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, 2020

HINKLE & COMPANY PC
Strategic Business Advisors

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, 2020

HINKLE & COMPANY PC
Strategic 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, 2020, 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.

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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, 2020, 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.

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.

Hinkle & Company, PC

Greenwood Village, Colorado
September 22, 2020

AXL Academy
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2020

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, 2020. 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, 2020 is the twelfth year of operations for AXL. As of June 30, 2020, net position increased by $2,839,743 to $(6,791,779). AXL Academy's governmental fund reported an ending fund balance of $868,280, an increase of $529,396 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 $3,971,129.

Overview of Financial Statements

This discussion and analysis is 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 to demonstrate that spending did not exceed the budget.

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, 2020, AXL's net position was $(6,791,779). This position includes a net pension liability in the amount of $5,446,304, 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 (Other Postemployment Benefit) liability in the amount of $267,874, 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 requirement by GASB 75. 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, $395,614 is invested in capital assets and $147,900 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment.

AXL Academy's Net Position

	2019-2020	2018-2019
ASSETS		
Cash and Investments	$ 784,964	$ 377,752
Accounts Receivable	65,730	38,188
Prepaid Expenses	60,580	2,524
Deposits	20,000	20,000
Reserves held by Aurora Public Schools	179,076	176,751
Capital Assets, Net of Accumulated Depreciation	564,747	625,801
TOTAL ASSETS	1,675,097	1,241,016
DEFERRED OUTFLOWS OF RESOURCES		
OPEB, Net of Accumulated Amortization	22,890	26,987
Pensions, Net of Accumulated Amortization	1,191,752	2,211,459
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,214,642	2,238,446
LIABILITIES		
Accounts Payable	45,365	16,123
Accrued Liabilities	13,134	76,637
Accrued Salaries and Benefits	183,571	183,571
Unearned Revenue	-	-
Noncurrent Liabilities		
Due Within One Year	110,467	347,844
Due in More Than One Year	58,666	266,315
Net OPEB Liability	267,874	341,974
Net Pension Liability	5,446,304	6,847,166
TOTAL LIABILITIES	6,125,381	8,079,630
DEFERRED INFLOWS OF RESOURCES		
OPEB, Net of Accumulated Amortization	64,286	521
Pensions, Net of Accumulated Amortization	3,491,851	5,030,833
TOTAL DEFERRED INFLOWS OF RESOURCES	3,556,137	5,031,354
NET POSITION		
Investment in Capital Assets	395,614	(39,131)
Restricted for Emergencies	147,900	147,500
Unrestricted	(7,335,293)	(9,739,891)
TOTAL NET POSITION	$ (6,791,779)	$ (9,631,522)

AXL Academy's Change in Net Position			
		2019-2020	2018-2019
REVENUES			
	Per Pupil Revenue	$ 3,971,129	$ 3,718,261
	District Mill Levy	1,084,330	953,584
	Charges for Services	22,266	24,354
	Operating Grants and Contributions	176,932	166,472
	Capital Grants and Contributions	178,873	181,952
	Investment Income	2,327	3,288
	Other	19,878	27,248
TOTAL REVENUE		5,455,735	5,075,159
EXPENSES			
	Instruction	1,969,020	2,197,143
	Support Services	623,360	1,774,350
	Interest on Long-Term Debt	23,612	64,490
TOTAL EXPENSES		2,615,992	4,035,983
CHANGE IN NET POSITION		2,839,743	1,039,176
NET POSITION, Beginning		(9,631,522)	(10,670,698)
NET POSITION, Ending		$ (6,791,779)	$ (9,631,522)

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 $868,280, an increase of $529,396 from the prior year.

General Fund Budgetary Highlights
AXL recognized $257,504 more revenue than expected and spent $230,534 less 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 and funding assumptions.

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 two loans and a line of credit. In 2011 the School acquired a loan from the Charter School 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. All outstanding principal and interest was paid in May 2020. In 2014 the School acquired a loan from Mile High Community Loan Fund (Mile High) for additional facility improvements. Monthly payments are due through November 2021. In April 2018 the school took out a $150,000 line of credit to address short-term cash flow needs. All outstanding principal and interest were paid in July 2019. 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 2019-2020 school year was 444.00 funded students. Enrollment was originally projected for 2020-2021 at 450.00 funded students. This factor was considered when preparing AXL's original budget for 2020-2021. The current enrollment projection is 361.00 funded students and will be considered in amending the 2020-2021 budget.

