

James Irwin Charter Schools

Financial Statements

June 30, 2018

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James Irwin Charter Schools

June 30, 2018

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James Irwin Charter Schools

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Independent Auditors' Report

Board of Directors
James Irwin Charter Schools
Colorado Springs, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the James Irwin Charter Schools as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the James Irwin Charter Schools, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the James Irwin Charter Schools as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 9 to the financial statements, in the year ended June 30, 2018, the James Irwin Charter Schools adopted new accounting guidance as required by Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Hick & Company, PC



JAMES IRWIN CHARTER SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2018

This section of James Irwin Charter School's annual financial report presents our discussion and analysis of the financial performance during the fiscal year ended June 30, 2018. Please read this discussion in conjunction with additional information provided in the accompanying financial statements.

FINANCIAL HIGHLIGHTS

The year ended June 30, 2018 is the sixth year of operations for the James Irwin Charter Schools, (JICS), originally as a Charter Management Organization, four years operating as a Collaborative, and currently as a Colorado Charter School Network as defined in Colorado statute 22-30.5-104.7. Prior to July 1, 2017, one school, (Power Technical Early College), had been part of James Irwin Charter Schools, but the other four schools were separate legal entities. On July 1, 2017 the five separate James Irwin Charter Schools merged with the charter management entity, James Irwin Charter Schools, and became a single legal entity. This action was taken in order to take advantage of recent legislation that allows organizations with more than one charter school to streamline their operations and governance structures.

The names of the five schools and the number of school years completed at June 30, 2018 are: James Irwin Charter High School, eighteen years; James Irwin Charter Middle School, fifteen years; James Irwin Charter Elementary School, thirteen years; James Irwin Charter Academy, five years; Power Technical Early College, two years.

Effective July 1, 2018, the James Irwin Educational Foundation is included in the James Irwin Charter Schools financial statements as a blended component unit.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the JICS's basic financial statements. The basic financial statements are comprised of three

components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The statement of net position presents information on JICS' assets and liabilities, and deferred inflows and outflows, with the difference being reported as net position.

The Statement of Activities presents information showing how James Irwin's net position changed during the most recent fiscal year. Changes to net position are reported at the primary occurrence, regardless of the timing of related cash flows. Thus, some revenues and expenses are reported in the statement that will only result in cash flows in future periods.

Fund Financial Statements

A fund is a group of accounts used to maintain control for specific activities or objectives. James Irwin uses fund accounting to account for all financial activities and to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, except that the focus on the governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources.

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.

Other Information

In addition to the basic financial statements and accompanying notes, the Required Supplementary Information presents a detailed budgetary comparison schedule to demonstrate compliance with the budget.

FINANCIAL ANALYSIS OF JAMES IRWIN CHARTER SCHOOLS

James Irwin implemented GASB 68 for the 14-15 school year and GASB 75 for the 17-18 school year. This requires James Irwin Charter Schools to recognize its proportionate share of the unfunded liability of the School Division Trust Fund (SCHDTF) defined benefit pension plan and the Health Care Trust Fund postemployment benefit plan administered by the Public Employees' Retirement Association of Colorado ("PERA"). These accounting principles caused liabilities and deferred inflows to exceed assets and deferred outflows by \$26,863,332, resulting in a negative net position. Please see Notes 6 and 7.

Total assets increased \$25,483,394 to \$31,698,077 from June 30, 2017 to June 30, 2018; a 410 percent increase. This increase reflects the merging of the five schools and the inclusion of the James Irwin Educational Foundation in the James Irwin financial statements.

This fiscal year, expenses of \$24,176,949 exceeded revenue of \$16,465,827 by \$7,711,122.

Total revenue for the 17-18 school year was \$16,465,827; an increase of 62.7% from the 16-17 school year.

The two summary statements below report the fiscal year 2018 and the prior year, fiscal year 2017.

