

ATLAS PREPARATORY SCHOOL, INC.

FINANCIAL STATEMENTS
With Independent Auditors' Report

For the Year Ended June 30, 2020

ATLAS PREPARATORY SCHOOL, INC.
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JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Atlas Preparatory School, Inc.

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Atlas Preparatory School, Inc., a component unit of El Paso County School District No. 2, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Atlas Preparatory School, Inc., as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

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

Hoelting & Company Inc.

Colorado Springs, Colorado
September 11, 2020

**ATLAS PREPARATORY SCHOOL
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020**

As management of Atlas Preparatory School (the “School”), we offer readers of the School’s annual financial report this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here, in conjunction with additional information furnished in the School’s financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- General revenues account for approximately \$11.1 million or 82.1 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital contributions accounted for \$2.4 million or 17.9 percent of total revenues of \$13.5 million.
- The School had \$7.7 million in expenses related to governmental activities; only \$2.4 million of these expenses were offset by program specific revenue. General revenues, primarily state equalization payments, of \$8.7 million provided the remaining funding.
- Government-wide net position increased approximately \$4.2 million, while net position of business-type activities increased \$579 thousand. The increase within the government-wide statements is primarily a result of a decreased proportional share of the Colorado PERA net pension liability and OPEB liability, as discussed below, as well as an increase in unrestricted grants and contributions and per pupil revenue.
- The School is required to report its proportionate share of the total PERA (Public Employee’s Retirement Association of Colorado) net pension and OPEB liabilities in its government-wide financial statements. The School’s share of the PERA net pension and OPEB liabilities is \$9.7 million as of June 30, 2020, which is a decrease of \$1.6 million over the previous fiscal year. Inclusion of this figure in the government-wide financial statements does not indicate that the School has a liability to pay the amount shown. The School’s liability is limited to the annually required contributions established by the Colorado State Legislature.
- As of the close of the current fiscal year, the School’s General Fund reported an ending fund balance surplus of approximately \$8.2 million. Of this amount, approximately \$7.8 million is unrestricted and may be used to meet the School’s ongoing responsibility for its educational programs for students.
- The designated Purpose Grants Fund is used to record financial transactions for grants received for designated programs funded by federal and state grants. Approximately \$1.4 million of state and federal grants were expended during the year.
- The Building Corp. is accounted for as an enterprise fund. This fund had a surplus in net position of \$6.1 million at year-end. In November 2018, the voters of Harrison School District Two approved general obligation bonds of \$11.0 million, on behalf of Atlas Preparatory School. These proceeds are intended to be used for the expansion of an elementary school, track and field, gymnasium and other general capital project upgrades. \$5.5 million of this amount was received in January 2019, with the remainder to be received in 2022.
- At June 30, 2020, long-term liabilities were \$26.4 million. Of this amount, \$11.1 million is related to the School’s Series 2015 Charter School Revenue Bonds, \$4.4 million is related to temporary construction financing, \$1.2 million in PPP loan proceeds and the remaining \$9.7 million related to the School’s net pension and OPEB liability.

**ATLAS PREPARATORY SCHOOL
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020**

- Outlays for capital assets were primarily comprised of building and site improvements and construction of the Atlas elementary school, gymnasium and track and field. See the capital assets section of this management’s discussion and analysis for more information.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

**ATLAS PREPARATORY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020**

Government-wide Financial Statements

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

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

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

Both government-wide financial statements distinguish functions of the School that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School include operations, administration, and instruction for a 5th-8th grade middle school and a 9th-12th grade high school. Currently, the School has one business-type activity that owns and manages its buildings and related debt service.

Fund Financial Statements

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

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

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

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

**ATLAS PREPARATORY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020**

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

Notes to the Basic Financial Statements

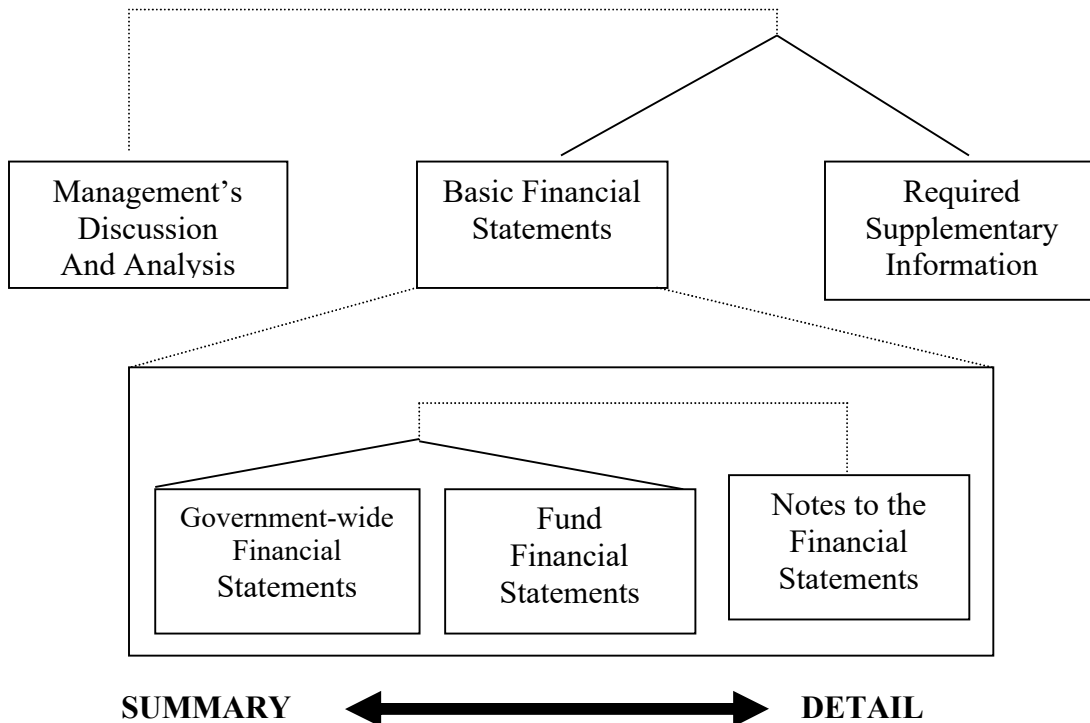
The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the School. The School adopts an annual appropriated budget for the General Fund and the Designated Purpose Grants Fund. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

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

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



**ATLAS PREPARATORY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve, over time, as a useful indicator of the School's financial position. In the case of the School, total liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$5.5 million as of June 30, 2019 resulting in a negative net position.