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, 2020

	Governmental Activities
Assets	
Cash and Investments	$ 784,964
Accounts Receivable	65,730
Prepaid Expenses	60,580
Deposits	20,000
Reserves Held by District	179,076
Capital Assets, *Net of Accumulated Depreciation*	564,747
Total Assets	1,675,097
Deferred Outflows of Resources	
OPEB, *Net of Accumulated Amortization*	22,890
Pensions, *Net of Accumulated Amortization*	1,191,752
Total Deferred Outflows of Resources	1,214,642
Liabilities	
Accounts Payable	45,365
Accrued Liabilities	13,134
Accrued Salaries and Benefits	183,571
Noncurrent Liabilities	
Due Within One Year	110,467
Due in More Than One Year	58,666
Net OPEB Liability	267,874
Net Pension Liability	5,446,304
Total Liabilities	6,125,381
Deferred Inflows of Resources	
OPEB, *Net of Accumulated Amortization*	64,286
Pensions, *Net of Accumulated Amortization*	3,491,851
Total Deferred Inflows of Resources	3,556,137
Net Position	
Net Investment in Capital Assets	395,614
Restricted for Emergencies	147,900
Unrestricted	(7,335,293)
Total Net Position	$ (6,791,779)

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, 2020

		Program Revenues			Net (Expense) Revenue and Change in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government					
Governmental Activities					
Instruction	$ 1,969,020	$ 22,266	$ 155,794	$ 49,633	$ (1,741,327)
Supporting Services	623,360	-	21,138	129,240	(472,982)
Interest on Long-Term Debt	23,612	-	-	-	(23,612)
Total Governmental Activities	$ 2,615,992	$ 22,266	$ 176,932	$ 178,873	(2,237,921)
	General Revenues				
	Per Pupil Revenue				3,971,129
	District Mill Levy				1,084,330
	Investment Income				2,327
	Other				19,878
	Total General Revenues				5,077,664
	Change in Net Position				2,839,743
	Net Position, *Beginning of year*				(9,631,522)
	Net Position, *End of year*				$ (6,791,779)

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, 2020

	General
Assets	
Cash and Investments	$ 784,964
Accounts Receivable	65,730
Prepaid Expenditures	60,580
Deposits	20,000
Reserves Held by District	179,076
Total Assets	$ 1,110,350
Liabilities and Fund Balance	
Liabilities	
Accounts Payable	$ 45,365
Accrued Liabilities	128
Accrued Salaries and Benefits	183,571
Deferred Revenue	13,006
Total Liabilities	242,070
Fund Balance	
Nonspendable Prepaid Expenditures	60,580
Nonspendable Deposits	-
Restricted for Emergencies	147,900
Unrestricted, Unassigned	659,800
Total Fund Balance	868,280
Total Liabilities and Fund Balance	$ 1,110,350
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Total Fund Balance of the Governmental Fund	$ 868,280
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	564,747
Long-term liabilities and related items are not reported in governmental funds:	
Loans payable	(169,133)
Net pension liability	(5,446,304)
Pension-related deferred outflows of resources	1,191,752
Pension-related deferred inflows of resources	(3,491,851)
Net OPEB liability	(267,874)
OPEB-related deferred outflows of resources	22,890
OPEB-related deferred inflows of resources	(64,286)
Total Net Position of Governmental Activities	$ (6,791,779)

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 Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2020

	General
Revenues	
Local Sources	$ 5,149,563
State Sources	243,705
Federal Sources	10,146
Total Revenues	5,403,414
Expenditures	
Instruction	3,466,557
Supporting Services	938,823
Debt Service	
Principal	444,377
Interest	24,261
Total Expenditures	4,874,018
Net Change in Fund Balance	529,396
Fund Balance, *Beginning of year*	338,884
Fund Balance, *End of year*	$ 868,280

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, 2020

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

Net Change in Fund Balance of the Governmental Fund	$	529,396
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		(78,088)
Capital Assets		17,034
Repayment of debt principal and accrued interest 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.		445,026
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		1,400,862
Pension-related deferred outflows of resources		(1,019,708)
Pension-related deferred inflows of resources		1,538,982
Net OPEB liability		74,100
OPEB-related deferred outflows of resources		(4,096)
OPEB-related deferred inflows of resources		(63,765)
Change in Net Position of Governmental Activities	$	2,839,743

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.

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.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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

Pensions - AXL Academy participates in the School Division Trust Fund (SCHDTF), 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/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.

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years.* The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2020.

Postemployment Benefits Other Than Pensions (OPEB) - The School participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position, and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

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

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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.