Condensed Statement of Net Position

| | <u>2018</u> | <u>2017</u> | <u>Change</u> |
|------------------------------|-------------------------------|-------------------------------|------------------------------|
| Assets | | | |
| Current and other assets | \$ 10,432,046 | \$ 1,013,078 | \$ 9,418,968 |
| Capital assets | 21,266,031 | 5,201,605 | 16,064,426 |
| Total Assets | <u>31,698,077</u> | <u>6,214,683</u> | <u>25,483,394</u> |
| Deferred Outflows | 17,162,747 | 16,032,866 | 1,129,881 |
| Liabilities | | | |
| Current Liabilities | 1,289,243 | 685,537 | 603,706 |
| Noncurrent Liabilities | 25,980,703 | 4,940,714 | 21,039,989 |
| Net Pension Liability | 46,574,829 | 38,569,260 | 8,005,569 |
| Total Liabilities | <u>73,844,775</u> | <u>44,195,511</u> | <u>29,649,264</u> |
| Deferred Inflows | 1,879,381 | 163,146 | 1,716,235 |
| Investment in capital assets | (3,601,401) | 149,858 | (3,751,259) |
| Restricted Funds | 2,470,474 | 96,000 | 2,374,474 |
| Unrestricted Funds | (25,732,405) | (22,356,966) | (3,375,439) |
| Total Net Position | <u><u>\$ (26,863,332)</u></u> | <u><u>\$ (22,111,108)</u></u> | <u><u>\$ (4,752,224)</u></u> |

Condensed Statement of Activities

| | <u>2018</u> | <u>2017</u> | <u>Change</u> |
|---|-------------------|-------------------|------------------|
| Revenues: | | | |
| Charges for services | \$ 421,210 | \$ 8,697,293 | \$ (8,276,083) |
| Operating Grants | 254,472 | 255,930 | (1,458) |
| Per Pupil Revenue | 14,544,244 | 1,132,160 | 13,412,084 |
| District Mill Levy | 26,727 | | 26,727 |
| Additional At Risk Funding | 2,366 | | 2,366 |
| At-Risk Supplemental Aid | 35,635 | | 35,635 |
| Capital Construction | 506,744 | | 506,744 |
| Grants and Contributions not Restricted to Specific Programs | 560,223 | 36,173 | 524,050 |
| Investment Income | 36,895 | 85 | 36,810 |
| Other | 77,311 | | 77,311 |
| Total Revenues | <u>16,465,827</u> | <u>10,121,641</u> | <u>6,344,186</u> |
| Expenses: | | | |
| Instruction | 13,854,249 | 10,991,777 | 2,862,472 |
| Instructional Support Services | 8,496,639 | 5,900,634 | 2,596,005 |
| Interest Expense | | 176,350 | (176,350) |
| Foundation | 1,826,061 | | 1,826,061 |
| Total Expenses | <u>24,176,949</u> | <u>17,068,761</u> | <u>7,108,188</u> |
| Change in net position | (7,711,122) | (6,947,120) | (764,002) |

GENERAL FUND ANALYSIS

Revenues: Total revenue for the period of July 1, 2017 through June 30, 2018 was 63% higher than the year ending June 30, 2017. James Irwin Charter Schools received \$16,460,139 in revenues. The primary source of James Irwin's funding is per pupil revenue, (PPR), allocated to the five schools from the State of Colorado through each school's respective charter authorizer. Harrison District 2 is the authorizer for three of the schools: James Irwin Charter High School received PPR of \$3,321,604 for enrollment of 426, (\$7,797.19 per full time pupil); James Irwin Charter Middle School received \$3,477,547 for enrollment of 446, (\$7,797.19 per full time pupil); and James Irwin Charter Elementary School received \$3,687,029 for enrollment of 496.68, (equal to \$7,797.19 per full time (equivalent) student less an at-risk funding adjustment of \$373.84 per pupil). The Charter School Institute authorizes the James Irwin Charter Academy with enrollment of 313 full time equivalent students, they received \$2,309,284 in PPR, or \$7,378 per student. Power Technical Early College with enrollment of 239 received \$1,748,780, or \$7,317 per student, through their authorizer, District 49. The James Irwin Charter Schools also received \$506,744 in Capital Construction funding from the State of Colorado that supported the school building lease expenses.

