

AXL Academy
*(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)*
Aurora, Colorado

Financial Statements

June 30, 2018

E

RECEIVED

Office of the State Auditor

November 27, 2018



AXL Academy
 (A Component Unit of the Joint School District No. 28-J of the
 Counties of Adams and Arapahoe, Colorado)
 Table of Contents
 June 30, 2018

Independent Auditors' Report	1
Management's Discussion and Analysis	i
Basic Financial Statements	
<i>Government-wide Financial Statements</i>	
Statement of Net Position	3
Statement of Activities	4
<i>Governmental Fund Financial Statements</i>	
Balance Sheet	5
Statement of Revenues, Expenditures and Changes in Fund Balance	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	7
<i>Notes to Financial Statements</i>	8
Required Supplementary Information	
Schedule of Proportionate Share of the Net Pension Liability and Contributions.....	27
Schedule of Proportionate Share of the Net OPEB Liability and Contributions.....	28
Budgetary Comparison Schedule – General Fund.....	29
Notes to Required Supplementary Information	30



**HINKLE &
COMPANY**
Strategic PC
Business Advisors

Independent Auditors' Report

Board of Directors
AXL Academy
Aurora, Colorado

We have audited the accompanying financial statements of the governmental activities and the major fund of AXL Academy, component unit of Aurora Public Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of AXL Academy, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 8 to the financial statements, in the year ended June 30, 2018, AXL Academy adopted new accounting guidance as required by Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Hick & Company, PC

Greenwood Village, Colorado
September 24, 2018



AXL Academy
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2018

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

Financial Highlights

The year ended June 30, 2018 is the tenth year of operations for AXL. As of June 30, 2018, net position decreased by \$(2,813,685) to \$(10,670,698). AXL Academy's governmental fund reported an ending fund balance of \$161,173, a decrease of \$(108,734) from the prior year.

The operations of the School are funded primarily by tax revenue received under the Colorado School Finance Act in Per Pupil Revenue (PPR). Tax revenue for the year from PPR was \$3,659,615.

Overview of Financial Statements

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

Government-Wide Financial Statements

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

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

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

The government-wide statement of activities distinguishes functions/programs of the School supported primarily by Per Pupil Revenue or other revenues passed through from the School's

authorizer (Aurora Public Schools). The governmental activities of AXL include instruction and supporting services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

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

The School maintains one governmental fund, and adopts an annually appropriated budget for the fund. A budgetary comparison schedule is included in required supplementary information.

Notes to the Financial Statements

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

Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the School's financial position. For the fiscal year ended June 30, 2018, AXL's net position was \$(10,670,698). This position includes a net pension liability in the amount of \$13,898,703, representing the School's proportionate share of the School Division Trust Fund pension liability, administered by the Public Employees' Retirement Association of Colorado (PERA). The School reports this net pension liability, and associated deferred inflows and outflows of resources, as required by GASB (Governmental Accounting Standards Board) 68. The School's net position also includes a net OPEB (Accounting and Financial Reporting for Postemployment Benefits Other Than Pension) liability in the amount of \$317,388, representing the School's proportionate share of the defined benefit Health Care Trust Fund, administered by PERA. The School reports this net OPEB liability, and associated deferred inflows and outflows of resources, as required by GASB 75. This standard was effective July 1, 2017 and resulted in a restated net position for June 30, 2017. More information regarding the net pension and OPEB liabilities may be found in the notes to the financial statements.

Of the School's total net position, \$(39,131) is invested in capital assets, and \$127,000 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment.

