

ATLAS PREPARATORY SCHOOL, INC.

FINANCIAL STATEMENTS
With Independent Auditors' Report

For the Year Ended June 30, 2016



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ATLAS PREPARATORY SCHOOL, INC.
TABLE OF CONTENTS
JUNE 30, 2016

	Page
Independent Auditors' Report	
Management Discussion and Analysis	<i>i</i>
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet—Governmental Funds	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	6
Statement of Net Position—Enterprise Fund	7
Statement of Revenues, Expenses, and Change in Net Position—Enterprise Fund	8
Statement of Cash flows—Enterprise Fund	9
Notes to Financial Statements	10
Required Supplementary Information:	
Schedule of Employer's Share of Net Pension Liability and Covered Payroll	30
Schedule of Employer's Statutory Payroll Contributions and Covered Payroll	31
Statement of Revenues, Expenditures, and Change in Fund Balance—Budget and Actual—General Fund	32
Statement of Revenues, Expenditures, and Change in Fund Balance—Budget and Actual—Designated Purpose Grants Fund	33
Other Supplemental Information	34



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Atlas Preparatory School, Inc.

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Atlas Preparatory School, Inc., a component unit of El Paso County School District No. 2, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 of material misstatement.

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

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

Opinions

In our opinion, 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 Atlas Preparatory School, Inc., as of June 30, 2016, and the respective changes in

financial position and, where applicable, cash flows thereof 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 required supplementary information as 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Atlas Preparatory School, Inc.'s financial statements as a whole. The other supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. The other supplemental information as listed in the table of contents is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hoelting & Company, Inc.

Colorado Springs, Colorado
September 2, 2016

**ATLAS PREPARATORY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016**

As management of Atlas Preparatory School (the School) we offer readers of the School's annual financial report this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here, in conjunction with additional information furnished in the School's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Liabilities and deferred inflows of resources of the School exceeded its assets and deferred outflows of resources by \$5.8 million, during the fiscal year, resulting in a negative net position.
- Government-wide net position increased approximately \$1.4 million, while net position of business-type activities decreased \$724 thousand. The increase within the government-wide statements is primarily a result of increased student enrollment and per pupil revenue, as well as a prior period adjustment related to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. See note 16, to the financial statements, for additional information related to the prior period adjustment.
- As of the close of the current fiscal year, the School's general fund reported an ending fund balance surplus of approximately \$2.0 million. Of this amount, approximately \$1.7 million is unrestricted and may be used to meet the School's ongoing responsibility for its educational programs for students.
- The designated purpose grants fund is used to record financial transactions for grants received for designated programs funded by federal and state grants. \$877 thousand of state and federal grants were expended during the year.
- The Building Corp. is accounted for as an enterprise fund. This fund had a deficit net position of \$767 thousand at year-end due to depreciation and interest expense exceeding accumulated rental income.
- General revenues account for approximately \$6.2 million or 72.6 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital contributions accounted for \$2.4 million or 27.4 percent of total revenues of \$8.6 million.
- The School had \$8.0 million in expenses related to governmental activities; only \$2.4 million of these expenses were offset by program specific charges for services, operating grants and contributions, and capital grants and contributions. General revenues, primarily state equalization payments, of \$6.2 million were adequate to provide for these programs.
- At June 30, 2016 long-term liabilities were \$22.2 million, of which, \$200 thousand were payable within one year. Of this amount, \$11.9 million is related to the School's Series 2015 Charter School Revenue Bonds and the remaining \$9.8 million, is attributable to the recognition of the School's proportionate share of the net PERA pension liability.
- Outlays for capital assets were primarily comprised of building improvements, purchased with bond proceeds within the Building Corporation. See the capital assets section of this management's discussion and analysis for more information.

**ATLAS PREPARATORY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the School's basic financial statements. The School's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

Table 1 summarizes the major features of the School's financial statements, including the portion of the School's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the two types of financial statements, government-wide and fund, found in the basic financial statements.

**Table 1
Major Features of the Government-Wide and Fund Financial Statements**

	Government-Wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire School	The activities of the School that are not proprietary, such as special education and building maintenance	Activities the School operates similar to private businesses: leasing services
Required Financial Statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in fund net position Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

**ATLAS PREPARATORY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016**

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the School's finances as a whole, in a manner similar to a private-sector business and include two statements:

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

The *statement of activities* presents information reporting how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both government-wide financial statements distinguish functions of the School that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School include operations, administration, and instruction for a 5th-8th grade middle school and a 9th-11th grade high school. Currently, the School has one business-type activity that owns and manages its buildings and related debt service.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The fund financial statements provide more detailed information about the School's operations, focusing on its most significant funds, not the School as a whole.

Governmental Funds. The School's basic services are included in this governmental fund, which focuses on (1) how money flows into and out of the fund and (2) the balances left at year-end that are available for spending or reserves. Consequently, the governmental fund statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the School's programs.

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. Thus, readers may better understand the long-term impact of the School's near-term financing decisions. To facilitate this comparison between governmental funds and governmental activities, reconciliations are provided for both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balance.

The School maintains two governmental funds: The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The *Designated Purpose Grants Fund* is used to account for the various federal and state grants awarded to the School.

**ATLAS PREPARATORY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016**

Proprietary funds. The School reports one proprietary fund, an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The School uses an enterprise fund to account for its building lease activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Individual fund data for the enterprise fund is provided in the other supplementary information in this report.