Expenditures: Total expenditures for the period of July 1, 2017 through June 30, 2018 were \$15,795,678; a 54% increase from the year ending June 30, 2017. Salary and benefits for the year ending June 30, 2018 were \$9,564,278, and accounted for 61% of the annual expenditures, (and were equal to 65.8% of annual per pupil revenue). The average PERA employer contribution was 19.9% of salary.

Change in Fund Balance: For the year 2017 – 2018, fund balance increased by \$664,461. \$537,000 of the fund balance is restricted by statute for emergency reserves, \$29,591 is nonspendable due to prepaid expenditures and \$3,222,735 is committed by the Board of Directors for building improvements. The remaining fund balance of \$3,182,990 is available to be used to meet future obligations.

ANALYSIS OF BUDGET

James Irwin's 2017-2018 budget for the schools was approved by the Board of Directors in March of 2017 and included revenue of \$16,117,500 and expenditures of \$16,326,075. The budget was amended several times during the year, with the final version showing a revenue budget of \$16,387,246 and an expenditure budget of \$17,378,685. Actual annual school revenue was \$16,460,139; \$72,893 over budget. The primary causes of the difference between budgeted and actual revenue included higher than expected capital construction funding from the state, increased student activities and higher rates of return on investments. Total operating expenditures for the year ending June 30, 2018 were \$15,795,678; \$1,583,078 or 9% less than budgeted. Budgeted line items that came in significantly under budget include employee benefits, and budgeted building improvements that, due to scheduling, were deferred to the 2018-19 school year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Assets with a useful life of more than one year and a unit cost of greater than \$5,000 are capitalized. Assets are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets. On June 30, 2018, James Irwin's net capital assets totaled \$21,266,031. The assets include the three school campuses and thirteen vehicles. During the year ending June 30, 2018, three school busses and one van were purchased, high school parking lot pavement and fencing was installed around the fields on the Astrozon campus, parking lot pavement and replacements were made to parts of the boiler system at the JICA, and construction design and building ventilation and wiring improvements were done at PTEC.

The James Irwin Educational Foundation owns the properties where the schools are located. James Irwin Charter Schools pays rent to JIEF for using the property.

At June 30, 2018, the Foundation had outstanding debt of \$25,980,703. This is a loan from CECFA for the acquisition and construction of school facilities.

Additional information for capital assets and long-term debt is available in Notes 4 and 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The primary factor driving the budget for James Irwin Charter Schools is student enrollment in the charter schools. Enrollment in the James Irwin Schools for the 2018-19 school year is 1,912 full time students; seven less than the 2017-18 enrollment of 1,919.

The Board of Directors and administration considered many factors when setting the annual budget. The amount of revenue James Irwin receives from operations is dependent upon the state of the economy and current and future legislation. Thus, management practices conservative budgeting and closely monitors the budget in comparison with actual spending, in order to proactively adjust planned spending when necessary.

REQUESTS FOR INFORMATION

This financial report is provided as a general overview of the James Irwin Charter Schools finances for persons interested in James Irwin schools. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Eileen Johnston, CFO
James Irwin Charter Schools
5525 Astrozon Blvd., Colorado Springs, CO 80916