AXL Academy's Net Position

	2017-2018	2016-2017
ASSETS		
Cash and Investments	\$ 252,408	\$ 294,284
Accounts Receivable	10,243	-
Prepaid Expenses	2,325	-
Deposits	20,000	20,000
Reserves Held by Aurora Public Schools	173,492	170,015
Capital Assets, Net of Accumulated Depreciation	<u>683,987</u>	<u>760,534</u>
TOTAL ASSETS	<u>1,142,455</u>	<u>1,244,833</u>
DEFERRED OUTFLOWS OF RESOURCES		
OPEB, Net of Accumulated Amortization	14,413	-
Pensions, Net of Accumulated Amortization	<u>4,269,513</u>	<u>5,379,280</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>4,283,926</u>	<u>5,379,280</u>
LIABILITIES		
Accounts Payable	25,527	13,690
Accrued Liabilities	69,063	6,375
Accrued Salaries and Benefits	200,583	177,802
Unearned Revenue	2,122	16,525
Noncurrent Liabilities		
Due Within One Year	440,372	318,472
Due in More Than One Year	514,160	688,279
Net OPEB Liability	317,388	-
Net Pension Liability	<u>13,898,703</u>	<u>12,759,774</u>
TOTAL LIABILITIES	<u>15,467,918</u>	<u>13,980,917</u>
DEFERRED INFLOWS OF RESOURCES		
OPEB, Net of Accumulated Amortization	5,310	-
Pensions, Net of Accumulated Amortization	<u>623,851</u>	<u>195,562</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>629,161</u>	<u>195,562</u>
NET POSITION		
Investment in Capital Assets	(39,131)	(119,832)
Restricted for Emergencies	127,000	138,455
Unrestricted	<u>(10,758,567)</u>	<u>(7,570,989)</u>
TOTAL NET POSITION	<u>\$ (10,670,698)</u>	<u>\$ (7,552,366) *</u>

*restated to \$(7,857,013) to reflect the cumulative effect of adopting GASB 75

AXL Academy's Change in Net Position

	2017-2018	2016-2017
REVENUES		
Per Pupil Revenue	\$ 3,587,828	\$ 3,942,511
District Mill Levy	291,451	274,013
Charges for Services	37,330	54,106
Operating Grants and Contributions	224,060	114,574
Capital Grants and Contributions	171,443	197,945
Grants and Contributions Not Restricted to Specific Programs	-	15,244
Investment Income	3,477	17
Other	22,696	1,063
	<u>4,338,285</u>	<u>4,599,473</u>
TOTAL REVENUE		
EXPENSES		
Instruction	4,785,099	4,056,530
Support Services	2,319,996	2,469,333
Interest on Long-Term Debt	46,875	59,634
	<u>7,151,970</u>	<u>6,585,497</u>
TOTAL EXPENSES		
CHANGE IN NET POSITION	(2,813,685)	(1,986,024)
NET POSITION, Beginning	<u>(7,857,013)</u>	<u>(5,566,342)</u>
NET POSITION, Ending	<u>\$ (10,670,698)</u>	<u>\$ (7,552,366) *</u>

*restated to \$(7,857,013) to reflect the cumulative effect of adopting GASB 75

Financial Analysis of the Government's Fund

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

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

As of the end of the current fiscal year, the School's General Fund reported an ending fund balance of \$161,173, a decrease of \$(108,734) from the prior year.

General Fund Budgetary Highlights

AXL recognized \$51,060 less revenue than expected and spent \$32,633 more than planned, when compared to the final budget. There were budget amendments during the year, which reflected changes in revenues and expenditures. Overall, revenue and expenses were fine-tuned to account for changes to student enrollment.

Capital Assets & Long-Term Debt

The School has invested in capital assets for equipment in support of the School's educational program and leasehold improvements to the School's education facility. More information regarding capital assets may be found in Note 3 to the financial statements. Depreciation expenses for capital assets are booked under the Supporting Services program of the School's operations.

The School has long-term debt in the form of several loans. In 2011 the School acquired a loan from the Charter Schools Development Corporation (CSDC) to finance improvements to the school's educational facility. In March 2018 the loan was amended to include additional borrowings and a reduced interest rate. In 2014 the School acquired a loan from Mile High Community Loan Fund (Mile High) for additional facility improvements. In 2015 the School entered into a loan agreement with the District to defer certain fees owed to the District. The amount owed was paid in full during 2017-2018. In June 2018 the School took out a \$150,000 loan to address short-term cash flow needs. More information regarding long-term debt may be found in Note 4 to the financial statements.