Subsequent Events

The School evaluated subsequent events through September 22, 2020, the date the financial statements were available to be issued.

Note 2: Cash and Investments

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. At June 30, 2020, the School had bank deposits of $529,564 collateralized with securities held by the financial institutions' agents but not in the District's name.

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

Note 2: Cash and Investments (Continued)

Investments *(Continued)*

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.

The School had no investments at June 30, 2020.

Note 3: Capital Assets

Changes in capital assets for the year ended June 30, 2020, are summarized below. Depreciation and amortization are combined in the following table.

Governmental Activities	**Balance 6/30/19**	**Additions**	**Deletions**	**Balance 6/30/20**
Capital Assets, *Being Depreciated*				
Leasehold Improvements	$ 1,656,109	$ 17,034	$ -	$ 1,673,143
Equipment	342,542	-	-	342,542
Total Capital Assets, *Being Depreciated*	1,998,651	17,034	-	2,015,685
Less: Accumulated Depreciation				
Leasehold Improvements	(1,058,031)	(77,612)	-	(1,135,643)
Equipment	(314,819)	(476)	-	(315,295)
Total Accumulated Depreciation	(1,372,850)	(78,088)	-	(1,450,938)
Governmental Activities Capital Assets, *Net*	$ 625,801	$ (61,054)	$ -	$ 564,747

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

Note 4: Long-Term Debt

Following is a summary of long-term debt transactions for the year ended June 30, 2020:

Governmental Activities	Balance 6/30/19	Additions	Payments	Balance 6/30/20	Due Within One Year
CSDC Loan	$ 242,006	$ -	$ (242,006)	$ -	$ -
Mile High Loan	272,153	-	(103,020)	169,133	110,467
Bank Loan	100,000	-	(100,000)	-	-
Total	$ 614,159	$ -	$ (445,026)	$ 169,133	$ 110,467

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 was made on July 1, 2018. All outstanding principal and interest were paid on May 20, 2020.

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.

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 were paid on July 8, 2019.

Future debt service requirements for the loans are as follows:

Year Ended June 30,	Principal	Interest	Total
2021	110,467	8,340	118,807
2022	58,666	1,210	59,876
Total	$ 169,133	$ 9,550	$ 178,683

Note 5: Defined Benefit Pension Plan

General Information

Plan description. Eligible employees of the AXL Academy are provided with pensions through the 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 (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2019. 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.

The lifetime retirement benefit for all eligible retiring employees under the Aurora Public Schools (APS) benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- $15 times the first 10 years of service credit plus $20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance 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.

Note 5: Defined Benefit Pension Plan (Continued)

General Information *(Continued)*

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.

As of December 31, 2019, 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., once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00 percent for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, and all benefit recipients of the APS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lessor of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

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 lifetime retirement benefit formula(s) 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 - The School, eligible employees and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. The contribution rate for eligible employees is 8.75% of covered salaries during the period of July 1, 2019 through June 30, 2020. The School's contribution rate was 20.40% of covered salaries for July 1, 2019 through June 30, 2020. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 6). Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Note 5: Defined Benefit Pension Plan (Continued)

General Information *(Continued)*

As specified in C.R.S. § 24-51-414, the State is required to contribute $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Aurora Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

Subsequent to the SCHDTF's December 31, 2019, measurement date, HB 20-1379 *Suspend Direct Distribution to PERA Public Employees Retirement Association for 2020-21 Fiscal Year*, was passed into law during the 2020 legislative session and signed by Governor Polis on June 29, 2020. This bill suspends the July 1, 2020, $225 million direct distribution allocated to the State, School, Judicial, and APS Divisions, as required under Senate Bill 18-200.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the AXL Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from AXL Academy were $455,543 for the year ended June 30, 2020.

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

The net pension liability for the SCHDTF was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total pension liability to December 31, 2019. The AXL Academy proportion of the net pension liability was based on AXL Academy contributions to the SCHDTF for the calendar year 2019 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2020, the AXL Academy reported a liability of $5,446,304 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the AXL Academy as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with AXL Academy were as follows:

School proportionate share of net pension liability	$	6,137,094
The State's proportionate share of net pension liability as a nonemployer contributing entity associated with the school		(690,790)
Proportionate share of the net pension liability	$	5,446,304