Notes to the Basic Financial Statements

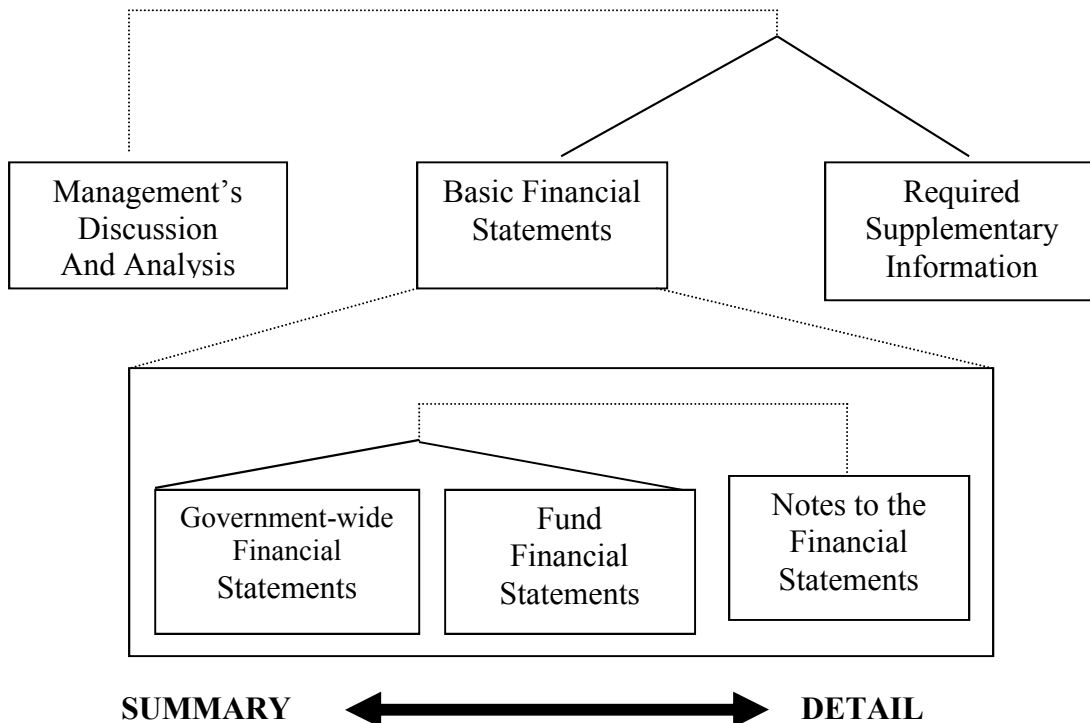
The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the School. The School adopts an annual appropriated budget for the general fund and the designated purposed grants fund. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

Detailed in the following diagram are how the various parts of this annual report are arranged and related to one another.

**Table 2
Organization of the School's Annual Financial Report**



**ATLAS PREPARATORY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve, over time, as a useful indicator of the School's financial position. In the case of the School, total liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$5.8 million as of June 30, 2016 resulting in a negative net position.

Approximately 76.2 percent of the School's assets are its investment in capital assets. These assets consist of school furniture, equipment, the buildings the School occupies, building improvements and land. Table 3 provides a summary of the School's net position at June 30, 2016 and 2015.

**Table 3
Condensed Statement of Net Position**

	Governmental Activities		Percentage Change	Business-type Activities		Percentage Change
	2016	2015		2016	2015	
Assets						
Current assets	\$ 2,283,604	\$ 1,206,954	89.2%	\$ 1,166,520	\$ 3,723,195	-68.7%
Capital assets, net	928,462	979,557	-5.2%	10,104,632	9,242,746	9.3%
Total assets	<u>3,212,066</u>	<u>2,186,511</u>	46.9%	<u>11,271,152</u>	<u>12,965,941</u>	-13.1%
Deferred Outflows						
Difference between projected and actual Investment earnings on pension plan	1,697,758	213,050	696.9%	-	-	0.0%
Liabilities						
Current liabilities	318,269	411,557	-22.7%	169,012	957,912	-82.4%
Long-term liabilities	9,833,539	9,264,345	6.1%	11,869,281	12,051,159	-1.5%
Total liabilities	<u>10,151,808</u>	<u>9,675,902</u>	4.9%	<u>12,038,293</u>	<u>13,009,071</u>	-7.5%
Deferred Inflows						
Difference between expected and actual experience on pension plan	589,637	692	85107.7%	-	-	0.0%
Net Position						
Net investment in capital assets	928,462	979,557	-5.2%	(1,755,601)	1,028,015	-270.8%
Restricted	212,000	169,120	25.4%	986,784	-	100.0%
Unrestricted	(6,972,083)	(8,425,710)	17.3%	1,676	(1,071,145)	100.2%
Total net position	<u>\$ (5,831,621)</u>	<u>\$ (7,277,033)</u>	19.9%	<u>\$ (767,141)</u>	<u>\$ (43,130)</u>	-1678.7%

**ATLAS PREPARATORY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016**

Table 4 provides a comparative summary of the changes in net position. Following Table 4 is specific discussion related to overall revenues and expenses.

**Table 4
Condensed Statement of Activities**

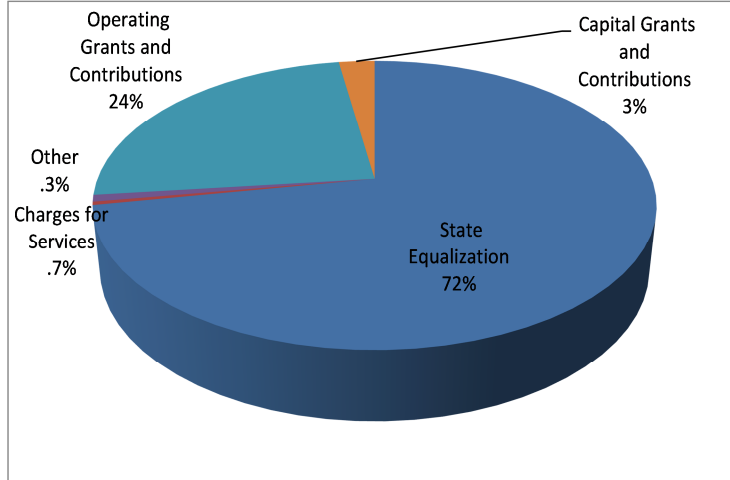
	Governmental Activities		Percentage Change	Business-type Activities		Percentage Change
	2016	2015		2016	2015	
Revenues						
General revenues						
Per pupil revenue	\$ 6,186,522	\$ 4,963,650	24.6%	\$ -	\$ -	0.0%
Other	30,878	156,337	-80.2%	212	80	165.0%
Program revenue						
Charges for services	63,996	46,268	38.3%	206,061	450,644	-54.3%
Operating grants and contributions	2,086,708	3,074,150	-32.1%	-	-	0.0%
Capital grants and contributions	210,412	115,458	82.2%	-	-	0.0%
Total revenues	<u>8,578,516</u>	<u>8,355,863</u>	2.7%	<u>206,273</u>	<u>450,724</u>	-54.2%
Expenses						
Instruction	3,744,776	4,420,501	-15.3%	-	-	0.0%
Support services	2,974,339	1,507,459	97.3%	-	-	0.0%
Business support services	305,540	1,303,249	-76.6%	-	-	0.0%
Central support services	533,840	644,802	-17.2%	-	-	0.0%
Food service operations	443,470	360,939	22.9%	-	-	0.0%
Business-type Activities	-	-	0.0%	933,294	1,080,031	-13.6%
Total expenses	<u>8,001,965</u>	<u>8,236,950</u>	-2.9%	<u>933,294</u>	<u>1,080,031</u>	-13.6%
Transfers	(3,010)	(697,505)	99.6%	3,010	697,505	-99.6%
Change in net position	573,541	(578,592)	199.1%	(724,011)	68,198	-1161.6%
Net position beginning	(7,277,033)	1,551,038	-569.2%	(43,130)	(111,328)	61.3%
Prior period adjustment	871,871	(8,249,479)	110.6%	-	-	0.0%
Net position ending	<u>\$ (5,831,621)</u>	<u>\$ (7,277,033)</u>	19.9%	<u>\$ (767,141)</u>	<u>\$ (43,130)</u>	-1678.7%