Economic Factors and Next Year's Budget

The primary factor driving the budget for AXL Academy is student enrollment. Enrollment for the 2017-2018 school year was 462.66 funded students. Enrollment projected for 2018-2019 is 463.80 funded students. This factor was considered when preparing AXL's budget for 2018-2019.

Requests for Information

This financial report is designed to provide a general overview of AXL Academy's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the School:

AXL Academy
14100 E. Jewell Avenue
Aurora, CO 80012

Basic Financial Statements

AXL Academy
(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Cash and Investments	\$ 252,408
Accounts Receivable	10,243
Prepaid Expenses	2,325
Deposits	20,000
Reserves Held by District	173,492
Capital Assets, <i>Net of Accumulated Depreciation</i>	683,987
Total Assets	1,142,455
Deferred Outflows of Resources	
OPEB, <i>Net of Accumulated Amortization</i>	14,413
Pensions, <i>Net of Accumulated Amortization</i>	4,269,513
Total Deferred Outflows of Resources	4,283,926
Liabilities	
Accounts Payable	25,527
Accrued Liabilities	69,063
Accrued Salaries and Benefits	200,583
Unearned Revenues	2,122
Noncurrent Liabilities	
Due Within One Year	440,372
Due in More Than One Year	514,160
Net OPEB Liability	317,388
Net Pension Liability	13,898,703
Total Liabilities	15,467,918
Deferred Inflows of Resources	
OPEB, <i>Net of Accumulated Amortization</i>	5,310
Pensions, <i>Net of Accumulated Amortization</i>	623,851
Total Deferred Inflows of Resources	629,161
Net Position	
Net Investment in Capital Assets	(39,131)
Restricted for Emergencies	127,000
Unrestricted	(10,758,567)
Total Net Position	\$ (10,670,698)

See Notes to Financial Statements.

AXL Academy
 (A Component Unit of the Joint School District No. 28-J of the
 Counties of Adams and Arapahoe, Colorado)
 Statement of Activities
 For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
<i>Governmental Activities</i>					
Instruction	\$ 4,665,235	\$ 31,862	\$ 135,929	\$ 49,407	\$ (4,448,037)
Supporting Services	2,439,860	5,468	16,344	122,036	(2,296,012)
Interest on Long-Term Debt	46,875	-	-	-	(46,875)
Total Governmental Activities	\$ 7,151,970	\$ 37,330	\$ 152,273	\$ 171,443	(6,790,924)
General Revenues					
Per Pupil Revenue					3,659,615
District Mill Levy					291,451
Investment Income					3,477
Other					22,696
Total General Revenues					3,977,239
Change in Net Position					(2,813,685)
Net Position, Beginning of year					(7,857,013)
Net Position, End of year					\$ (10,670,698)

AXL Academy
 (A Component Unit of the Joint School District No. 28-J of the
 Counties of Adams and Arapahoe, Colorado)

Balance Sheet
 Governmental Fund
 June 30, 2018

	General
Assets	
Cash and Investments	\$ 252,408
Accounts Receivable	10,243
Prepaid Expenditures	2,325
Deposits	20,000
Reserves Held by District	173,492
Total Assets	\$ 458,468
Liabilities and Fund Balance	
<i>Liabilities</i>	
Accounts Payable	\$ 25,527
Accrued Liabilities	69,063
Accrued Salaries and Benefits	200,583
Unearned Revenues	2,122
Total Liabilities	297,295
<i>Fund Balance</i>	
Nonspendable Prepaid Expenditures	2,325
Nonspendable Deposits	20,000
Restricted for Emergencies	127,000
Unrestricted, Unassigned	11,848
Total Fund Balance	161,173
Total Liabilities and Fund Balance	\$ 458,468
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Total Fund Balance of the Governmental Fund	\$ 161,173
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	683,987
Long-term liabilities and related items are not reported in governmental funds:	
Loans payable	(954,532)
Net pension liability	(13,898,703)
Pension-related deferred outflows of resources	4,269,513
Pension-related deferred inflows of resources	(623,851)
Net OPEB liability	(317,388)
OPEB-related deferred outflows of resources	14,413
OPEB-related deferred inflows of resources	(5,310)
Total Net Position of Governmental Activities	\$ (10,670,698)