Basic Financial Statements

James Irwin Charter Schools
Statement of Net Position
June 30, 2018

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|------------------------|
| Assets | | | |
| Cash and Investments | \$ 8,106,343 | \$ 54,671 | \$ 8,161,014 |
| Restricted Cash and Investments | - | 2,160,960 | 2,160,960 |
| Accounts Receivable | 53,144 | - | 53,144 |
| Grants Receivable | 27,337 | - | 27,337 |
| Prepaid Expenses | 29,591 | - | 29,591 |
| Internal Balances | 2,772 | (2,772) | - |
| Capital Assets, <i>Not Being Depreciated</i> | - | 3,827,206 | 3,827,206 |
| Capital Assets, <i>Net of Accumulated Depreciation</i> | 105,467 | 17,333,358 | 17,438,825 |
| Total Assets | 8,324,654 | 23,373,423 | 31,698,077 |
| Deferred Outflows of Resources | | | |
| <i>OPEB, Net of Accumulated Amortization</i> | 111,895 | - | 111,895 |
| <i>Pensions, Net of Accumulated Amortization</i> | 16,122,695 | - | 16,122,695 |
| <i>Loss on Debt Refunding, Net of Accumulated Amortization</i> | - | 928,157 | 928,157 |
| Total Deferred Outflows of Resources | 16,234,590 | 928,157 | 17,162,747 |
| Liabilities | | | |
| Accrued Liabilities | 465,204 | - | 465,204 |
| Accrued Salaries and Benefits | 627,065 | - | 627,065 |
| Accrued Interest Payable | - | 42,372 | 42,372 |
| Unearned Revenues | 154,602 | - | 154,602 |
| Noncurrent Liabilities | | | |
| Due Within One Year | - | 606,588 | 606,588 |
| Due in More Than One Year | - | 25,374,115 | 25,374,115 |
| Net OPEB Liability | 1,039,827 | - | 1,039,827 |
| Net Pension Liability | 45,535,002 | - | 45,535,002 |
| Total Liabilities | 47,821,700 | 26,023,075 | 73,844,775 |
| Deferred Inflows of Resources | | | |
| <i>OPEB, Net of Accumulated Amortization</i> | 17,396 | - | 17,396 |
| <i>Pensions, Net of Accumulated Amortization</i> | 1,861,985 | - | 1,861,985 |
| Total Deferred Inflows of Resources | 1,879,381 | - | 1,879,381 |
| Net Position | | | |
| Net Investment in Capital Assets | 105,467 | (3,706,868) | (3,601,401) |
| Restricted for Debt Service | - | 1,728,738 | 1,728,738 |
| Restricted for Repair and Replacement | - | 204,736 | 204,736 |
| Restricted for Emergencies | 537,000 | - | 537,000 |
| Unrestricted | (25,784,304) | 51,899 | (25,732,405) |
| Total Net Position | \$ (25,141,837) | \$ (1,721,495) | \$ (26,863,332) |

See Notes to Financial Statements.

James Irwin Charter Schools
Statement of Activities
Year Ended June 30, 2018

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenues and Change in Net Position | | |
|---|---------------|-------------------------|--|--|-----------------------------|-----------------|
| | | Charges for Services | Operating Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Primary Government | | | | | | |
| <i>Governmental Activities</i> | | | | | | |
| Instruction | \$ 13,854,249 | \$ 379,809 | \$ 213,954 | \$ (13,260,486) | \$ - | \$ (13,260,486) |
| Supporting Services | 8,496,639 | 41,401 | 40,518 | (8,414,720) | - | (8,414,720) |
| Total Governmental Activities | 22,350,888 | 421,210 | 254,472 | (21,675,206) | - | (21,675,206) |
| <i>Business-Type Activities</i> | | | | | | |
| Foundation | 1,826,061 | - | - | - | (1,826,061) | (1,826,061) |
| Total Primary Government | \$ 24,176,949 | \$ 421,210 | \$ 254,472 | - | (1,826,061) | (23,501,267) |
| General Revenues | | | | | | |
| Per Pupil Revenue | | | | 14,544,244 | - | 14,544,244 |
| District Mill Levy | | | | 26,727 | - | 26,727 |
| Additional At-Risk Funding | | | | 2,366 | - | 2,366 |
| At-Risk Supplemental Aid | | | | 35,635 | - | 35,635 |
| Capital Construction | | | | 506,744 | - | 506,744 |
| Grants and Contributions not Restricted to Specific Programs | | | | 560,223 | - | 560,223 |
| Investment Income | | | | 31,207 | 5,688 | 36,895 |
| Other | | | | 77,311 | - | 77,311 |
| Transfers | | | | (1,940,162) | 1,940,162 | - |
| Total General Revenues and Transfers | | | | 13,844,295 | 1,945,850 | 15,790,145 |
| Change in Net Position | | | | (7,830,911) | 119,789 | (7,711,122) |
| Net Position, Beginning of year | | | | (17,310,926) | (1,841,284) | (19,152,210) |
| Net Position, End of year | | | | \$ (25,141,837) | \$ (1,721,495) | \$ (26,863,332) |