The School's per-pupil state formula revenue (state equalization) accounts for most of the School's revenue, contributing about 72 cents for every dollar raised (see Table 5). Another 27 cents came from grants and contributions with the remaining 1 cent coming from fees charged for services and other miscellaneous sources.

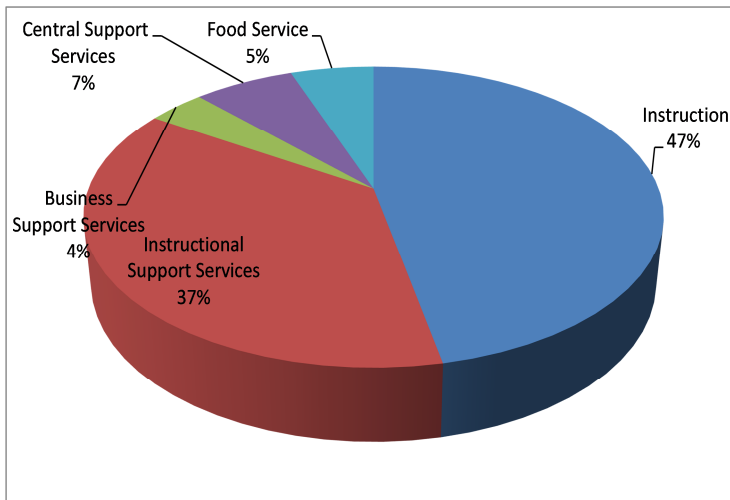
The School's expenses predominantly relate to instruction and support services, which include support for students and instructional staff, administration, operations and maintenance, transportation and others. Given that the School is a service organization, providing education services to students, the majority of the expenses are paid in the form of compensation (salaries and benefits) to the School's employees. Detailed below in Tables 5 and 6 are charts displaying revenues by source and expenses by program for the total School.

**ATLAS PREPARATORY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016**

**Table 5
Sources of Revenues for Fiscal Year 2016**



**Table 6
Expenses for Fiscal Year 2016**



**ATLAS PREPARATORY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016**

BUDGETARY HIGHLIGHTS

The School's budget is prepared in accordance with state law. During the year the School amended its general fund budget primarily to reflect changes in per pupil revenue and other funding sources. The designated purpose grants fund budget was amended during the year to appropriate funds for all grant activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets include all capital outlays related to capital assets at the school, building and improvements, land, and equipment. The School's net investment in capital assets for its governmental activities at the end of the year was \$928 thousand. For business-type activities, its net investment in capital assets was \$10.1 million.

Major capital asset events during the current fiscal year included the following:

- \$574 thousand in building improvements
- \$670 thousand athletic field
- \$33 thousand land improvements

Debt Administration

At the end of current fiscal year, the School had \$11.9 million in debt outstanding. This was used to fund capital activities.

ECONOMIC FACTORS

- After five years of cuts in school finance, Colorado stabilized funding for 2012-13. Per Pupil Revenue increased in 2015-16 and is expected to increase in following years.
- State Revenue payments increased due to the increase in student population in 11th grade. The school will begin the 2016-17 school year with an additional increase in the student population with the addition of 12th grade.

REQUESTS FOR INFORMATION

This financial report is designed to provide the School's taxpayers and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brittney Stroh, Executive Director, at 719-302-2002 or by mail at 1450 Academy Park Loop, Colorado Springs, CO 80910.

BASIC FINANCIAL STATEMENTS

ATLAS PREPARATORY SCHOOL, INC.
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,985,533	\$ 1,677	\$ 1,987,210
Restricted cash and cash equivalents	-	1,164,843	1,164,843
Accounts receivable	156,218	-	156,218
Intergovernmental receivable	121,326	-	121,326
Prepaid expenses	20,527	-	20,527
Capital assets not being depreciated:			
Land	-	684,394	684,394
Construction in process	36,880	-	36,880
Capital assets, net of accumulated depreciation:			
Buildings and improvements	771,321	9,999,137	10,770,458
Furniture & equipment	540,824	127,304	668,128
Less: accumulated depreciation	(420,563)	(706,203)	(1,126,766)
Total Assets	3,212,066	11,271,152	14,483,218
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	1,697,758	-	1,697,758
Total Deferred Outflows of Resources	1,697,758	-	1,697,758
LIABILITIES			
Accounts payable	251,247	-	251,247
Accrued salaries and benefits	67,022	-	67,022
Accrued interest payable	-	152,345	152,345
Unearned revenue	-	16,667	16,667
Long-term liabilities			
Due within one year	-	200,000	200,000
Due in more than one year	9,833,539	11,669,281	21,502,820
Total Liabilities	10,151,808	12,038,293	22,190,101
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	589,637	-	589,637
Total Deferred Inflows of Resources	589,637	-	589,637
NET POSITION			
Net investment in capital assets	928,462	(1,755,601)	(827,139)
Restricted for:			
TABOR	212,000	-	212,000
Debt Service	-	986,784	986,784
Unrestricted	(6,972,083)	1,676	(6,970,407)
Total Net Position (deficit)	\$ (5,831,621)	\$ (767,141)	\$ (6,598,762)