Approximately 83.2 percent of the School's assets are its investment in capital assets. These assets consist of school furniture, equipment, vehicles, the buildings the School occupies, building improvements and land. Table 3 provides a comparative summary of the School's net position at June 30, 2020 and 2019.

**Table 3
Condensed Statement of Net Position**

	Governmental Activities		Percentage Change	Business-type Activities		Percentage Change
	2020	2019		2020	2019	
Assets						
Current assets	\$ 9,785,202	\$ 5,465,255	79.0%	\$ 1,243,457	\$ 5,027,561	-75.3%
Capital assets, net	<u>2,236,708</u>	<u>1,496,619</u>	49.5%	<u>22,038,564</u>	<u>12,029,019</u>	83.2%
Total assets	<u>12,021,910</u>	<u>6,961,874</u>	72.7%	<u>23,282,021</u>	<u>17,056,580</u>	36.5%
Deferred Outflows						
Deferred pension/OPEB outflows	1,385,995	3,545,407	-60.9%	-	-	0.0%
Liabilities						
Current liabilities	1,572,792	496,296	216.9%	1,726,089	468,259	268.6%
Long-term liabilities	<u>10,914,253</u>	<u>11,325,655</u>	-3.6%	<u>15,435,891</u>	<u>11,047,529</u>	39.7%
Total liabilities	<u>12,487,045</u>	<u>11,821,951</u>	5.6%	<u>17,161,980</u>	<u>11,515,788</u>	49.0%
Deferred Inflows						
Deferred pension/OPEB inflows	6,429,585	8,420,898	-23.6%	-	-	0.0%
Net Position						
Net investment in capital assets	2,236,708	1,496,619	49.5%	5,095,814	725,808	-602.1%
Restricted	312,000	280,000	11.4%	1,014,531	4,814,984	-78.9%
Unrestricted	<u>(8,057,433)</u>	<u>(11,512,187)</u>	30.0%	<u>9,696</u>	<u>-</u>	100.0%
Total net position	<u>\$ (5,508,725)</u>	<u>\$ (9,735,568)</u>	43.4%	<u>\$ 6,120,041</u>	<u>\$ 5,540,792</u>	-10.5%

**ATLAS PREPARATORY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020**

Table 4 provides a comparative summary of the Statement of Activities. Following Table 4 is specific discussion related to overall revenues and expenses.

**Table 4
Condensed Statement of Activities**

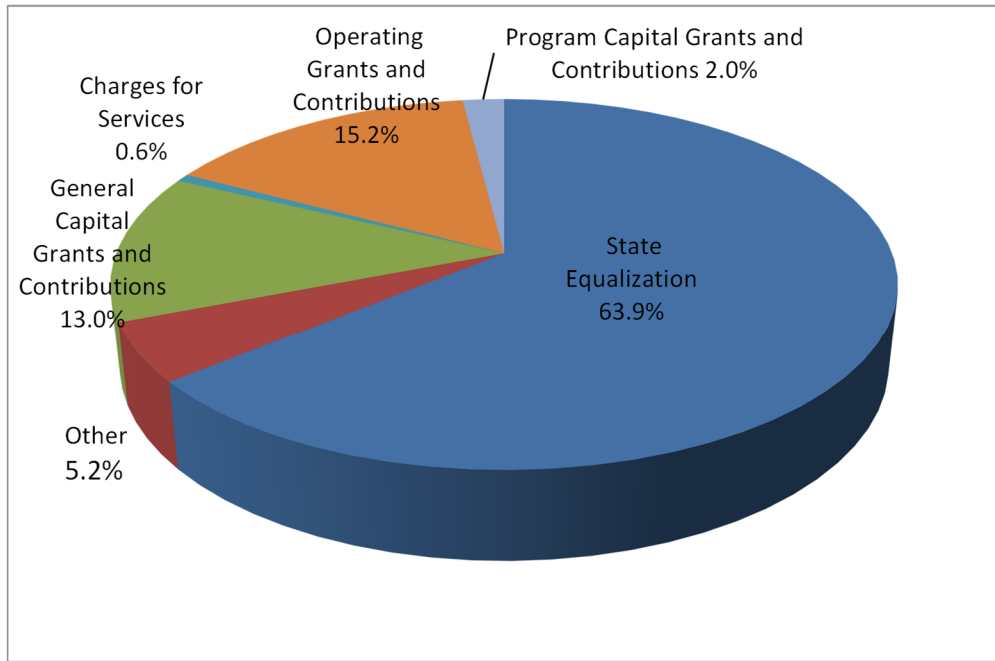
The School's per-pupil state formula revenue (state equalization) accounts for most of the School's revenue, contributing about 63.9 cents for every dollar raised (see Table 5). Another 30.2 cents came from grants and contributions with the remaining 5.9 cents coming from fees charged for services and other miscellaneous sources.