AXL Academy
*(A Component Unit of the Joint School District No. 28-J of the
 Counties of Adams and Arapahoe, Colorado)*
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2018

	General
Revenues	
Local Sources	\$ 4,063,976
State Sources	257,965
Federal Sources	16,344
Total Revenues	4,338,285
Expenditures	
Instruction	2,551,859
Supporting Services	1,796,066
Debt Service	
Principal	283,633
Interest	46,875
Total Expenditures	4,678,433
Excess of Revenues Over (Under) Expenditures	(340,148)
Other Financing Sources	
Debt Proceeds	231,414
Net Change in Fund Balance	(108,734)
Fund Balance, Beginning of year	269,907
Fund Balance, End of year	\$ 161,173

AXL Academy

(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)

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

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

Net Change in Fund Balance of the Governmental Fund	\$ (108,734)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Depreciation expense	(76,547)
Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position and does not effect the statement of activities.	283,633
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities.	(231,414)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes the change in:	
Net pension liability	(1,138,929)
Pension-related deferred outflows of resources	(1,109,767)
Pension-related deferred inflows of resources	(428,289)
Net OPEB liability	(1,593)
OPEB-related deferred outflows of resources	3,265
OPEB-related deferred inflows of resources	<u>(5,310)</u>
Change in Net Position of Governmental Activities	<u>\$ (2,813,685)</u>

AXL Academy
(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)
Notes to Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies

Nature of Operations

The AXL Academy (the School) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within Aurora Public Schools (the District). The School began operations in 2007.

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

Reporting Entity

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

Based on the application of this criteria, the School includes the AXL Building Corporation (the Corporation) within its reporting entity. The Corporation is a Colorado non-profit entity organized exclusively for charitable or educational purposes. Currently, the Corporation is a party in the School's facility lease and leasehold improvement loans. The Corporation has no financial balances or transactions outside of those reported by the School and therefore, is not reported separately in the financial statements. The Corporation does not issue separate financial statements.

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

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the School. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported in a single column.

AXL Academy
(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)
Notes to Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements (Continued)

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

Major individual funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current year. Intergovernmental revenues, grants and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

The School reports the following major governmental fund:

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

AXL Academy
(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)
Notes to Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position/Fund Balance

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

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future accounting periods, and are reported as prepaid expenses using the consumption method.

Deposits - The School has provided a security deposit for an operating lease (See Note 7).

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

Capital assets are amortized or depreciated using the straight-line method over the life of the related lease agreement or the estimated useful lives, as follows:

Leasehold Improvements	12 years
Equipment	3 - 10 years

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

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

Compensated Absences - Employees of the School are provided with eight days of personal/sick leave annually. At the end of each school year, unused leave will be carried over to the subsequent school year, up to three days. Unused leave in excess of three days is eligible for reimbursement on the final paycheck of the year at the rate of \$90 per day. The School does not reimburse or otherwise compensate employees for any unused personal/sick leave at separation of employment. Therefore, no liability is reported in the financial statements for these compensated absences.

Long-Term Debt - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

AXL Academy
(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)
Notes to Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Risk Management

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

AXL Academy
(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)
Notes to Financial Statements
June 30, 2018

Note 2: Cash and Investments

Cash and investments at June 30, 2018, consisted of the following.

Deposits	\$ 251,194
Investments	<u>1,214</u>
Total	<u>\$ 252,408</u>

Deposits

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

Investments

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

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

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years.

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

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

AXL Academy
(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)
Notes to Financial Statements
June 30, 2018

Note 2: Cash and Investments (Continued)

Investments (Continued)

Local Government Investment Pool - At June 30, 2018, the School had \$1,214 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates in conformity with the Securities and Exchange Commission's Rule 2a-7. Colotrust is measured at the net asset value per share, with each share valued at \$1. Colotrust is rated AAAM by Standard and Poor's. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Note 3: Capital Assets

Changes in capital assets for the year ended June 30, 2018, are summarized below. Depreciation and amortization are combined in the following table.