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

ATLAS PREPARATORY SCHOOL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

<u>Functions/Programs</u>	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction	\$ 3,744,776	\$ 29,078	\$ 1,565,846	\$ 210,412	\$ (1,939,440)	\$ -	\$ (1,939,440)
Supporting services	2,974,339	-	-	-	(2,974,339)	-	(2,974,339)
Business support services	305,540	-	-	-	(305,540)	-	(305,540)
Central support services	533,840	-	103,607	-	(430,233)	-	(430,233)
Food service operations	443,470	34,918	417,255	-	8,703	-	8,703
Total governmental activities	8,001,965	63,996	2,086,708	210,412	(5,640,849)		(5,640,849)
Business-type activities:							
Building Corporation	933,294	206,061	-	-		(727,233)	(727,233)
Total primary government	\$ 8,935,259	\$ 270,057	\$ 2,086,708	\$ 210,412		(727,233)	(6,368,082)
General revenues:							
Per pupil revenue					6,186,522	-	6,186,522
Earnings on investments					-	212	212
Other revenues					30,878	-	30,878
Transfers					(3,010)	3,010	-
Total general revenues and transfers					6,214,390	3,222	6,217,612
Change in net position					573,541	(724,011)	(150,470)
Net position - beginning, as originally stated					(7,277,033)	(43,130)	(7,320,163)
Prior period adjustment					871,871	-	871,871
Net position - beginning, as restated (deficit)					(6,405,162)	(43,130)	(6,448,292)
Net position - ending (deficit)					\$ (5,831,621)	\$ (767,141)	\$ (6,598,762)

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

ATLAS PREPARATORY SCHOOL, INC.
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General Fund</u>	<u>Designated Purpose Grants Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,985,533	\$ -	\$ 1,985,533
Accounts receivable	156,218	-	156,218
Intergovernmental receivable	16,015	105,311	121,326
Due from other funds	105,311	-	105,311
Prepaid expenses	20,527	-	20,527
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 2,283,604</u>	<u>\$ 105,311</u>	<u>\$ 2,388,915</u>
LIABILITIES			
Accounts payable	\$ 251,247	\$ -	\$ 251,247
Accrued salaries and benefits	67,022	-	67,022
Due to other funds	-	105,311	105,311
	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>318,269</u>	<u>105,311</u>	<u>423,580</u>
FUND BALANCES			
Nonspendable	20,527	-	20,527
Restricted for TABOR	212,000	-	212,000
Unassigned	1,732,808	-	1,732,808
	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>1,965,335</u>	<u>-</u>	<u>1,965,335</u>
Total Liabilities and Fund Balances	<u>\$ 2,283,604</u>	<u>\$ 105,311</u>	<u>\$ 2,388,915</u>

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

ATLAS PREPARATORY SCHOOL, INC.
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balance, governmental funds	\$ 1,965,335
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds, but are reported in the governmental activities of the Statement of Net Position.	928,462
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred outflows of resources.	1,697,758
Long-term liabilities, including net pension liability, are not due and payable in the current period and, therefore, are not reported in the funds.	(9,833,539)
Other long-term liabilities are not due and payable in the current period and, therefore, are reported as deferred inflows of resources.	<u>(589,637)</u>
Total Net Position of Governmental Activities	<u><u>\$ (5,831,621)</u></u>

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

ATLAS PREPARATORY SCHOOL, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Designated Purpose Grants Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Local sources	\$ 600,804	\$ -	\$ 600,804
State sources	6,694,541	264,894	6,959,435
Federal sources	<u>406,212</u>	<u>612,065</u>	<u>1,018,277</u>
 Total revenues	 <u>7,701,557</u>	 <u>876,959</u>	 <u>8,578,516</u>
 EXPENDITURES			
Instruction	2,788,252	533,863	3,322,115
Pupil services	318,084	235,584	553,668
Instructional staff	18,761	10,930	29,691
General administration	22,708	-	22,708
School administration	1,293,019	40,054	1,333,073
Business services	304,722	818	305,540
Operation and maintenance	817,715	55,710	873,425
Pupil transportation	423,761	-	423,761
Central support services	98,117	-	98,117
Food services operations	<u>443,470</u>	<u>-</u>	<u>443,470</u>
 Total expenditures	 <u>6,528,609</u>	 <u>876,959</u>	 <u>7,405,568</u>
 Excess of revenue over expenditures	 1,172,948	 -	 1,172,948
 OTHER FINANCING SOURCES(USES)			
Transfers out	<u>(3,010)</u>	<u>-</u>	<u>(3,010)</u>
 Net change in fund balances	 1,169,938	 -	 1,169,938
 Fund balances - beginning	 <u>795,397</u>	 <u>-</u>	 <u>795,397</u>
 Fund balances - ending	 <u>\$ 1,965,335</u>	 <u>\$ -</u>	 <u>\$ 1,965,335</u>

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

**ATLAS PREPARATORY SCHOOL, INC.
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds:	\$ 1,169,938
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. This is the amount by which depreciation exceeded capital assets in the current period.	(51,095)
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 the governmental funds.	<u>(545,302)</u>
Change in net position of governmental activities	<u><u>\$ 573,541</u></u>

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

ATLAS PREPARATORY SCHOOL, INC.
STATEMENT OF NET POSITION
ENTERPRISE FUND
JUNE 30, 2016

	Building Corporation
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,677
Restricted cash and cash equivalents	1,164,843
Total current assets	1,166,520
Noncurrent Assets:	
Capital assets not being depreciated:	
Land	684,394
Capital assets being depreciated:	
Building and improvements	9,999,137
Furniture and equipment	127,304
Less: accumulated depreciation	(706,203)
Total noncurrent assets	10,104,632
Total assets	11,271,152
LIABILITIES	
Current Liabilities:	
Accrued interest payable	152,345
Unearned revenue	16,667
Bonds payable current portion	200,000
Total current liabilities	369,012
Noncurrent Liabilities:	
Bond payable	11,669,281
Total noncurrent liabilities	11,669,281
Total liabilities	12,038,293
NET POSITION	
Net investment in capital assets	(1,755,601)
Restricted for building and equipment	986,784
Unrestricted	1,676
Total net position (deficit)	\$ (767,141)