James Irwin Charter Schools
 Balance Sheet
 Governmental Fund
 June 30, 2018

| | General |
|---|---------------------|
| Assets | |
| Cash and Investments | \$ 8,106,343 |
| Accounts Receivable | 53,144 |
| Grants Receivable | 27,337 |
| Interfund Receivables | 2,772 |
| Prepaid Expenditures | 29,591 |
| Total Assets | \$ 8,219,187 |
| Liabilities and Fund Balance | |
| <i>Liabilities</i> | |
| Accrued Liabilities | \$ 465,204 |
| Accrued Salaries and Benefits | 627,065 |
| Unearned Revenues | 154,602 |
| Total Liabilities | 1,246,871 |
| <i>Fund Balance</i> | |
| Nonspendable Prepaid Expenditures | 29,591 |
| Restricted for Emergencies | 537,000 |
| Committed to Building Improvements | 3,222,735 |
| Unrestricted, Unassigned | 3,182,990 |
| Total Fund Balance | 6,972,316 |
| Total Liabilities and Fund Balance | \$ 8,219,187 |
| Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because: | |
| Total Fund Balance of the Governmental Fund | \$ 6,972,316 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. | 105,467 |
| Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds: | |
| Net pension liability | (45,535,002) |
| Pension-related deferred outflows of resources | 16,122,695 |
| Pension-related deferred inflows of resources | (1,861,985) |
| Net OPEB liability | (1,039,827) |
| OPEB-related deferred outflows of resources | 111,895 |
| OPEB-related deferred inflows of resources | (17,396) |
| Total Net Position of Governmental Activities | \$ (25,141,837) |

See Notes to Financial Statements.

James Irwin Charter Schools
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
Year Ended June 30, 2018

| | General |
|---|---------------|
| Revenues | |
| Local Sources | \$ 15,418,428 |
| State Sources | 685,166 |
| Federal Sources | 356,545 |
| Total Revenues | 16,460,139 |
| Expenditures | |
| Instruction | 8,045,699 |
| Supporting Services | 7,749,979 |
| Total Expenditures | 15,795,678 |
| Net Change in Fund Balance | 664,461 |
| Fund Balance, <i>Beginning of year</i> | 6,307,855 |
| Fund Balance, <i>End of year</i> | \$ 6,972,316 |

James Irwin Charter Schools

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

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

| | |
|--|-----------------------|
| Net Change in Fund Balance of the Governmental Fund | \$ 664,461 |
| <p>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.</p> | |
| Depreciation expense | (5,430) |
| Capital outlay | 110,897 |
| <p>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 represents changes in the following.</p> | |
| Net pension liability | (6,965,742) |
| Pension-related deferred outflows of resources | 89,829 |
| Pension-related deferred inflows of resources | (1,698,839) |
| Net OPEB liability | (85,156) |
| OPEB-related deferred outflows of resources | 76,465 |
| OPEB-related deferred inflows of resources | <u>(17,396)</u> |
| Change in Net Position of Governmental Activities | <u>\$ (7,830,911)</u> |

James Irwin Charter Schools

Statement of Net Position

Proprietary Fund

June 30, 2018

| | <u>Foundation</u> |
|--|-----------------------|
| Assets | |
| <i>Current Assets</i> | |
| Cash and Investments | \$ 54,671 |
| Restricted Cash and Investments | <u>2,160,960</u> |
| Total Current Assets | <u>2,215,631</u> |
| <i>Noncurrent Assets</i> | |
| Capital Assets, <i>Not Being Depreciated</i> | 3,827,206 |
| Capital Assets, <i>Net of Accumulated Depreciation</i> | <u>17,333,358</u> |
| Total Noncurrent Assets | <u>21,160,564</u> |
| Total Assets | <u>23,376,195</u> |
| Deferred Outflows of Resources | |
| Loss on Debt Refunding, <i>Net of Accumulated Amortization</i> | <u>928,157</u> |
| Liabilities | |
| <i>Current Liabilities</i> | |
| Interfund Payables | 2,772 |
| Accrued Interest Payable | 42,372 |
| Loan Payable, <i>Current Portion</i> | <u>606,588</u> |
| Total Current Liabilities | 651,732 |
| <i>Noncurrent Liabilities</i> | |
| Loan Payable | <u>25,374,115</u> |
| Total Liabilities | <u>26,025,847</u> |
| Net Position | |
| Net Investment in Capital Assets | (3,706,868) |
| Restricted for Debt Service | 1,728,738 |
| Restricted for Repair and Replacement | 204,736 |
| Unrestricted | <u>51,899</u> |
| Total Net Position | <u>\$ (1,721,495)</u> |

See Notes to Financial Statements.