	<u>Balance 6/30/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/18</u>
Governmental Activities				
<i>Capital Assets, Being Depreciated</i>				
Leasehold Improvements	\$ 1,656,109	\$ -	\$ -	\$ 1,656,109
Equipment	<u>321,946</u>	<u>-</u>	<u>-</u>	<u>321,946</u>
Total Capital Assets, <i>Being Depreciated</i>	<u>1,978,055</u>	<u>-</u>	<u>-</u>	<u>1,978,055</u>
Less: Accumulated Depreciation				
Leasehold Improvements	(906,630)	(74,949)	-	(981,579)
Equipment	<u>(310,891)</u>	<u>(1,598)</u>	<u>-</u>	<u>(312,489)</u>
Total Accumulated Depreciation	<u>(1,217,521)</u>	<u>(76,547)</u>	<u>-</u>	<u>(1,294,068)</u>
Governmental Activities Capital Assets, <i>Net</i>	<u>\$ 760,534</u>	<u>\$ (76,547)</u>	<u>\$ -</u>	<u>\$ 683,987</u>

Depreciation and amortization expense was charged to the supporting services program.

AXL Academy
*(A Component Unit of the Joint School District No. 28-J of the
 Counties of Adams and Arapahoe, Colorado)*
Notes to Financial Statements
 June 30, 2018

Note 4: Long-Term Debt

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

	<u>Balance 6/30/17</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 6/30/18</u>	<u>Due Within One Year</u>
Governmental Activities					
CSDC Loan	\$ 422,828	\$ 81,414	\$ (67,938)	\$ 436,304	\$ 194,297
Mile High Loan	457,538	-	(89,310)	368,228	96,075
District Loan	126,385	-	(126,385)	-	-
Bank Loan	-	150,000	-	150,000	150,000
Total	<u>\$ 1,006,751</u>	<u>\$ 231,414</u>	<u>\$ (283,633)</u>	<u>\$ 954,532</u>	<u>\$ 440,372</u>

On April 6, 2011, the Corporation entered into a loan agreement with the Charter Schools Development Corporation (CSDC) in the amount of \$875,000. Proceeds of the loan were used to construct improvements to the School's building. In March 2018, the loan agreement was amended to include costs associated with the potential purchase of a building, the interest rate was reduced from 6.5% to 6.25% per annum, and the maturity date was extended. Monthly payments of \$10,578 are required under the loan agreement through June 30, 2021. In addition, a one-time payment of \$100,000 is due on July 1, 2018.

On July 9, 2014, the Corporation entered into a loan agreement with the Mile High Community Loan Fund (Mile High) in the amount of \$500,000. Loan proceeds were used for tenant improvements at the School's building. The Gates Family Foundation agreed to guarantee \$250,000 of the loan pursuant to a guaranty agreement with Mile High. On December 1, 2016, the loan was refinanced. Interest accrues on the outstanding balance of the loan at 7% per annum. Monthly principal and interest payments of \$9,901 are due through November 30, 2021.

In April, 2015, the District loaned \$50,000 to the School and agreed to defer certain fees owed to the District. The School agreed to repay these amounts, totaling \$379,157, in monthly installments of \$10,532 from July 1, 2016, through June 30, 2018. The loan was non-interest bearing and was paid in full during the year ended June 30, 2018.

During April 2018, the School entered into a loan agreement for \$150,000 with Citywide Banks for cash flow purposes. Interest accrues on the loan at the prime rate published in the Wall Street Journal plus 4% per annum (9% at June 30, 2018) and is payable monthly. In no case will the interest rate be less than 8.75% per annum. All outstanding principal and interest is due on April 12, 2019.