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

ATLAS PREPARATORY SCHOOL, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Building Corporation
OPERATING REVENUES	
Rental income	\$ 206,061
Total operating revenues	206,061
OPERATING EXPENSES	
Maintenance and operations	10,000
Interest expense	623,915
Non-Capital Equipment	900
Total operating expenses	634,815
Net operating income (loss)	(428,754)
NON-OPERATING REVENUES (EXPENSES)	
Interest income	212
Bank fees	(20)
Depreciation expense	(298,459)
Total non-operating revenues (expenses)	(298,267)
Income before transfers	(727,021)
Transfers in	3,010
Change in net position	(724,011)
Net position - beginning (deficit)	(43,130)
Net position - ending (deficit)	\$ (767,141)

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

ATLAS PREPARATORY SCHOOL, INC.
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Building Corporation</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Lease payments received	\$ 205,455
Interest payments to bondholders	(617,932)
Other cash payments	(900)
	<u>(413,377)</u>
Net cash provided (used) by operating activities	<u>(413,377)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	<u>(72)</u>
Net cash provided (used) by noncapital financing activities	<u>(72)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(1,943,419)
Bank fees	(20)
Payments to other funds	(125,000)
Principal payment on bonds	(190,000)
	<u>(2,258,439)</u>
Net cash provided (used) by capital and related financing activities	<u>(2,258,439)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>213</u>
Net cash provided (used) by investing activities	<u>213</u>
Net increase (decrease) in cash and cash equivalents	(2,671,675)
Cash and cash equivalents, beginning	<u>3,838,195</u>
Cash and cash equivalents, ending	<u><u>\$ 1,166,520</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (428,754)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Amortization expense	8,121
Changes in assets and liabilities:	
<i>(Increase) decrease in:</i>	
Deposits	10,000
<i>Increase (decrease) in:</i>	
Interest payable	(2,138)
Unearned revenue	(606)
	<u>(606)</u>
Net cash provided (used) by operating activities	<u><u>\$ (413,377)</u></u>

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

NOTES TO FINANCIAL STATEMENTS

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Atlas Preparatory School, Inc. (the School) is a federal 501(c)(3) tax-exempt, state nonprofit corporation that began operations on December 12, 2007, pursuant to the Colorado Charter Schools Act, to form and operate a charter school within El Paso County School District No. 2 (the District). The School started admitting students in September 2009.

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) 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.

A. REPORTING ENTITY

The accompanying financial statements present the School and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

Blended component unit. Atlas Preparatory School Building Corporation (the Corporation) was organized for the purpose of acquiring, leasing, constructing, improving, equipping and financing various facilities, land, equipment and other improvements in connection with property intended to be leased to the School. The Corporation is reported as an enterprise fund and does not issue separate financial statements.

The School is considered a component unit of the District. The School is deemed to be fiscally dependent upon the District because the District provides the majority of the support to the School in the form of per pupil operating revenue. The School operates under a charter with the District. The current charter runs through June 30, 2019 at which time the School may seek renewal of its charter in accordance with procedures set forth in state law and school district policy and regulations.

B. BASIS OF PRESENTATION—GOVERNMENT-WIDE FINANCIAL STATEMENTS

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and enterprise funds.

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. *Governmental activities* are normally supported by per pupil revenue and intergovernmental revenues. *Business-type activities* rely to a significant extent on fees and charges to external customers for support. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF PRESENTATION—FUND FINANCIAL STATEMENTS

The accounts of the School are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The School reports the following major governmental funds:

The *General Fund* is the general operating fund of the School. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Designated Purpose Grants Fund* is used to account for the various grants awarded to the School.

The School reports the following major proprietary fund:

An *Enterprise Fund* is used to account for those operations financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The Building Corporation is accounted for as an enterprise fund

During the course of operations the School has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING (CONTINUED)

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 the related cash flow. Grants and similar items are recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met, and the amount is received during the period or within the availability period of this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

*E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND
NET POSITION/FUND BALANCE*

Cash and cash equivalents

Cash and cash equivalents include cash on hand and in the bank and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables

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

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets

Capital assets, which include property, buildings, furniture, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School as assets with a cost of \$2,500 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. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset lives are not capitalized. Land and construction in progress are not depreciated.

Capital assets of the School are depreciated using the straight-line method over the following estimated useful lives.

Buildings and improvements	3 to 50 years
Furniture and equipment	5 to 10 years

Pensions

Atlas Preparatory School, Inc. participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Deferred outflows/inflows of resources (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Long-term debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Net position flow assumption

The School may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School's policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

Fund balance classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available to be used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Fund balance classification (continued)

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the School’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The School would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds

F. REVENUES AND EXPENDITURES/EXPENSES

Program revenues

Amounts reported as *program revenues* include 1) fees and charges to customers 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. Revenues that are not classified as program revenues, including per pupil revenue, are reported as general revenues.

Compensated Absences

It is the School’s policy to permit employees to accumulate up to ten total earned but unused personal days at the end of the fiscal year. Earned but unused flex leave is reimbursed at a rate of \$100 for each unused day. A liability for these benefits is reflected in the financial statements in the amount of \$26,532.

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. REVENUES AND EXPENDITURES/EXPENSES (CONTINUED)

Proprietary funds operating and non-operating revenues and expenses

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the School's enterprise funds are rental income. Operating expenses for enterprise funds include interest expense. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

G. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGET INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. All annual appropriations lapse at fiscal year end. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year.

Budgets are required by Colorado State Statute for all funds. During April, management submits to the Board of Directors a proposed budget for all funds for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the Board of Directors to obtain taxpayer comments. Prior to June 30, the budget is adopted by formal resolution.