James Irwin Charter Schools
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
Year Ended June 30, 2018

| | Foundation |
|---|------------------------------|
| Operating Revenues | |
| Lease Revenue | \$ <u>1,626,709</u> |
| Operating Expenses | |
| Repairs and Maintenance | 3,738 |
| Depreciation | 600,962 |
| Debt Service | |
| Interest and Fiscal Charges | <u>1,211,269</u> |
| Total Operating Expenses | <u>1,815,969</u> |
| Net Operating Income (Loss) | <u>(189,260)</u> |
| Nonoperating Revenues (Expenses) | |
| Investment Income | 5,688 |
| Contributions | 53,999 |
| Loss on Disposal of Capital Assets | <u>(10,092)</u> |
| Total Nonoperating Revenues (Expenses) | <u>49,595</u> |
| Net Income (Loss) Before Capital Contributions | (139,665) |
| Capital Contributions | |
| Contributed Capital Assets | <u>259,454</u> |
| Change in Net Position | 119,789 |
| Net Position, <i>Beginning of year</i> | <u>(1,841,284)</u> |
| Net Position, <i>End of year</i> | <u><u>\$ (1,721,495)</u></u> |

James Irwin Charter Schools

Statement of Cash Flows Proprietary Fund Year Ended June 30, 2018

| | <u>Foundation</u> |
|--|----------------------------|
| Cash Flows From Operating Activities | |
| Lease Payments Received | \$ 1,626,709 |
| Cash Paid to Vendors | (3,738) |
| Loan Interest and Fees Paid | (1,048,712) |
| Loan Principal Paid | <u>(582,991)</u> |
| Net Cash Provided (Used) by Operating Activities | <u>(8,732)</u> |
| Cash Flows From Noncapital Financing Activities | |
| Contributions from Other Funds | <u>53,999</u> |
| Cash Flows From Capital and Related Financing Activities | |
| Acquisition and Construction of Capital Assets | (138,964) |
| Cash Received from Disposal of Capital Assets | <u>35,000</u> |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(103,964)</u> |
| Cash Flows From Investing Activities | |
| Investment Income Received | <u>5,688</u> |
| Net Decrease in Cash and Cash Equivalents | (53,009) |
| Cash and Cash Equivalents, <i>Beginning of year</i> | <u>2,268,640</u> |
| Cash and Cash Equivalents, <i>End of year</i> | <u><u>\$ 2,215,631</u></u> |
| Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | |
| Net Operating Income (Loss) | \$ (189,260) |
| Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | |
| Depreciation Expense | 600,962 |
| Amortization of Loss on Debt Refunding | 163,509 |
| Changes in Assets and Liabilities | |
| Accrued Interest Payable | (952) |
| Loan Payable | <u>(582,991)</u> |
| Net Cash Provided (Used) by Operating Activities | <u><u>\$ (8,732)</u></u> |
| Noncash Capital Transactions | |
| Contributed Capital Assets | <u><u>\$ 259,454</u></u> |

See Notes to Financial Statements.

James Irwin Charter Schools
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2018

| | <u>Student Activities</u> |
|-----------------------|-------------------------------|
| Assets | |
| Cash and Investments | \$ <u>66,196</u> |
| Total Assets | \$ <u><u>66,196</u></u> |
| Liabilities | |
| Due to Student Groups | \$ <u>66,196</u> |
| Total Liabilities | \$ <u><u>66,196</u></u> |

James Irwin Charter Schools

Notes to Financial Statements

June 30, 2018

Note 1: Summary of Significant Accounting Policies

Nature of Operations

The James Irwin Charter Schools (JICS) was organized to support high quality education, including support for specific charter schools within the State of Colorado as a charter management organization. JICS began operations in the fall of 2012. Effective July 1, 2017, JICS was organized as a charter school network, as defined by State statutes. The network includes five charter schools, James Irwin Charter High School, James Irwin Charter Middle School, James Irwin Charter Elementary School, James Irwin Charter Academy, and Power Technical Early College. JICS is governed by a Board of Directors consisting of at least five members.