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

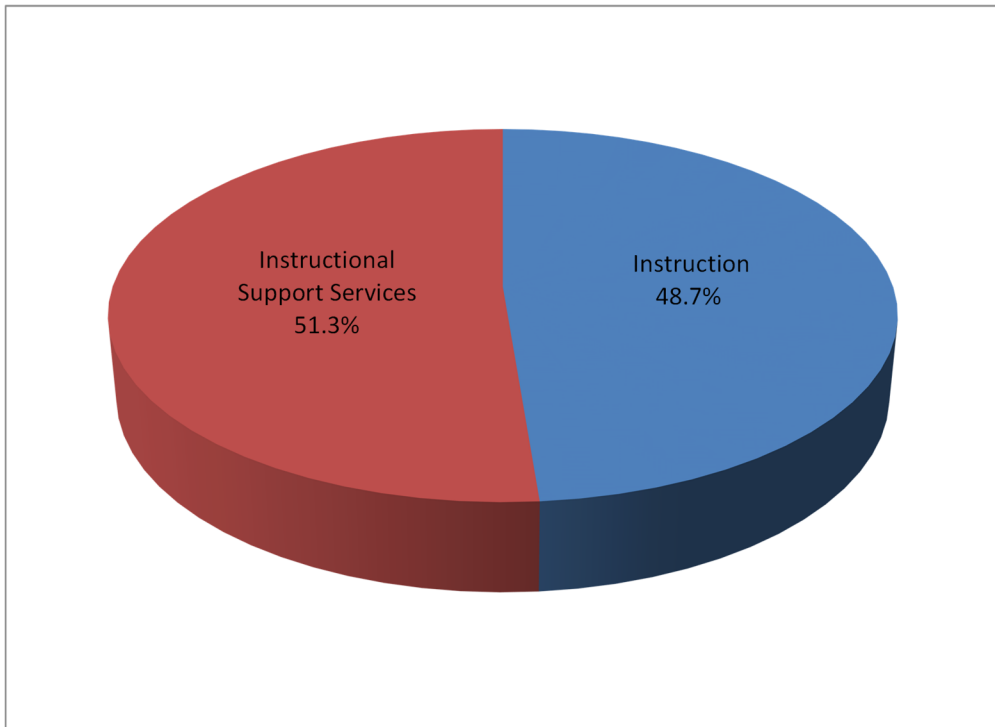
	Governmental Activities		Percentage Change	Business-type Activities		Percentage Change
	2020	2019		2020	2019	
Revenues						
General revenues						
Per pupil revenue	\$ 8,655,862	\$ 8,152,321	6.2%	\$ -	\$ -	0.0%
Other	702,692	117,946	495.8%	63,354	47,083	34.6%
Capital grants and contributions	1,756,073	-	100.0%	-	5,500,000	-100.0%
Program revenue						
Charges for services	87,886	61,368	43.2%	-	-	0.0%
Operating grants and contributions	2,062,982	3,509,240	-41.2%	-	-	0.0%
Capital grants and contributions	271,655	286,822	-5.3%	-	-	0.0%
Total revenues	13,537,150	12,127,697	11.6%	63,354	5,547,083	-98.9%
Expenses						
Instruction	3,744,466	3,615,297	3.6%	-	-	0.0%
Support services	3,940,602	3,838,857	2.7%	-	-	0.0%
Business-type Activities	-	-	0.0%	1,109,344	929,904	19.3%
Total expenses	7,685,068	7,454,154	3.1%	1,109,344	929,904	19.3%
Transfers	(1,625,239)	(1,989,127)	-18.3%	1,625,239	1,989,127	-18.3%
Change in net position	4,226,843	2,684,416	57.5%	579,249	6,606,306	-91.2%
Net position beginning	(9,735,568)	(12,419,984)	21.6%	5,540,792	(1,065,514)	620.0%
Net position ending	\$ (5,508,725)	\$ (9,735,568)	43.4%	\$ 6,120,041	\$ 5,540,792	10.5%

**ATLAS PREPARATORY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020**

**Table 5
Sources of Revenues for Fiscal Year 2020**



**Table 6
Expenses for Fiscal Year 2020**



**ATLAS PREPARATORY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020**

BUDGETARY HIGHLIGHTS

The School's budget is prepared in accordance with state law. During the year, the School amended its General Fund budget primarily to reflect changes in per pupil revenue and other funding sources. The Designated Purpose Grants Fund budget was amended during the year to appropriate funds for all grant activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets include all capital outlays related to capital assets at the school, building and improvements, land, and equipment and vehicles. The School's capital assets, net of accumulated depreciation for its governmental activities at the end of the year was \$2.2 million. For business-type activities, its capital assets, net of depreciation was \$22.0 million.

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

- \$1.0 million in building and site improvements
- \$150 thousand in equipment
- \$10.5 million in construction-in-progress

Debt Administration

At the end of current fiscal year, the Atlas Preparatory School Building Corporation had \$15.4 million in debt outstanding. This was used to fund capital activities.

FACTORS BEARING ON THE SCHOOL'S FUTURE

- After five years of cuts in school finance, Colorado stabilized funding for 2012-13. Per pupil revenue increased in 2019-20, however given the current economic state, the School is anticipating decreases or no increase in per pupil revenue for the next two to three years.
- Beginning in the 2019-20 budget year, HB17-1375 required school districts that collect revenue from mill levies in addition to the total program mill levy and that authorize an innovation school or a charter school to:
 - adopt a plan for distributing the revenue to the schools of the school district for the benefit of the students enrolled in the school district; or
 - distribute 95% of the per pupil amount of the revenue to the innovation schools and charter schools of the school district (per pupil distribution)
- As noted above, the School is expected to receive the second distribution of general obligations bonds, from the District, in 2022. These funds are intended for capital projects, expansion and renovations of the School.

**ATLAS PREPARATORY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020**

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

ATLAS PREPARATORY SCHOOL, INC.
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 8,396,808	\$ 9,696	\$ 8,406,504
Restricted cash and investments	-	1,233,761	1,233,761
Receivables	533,057	-	533,057
Grants receivable	742,935	-	742,935
Prepays	112,402	-	112,402
Capital assets not being depreciated	161,600	13,856,748	14,018,348
Capital assets, net of accumulated depreciation	2,075,108	8,181,816	10,256,924
Total Assets	<u>12,021,910</u>	<u>23,282,021</u>	<u>35,303,931</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	1,345,901	-	1,345,901
Deferred OPEB outflows	40,094	-	40,094
Total Deferred Outflows of Resources	<u>1,385,995</u>	<u>-</u>	<u>1,385,995</u>
LIABILITIES			
Accounts payable and other accrued liabilities	947,818	1,506,859	2,454,677
Unearned revenue	624,974	67,196	692,170
Accrued interest payable	-	152,034	152,034
Long-term liabilities			
Due within one year	464,608	235,000	699,608
Due in more than one year	745,262	15,200,891	15,946,153
Net pension liability	9,249,691	-	9,249,691
Net OPEB liability	454,692	-	454,692
Total Liabilities	<u>12,487,045</u>	<u>17,161,980</u>	<u>29,649,025</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	6,341,719	-	6,341,719
Deferred OPEB inflows	87,866	-	87,866
Total Deferred Inflows of Resources	<u>6,429,585</u>	<u>-</u>	<u>6,429,585</u>
NET POSITION			
Net investment in capital assets	2,236,708	5,095,814	7,332,522
Restricted for:			
TABOR	312,000	-	312,000
Debt service	-	1,014,531	1,014,531
Unrestricted	(8,057,433)	9,696	(8,047,737)
Total Net Position (deficit)	<u>\$ (5,508,725)</u>	<u>\$ 6,120,041</u>	<u>\$ 611,316</u>