Formal budgetary integration is employed as a management control device during the year for the Governmental funds. The appropriated budget is prepared by fund. The legal level of control is the fund level.

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.

Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances and reserves as established by the Board of Directors. Variances between budget and actual result from the non-expenditure of reserves, nonoccurrence of anticipated events, and normal operating variances. The Board of Directors may authorize supplemental appropriations during the year. For budgetary management purposes, funds are appropriated for capital outlays.

During the year, a budget was adopted for each fund.

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

B. DEFICIT NET POSITION

The Enterprise fund had a deficit net position balance of \$767,141 as of June 30, 2016. The deficit balance is due to accumulated depreciation and interest expenses exceeding accumulated rental income. Because rental income is scheduled to recover debt service costs related to the assets being depreciated, the School expects this deficit balance to be eliminated when accumulated rental income exceeds accumulated depreciation and interest expenses.

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash deposits with financial institutions

Custodial credit risk—deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all local government entities 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.

The carrying amount of the School's deposits at June 30, 2016 was \$1,987,209 and the bank balances were \$2,013,145. Of the bank balances, \$500,000 were covered by federal deposit insurance and \$1,513,145 was uninsured, but collateralized in accordance with the provisions of the Colorado Public Deposit Protection Act (PDPA). The collateral is pooled and held in a trust for all uninsured deposits as a group.

Investments

Credit Risk

Colorado statutes specify in which instruments local governments may invest, which include:

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

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 - CASH AND CASH EQUIVALENTS (CONTINUED)

At June 30, 2016 the School's investment balances were as follows:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Money Markets	Less than 60 days	<u>\$ 1,164,843</u>

Interest Rate Risk: State law limits maturities for US Treasuries and US Agencies to no more than five years from the date of purchase. The School does not have a formal investment policy that would further limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at June 30, 2016:

Grants receivable	\$ 104,221
Other receivables	<u>51,997</u>
Total	<u>\$ 156,218</u>

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

The School has activity between funds for various purposes. Balances are routinely cleared as a matter of practice.

The composition of interfund balances at June 30, 2016 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Grants Fund	<u>\$ 105,311</u>

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<i>Governmental Activities</i>				
Capital assets, not being depreciated:				
Construction in process	\$ 43,374	\$ 1,165	\$ (7,659)	\$ 36,880
Total capital assets, not being depreciated	<u>43,374</u>	<u>1,165</u>	<u>(7,659)</u>	<u>36,880</u>
Capital assets, being depreciated:				
Leasehold improvements	739,688	-	-	739,688
Site improvements	-	31,633	-	31,633
Equipment	<u>531,216</u>	<u>9,608</u>	<u>-</u>	<u>540,824</u>
Total capital assets, being depreciated	<u>1,270,904</u>	<u>41,241</u>	<u>-</u>	<u>1,312,145</u>
Less accumulated depreciation for:				
Leasehold improvements	153,535	43,346	-	196,881
Equipment	<u>181,186</u>	<u>42,496</u>	<u>-</u>	<u>223,682</u>
Total accumulated depreciation	<u>334,721</u>	<u>85,842</u>	<u>-</u>	<u>420,563</u>
Total capital assets being depreciated, net	<u>936,183</u>	<u>(44,601)</u>	<u>-</u>	<u>891,582</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 979,557</u>	<u>\$ (43,436)</u>	<u>\$ (7,659)</u>	<u>\$ 928,462</u>
<i>Business-type Activities</i>				
Capital assets, not being depreciated:				
Land	\$ 670,488	\$ 13,906	\$ -	\$ 684,394
Construction in process	<u>1,806,668</u>	<u>-</u>	<u>(1,806,668)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>2,477,156</u>	<u>13,906</u>	<u>(1,806,668)</u>	<u>684,394</u>
Capital assets, being depreciated:				
Building and improvements	7,046,030	2,032,151	-	9,078,181
Site improvements	-	920,956	-	920,956
Furniture and equipment	<u>127,304</u>	<u>-</u>	<u>-</u>	<u>127,304</u>
Total capital assets, being depreciated	<u>7,173,334</u>	<u>2,953,107</u>	<u>-</u>	<u>10,126,441</u>
Less accumulated depreciation for:				
Building and improvements	350,928	232,067	-	582,995
Site improvements	-	40,931	-	40,931
Furniture and equipment	<u>56,816</u>	<u>25,461</u>	<u>-</u>	<u>82,277</u>
Total accumulated depreciation	<u>407,744</u>	<u>298,459</u>	<u>-</u>	<u>706,203</u>
Total capital assets being depreciated, net	<u>6,765,590</u>	<u>2,654,648</u>	<u>-</u>	<u>9,420,238</u>
<i>Business-type activities capital assets, net</i>	<u>\$ 9,242,746</u>	<u>\$ 2,668,554</u>	<u>\$ (1,806,668)</u>	<u>\$ 10,104,632</u>

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the governmental activities as follows:

Governmental activities

Instruction	<u>\$ 85,842</u>
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NOTE 7 – LONG-TERM LIABILITIES

Series 2015 Charter School Revenue Bonds

Bonds to finance the exercise of the High School Purchase option, pay off the Middle School CSDC loan, additional capital projects, and the establishment of reserve funds in the original amount of \$12,190,000 due in varying monthly installments through April 1, 2045 at interest rates ranging from 4.5% to 5.25%.

\$ 12,000,000

Annual debt service requirements to maturity for the bonds payable are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 200,000	\$ 609,381
2018	205,000	600,381
2019	215,000	591,157
2020	225,000	581,481
2021	235,000	571,356
2022-2026	1,345,000	2,688,481
2027-2031	1,710,000	2,325,244
2032-2036	2,195,000	1,840,419
2037-2041	2,830,000	1,206,450
2042-2045	<u>2,840,000</u>	<u>382,462</u>
Total	<u>\$ 12,000,000</u>	<u>\$ 11,396,812</u>

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

The changes in long-term debt for the year ended June 30, 2016 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$12,190,000	-	190,000	12,000,000	200,000
Bond discount	<u>(138,841)</u>	<u>-</u>	<u>(8,122)</u>	<u>(130,719)</u>	<u>-</u>
Total	<u>\$ 12,051,159</u>	<u>\$ -</u>	<u>\$ 181,878</u>	<u>\$ 11,869,281</u>	<u>\$ 200,000</u>

LINE OF CREDIT

The School has a line of credit of \$150,000, of which none was outstanding as of June 30, 2016.

