AXL ACADEMY
Aurora, Colorado

FINANCIAL STATEMENTS

June 30, 2017

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Board of Directors
AXL Academy
Aurora, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and the major fund of AXL Academy, component unit of Aurora Public Schools, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of AXL Academy, as listed in the table of contents.

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

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

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of AXL Academy as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Snavely, Hunt & Company, LLC

September 22, 2017

AXL Academy
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2017

As management of AXL Academy (AXL or the School), we offer readers of AXL Academy's basic financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements.

Financial Highlights

The year ended June 30, 2017 is the ninth year of operations for AXL. As of June 30, 2017, net position decreased by $(1,986,024) to $(7,552,366). AXL Academy's governmental fund reported an ending fund balance of $269,907, an increase of $133,001 from the prior year.

The operations of the School are funded primarily by tax revenue received under the Colorado School Finance Act in Per Pupil Revenue (PPR). Tax revenue for the year from PPR was $3,942,511.

Overview of Financial Statements

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

Government-Wide Financial Statements

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

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

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

The government-wide statement of activities distinguishes functions/programs of the School supported primarily by Per Pupil Revenue or other revenues passed through from the School's authorizer (Aurora Public Schools). The governmental activities of AXL include instruction and supporting services.

Fund Financial Statements

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

Governmental Funds

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

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

The School maintains one governmental fund, and adopts an annually appropriated budget for the fund. A budgetary comparison schedule is included to demonstrate that spending did not exceed the budget.

Notes to the Financial Statements

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

Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the School's financial position. For the fiscal year ended June 30, 2017, AXL's net position was $(7,552,366). This position includes a net pension liability in the amount of $12,759,774, representing the School's proportionate share of the School Division Trust Fund pension liability, administered by the Public Employees' Retirement Association of Colorado (PERA). The School reports this net pension liability, and associated deferred inflows and outflows of resources, as required by GASB (Governmental Accounting Standards Board) 68. More information regarding the net pension liability may be found in the notes to the financial statements.

Of the School's total net position, $(119,832) is invested in capital assets net of related debt, and $138,455 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment.

AXL Academy's Net Position

	2016-2017	2015-2016
ASSETS		
Cash and Investments	$ 294,284	$ 207,159
Accounts Receivable	-	1,449
Grants Receivable	-	2,095
Deposits	20,000	20,000
Reserves Held by Aurora Public Schools	170,015	170,015
Capital Assets, Net of Accumulated Depreciation	760,534	839,590
TOTAL ASSETS	1,244,833	1,240,308
DEFERRED OUTFLOWS OF RESOURCES		
Pensions, Net of Accumulated Amortization	5,379,280	1,103,141
LIABILITIES		
Accounts Payable	13,690	73,829
Accrued Liabilities	6,375	2,487
Accrued Salaries and Benefits	177,802	171,945
Unearned Revenue	16,525	15,551
Noncurrent Liabilities		
Due Within One Year	318,472	1,145,251
Due in More Than One Year	688,279	126,385
Net Pension Liability	12,759,774	6,059,445
TOTAL LIABILITIES	13,980,917	7,594,893
DEFERRED INFLOWS OF RESOURCES		
Pensions, Net of Accumulated Amortization	195,562	314,898
NET POSITION		
Net Investment in Capital Assets	(119,832)	(179,275)
Restricted for Emergencies	138,455	131,000
Unrestricted	(7,570,989)	(5,518,067)
TOTAL NET POSITION	$ (7,552,366)	$ (5,566,342)

AXL Academy's Change in Net Position

	2016-2017	2015-2016
REVENUES		
Per Pupil Revenue	$ 3,942,511	$ 3,833,458
District Mill Levy	274,013	272,056
Charges for Services	54,106	58,132
Operating Grants and Contributions	114,574	128,284
Capital Grants and Contributions	197,945	133,511
Grants and Contributions Not Restricted to Specific Programs	15,244	6,716
Investment Income	17	-
Other	1,063	4,526
TOTAL REVENUE	4,599,473	4,436,683
EXPENSES		
Instruction	4,056,530	2,480,314
Support Services	2,469,333	1,923,595
Interest on Long-Term Debt	59,634	74,545
TOTAL EXPENSES	6,585,497	4,478,454
CHANGE IN NET POSITION	(1,986,024)	(41,771)
NET POSITION, Beginning	(5,566,342)	(5,524,571)
NET POSITION, Ending	$ (7,552,366)	$ (5,566,342)

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the School's General Fund reported an ending fund balance of $269,907, an increase of $133,001 from the prior year. The School had an additional $109,053 in PPR revenues due to a small increase in students and a higher PPR amount for the year. Despite salaries and benefits going up to account for additional students, staff at the School were vigilant about managing the budget for the School, allowing for a positive net income and increasing the fund balance and cash position.