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

ATLAS PREPARATORY SCHOOL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

<u>Functions/Programs</u>	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction	\$ 3,744,466	\$ 87,886	\$ 2,062,982	\$ 1,170	\$ (1,592,428)	\$ -	\$ (1,592,428)
Supporting services	3,940,602	-	-	270,485	(3,670,117)		(3,670,117)
Total governmental activities	7,685,068	87,886	2,062,982	271,655	(5,262,545)		(5,262,545)
Business-type activities:							
Building Corporation	1,109,344	-	-	-	-	(1,109,344)	(1,109,344)
Total	\$ 8,794,412	\$ 87,886	\$ 2,062,982	\$ 271,655	\$ (5,262,545)	(1,109,344)	(6,371,889)
General revenues:							
Per pupil revenue					8,655,862	-	8,655,862
District mill levy					483,196	-	483,196
Grants and contributions not restricted to specific programs					1,756,073	-	1,756,073
Unrestricted investment earnings					53,608	63,354	116,962
Miscellaneous					165,888	-	165,888
Transfers					(1,625,239)	1,625,239	-
Total general revenues and transfers					9,489,388	1,688,593	11,177,981
Change in net position					4,226,843	579,249	4,806,092
Net position - beginning (deficit)					(9,735,568)	5,540,792	(4,194,776)
Net position - ending (deficit)					\$ (5,508,725)	\$ 6,120,041	\$ 611,316

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

ATLAS PREPARATORY SCHOOL, INC.
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>General Fund</u>	<u>Designated Purpose Grants Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 8,396,808	\$ -	\$ 8,396,808
Receivables	533,057	-	533,057
Grants receivables	31,076	711,859	742,935
Due from other funds	708,514	-	708,514
Prepays	112,402	-	112,402
	<u>112,402</u>	<u>-</u>	<u>112,402</u>
Total Assets	<u>\$ 9,781,857</u>	<u>\$ 711,859</u>	<u>\$ 10,493,716</u>
LIABILITIES			
Accounts payable and other accrued liabilities	\$ 947,818	\$ -	\$ 947,818
Due to other funds	-	708,514	708,514
Unearned revenue	621,629	3,345	624,974
	<u>621,629</u>	<u>3,345</u>	<u>624,974</u>
Total Liabilities	<u>1,569,447</u>	<u>711,859</u>	<u>2,281,306</u>
FUND BALANCE			
Non-spendable	112,402	-	112,402
Restricted for TABOR	312,000	-	312,000
Unassigned	7,788,008	-	7,788,008
	<u>7,788,008</u>	<u>-</u>	<u>7,788,008</u>
Total Fund Balance	<u>8,212,410</u>	<u>-</u>	<u>8,212,410</u>
Total Liabilities and Fund Balance	<u>\$ 9,781,857</u>	<u>\$ 711,859</u>	<u>\$ 10,493,716</u>

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

ATLAS PREPARATORY SCHOOL, INC.
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

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

Total Fund Balance of Governmental Funds	\$	8,212,410
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		2,236,708
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in government funds:		
Net pension liability	\$ (9,249,691)	
Pension outflows	1,345,901	
Pension inflows	(6,341,719)	
Net OPEB liability	(454,692)	
OPEB outflows	40,094	
OPEB inflows	(87,866)	
Loan payable	<u>(1,209,870)</u>	<u>(15,957,843)</u>
Total Net Position of Governmental Activities	\$	<u><u>(5,508,725)</u></u>

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

ATLAS PREPARATORY SCHOOL, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund	Designated Purpose Grants Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Local sources	\$ 2,546,071	\$ -	\$ 2,546,071
State sources	9,285,267	320,722	9,605,989
Federal sources	475,268	1,060,422	1,535,690
	<u> </u>	<u> </u>	<u> </u>
Total revenues	12,306,606	1,381,144	13,687,750
	<u> </u>	<u> </u>	<u> </u>
EXPENDITURES			
Instruction	3,703,299	864,056	4,567,355
Supporting services	5,750,948	517,088	6,268,036
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	9,454,247	1,381,144	10,835,391
	<u> </u>	<u> </u>	<u> </u>
Excess (deficiency) of revenues over expenditures	2,852,359	-	2,852,359
	<u> </u>	<u> </u>	<u> </u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	(818,778)	-	(818,778)
Proceeds from long-term debt	1,209,870	-	1,209,870
	<u> </u>	<u> </u>	<u> </u>
Total other financing sources (uses)	391,092	-	391,092
	<u> </u>	<u> </u>	<u> </u>
Net change in fund balance	3,243,451	-	3,243,451
	<u> </u>	<u> </u>	<u> </u>
Fund balance, beginning	4,968,959	-	4,968,959
	<u> </u>	<u> </u>	<u> </u>
Fund balance, ending	<u>\$ 8,212,410</u>	<u>\$ -</u>	<u>\$ 8,212,410</u>

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

**ATLAS PREPARATORY SCHOOL, INC.
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

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

Net Change in Fund Balance of Governmental Funds	\$	3,243,451
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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	\$ (136,561)		
Capital Outlays	<u>876,650</u>		740,089

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.

Loan issuance			(1,209,870)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Pension expenses	\$ 1,445,448		
OPEB expenses	<u>7,725</u>		<u>1,453,173</u>

Change in Net Position of Governmental Activities	\$	<u><u>4,226,843</u></u>
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The accompanying notes are an integral part of these financial statements.