AXL Academy
(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)
Notes to Financial Statements
June 30, 2018

Note 4: Long-Term Debt (Continued)

Future debt service requirements for the loans are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 440,372	\$ 46,718	\$ 487,090
2020	220,251	27,592	247,843
2021	235,243	12,601	247,844
2022	<u>58,666</u>	<u>1,210</u>	<u>59,876</u>
Total	<u>\$ 954,532</u>	<u>\$ 88,121</u>	<u>\$ 1,042,653</u>

Note 5: Defined Benefit Pension Plan

General Information

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

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

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

AXL Academy
(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)
Notes to Financial Statements
June 30, 2018

Note 5: Defined Benefit Pension Plan (Continued)

General Information (Continued)

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

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

Contributions - The School and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The School's contribution rate for calendar years 2018 and 2017 was 20.15% and 19.65% of covered salaries, respectively. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 6). The School's contributions to the SDTF for the year ended June 30, 2018, were \$410,208, equal to the required contributions.

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

At June 30, 2018, the School reported a net pension liability of \$13,898,703, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017.

The School's proportion of the net pension liability was based on the School's contributions to the SDTF for the calendar year ended December 31, 2017, relative to the contributions of all participating employers. At December 31, 2017, the School's proportion was 0.0429815427%, which was an increase of 0.0001259254% from its proportion measured at December 31, 2016.

During the 2018 legislative session, the State Legislature passed Senate Bill (SB) 18-200 with the goal of eliminating the unfunded pension liability of the SDTF within the next 30 years. The significant provisions of the legislation include increased age and service requirements to receive full retirement benefits, highest average salary calculated over five years rather than three years, changes to includable employee salaries, increased contributions from employees and employers, and an annual direct distribution from the State of Colorado. The School's estimated net pension liability at June 30, 2018, had the provisions of SB 18-200 been effective was \$6,279,314.

AXL Academy
 (A Component Unit of the Joint School District No. 28-J of the
 Counties of Adams and Arapahoe, Colorado)
 Notes to Financial Statements
 June 30, 2018

Note 5: Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2018, the School recognized pension expense of \$3,112,390. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 255,538	\$ -
Changes of assumptions and other inputs	3,548,855	22,521
Net difference between projected and actual earnings on plan investments	-	545,815
Changes in proportion	236,203	55,515
Contributions subsequent to the measurement date	<u>228,917</u>	<u>-</u>
Total	<u>\$ 4,269,513</u>	<u>\$ 623,851</u>

School contributions subsequent to the measurement date of \$228,917 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,

2019	\$ 2,286,023
2020	1,320,147
2021	15,913
2022	<u>(205,338)</u>
Total	<u>\$ 3,416,745</u>

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

AXL Academy
 (A Component Unit of the Joint School District No. 28-J of the
 Counties of Adams and Arapahoe, Colorado)
 Notes to Financial Statements
 June 30, 2018

Note 5: Defined Benefit Pension Plan (Continued)

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

Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate ¹	5.26%
Future post-employment benefit increases:	
Hired prior to 1/1/2007	2%
Hired after 12/31/2006	ad hoc

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

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

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

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

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

AXL Academy
(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)
Notes to Financial Statements
June 30, 2018

Note 5: Defined Benefit Pension Plan (Continued)

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

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

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

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

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

AXL Academy
 (A Component Unit of the Joint School District No. 28-J of the
 Counties of Adams and Arapahoe, Colorado)
 Notes to Financial Statements
 June 30, 2018

Note 5: Defined Benefit Pension Plan (Continued)

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

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	\$ 17,556,426	\$ 13,898,703	\$ 10,918,077

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

Note 6: Postemployment Healthcare Benefits

General Information

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

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

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

AXL Academy
*(A Component Unit of the Joint School District No. 28-J of the
 Counties of Adams and Arapahoe, Colorado)*
 Notes to Financial Statements
 June 30, 2018

Note 6: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

Contributions - As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the School's contributions to the School Division Trust Fund (SDTF) (See Note 5) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. The School's apportionment to the HCTF for the year ended June 30, 2018, was \$21,024, equal to the required amount.

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

At June 30, 2018, the School reported a net OPEB liability of \$317,388, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2017.