General Fund Budgetary Highlights

AXL recognized $15,709 less revenue than expected and spent $126,090 less than planned, when compared to the final budget. There were budget amendments during the year, which reflected changes in revenues and expenditures. Overall, revenue and expenses were reduced to account for fewer students than originally anticipated in the original approved budget and expenditures were carefully managed during the year to account for the positive net income.

Capital Assets & Long-Term Debt

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

The School has long-term debt in the form of three loans. In 2011 the School acquired a loan from the Charter School Development Corporation (CSDC) to finance improvements to the School's educational facility. In 2014 the School acquired a loan from Mile High Community Loan Fund (Mile High) for additional facility improvements. In 2015 the School entered into a loan agreement with the District to defer certain fees owed to the District. More information regarding long-term debt may be found in Note 4 to the financial statements.

Economic Factors and Next Year's Budget

The primary factor driving the budget for AXL Academy is student enrollment. Enrollment for the 2016-2017 school year was 519.10 funded students. Enrollment projected for 2017-2018 is 522.80 funded students. This factor was considered when preparing AXL's budget for 2017-2018.

Requests for Information

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

AXL Academy
14100 E. Jewell Avenue
Aurora, CO 80012

BASIC FINANCIAL STATEMENTS

AXL ACADEMY

STATEMENT OF NET POSITION
June 30, 2017

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Investments	$ 294,284
Deposits	20,000
Reserves Held by Aurora Public Schools	170,015
Capital Assets, Net of Accumulated Depreciation	760,534
TOTAL ASSETS	1,244,833
DEFERRED OUTFLOWS OF RESOURCES	
Pensions, Net of Accumulated Amortization	5,379,280
LIABILITIES	
Accounts Payable	13,690
Accrued Liabilities	6,375
Accrued Salaries and Benefits	177,802
Unearned Revenues	16,525
Noncurrent Liabilities	
Due Within One Year	318,472
Due in More Than One Year	688,279
Net Pension Liability	12,759,774
TOTAL LIABILITIES	13,980,917
DEFERRED INFLOWS OF RESOURCES	
Pensions, Net of Accumulated Amortization	195,562
NET POSITION	
Net Investment in Capital Assets	(119,832)
Restricted for Emergencies	138,455
Unrestricted	(7,570,989)
TOTAL NET POSITION	$ (7,552,366)

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

AXL ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION: GOVERNMENTAL ACTIVITIES
PRIMARY GOVERNMENT					
Governmental Activities					
Instruction	$ 4,056,530	$ 48,498	$ 114,574	$ 53,813	$ (3,839,645)
Supporting Services	2,469,333	5,608	-	144,132	(2,319,593)
Interest on Long-Term Debt	59,634	-	-	-	(59,634)
Total Governmental Activities	$ 6,585,497	$ 54,106	$ 114,574	$ 197,945	(6,218,872)
		GENERAL REVENUES			
		Per Pupil Revenue			3,942,511
		District Mill Levy			274,013
		Grants and Contributions Not Restricted to Specific Program			15,244
		Investment Income			17
		Miscellaneous			1,063
		TOTAL GENERAL REVENUES			4,232,848
		CHANGE IN NET POSITION			(1,986,024)
		NET POSITION, Beginning			(5,566,342)
		NET POSITION, Ending			$ (7,552,366)

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

AXL ACADEMY

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2017

	GENERAL
ASSETS	
Cash and Investments	$ 294,284
Deposits	20,000
Reserves Held by Aurora Public Schools	170,015
TOTAL ASSETS	$ 484,299
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	$ 13,690
Accrued Liabilities	6,375
Accrued Salaries and Benefits	177,802
Unearned Revenues	16,525
TOTAL LIABILITIES	214,392
FUND BALANCE	
Nonspendable Deposits	20,000
Restricted for Emergencies	138,455
Unrestricted, Unassigned	111,452
TOTAL FUND BALANCE	269,907
TOTAL LIABILITIES AND FUND BALANCE	$ 484,299