ATLAS PREPARATORY SCHOOL, INC.
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2020

	<u>Building Corporation</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 9,696
Restricted cash and cash equivalents	610,754
Restricted investments	<u>623,007</u>
Total current assets	<u>1,243,457</u>
Noncurrent Assets:	
Capital assets not being depreciated	13,856,748
Capital assets being depreciated:	<u>8,181,816</u>
Total noncurrent assets	<u>22,038,564</u>
Total assets	<u>23,282,021</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	1,506,859
Unearned revenue	67,196
Accrued interest payable	152,034
Bonds payable, current portion	<u>235,000</u>
Total current liabilities	1,961,089
Noncurrent Liabilities:	
Loan payable	4,381,011
Bonds payable	<u>10,819,880</u>
Total noncurrent liabilities	<u>15,200,891</u>
Total liabilities	<u>17,161,980</u>
NET POSITION	
Net investment in capital assets	5,095,814
Restricted for debt service	1,014,531
Unrestricted	<u>9,696</u>
Total net position (deficit)	<u><u>\$ 6,120,041</u></u>

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

ATLAS PREPARATORY SCHOOL, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Building Corporation</u>
OPERATING REVENUES	
Rental income	<u>\$ 806,460</u>
OPERATING EXPENSES	
Purchased services	8,900
Interest expense	<u>599,152</u>
Total operating expenses	<u>608,052</u>
Net operating income (loss)	<u>198,408</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	63,354
Depreciation expense	(333,611)
Debt issuance costs	<u>(167,680)</u>
Total non-operating revenues (expenses)	<u>(437,937)</u>
Income before transfers	(239,529)
Transfers in	<u>818,778</u>
Change in net position	579,249
Net position - beginning	<u>5,540,792</u>
Net position - ending	<u><u>\$ 6,120,041</u></u>

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

ATLAS PREPARATORY SCHOOL, INC.
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Building Corporation</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Lease payments received	\$ 806,460
Payment for purchased services	(8,900)
Interest payments to bondholders	<u>(585,149)</u>
Net cash provided (used) by operating activities	<u>212,411</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from construction loan	4,381,011
Acquisition and construction of capital assets	(8,048,200)
Debt issuance payments	(167,680)
Principal payment on bonds	<u>(225,000)</u>
Net cash provided (used) by capital and related financing activities	<u>(4,059,869)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	63,354
Proceeds from sale of investments	3,729,899
Purchase of investments	<u>(623,007)</u>
Net cash provided (used) by investing activities	<u>3,170,246</u>
Net increase (decrease) in cash and cash equivalents	(677,212)
Cash and cash equivalents, beginning	<u>1,297,662</u>
Cash and cash equivalents, ending	<u><u>\$ 620,450</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 198,408
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Amortization expense	7,350
Changes in assets and liabilities:	
<i>Increase (decrease) in:</i>	
Interest payable	6,664
Unearned revenue	<u>(11)</u>
Net cash provided (used) by operating activities	<u><u>\$ 212,411</u></u>

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

NOTES TO FINANCIAL STATEMENTS

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY

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

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

The School is considered a component unit of the District. The School is deemed to be fiscally dependent upon the District because the District provides the majority of the support to the School in the form of per pupil operating revenue. The School operates under a charter with the District. The current charter runs through June 30, 2024 at which time the School may seek renewal of its charter in accordance with procedures set forth in state law and school district policy and regulations.

B. BASIS OF PRESENTATION—GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF PRESENTATION—FUND FINANCIAL STATEMENTS

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

The School reports the following major governmental funds:

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

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

The School reports the following major proprietary fund:

The *Building Corporation* is used to account for the financial activities of the Building Corporation, including the acquisition and construction of school facilities and the related debt service.

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

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

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

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

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING (CONTINUED)

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

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand and in the bank, and short-term investments with original maturities of three months or less from the date of acquisition. All certificates of deposit are considered to be cash equivalents.

Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

Local government investment pools in Colorado must be organized under Colorado Revised Statutes, which allows certain types of governments within the state to pool their funds for investment purposes. Investments in such pools are valued at the pool's share price, the price at which the investment could be sold.

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Receivables

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

Prepaid items

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

Capital assets

Capital assets, which include property, buildings and improvements, furniture and equipment, and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the School as assets with a cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset lives are not capitalized. Land and construction in progress are not depreciated.

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

Buildings and improvements	3 to 50 years
Furniture and equipment	5 to 15 years
Vehicles	3-5 years

Pensions

Atlas Preparatory School, Inc. 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.

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Health Care Trust Fund

Atlas Preparatory School, Inc. participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund 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.

Unearned Revenue

Unearned revenue includes resources received by the School before it has a legal claim to them, including rental income.

Deferred outflows/inflows of resources

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

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

Long-term debt

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

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

Net position flow assumption

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

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund balance classification

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

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

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

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

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

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

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

F. REVENUES AND EXPENDITURES/EXPENSES

Program revenues

Amounts reported as *program revenues* include 1) fees and charges to pupils and other users who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues that are not classified as program revenues, including per pupil revenue, are reported as general revenues.

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. REVENUES AND EXPENDITURES/EXPENSES

Compensated Absences

It is the School's policy to permit employees to accumulate up to ten total earned but unused personal days at the end of the fiscal year. Earned but unused flex leave is reimbursed at a rate of \$100 for each unused day. As of June 30, 2020, no liability is reflected regarding these benefits in the financial statements.

Proprietary funds operating and non-operating revenues and expenses

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

G. ESTIMATES

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGET INFORMATION

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

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

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

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

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. BUDGET INFORMATION (CONTINUED)

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

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

NOTE 3 – DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of June 30, 2020 is as follows:

Deposits	\$ 4,160,741
Investments	<u>5,479,524</u>
Total	<u>\$ 9,640,265</u>

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

Cash and investments	\$ 8,406,504
Restricted cash and investments	<u>1,233,761</u>
Total	<u>\$ 9,640,265</u>

Cash deposits with financial institutions

Custodial credit risk—deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all local government entities deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The carrying amount of the School's deposits at June 30, 2020 was \$4,160,741 and the bank balances were \$4,307,851. Of the bank balances, \$443,240 were covered by federal deposit insurance and \$3,864,611 was uninsured, but collateralized in accordance with the provisions of the Colorado Public Deposit Protection Act (PDPA). The collateral is pooled and held in a trust for all uninsured deposits as a group.

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

Credit Risk

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

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

At June 30, 2020 the School’s investment balances were as follows:

<u>Investments</u>	<u>Maturity</u>	<u>Fair Value</u>	Standard & Poor’s <u>Rating</u>
Money Market Funds	Less than 1 year	\$ 610,754	AAAm
Certificates of Deposit	Less than 1 year	4,245,763	AAAm
US Corporate Bonds	Less than 1 year	<u>623,007</u>	AAAm
	Total Investments	<u>\$ 5,479,524</u>	

Interest Rate Risk: State law limits investment maturities to five years or less as a means of managing exposure to fair value loss resulting from increasing interest rates. The School does not have a formal investment policy that would further limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

NOTE 4 – FAIR VALUE MEASUREMENT

The District records assets and liabilities in accordance with GASB 72, which establishes general principles for measuring fair value, provides additional fair value application guidance and enhances disclosures about fair value measurements.