The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year ended December 31, 2017, relative to the contributions of all participating employers. At December 31, 2017, the School's proportion was 0.0244219545%, which was an increase of 0.0000650972% from its proportion measured at December 31, 2016.

For the year ended June 30, 2018, the School recognized OPEB expense of \$24,919. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,501	\$ -
Net difference between projected and actual earnings on plan investments	-	5,310
Changes in proportion	706	-
Contributions subsequent to the measurement date	12,206	-
Total	\$ 14,413	\$ 5,310

AXL Academy
 (A Component Unit of the Joint School District No. 28-J of the
 Counties of Adams and Arapahoe, Colorado)
 Notes to Financial Statements
 June 30, 2018

Note 6: Postemployment Healthcare Benefits (Continued)

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

School contributions subsequent to the measurement date of \$12,206 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Year Ended June 30,</u>		
2019	\$	(894)
2020		(894)
2021		(894)
2022		(894)
2023		433
2024		<u>40</u>
Total	\$	<u><u>(3,103)</u></u>

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

Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
Service-based premium subsidy	0%
Medicare plans	5%
Medicare Part A premiums:	
3% for 2017, gradually rising to 4.25% in 2023	

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

AXL Academy
(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)
Notes to Financial Statements
June 30, 2018

Note 6: Postemployment Healthcare Benefits (Continued)

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

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

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

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

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

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

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

AXL Academy
 (A Component Unit of the Joint School District No. 28-J of the
 Counties of Adams and Arapahoe, Colorado)
 Notes to Financial Statements
 June 30, 2018

Note 6: Postemployment Healthcare Benefits (Continued)

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

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Proportionate share of the net OPEB liability	\$ 356,844	\$ 317,388	\$ 283,711

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Proportionate share of the net OPEB liability	\$ 308,655	\$ 317,388	\$ 327,906

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

Note 7: Commitments and Contingencies

Claims and Judgments

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

AXL Academy
*(A Component Unit of the Joint School District No. 28-J of the
 Counties of Adams and Arapahoe, Colorado)*
 Notes to Financial Statements
 June 30, 2018

Note 7: Commitments and Contingencies (Continued)

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2018, the District held \$123,460 on behalf of the School for this reserve. In addition, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$127,000.

Special Education Reserve

The School's charter contract with the District required the School to deposit \$50,000 to a reserve account held by the District to be used for future legal costs related to the special education program. At June 30, 2018, the special education reserve was reported in the financial statements as Reserves Held by District, in the amount of \$50,032.

Operating Lease

In April, 2018, the Corporation amended its lease agreement with the landlord of the School's building and play area. The agreement requires monthly rent payments through June 30, 2028. In addition, the agreement allows for one renewal term of five years. The lease agreement also requires the Corporation to pay a pro rata portion of certain operating costs. In conjunction, the School has approved an amended lease agreement with the Corporation with similar terms. During the year ended June 30, 2018, the School paid \$571,485 under this lease agreement. Future minimum lease payments are as follows:

Year Ended June 30,

2019	\$ 480,930
2020	492,660
2021	504,390
2022	516,120
2023	527,850
2024 - 2028	<u>2,815,200</u>
Total	<u>\$ 5,337,150</u>

AXL Academy
*(A Component Unit of the Joint School District No. 28-J of the
 Counties of Adams and Arapahoe, Colorado)*
Notes to Financial Statements
 June 30, 2018

Note 8: Change in Accounting Principle

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

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

	Governmental Activities
Net Position, June 30, 2017, as Originally Stated	\$ (7,552,366)
Deferred Outflows of Resources	11,148
Net OPEB Liability	(315,795)
Net Position, June 30, 2017, as Restated	\$ (7,857,013)

Required Supplementary Information

AXL Academy

(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability and Contributions Public Employees' Retirement Association of Colorado School Division Trust Fund June 30, 2018