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)*

The School's proportion of the net pension liability was based on School's contributions to the SCHDTF for the calendar year 2019 relative to the total contributions of participating employers and the State as a nonemployer contributing entity. At December 31, 2019, the AXL Academy proportion was .0364550376 percent, which was a decrease of .0022141060 percent from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, School recognized pension expense of $223,307 and revenue of $52,321 for support from the State as a nonemployer contributing entity. At June 30, 2020, 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	$ 296,826	$ -
Changes of assumptions and other inputs	155,483	2,470,392
Net difference between projected and actual earnings on plan investments	-	645,169
Changes in proportion	479,974	376,290
Contributions subsequent to the measurement date	259,469	-
Total	$ 1,191,752	$ 3,491,851

School contributions subsequent to the measurement date of $259,469 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,	
2021	$ (1,285,721)
2022	(1,066,130)
2023	11,750
2024	(219,467)
Total	$ (2,559,568)

Actuarial assumptions - The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs.

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	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
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	7.25%
Post-retirement benefit increases:	
Hired prior to 1/1/07	1.25%
Hired after 12/31/06	ad hoc

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

Post-retirement non-disabled mortality assumptions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

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

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

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

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

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)*

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

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

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

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

Note 5: Defined Benefit Pension Plan (Continued)

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

Discount rate - The discount rate used to measure the total pension liability was 7.25 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 3.50 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 and the additional 0.50 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and the additional 0.50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State provides an annual direct distribution of $225 million, which commenced July 1, 2018, that is proportioned between the State, School, Judicial, and APS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net
- position and the subsequent AIR benefit payments were estimated and included in the projections.

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)*

- The projected benefit payments reflect the lowered annual increase cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates 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 of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

Sensitivity of the School *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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	$ 7,222,965	$ 5,446,304	$ 3,954,642

Pension plan fiduciary net position - Detailed information about the SCHDTF's fiduciary net position is available in PERA's CAFR which can 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 HCTF, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (CRS), as amended.

Note 6: Postemployment Healthcare Benefits (Continued)

General Information *(Continued)*

Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, 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 the premium subsidies. 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 PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

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. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

Note 6: Postemployment Healthcare Benefits (Continued)

General Information *(Continued)*

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

Contributions - As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the School's contributions to the SCHDTF (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. Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School for the year ended June 30, 2020, was $21,858, 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, 2020, the School reported a net OPEB liability of $267,874 representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019.

The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year December 31, 2019 relative to the total contributions of participating employers. At December 31, 2019, the School's proportion was 0.0238322789 percent, which was a decrease of 0.0013028812 percent from its proportion measured at December 31, 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)*

For the year ended June 30, 2020, the School recognized OPEB expense of $18,423. At June 30, 2020, 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	$ 889	$ 45,013
Changes of assumptions and other inputs	2,222	-
Net difference between projected and actual earnings on plan investments	-	4,472
Changes in proportion	6,628	14,801
Contributions subsequent to the measurement date	13,151	-
Total	$ 22,890	$ 64,286

The School contributions subsequent to the measurement date of $13,151 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,	
2021	$ (10,756)
2022	(10,756)
2023	(9,460)
2024	(11,286)
2025	(11,589)
Thereafter	(700)
Total	$ (54,547)

Actuarial Assumptions - The actuarial valuation as of December 31, 2018, determined the total OPEB liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

Note 6: Postemployment Healthcare Benefits (Continued)

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

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: 3.25% for 2018, gradually rising to 5.0% in 2025	

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

The actuarial assumptions used in the December 31, 2018 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 and reviewed by PERA's actuary as needed.

All costs are subject to the health care cost trend rates, as discussed below.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2018, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

Note 6: Postemployment Healthcare Benefits (Continued)

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

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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.

Post-retirement non-disabled mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

Post-retirement non-disabled mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

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

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

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.

Note 6: Postemployment Healthcare Benefits (Continued)

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

- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

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

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

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 applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2019, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.

Note 6: Postemployment Healthcare Benefits (Continued)

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

- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$ 302,886	$ 267,874	$ 237,932

Sensitivity of the School's *proportionate share of the net OPEB liability to changes in the discount rate* - The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Proportionate share of the net OPEB liability	$ 261,511	$ 267,874	$ 275,228

OPEB plan fiduciary net position - Detailed information about the HCTF's fiduciary net position is available in PERA's CAFR which can 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, 2020, 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.

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, 2020, the District held $128,643 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 $147,900.

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, 2020, the special education reserve was reported in the financial statements as Reserves Held by District, in the amount of $50,433.