GASB 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique. As a basis for considering market participant assumptions in fair value measurements, GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels.

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 – FAIR VALUE MEASUREMENT (CONTINUED)

- Level 1 inputs reflect prices quoted in active markets.
- Level 2 inputs reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 inputs reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment’s risk.

Investments classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Investments classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of Deposit	\$	\$ 4,245,763	\$ -	\$ 4,245,763
US Corporate Bonds	_____ -	_____ 623,007	_____ -	_____ 623,007
Total	\$ _____ -	\$ _____ 4,868,770	\$ _____ -	\$ _____ 4,868,770

NOTE 4 –RECEIVABLES

Receivables consist of the following at June 30, 2020:

	<u>General Fund</u>
Accounts receivable	\$ 535,153
Less: Allowance for uncollectibles	_____ (2,096)
Total	\$ _____ 533,057

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

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

The composition of interfund balances at June 30, 2020 is as follows:

Due to/from other funds:		
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Grants Fund	\$ _____ 708,514

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<i>Governmental Activities</i>				
Capital assets, not being depreciated:				
Construction in process	\$ 452,060	\$ 161,600	\$ (452,060)	\$ 161,600
Capital assets, being depreciated:				
Leasehold improvements	1,046,096	1,017,148	(7,889)	2,055,355
Site improvements	57,938	-	(3,218)	54,720
Equipment	558,899	149,962	(91,409)	617,452
Vehicles	<u>114,006</u>	<u>-</u>	<u>-</u>	<u>114,006</u>
Total capital assets, being depreciated	1,776,939	1,167,110	(102,516)	2,841,533
Less accumulated depreciation	<u>(732,380)</u>	<u>(136,561)</u>	<u>102,516</u>	<u>(766,425)</u>
Total capital assets being depreciated, net	<u>1,044,559</u>	<u>1,030,549</u>	<u>-</u>	<u>2,075,108</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 1,496,619</u>	<u>\$ 1,192,149</u>	<u>\$ (452,060)</u>	<u>\$ 2,236,708</u>
<i>Business-type Activities</i>				
Capital assets, not being depreciated:				
Land	\$ 3,141,108	\$ 4,454	\$ -	\$ 3,145,562
Construction in process	<u>372,484</u>	<u>10,338,702</u>	<u>-</u>	<u>10,711,186</u>
Total capital assets, not being depreciated	<u>3,513,592</u>	<u>10,343,156</u>	<u>-</u>	<u>13,856,748</u>
Capital assets, being depreciated:				
Building and improvements	9,078,181	-	-	9,078,181
Site improvements	920,956	-	-	920,956
Furniture and equipment	<u>228,573</u>	<u>-</u>	<u>(13,717)</u>	<u>214,856</u>
Total capital assets, being depreciated	10,227,710	-	(13,717)	10,213,993
Less accumulated depreciation	<u>(1,712,283)</u>	<u>(333,611)</u>	<u>13,717</u>	<u>(2,032,177)</u>
Total capital assets being depreciated, net	<u>8,515,427</u>	<u>(333,611)</u>	<u>-</u>	<u>8,181,816</u>
<i>Business-type activities capital assets, net</i>	<u>\$ 12,029,019</u>	<u>\$ 10,009,545</u>	<u>\$ -</u>	<u>\$ 22,038,564</u>

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

Instruction	<u>\$ 136,561</u>
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ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 – LONG-TERM DEBT

2020 Paycheck Protection Loan

On May 5, 2020, the School obtained a loan under the SBA Paycheck Protection Program in the amount of \$1,209,870 to fund salaries, benefits, and certain operating expenses. Principal and interest are paid monthly, at an interest rate of 1%, with payments deferred for 6 months after initial loan disbursement. Final maturity is May 5, 2022. The School may apply for loan forgiveness following a covered period for use of the funds.

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

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 464,608	\$ 11,959
2022	745,262	3,772
Total	\$ 1,209,870	\$ 15,731

Series 2015 Charter School Revenue Bonds

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

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

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 235,000	\$ 571,356
2022	245,000	560,781
2023	255,000	549,756
2024	270,000	538,281
2025	280,000	526,131
2026-2030	1,630,000	2,408,783
2031-2035	2,085,000	1,947,275
2036-2040	2,690,000	1,347,675
2041-2045	3,465,000	564,375
Total	\$ 11,155,000	\$ 9,014,413

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Construction Loan

On August 29, 2019, the School obtained a loan through the Colorado Educational and Cultural Facilities Authority in the amount of \$7,000,000 to fund construction projects. \$4,381,011 of funds had been disbursed as of June 30, 2020. Interest accrues at an interest rate of 3.11%. Outstanding principal and interest are due at maturity in 2022.

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

Fiscal Year <u>Ending June 30</u>	Business-Type Activities	
	<u>Principal</u>	<u>Interest</u>
2021	\$ -	\$ 195,440
2022	4,381,011	131,891
Total	\$ 4,381,011	\$ 327,331

The changes in long-term debt for the year ended June 30, 2020 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Governmental Activities</i>					
PPP loan	\$ -	\$ 1,209,870	\$ -	\$ 1,209,870	\$ 464,608
<i>Business-type Activities</i>					
Bonds payable					
Revenue bonds	\$ 11,380,000	\$ -	\$ 225,000	\$ 11,155,000	\$ 235,000
Bond discount	(107,471)	-	(7,351)	(100,120)	-
Total bonds payable	11,272,529	-	217,649	\$ 11,054,880	235,000
Loan payable	-	4,381,011	-	4,381,011	-
Total	\$ 11,272,529	\$ 4,381,011	\$ 217,649	\$ 15,435,981	\$ 235,000

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 – OPERATING LEASES

Building Corporation Lease

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

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

<u>Fiscal Year</u> <u>Ending June 30</u>	
2021	\$ 806,260
2022	805,610
2023	805,344
2024	807,923
2025	806,531
2026-2030	4,038,192
2031-2035	4,032,799
2036-2040	4,037,471
2041-2045	<u>3,894,890</u>
Total	<u>\$ 20,035,020</u>

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

For the fiscal year ended June 30, 2020, the lease payments were \$806,460.

