%.

In May 2012, an amendment to the sublease agreement allowed BFA to expand the facilities. BFA's total lease payments increased by $2,866,511, the cost of the expansion multiplied by 10%. Beginning in December 2012, the lease payments increased by an initial amount of $286,651 annually. Beginning September 1, 2014, and each year thereafter, the lease payments increase by 3%.

The agreement includes a purchase option on July 1 after the fifth, seventh, and tenth anniversaries of the payment commencement date of September 1, 2011. The purchase prices on these anniversary dates, including the expansion, are estimated at $13,468,166, $12,929,440 and $12,390,713, respectively.

In addition, BFA approved an agreement to lease the related land and improvements for an initial monthly amount of $9,000, increasing to $19,008 per month in the eighth year. These lease payments increase each year thereafter at the rate of 1% to 3%, depending on the consumer price index.

NOTE 7: COMMITMENTS AND CONTINGENCIES (Continued)

Operating Leases (Continued)

Future minimum lease payments for the term of the sublease, and assuming no purchase options are accepted, are as follows.

Year Ended August 31,	Facility Lease	Expansion	Ground Lease	Total
2015	$ 823,780	$ 304,108	$ 192,938	$ 1,320,826
2016	848,493	313,231	208,373	1,370,097
2017	873,948	322,628	222,705	1,419,281
2018	900,167	332,307	238,140	1,470,614
2019	927,172	342,276	252,473	1,521,921
2020 - 2024	5,070,154	1,871,708	1,380,623	8,322,485
2025 - 2029	5,877,698	2,169,823	1,600,520	9,648,041
2030 - 2031	2,605,347	961,795	709,446	4,276,588
Total	**$ 17,926,759**	**$ 6,617,876**	**$ 4,805,218**	**$ 29,349,853**

NOTE 8: CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2015, BFA adopted the standards of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result, net position of the governmental activities at June 30, 2014, 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 pensions at June 30, 2014, were not available and have not been reported in the financial statements.

	Governmental Activities
Net Position, June 30, 2014, as Originally Stated	$ 1,811,602
Deferred Outflows of Resources	292,874
Net Pension Liability	(7,936,719)
Net Position, June 30, 2014, as Restated	**$ (5,832,243)**

REQUIRED SUPPLEMENTARY INFORMATION

BEN FRANKLIN ACADEMY

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, 2015

	12/31/14	12/31/13
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY		
BFA's Proportion of the Net Pension Liability	0.0659675699%	0.0622245074%
BFA's Proportionate Share of the Net Pension Liability	$ 8,940,822	$ 7,936,719
BFA's Covered-Employee Payroll	$ 2,763,570	$ 2,508,468
BFA's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63%	64%

	6/30/15	6/30/14
BFA CONTRIBUTIONS		
Statutorily Required Contribution	$ 483,892	$ 428,474
Contributions in Relation to the Statutorily Required Contribution	(483,892)	(428,474)
Contribution Deficiency (Excess)	$ -	$ -
BFA's Covered-Employee Payroll	2,865,433	2,679,924
Contributions as a Percentage of Covered-Employee Payroll	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.

See the accompanying Independent Auditors' Report.

BEN FRANKLIN ACADEMY

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	$ 5,506,538	$ 5,600,320	$ 5,666,333	$ 66,013
District Mill Levy	463,100	459,250	468,045	8,795
Tuition and Fees	761,289	745,226	813,286	68,060
Facility Rental	10,000	15,000	13,277	(1,723)
Contributions	5,000	7,300	10,065	2,765
Investment Income	2,000	2,000	1,255	(745)
Other	500	500	-	(500)
Total Local Sources	6,748,427	6,829,596	6,972,261	142,665
State Sources				
READ Act Grant	-	-	8,829	8,829
Capital Construction	70,728	153,120	142,765	(10,355)
Total State Sources	70,728	153,120	151,594	(1,526)
TOTAL REVENUES	6,819,155	6,982,716	7,123,855	141,139
EXPENDITURES				
Salaries	3,203,730	3,105,630	3,079,409	26,221
Employee Benefits	767,109	781,864	748,008	33,856
Purchased Services	1,986,937	2,093,211	2,087,205	6,006
Supplies and Materials	352,279	377,805	301,257	76,548
Property	120,500	138,100	76,648	61,452
Other	10,200	11,940	13,237	(1,297)
TOTAL EXPENDITURES	6,440,755	6,508,550	6,305,764	202,786
NET CHANGE IN FUND BALANCE	378,400	474,166	818,091	343,925
FUND BALANCE, Beginning	1,805,256	1,775,178	1,775,178	-
FUND BALANCE, Ending	$ 2,183,656	$ 2,249,344	$ 2,593,269	$ 343,925

See the accompanying Independent Auditors' Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015

NOTE 1: SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS

The Public Employees' Retirement Association of Colorado 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.

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 in establishing 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 appropriations lapse at fiscal year end.