NOTE 8 – OPERATING LEASES

Building Corporation Lease

On April 1, 2015, Atlas Preparatory School, Inc. executed a new lease agreement with their blended component unit, Atlas Preparatory School Building Corporation. The lease term renews annually.

The future minimum lease payments for this lease are as follows:

<u>Fiscal Year Ending June 30</u>	
2017	\$ 614,051
2018	805,510
2019	806,211
2020	806,461
2021	806,260
2022-2026	4,033,920
2027-2031	4,034,804
2032-2036	4,035,735
2037-2041	4,035,854
2042-2045	<u>3,088,446</u>
Total	<u>\$ 23,067,252</u>

In addition to the base rents above, the lease requires additional rents for other costs and expenses incurred by the lessor for operation, maintenance, and debt service for the leased property.

For the fiscal year ended June 30, 2016, the lease payments were \$206,061.

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8 – OPERATING LEASES (CONTINUED)

Copier Lease

On June 18, 2015 the School entered into a lease for copiers which qualifies as an operating lease. The term of the lease is 60 months. The lease requires payments of \$7,097 per month.

NOTE 9 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. Eligible employees of the Atlas Preparatory School, Inc. are provided with pensions through the School Division Trust Fund (SCHDTF) – a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. §24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

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

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA’s Annual Increase Reserve for the SCHDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

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

Contributions. Eligible employees and Atlas Preparatory School, Inc. are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. §24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2015	For the Year Ended December 31, 2016
Employer Contribution Rate	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. §24-51-208(1)(f)	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. §24-51-411	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. §24-51-411	4.00%	4.50%
Total Employer Contribution Rate to the SCHDTF	17.33%	18.13%

Rates are expressed as a percentage of salary as defined in C.R.S. §24-51-101(42)

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Atlas Preparatory School, Inc. is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Atlas Preparatory School, Inc. were \$521,773 for the year ended June 30, 2016.

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

At June 30, 2016, the Atlas Preparatory School, Inc. reported a liability of \$9,833,539 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The Atlas Preparatory School, Inc. proportion of the net pension liability was based on Atlas Preparatory School, Inc. contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the Atlas Preparatory School, Inc.'s proportion was 0.0642954721 percent, which was a decrease of 0.0040591321 from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the Atlas Preparatory School, Inc. recognized pension expense of \$1,067,306. At June 30, 2016, the Atlas Preparatory School, Inc. reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 129,853	\$ 410
Changes of assumptions or other inputs	-	138,965
Net difference between projected and actual earnings on pension plan investments	836,127	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	465,723	450,262
Contributions subsequent to the measurement date	266,055	N/A
Total	\$ 1,697,758	\$ 589,637

\$266,055 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 307,779
2018	\$ 237,029
2019	\$ 125,800
2020	\$ 171,458

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; And DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06; (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

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

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation as follows:

- The following programming changes were made:
 - Valuation of the full survivor benefit without any reduction for possible remarriage.
 - Reflection of the employer match on separation benefits for all eligible years.
 - Reflection of one year of service eligibility for survivor annuity benefit.
 - Refinement of the 18 month annual increase timing.
 - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

- The following methodology changes were made:
 - Recognition of merit salary increases in the first projection year.
 - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
 - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
 - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

The SCHDTF's long-term expected rate of return on pension 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.

As of the November 15, 2013 adoption of the long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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 Gov't/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%	

*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 7.50%.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. 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 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and assumptions, the SCHDTF'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 on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the Atlas Preparatory School, Inc. proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$ 12,747,140	\$ 9,833,539	\$ 7,409,966

Pension plan fiduciary net position. Detailed information about the SCHDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - POST-EMPLOYMENT HEALTHCARE BENEFITS

Health Care Trust Fund

Plan description. The Atlas Preparatory School, Inc. contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding policy. The Atlas Preparatory School, Inc. is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Atlas Preparatory School, Inc. are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2016, 2015, and 2014 the Atlas Preparatory School, Inc. contributions to the HCTF were \$30,020, \$20,985, and \$28,996 respectively, equal to their required contributions for each year.

NOTE 11 - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School carries commercial insurance for these risks of loss, including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the last three fiscal years.

NOTE 12 – CONCENTRATION OF RISK

The School is funded directly by El Paso County School District No. 2 (the District) based on the District's per pupil funding. For the fiscal year ended June 30, 2016, this funding along with pass-through grant funding accounted for approximately 93% of the School's revenues.

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 - COMMITMENTS AND CONTINGENCIES

GRANTS

The School has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement to grantor agencies for expenditures disallowed under terms of the grant. However, in the opinion of the School, any such adjustments will not have a material adverse affect on the financial position of the School.

NOTE 14 - AMENDMENT TO COLORADO CONSTITUTION

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities and other specific requirements of state and local governments.

The amendment requires emergency reserves be established. These reserves must be at least 3% of fiscal year spending. The School is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary and benefit increases. At June 30, 2016 there is a \$212,000 reservation of fund balance in the General Fund for the amendment. Following recent Colorado judicial precedence, the School has designated certain non-cash assets to meet its reserve requirements.

The Amendment is complex and subject to judicial interpretation. The School believes it is in compliance with the requirements of the amendment. However, the School has made certain interpretations of the amendment's language in order to determine its compliance.

NOTE 15 – COMPLIANCE

The School has complied with the requirements of the Financial Policies and Procedures Handbook for the 2016 audit period as required by Colorado Statute CRS 22-44-204(3).

NOTE 16 – PRIOR PERIOD ADJUSTMENT

During the year, it was determined that pension contributions subsequent to the measurement date and other pension outflows totaling \$871,871 were not included in deferred outflows. To correct this oversight, the beginning net position for governmental activities of a deficit \$7,277,033, as originally reported, has been increased to a deficit \$6,405,162.