Copier Lease

On February 27, 2017, the School entered into a lease for copiers which qualifies as an operating lease. The term of the lease is 60 months. The lease requires payments of \$7,049 per month.

NOTE 9 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. Eligible employees of the Atlas Preparatory School, Inc. are provided with pensions through the 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.

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

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

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

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 DPS 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.

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions provisions as of June 30, 2020: Eligible employees of, Atlas Preparatory School, Inc. 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. Eligible employees are required to contribute 8.75 percent of their PERA-includable salary during the period of July 1, 2019 through June 30, 2020. Employer contribution requirements are summarized in the table below:

	July 1, 2019 Through June 30, 2020
Employer contribution rate	10.40%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%
Amount apportioned to the SCHDTF	9.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
Total employer contribution rate to the SCHDTF	19.38%

Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

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 Denver 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 DPS Divisions, as required under Senate Bill-200.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Atlas Preparatory School, Inc. is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Atlas Preparatory School, Inc. were \$739,704 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 Atlas Preparatory School, Inc. proportion of the net pension liability was based on Atlas Preparatory School, Inc. contributions to the SCHDTF for the calendar year 2019 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

At June 30, 2020, the Atlas Preparatory School, Inc. reported a liability of \$9,249,691 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 Atlas Preparatory School, Inc. 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 Atlas Preparatory School, Inc. were as follows:

Atlas Preparatory School, Inc. proportionate share of the net pension liability	\$ 9,249,691
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with Atlas Preparatory School, Inc.	\$ 1,173,206
Total	\$ 10,422,897

At December 31, 2019, the Atlas Preparatory School, Inc. proportion was 0.0619131549 percent, which was an increase of 0.0009944166 percent from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the Atlas Preparatory School, Inc. recognized pension expense of (\$1,445,448) and revenue (\$37,110) for support from the State as a nonemployer contributing entity. At June 30, 2020, the Atlas Preparatory School, Inc. reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 504,114	\$ -
Changes of assumptions or other inputs	264,065	4,195,572
Net difference between projected and actual earnings on pension plan investments	-	1,095,718
Changes in proportion and differences between contributions recognized and proportionate share of contributions	205,795	1,050,429
Contributions subsequent to the measurement date	371,927	N/A
Total	\$ 1,345,901	\$ 6,341,719

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$371,927 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ (2,990,204)
2022	(2,057,597)
2023	52,787
2024	(372,731)
2025	-
Thereafter	-

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:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic) ¹	1.25 percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic) ¹	Financed by the Annual Increase Reserve

¹ For 2019, the annual increase was 0.00 percent.

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.

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

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.

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 – DEFINED BENEFIT PENSION PLAN (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 DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- 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.

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 Atlas Preparatory School, Inc. proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 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	\$ 12,267,071	\$ 9,249,691	\$ 6,716,338

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 10 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Health Care Trust Fund

Plan description. Eligible employees of the Atlas Preparatory School, Inc. are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. 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. 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. The HCTF provides a health care premium subsidy to eligible participating 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.

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

**NOTE 10 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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.

PERA Benefit Structure

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; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older 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.

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.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

Contributions. Pursuant to Title 24, Article 51, Section 208(1) (f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Atlas Preparatory School, Inc. is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Atlas Preparatory School, Inc. were \$38,934 for the year ended June 30, 2020.

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

**NOTE 10 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

At June 30, 2020, the Atlas Preparatory School, Inc. reported a liability of \$454,692 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF 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 Atlas Preparatory School, Inc. proportion of the net OPEB liability was based on Atlas Preparatory School, Inc. contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the Atlas Preparatory School, Inc. proportion was 0.0404531181 percent, which was an increase of 0.0008556035 percent from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the Atlas Preparatory School, Inc. recognized OPEB expense of (\$7,725). At June 30, 2020, the Atlas Preparatory School, Inc. reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,509	\$ 76,405
Changes of assumptions or other inputs	3,772	-
Net difference between projected and actual earnings on OPEB plan investments	-	7,589
Changes in proportion and differences between contributions recognized and proportionate share of contributions	15,236	3,872
Contributions subsequent to the measurement date	19,577	N/A
Total	\$ 40,094	\$ 87,866

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

**NOTE 10 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

\$19,577 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2021	\$ (13,352)
2022	(13,352)
2023	(11,154)
2024	(15,735)
2025	(12,977)
Thereafter	(779)

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

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.60 percent in 2019, gradually decreasing to 4.50 percent in 2029
Medicare Part A premiums	3.50 percent in 2019, gradually increasing to 4.50 percent in 2029
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA’s actuary, as discussed below.

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

**NOTE 10 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2019 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	\$601	\$240
Kaiser Permanente Medicare Advantage HMO	605	237

The 2019 Medicare Part A premium is \$437 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

Medicare Plan	Cost for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	\$562
Kaiser Permanente Medicare Advantage HMO	571

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.

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

**NOTE 10 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

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, 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 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.

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

**NOTE 10 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(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.

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.

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

**NOTE 10 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

Sensitivity of the Atlas Preparatory School, Inc. proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	4.60%	5.60%	6.60%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 443,891	\$ 454,692	\$ 467,174

Discount rate. The discount rate used to measure the total OPEB 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:

- 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 percent.
- 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.
- 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 percent 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 percent.

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Sensitivity of the Atlas Preparatory School, Inc. 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 (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 514,121	\$ 454,692	\$ 403,868

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 11 - RISK MANAGEMENT

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

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

NOTE 12 – CONCENTRATION OF RISK

The School is funded directly by El Paso County School District No. 2 (the District) based on the District’s per pupil funding. For the fiscal year ended June 30, 2020, this funding accounted for approximately 70% of the School’s revenues.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

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

ATLAS PREPARATORY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 14 - AMENDMENT TO COLORADO CONSTITUTION

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

The amendment requires emergency reserves be established. These reserves must be at least 3% of fiscal year spending. The School is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary and benefit increases. At June 30, 2020 there is a \$312,000 reservation of fund balance in the General Fund for the amendment. Following recent Colorado judicial precedence, the School has designated certain non-cash assets to meet its reserve requirements.

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

NOTE 15 – COMPLIANCE

The School has complied with the requirements of the Financial Policies and Procedures Handbook for the 2020 audit period as required by Colorado Statute CRS 22-44-204(3).