	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>
Proportionate Share of the Net Pension Liability				
School's Proportion of the Net Pension Liability	0.0429815427%	0.0428556173%	0.0396189925%	0.0419486048%
School's Proportionate Share of the Net Pension Liability	\$ 13,898,703	\$ 12,759,774	\$ 6,059,445	\$ 5,685,445
School's Covered Payroll	\$ 1,982,688	\$ 1,923,216	\$ 1,726,587	\$ 1,757,345
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	701%	663%	351%	324%
Plan Fiduciary Net OPEB as a Percentage of the Total Pension Liability	44%	43%	59%	63%
	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>
School Contributions				
Statutorily Required Contribution	\$ 389,184	\$ 360,791	\$ 327,285	\$ 302,621
Contributions in Relation to the Statutorily Required Contribution	<u>(389,184)</u>	<u>(360,791)</u>	<u>(327,285)</u>	<u>(302,621)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 2,061,214	\$ 1,963,616	\$ 1,845,878	\$ 1,797,911
Contributions as a Percentage of Covered Payroll	18.88%	18.37%	17.73%	16.83%

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

AXL Academy

(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)

Required Supplementary Information

Schedule of Proportionate Share of the Net OPEB Liability and Contributions Public Employees' Retirement Association of Colorado Health Care Trust Fund June 30, 2018

	<u>12/31/17</u>
Proportionate Share of the Net OPEB Liability	
School's Proportion of the Net OPEB Liability	0.0244219545%
School's Proportionate Share of the Net OPEB Liability	\$ 317,388
School's Covered-Employee Payroll	\$ 2,017,780
School's Proportionate Share of the Net OPEB Liability as a Percentage of Covered-Employee Payroll	16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18%
	<u>6/30/18</u>
School Contributions	
Statutorily Required Contribution	\$ 21,024
Contributions in Relation to the Statutorily Required Contribution	<u>(21,024)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
School's Covered-Employee Payroll	\$ 2,143,886
Contributions as a Percentage of Covered-Employee Payroll	0.98%

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

AXL Academy
 (A Component Unit of the Joint School District No. 28-J of the
 Counties of Adams and Arapahoe, Colorado)
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
<i>Local Sources</i>				
Per Pupil Revenue	\$ 4,071,538	\$ 3,587,350	\$ 3,659,615	\$ 72,265
Other	356,097	481,427	404,361	(77,066)
Total Local Sources	4,427,635	4,068,777	4,063,976	(4,801)
<i>State Sources</i>				
Grants	306,648	308,743	257,965	(50,778)
<i>Federal Sources</i>				
Grants	13,700	11,825	16,344	4,519
Total Revenues	4,747,983	4,389,345	4,338,285	(51,060)
Expenditures				
Salaries	1,799,738	2,133,478	2,143,886	(10,408)
Employee Benefits	576,625	667,124	668,236	(1,112)
Purchased Services	1,424,416	1,459,404	1,366,637	92,767
Supplies and Materials	182,155	139,713	145,827	(6,114)
Other	34,639	65,248	23,339	41,909
Debt Service	123,333	180,833	330,508	(149,675)
Contingency	516,224	-	-	-
Total Expenditures	4,657,130	4,645,800	4,678,433	(32,633)
Excess of Revenues Over (Under) Expenditures	90,853	(256,455)	(340,148)	(83,693)
Other Financing Sources				
Debt Proceeds	-	150,000	231,414	81,414
Net Change in Fund Balance	90,853	(106,455)	(108,734)	(2,279)
Fund Balance, Beginning of year	159,526	269,907	269,907	-
Fund Balance, End of year	\$ 250,379	\$ 163,452	\$ 161,173	\$ (2,279)

AXL Academy
(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)
Notes to Required Supplementary Information
June 30, 2018

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

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

Changes in Assumptions and Other Inputs

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

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

Note 2: Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

A budget is adopted for the School on a basis consistent with generally accepted accounting principles.

Management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1, for their approval. The budget includes proposed expenditures and the means of financing them.

Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

All appropriations lapse at fiscal year-end.

Legal Compliance

During the year ended June 30, 2018, expenditures of the General Fund exceeded the amounts budgeted by \$32,633. This may be a violation of State statutes.