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

Total Fund Balance of the Governmental Fund	$ 269,907
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	760,534
Long-term liabilities and related items, including loans payable ($1,006,751), net pension liability ($12,759,774), pension-related deferred outflows of resources $5,379,280, and pension-related deferred inflows of resources ($195,562), are not due and payable in the current year and, therefore, are not reported in governmental funds.	(8,582,807)
Total Net Position of Governmental Activities	$ (7,552,366)

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

AXL ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
Year Ended June 30, 2017

	GENERAL
REVENUES	
Local Sources	$ 4,340,767
State Sources	258,666
Federal Sources	40
TOTAL REVENUES	4,599,473
EXPENDITURES	
Instruction	2,342,042
Supporting Services	1,799,911
Debt Service	
Principal	264,885
Interest	59,634
TOTAL EXPENDITURES	4,466,472
NET CHANGE IN FUND BALANCE	133,001
FUND BALANCE, Beginning	136,906
FUND BALANCE, Ending	$ 269,907

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

Net Change in Fund Balance of the Governmental Fund	$ 133,001
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This amount represents depreciation expense in the current year.	(79,056)
Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position and does not affect the statement of activities.	264,885
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change in the net pension liability ($6,700,329), pension-related deferred outflows of resources $4,276,139, and pension-related deferred inflows of resources $119,336 in the current year.	(2,304,854)
Change in Net Position of Governmental Activities	$ (1,986,024)

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

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

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

Government-wide and Fund Financial Statements

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The School reports the following major governmental fund:

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

Assets, Liabilities and Net Position/Fund Balance

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

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

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

Leasehold Improvements	12 years
Equipment	3 - 10 years

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

Risk Management

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

NOTE 2: CASH AND INVESTMENTS

Cash and investments at June 30, 2017, consisted of the following.

Deposits	$	293,105
Investments		1,179
Total	**$**	**294,284**

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2017, the School had bank deposits of $56,200 collateralized with securities held by the financial institution's agent but not in the School's name.

Investments

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

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

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

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

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

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Local Government Investment Pool **-** At June 30, 2017, the School had $1,179 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates in conformity with the Securities and Exchange Commission's Rule 2a-7. Colotrust is measured at the net asset value per share, with each share valued at $1. Colotrust is rated AAAm by Standard and Poor's. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

NOTE 3: CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2017, are summarized below. Depreciation and amortization are combined in the following table.

	Balances 6/30/16	Additions	Deletions	Balances 6/30/17
Governmental Activities				
Capital Assets, Being Depreciated				
Leasehold Improvements	$ 1,656,109	$ -	$ -	$ 1,656,109
Equipment	321,946	-	-	321,946
Total Capital Assets, Being Depreciated	1,978,055	-	-	1,978,055
Less Accumulated Depreciation				
Leasehold Improvements	(831,681)	(74,949)	-	(906,630)
Equipment	(306,784)	(4,107)	-	(310,891)
Total Accumulated Depreciation	(1,138,465)	(79,056)	-	(1,217,521)
Governmental Activities Capital Assets, Net	**$ 839,590**	**$ (79,056)**	**$ -**	**$ 760,534**

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

NOTE 4: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended June 30, 2017:

	Balances 6/30/16	Additions	Payments	Balances 6/30/17	Due Within One Year
Governmental Activities					
CSDC Loan	$ 518,865	$ -	$ 96,037	$ 422,828	$ 102,468
Mile High Loan	500,000	-	42,462	457,538	89,619
District Loan	252,771	-	126,386	126,385	126,385
Total	**$ 1,271,636**	**$ -**	**$ 264,885**	**$ 1,006,751**	**$ 318,472**

On April 6, 2011, the Corporation entered into a loan agreement with the Charter Schools Development Corporation (CSDC) in the amount of $875,000. Proceeds of the loan were used to construct improvements to the School's building. Monthly payments of $10,578 are required under the loan agreement, with a balloon payment representing all unpaid principal and interest due at maturity. Interest accrues at 6.5% per annum. The loan maturity date has been extended to June 30, 2019.