REQUIRED SUPPLEMENTARY INFORMATION

ATLAS PREPARATORY SCHOOL, INC.
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2020

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
School's proportion of the net pension liability (asset)	0.0619131549%	0.0609187383%	0.0704490638%	0.0688619875%	0.0642954721%	0.0683546042%	0.0615178336%
School's proportionate share of the net pension liability (asset)	\$ 9,249,691	\$ 10,786,914	\$ 22,780,723	\$ 20,502,877	\$ 9,833,539	\$ 9,264,345	\$ 7,846,583
State's proportionate share of the net pension liability (asset) associated with the School	1,173,206	1,474,961	-	-	-	-	-
Total	<u>\$ 10,422,897</u>	<u>\$ 12,261,875</u>	<u>\$ 22,780,723</u>	<u>\$ 20,502,877</u>	<u>\$ 9,833,539</u>	<u>\$ 9,264,345</u>	<u>\$ 7,846,583</u>
School's covered payroll	\$ 3,638,408	\$ 3,349,030	\$ 3,249,732	\$ 3,090,649	\$ 2,801,982	\$ 2,863,568	\$ 2,479,980
School's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	254.22%	322.09%	701.00%	663.38%	350.95%	323.52%	316.40%
Plan fiduciary net position as a percentage of the total pension liability	64.5%	57.0%	44.0%	43.1%	59.2%	62.8%	64.1%

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

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

See the accompanying independent auditors' report.

ATLAS PREPARATORY SCHOOL, INC.
SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - PENSION
JUNE 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 739,704	\$ 666,031	\$ 618,703	\$ 588,548	\$ 521,773	\$ 462,873	\$ 454,730
Contributions in relation to the contractually required contribution	<u>(739,704)</u>	<u>(666,031)</u>	<u>(618,703)</u>	<u>(588,548)</u>	<u>(521,773)</u>	<u>(462,873)</u>	<u>(454,730)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 3,816,843	\$ 3,481,606	\$ 3,277,028	\$ 3,202,111	\$ 2,942,882	\$ 2,742,139	\$ 2,845,619
Contributions as a percentage of covered payroll	19.38%	19.13%	18.88%	18.38%	17.73%	16.88%	15.98%

* The amounts presented for each fiscal year were determined as of 6/30.

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

See the accompanying independent auditors' report.

ATLAS PREPARATORY SCHOOL, INC.
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
JUNE 30, 2020

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
School's proportion of the net OPEB liability (asset)	0.0404531181%	0.0395975146%	0.0400289053%	0.0391419618%
School's proportionate share of the net OPEB liability (asset)	\$ 454,692	\$ 538,741	\$ 520,216	\$ 507,489
School's covered payroll	\$ 3,638,408	\$ 3,349,030	\$ 3,249,732	\$ 3,090,649
School's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	12.50%	16.09%	16.01%	16.42%
Plan fiduciary net position as a percentage of the total OPEB liability	24.5%	17.0%	17.5%	16.7%

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

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

See the accompanying independent auditors' report.

ATLAS PREPARATORY SCHOOL, INC.
SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - OPEB
JUNE 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 38,934	\$ 35,513	\$ 33,434	\$ 32,668
Contributions in relation to the contractually required contribution	<u>(38,934)</u>	<u>(35,513)</u>	<u>(33,434)</u>	<u>(32,668)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 3,816,843	\$ 3,481,606	\$ 3,277,028	\$ 3,202,111
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%

* The amounts presented for each fiscal year were determined as of 6/30.

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

See the accompanying independent auditors' report.

ATLAS PREPARATORY SCHOOL, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Local sources:				
District mill levy	\$ 457,920	\$ 483,196	\$ 483,196	\$ -
Interest income	25,000	30,000	53,608	23,608
Pupil Activities	40,000	35,000	31,311	(3,689)
Donations and grants	1,400,000	900,000	1,755,493	855,493
Other local revenue	183,000	173,250	222,463	49,213
	<u>2,105,920</u>	<u>1,621,446</u>	<u>2,546,071</u>	<u>924,625</u>
State sources:				
Per pupil revenue	8,536,000	8,952,169	8,655,862	(296,307)
Operating grants	291,550	278,099	358,920	80,821
Capital grants	283,036	267,313	270,485	3,172
	<u>9,110,586</u>	<u>9,497,581</u>	<u>9,285,267</u>	<u>(212,314)</u>
Federal sources:				
Operating grants	510,500	489,500	475,268	(14,232)
Total revenues	<u>11,727,006</u>	<u>11,608,527</u>	<u>12,306,606</u>	<u>698,079</u>
EXPENDITURES				
Instruction	4,171,160	3,935,903	3,703,299	232,604
Supporting services	5,842,030	6,236,648	5,750,948	485,700
Total expenditures	<u>10,013,190</u>	<u>10,172,551</u>	<u>9,454,247</u>	<u>718,304</u>
Excess (deficiency) of revenues over expenditures	<u>1,713,816</u>	<u>1,435,976</u>	<u>2,852,359</u>	<u>1,416,383</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(1,040,000)	(1,240,180)	(818,778)	421,402
Proceeds from long-term debt	-	-	1,209,870	1,209,870
Total other financing sources (uses)	<u>(1,040,000)</u>	<u>(1,240,180)</u>	<u>391,092</u>	<u>1,631,272</u>
Net change in fund balances	673,816	195,796	3,243,451	3,047,655
Fund balances - beginning	3,974,417	4,968,959	4,968,959	-
Fund balance - ending	<u>\$ 4,648,233</u>	<u>\$ 5,164,755</u>	<u>\$ 8,212,410</u>	<u>\$ 3,047,655</u>

See the accompanying Independent Auditors' Report.

ATLAS PREPARATORY SCHOOL, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DESIGNATED PURPOSE GRANTS FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
State sources:				
Operating grants	\$ 156,500	\$ 279,688	\$ 276,139	\$ (3,549)
Capital grants	114,105	54,181	44,583	(9,598)
	270,605	333,869	320,722	(13,147)
Federal sources:				
Operating grants	1,007,545	1,096,113	1,060,422	(35,691)
Total revenues	1,278,150	1,429,982	1,381,144	(48,838)
EXPENDITURES				
Instruction	812,147	875,109	864,056	11,053
Supporting services	466,003	554,873	517,088	37,785
Total expenditures	1,278,150	1,429,982	1,381,144	48,838
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

See the accompanying Independent Auditors' Report.