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, 2020, the School paid $514,400 under this lease agreement. Future minimum lease payments are as follows:

Year Ended June 30,	
2021	692,682
2022	713,176
2023	734,840
Total	$ 2,140,698

Note 8: Subsequent Event

Subsequent to year-end, the United States of America and the State of Colorado have declared an emergency associated with the Coronavirus pandemic. The School has been economically impacted by the event, however the full economic effect has yet to be determined.

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, 2020

	12/31/19	12/31/18
Proportionate Share of the Net Pension Liability		
School's Proportion of the Net Pension Liability	0.0364550376%	0.0386691436%
School's Proportionate Share of the Net Pension Liability	$ 7,222,965	$ 6,847,166
School's Covered-Employee Payroll	$ 2,209,203	$ 2,125,851
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	327%	322%
Plan Fiduciary Net Position (FNP) as a Percentage of the Total Pension Liability	65%	57%

	6/30/20	6/30/19
School Contributions		
Statutorily Required Contribution	$ 412,505	$ 406,675
Contributions in Relation to the Statutorily Required Contribution	(412,505)	(406,675)
Contribution Deficiency (Excess)	$ -	$ -
School's Covered-Employee Payroll	$ 2,209,203	$ 2,209,203
Contributions as a Percentage of Covered-Employee Payroll	18.67%	18.41%

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

(Continued)

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, 2020
(Continued)

	12/31/17	12/31/16	12/31/15	12/31/14
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-Employee 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-Employee Payroll	701%	663%	351%	324%
Plan Fiduciary Net Position (FNP) as a Percentage of the Total Pension Liability	44%	43%	59%	63%

	6/30/18	6/30/17	6/30/16	6/30/15
School Contributions				
Statutorily Required Contribution	$ 389,184	$ 360,791	$ 327,285	$ 302,621
Contributions in Relation to the Statutorily Required Contribution	(389,184)	(360,791)	(327,285)	(302,621)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
School's Covered-Employee Payroll	$ 2,061,214	$ 1,963,616	$ 1,845,878	$ 1,797,911
Contributions as a Percentage of Covered-Employee 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, 2020

	12/31/19	12/31/18	12/31/17
Proportionate Share of the Net OPEB Liability			
School's Proportion of the Net OPEB Liability	0.0238322789%	0.0251351601%	0.0244219545%
School's Proportionate Share of the Net OPEB Liability	$ 267,874	$ 341,974	$ 317,388
School's Covered Payroll	$ 2,209,203	$ 2,125,851	$ 2,017,780
School's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	12%	16%	16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24%	17%	18%

	6/30/20	6/30/19	6/30/18
School Contributions			
Statutorily Required Contribution	$ 21,858	$ 21,684	$ 21,024
Contributions in Relation to the Statutorily Required Contribution	(21,858)	(21,684)	(21,024)
Contribution Deficiency (Excess)	$ -	$ -	$ -
School's Covered Payroll	$ 2,209,203	$ 2,209,203	$ 2,143,886
Contributions as a Percentage of Covered Payroll	0.99%	0.98%	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, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local Sources:				
Per Pupil Revenue	$ 3,827,753	$ 3,708,777	$ 3,971,129	$ 262,352
District Mill Levy	998,144	949,128	1,133,963	184,835
Student Activities and Fees	41,197	37,490	22,266	(15,224)
Investment Income	17	17	2,327	2,310
Direct PERA Distribution	-	53,659	52,343	(1,316)
Other	51,471	47,600	19,878	(27,722)
Total Local Sources	4,918,582	4,796,671	5,201,906	405,235
State Sources:				
Capital Construction	141,568	117,150	129,240	12,090
Grants	191,156	191,065	62,122	(128,943)
Total State Sources	332,724	308,215	191,362	(116,853)
Federal Sources:				
Grants	41,024	41,024	10,146	(30,878)
Total Revenues	5,292,330	5,145,910	5,403,414	257,504
Expenditures				
Salaries	2,229,446	2,170,903	2,154,493	16,410
Benefits	764,858	799,553	650,987	148,566
Purchased Services	1,531,519	1,538,605	1,397,875	140,730
Supplies and Materials	151,570	157,697	147,557	10,140
Property	85,954	10,994	46,617	(35,623)
Other	224,800	326,800	476,489	(149,689)
Contingency	100,000	100,000	-	100,000
Total Expenditures	5,088,147	5,104,552	4,874,018	230,534
Net Change in Fund Balance	204,183	41,358	529,396	488,038
Fund Balance, Beginning of year	169,823	338,884	338,884	-
Fund Balance, End of year	$ 374,006	$ 380,242	$ 868,280	$ 488,038

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, 2020, 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.