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

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

Future debt service requirements for the loans are as follows:

Year Ended June 30,	Principal	Interest	Total
2018	$ 318,472	$ 53,655	$ 372,127
2019	205,428	40,314	245,742
2020	314,072	16,906	330,978
2021	110,493	8,314	118,807
2022	58,286	1,196	59,482
Total	**$ 1,006,751**	**$ 120,385**	**$ 1,127,136**

NOTE 5: DEFINED BENEFIT PENSION PLAN

General Information

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

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

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

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

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

Contributions - The School and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The School's contribution rate for calendar years 2016 and 2017 was 19.15% and 19.65% of covered salaries, respectively. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 6). The School's contributions to the SDFT for the year ended June 30, 2017, were $380,820, equal to the required contributions.

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

At June 30, 2017, the School reported a net pension liability of $12,759,774, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016.

The School's proportion of the net pension liability was based on the School's contributions to the SDTF for the calendar year ended December 31, 2016, relative to the contributions of all participating employers. At December 31, 2016, the School's proportion was 0.0428556173%, which was an increase of 0.0032366248% from its proportion measured at December 31, 2015.

For the year ended June 30, 2017, the School recognized pension expense of $2,666,092. At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 155,456	$ 110
Changes of assumptions and other inputs	4,140,281	53,195
Net difference between projected and actual earnings on plan investments	399,353	-
Changes in proportion	480,564	142,257
Contributions subsequent to the measurement date	203,626	-
Total	**$ 5,379,280**	**$ 195,562**

School contributions subsequent to the measurement date of $203,626 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	
2018	$ 2,043,515
2019	1,947,416
2020	984,906
2021	4,255
Total	**$ 4,980,092**

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

Actuarial Assumptions - The actuarial valuation as of December 31, 2015, determined the total pension liability using the following actuarial assumptions and other inputs. On November 18, 2016, PERA's governing board adopted revised economic and demographic assumptions, which were effective on December 31, 2016, and which were reflected in the roll-forward calculation of the total pension liability from December 31, 2015, to December 31, 2016, as follows:

	Assumptions	Revised Assumptions
Price inflation	2.8%	2.4%
Real wage growth	1.1%	1.1%
Wage inflation	3.9%	3.5%
Salary increases, including wage inflation	3.9% - 10.1%	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.5%	7.25%
Discount rate	7.5%	5.26%
Future post-retirement benefit increases:		
Hired prior to 1/1/07	2%	2%
Hired after 12/31/06	ad hoc	ad hoc

Mortality rates were based on the RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with males set back one year, and females set back two years. Active member mortality was adjusted to 55 percent of the base rate for males and 40 percent for females. For disabled retirees, the RP-2000 Disabled Retiree Mortality Table was used, set back two years.

The actuarial assumptions used in the December 31, 2015, valuation were based on the results of an actuarial experience study for the period January 1, 2008, through December 31, 2011, adopted by PERA's governing board on November 13, 2012, and an economic assumption study adopted by PERA's governing board on November 15, 2013, and January 17, 2014.

As a result of a 2016 experience analysis, revised economic and demographic actuarial assumptions were adopted by PERA's governing board on November 18, 2016, to more closely reflect PERA's actual experience. The revised assumptions reflected in the roll-forward of the total pension liability included healthy mortality assumptions for active members using the RP-2014 White Collar Employee Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates. For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

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

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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%**	

Discount Rate - The discount rate used to measure the total pension liability was 5.26%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently require annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103%, the employer contribution rate will decrease 0.5% each year, to a minimum of 10.15%.

Based on the assumptions described previously, the SDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate, defined as the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index, was used in the determination of the discount rate. The long-term expected rate of return of 7.25% on plan investments was applied to all periods through 2041, and the municipal bond index rate was applied to periods after 2041 to develop the discount rate. On the measurement date of December 31, 2016, the municipal bond index rate was 3.86%, resulting in a discount rate of 5.26%. The discount rate at the prior measurement date was 7.5%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 5.26%, as well as the School's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower (4.26%) or one percentage point higher (6.26%) than the current rate, as follows:

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	**$ 16,045,006**	**$ 12,759,774**	**$ 10,084,072**

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

NOTE 6: POSTEMPLOYMENT HEALTHCARE BENEFITS

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

Funding Policy - The School is required to contribute at a rate of 1.02% of covered salaries for all PERA participants. No employee contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The School's apportionment to the HCTF for the years ended June 30, 2017, 2016 and 2015 was $20,029, $18,815 and $18,339, respectively, equal to the required amounts for each year.