REQUIRED SUPPLEMENTARY INFORMATION

ATLAS PREPARATORY SCHOOL, INC.
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND COVERED PAYROLL
JUNE 30, 2016

	<u>2013</u>	<u>2014</u>	<u>2015</u>
School's proportion of the net pension liability (asset)	0.0615178336%	0.0683546042%	0.0642954721%
School's proportionate share of the net pension liability (asset)	\$ 7,846,583	\$ 9,264,345	\$ 9,833,539
School's covered-employee payroll	\$ 2,479,980	\$ 2,863,568	\$ 2,801,982
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	316.40%	323.52%	350.95%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%

* The amounts presented for each fiscal year were determined as of 12/31.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

ATLAS PREPARATORY SCHOOL, INC.
SCHEDULE OF EMPLOYER'S STATUTORY PAYROLL CONTRIBUTIONS AND COVERED PAYROLL
JUNE 30, 2016

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$ 385,141	\$ 470,484	\$ 485,583
Contributions in relation to the contractually required contribution	<u>(385,141)</u>	<u>(470,484)</u>	<u>(485,583)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 2,479,980	\$ 2,863,568	\$ 2,801,982
Contributions as a percentage of covered-employee payroll	15.53%	16.43%	17.33%

* The amounts presented for each fiscal year were determined as of 12/31.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

ATLAS PREPARATORY SCHOOL, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget -
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Local sources:				
Other local sources	\$ 1,610,000	\$ 1,040,000	\$ 600,804	\$ (439,196)
Total local sources	<u>1,610,000</u>	<u>1,040,000</u>	<u>600,804</u>	<u>(439,196)</u>
State sources:				
Per pupil revenue	6,112,500	6,125,350	6,186,522	61,172
Capital construction grant	203,750	203,500	210,412	6,912
Other state sources	293,535	191,120	297,607	106,487
Total state sources	<u>6,609,785</u>	<u>6,519,970</u>	<u>6,694,541</u>	<u>174,571</u>
Federal sources				
Other federal sources	6,000	427,724	406,212	(21,512)
Total federal sources	<u>6,000</u>	<u>427,724</u>	<u>406,212</u>	<u>(21,512)</u>
Total revenues	<u>8,225,785</u>	<u>7,987,694</u>	<u>7,701,557</u>	<u>(286,137)</u>
EXPENDITURES				
Instruction	4,053,761	2,790,779	2,788,251	2,528
Pupil services	45,000	344,749	318,084	26,665
Instructional staff	20,000	20,000	18,761	1,239
General administration	25,000	24,000	22,708	1,292
School administration	1,353,388	1,387,709	1,293,019	94,690
Business services	394,088	365,234	304,722	60,512
Operation and maintenance	745,500	892,463	817,715	74,748
Pupil transportation	325,500	482,670	423,761	58,909
Central support services	90,000	96,500	98,117	(1,617)
Food services operations	620,000	410,000	443,471	(33,471)
Debt service	2,500	-	-	-
Appropriated reserves	-	200,000	-	200,000
Total expenditures	<u>7,674,737</u>	<u>7,014,104</u>	<u>6,528,609</u>	<u>485,495</u>
EXCESS OF REVENUE OVER EXPENDITURES	551,048	973,590	1,172,948	199,358
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(3,010)	(3,010)
Net change in fund balances	551,048	973,590	1,169,938	196,348
Fund balance - beginning	-	795,397	795,397	-
Fund balance - ending	<u>\$ 551,048</u>	<u>\$ 1,768,987</u>	<u>\$ 1,965,335</u>	<u>\$ 196,348</u>

See the accompanying Independent Auditors' Report.

ATLAS PREPARATORY SCHOOL, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
DESIGNATED PURPOSE GRANTS FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State sources:				
Other state sources	\$ -	\$ 264,894	\$ 264,894	\$ -
Total state sources	-	264,894	264,894	-
Federal sources				
Public charter school grant	-	20,457	20,457	-
Other federal sources	177,712	591,608	591,608	-
Total federal sources	177,712	612,065	612,065	-
Total revenues	177,712	876,959	876,959	-
EXPENDITURES				
Instruction	132,712	523,893	533,863	(9,970)
Pupil services	-	245,902	235,584	10,318
Instructional staff	-	11,600	10,930	670
School administration	-	40,054	40,054	-
Business services	-	-	818	(818)
Operation and maintenance	-	55,510	55,710	(200)
Central support services	45,000	-	-	-
Total expenditures	177,712	876,959	876,959	-
Net change in fund balances	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying Independent Auditors' Report.

OTHER SUPPLEMENTAL INFORMATION

ATLAS PREPARATORY SCHOOL, INC.
SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS)
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Actual	Final Budget	Variance Favorable (Unfavorable)
REVENUES			
Beginning fund balance	\$ 3,551,439	\$ 2,510,750	\$ 1,040,689
Rental income	206,061	205,000	1,061
Total revenues	3,757,500	2,715,750	1,041,750
EXPENDITURES			
Maintenance and operations	10,000	-	(10,000)
Bond principal payments	190,000	190,000	-
Interest expense	615,794	616,000	206
Capital outlays	1,946,500	1,960,000	13,500
Non-capital outlays	900	-	(900)
Total expenses	2,763,194	2,766,000	2,806
Operating income (loss)	994,306	(50,250)	1,044,556
NON-OPERATING			
REVENUES (EXPENSES)			
Interest and investment revenue	212	300	(88)
Bank fees	(20)	(50)	30
Total non-operating revenue (expenses)	192	250	(58)
Income (loss) before transfers	994,498	(50,000)	1,044,498
Transfers in	3,010	50,000	(46,990)
EXCESS OF REVENUE OVER EXPENDITURES	997,508	\$ -	\$ 997,508
Less:			
Depreciation	(298,459)		
Amortization expense	(8,121)		
Beginning fund balance	(3,551,439)		
Add:			
Bond principal payment	190,000		
Capital outlays	1,946,500		
CHANGE IN NET POSITION	\$ (724,011)		
Ending fund balance is calculated as follows:			
Current assets	\$ 1,166,520		
Current liabilities	(369,012)		
Bonds payable current portion	200,000		
	\$ 997,508		

See the accompanying Independent Auditors' Report.