NOTE 7: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the School may be required to reimburse the other government. At June 30, 2017, significant amounts of related expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

NOTE 7: COMMITMENTS AND CONTINGENCIES (Continued)

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2017, the District held $120,000 on behalf of the School for this reserve. In addition, the reserve was reported as restricted fund balance in the General Fund, in the amount of $138,455.

Special Education Reserve

The School's charter contract with the District required the School to deposit $50,000 to a reserve account held by the District to be used for future legal costs related to the special education program. At June 30, 2017, the special education reserve was reported in the financial statements as reserves held by Aurora Public Schools, in the amount of $50,015.

Operating Lease

In March, 2015, the Corporation amended its lease agreement with the landlord of the School's building and play area. The agreement requires monthly rent payments through June 30, 2018. In addition, the agreement allows for two renewal terms of five years each. The lease agreement also requires the Corporation to pay a pro rata portion of certain operating costs. In conjunction, the School has approved an amended lease agreement with the Corporation with similar terms. During the year ended June 30, 2017, the School paid $502,982 under this lease agreement. Minimum lease payments of $502,982 are required for the year ended June 30, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

AXL ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO SCHOOL DIVISION TRUST FUND
June 30, 2017

	12/31/16	12/31/15	12/31/14
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY			
School's Proportion of the Net Pension Liability	0.0428556173%	0.0396189925%	0.0419486048%
School's Proportionate Share of the Net Pension Liability	$ 12,759,774	$ 6,059,445	$ 5,685,445
School's Covered Payroll	$ 1,923,216	$ 1,726,587	$ 1,757,345
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	663%	351%	324%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	43%	59%	63%

	6/30/17.	6/30/16	6/30/15
SCHOOL CONTRIBUTIONS			
Statutorily Required Contribution	$ 360,791	$ 327,285	$ 302,621
Contributions in Relation to the Statutorily Required Contribution	(360,791)	(327,285)	(302,621)
Contribution Deficiency (Excess)	$ -	$ -	$ -
School's Covered Payroll	$ 1,963,616	$ 1,845,878	$ 1,797,911
Contributions as a Percentage of Covered Payroll	18.37%	17.73%	16.83%

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

See the accompanying Independent Auditors' Report.

AXL ACADEMY

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	$ 4,337,208	$ 4,007,675	$ 3,942,511	$ (65,164)
District Mill Levy	257,602	289,907	274,013	(15,894)
District Bond Funding	-	-	53,813	53,813
Tuition and Fees	73,440	59,040	48,498	(10,542)
Rental Income	-	-	5,608	5,608
Grants and Contributions	-	11,590	15,244	3,654
Investment Income	-	-	17	17
Miscellaneous	10,000	10,000	1,063	(8,937)
State Sources				-
Grants	118,847	109,295	114,534	5,239
Capital Construction	133,010	127,675	144,132	16,457
Federal Sources				
Grants	-	-	40	40
TOTAL REVENUES	4,930,107	4,615,182	4,599,473	(15,709)
EXPENDITURES				
Salaries	2,114,149	2,101,510	1,987,069	114,441
Employee Benefits	678,692	652,576	630,417	22,159
Purchased Services	1,513,777	1,491,347	1,313,497	177,850
Supplies and Materials	197,940	153,745	148,316	5,429
Miscellaneous	175,522	70,051	62,654	7,397
Debt Service	123,333	123,333	324,519	(201,186)
TOTAL EXPENDITURES	4,803,413	4,592,562	4,466,472	126,090
NET CHANGE IN FUND BALANCE	126,694	22,620	133,001	110,381
FUND BALANCE, Beginning	98,630	136,906	136,906	-
FUND BALANCE, Ending	$ 225,324	$ 159,526	$ 269,907	$ 110,381

See the accompanying Independent Auditors' Report.

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

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

Changes in Assumptions and Other Inputs

For the year ended June 30, 2017, the total pension liability was determined by an actuarial valuation as of December 31, 2015. In addition, the following revised economic and demographic assumptions were effective as of December 31, 2016, and were reflected in the roll-forward procedures to determine the total pension liability at December 31, 2016.

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

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

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

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

All appropriations lapse at fiscal year end.