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

JICS includes the James Irwin Educational Foundation (the Foundation) within its reporting entity. The Foundation is a non-profit entity that holds title to the real estate and educational facilities used by JICS. The Foundation is blended into JICS' financial statements as an enterprise fund, and does not issue separate financial statements.

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 nonfiduciary activities of JICS. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

James Irwin Charter Schools

Notes to Financial Statements

June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements (Continued)

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

Separate financial statements are provided for the governmental fund, the proprietary fund, and the fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. 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. The fiduciary fund utilizes the accrual basis of accounting.

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, not to exceed 60 days. 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 JICS. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

James Irwin Charter Schools

Notes to Financial Statements

June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

JICS reports the following major governmental fund:

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

JICS reports the following major proprietary fund:

Foundation - This fund is used to account for the financial activities of the Foundation, primarily related to capital assets and the related debt service.

Additionally, JICS reports the following fund type:

The *Agency Fund* is used to account for resources received to support various student activities. JICS holds all resources in a purely custodial capacity.

Assets, Liabilities, and Net Position/Fund Balance

Cash Equivalents - Cash equivalents include investments with original maturities of three months or less.

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

Interfund Receivables and Payables - During the course of operations, certain transactions occur between individual funds. The resulting receivables and payables are classified in the fund financial statements as *interfund receivables* and *interfund payables*. Any residual balances outstanding between governmental and business-type activities are reported in the government-wide financial statements as *internal balances*.

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future years and are reported as prepaid expenses.

Capital Assets - Capital assets, which include land, buildings and improvements, furniture and equipment, and vehicles, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund in the fund 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.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported in the statement of net position. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method.

James Irwin Charter Schools

Notes to Financial Statements

June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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

| | |
|-------------------------|---------------|
| Buildings | 35 – 40 years |
| Improvements | 8 – 40 years |
| Furniture and Equipment | 3 – 10 years |
| Vehicles | 6 years |

Accrued Salaries and Benefits - Salaries and retirement 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 in the financial statements.

Compensated Absences - Employees are allowed to accumulate unused vacation and sick time up to a maximum of five days of vacation time and five days of sick time. Accrued vacation time is paid to certain classified employees upon separation of employment. Accumulated sick leave is not paid upon separation of employment. Accrued vacation time is expensed when paid in the governmental fund. A long-term liability is reported in the government-wide financial statements when earned. However, no liability is reported in the financial statements because the amount is insignificant.

Unearned Revenues - Unearned revenues include resources received by JICS before it has a legal claim to them, including student fees.

Long-Term Debt - In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums, discounts and refunding losses are deferred and amortized over the life of the debt using the straight-line method. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

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

James Irwin Charter Schools

Notes to Financial Statements

June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

JICS 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, JICS uses restricted fund balance first, followed by committed, assigned and unassigned balances.

Risk Management

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

Note 2: Stewardship, Compliance and Accountability

Accountability

At June 30, 2018, the Foundation had a negative net position of \$1,721,495. Management expects this negative balance to be eliminated as the Foundation's debt is paid.

James Irwin Charter Schools
Notes to Financial Statements
June 30, 2018

Note 3: Cash and Investments

Deposits

A summary of cash and investments as of June 30, 2018, follows:

| | |
|-------------|--------------------------|
| Deposits | \$ 7,885,103 |
| Investments | <u>2,503,067</u> |
| Total | <u>\$ 10,388,170</u> |

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

| | |
|----------------------------------|--------------------------|
| Cash and Investments | \$ 8,161,014 |
| Restricted Cash and Investments | 2,160,960 |
| Agency Fund Cash and Investments | <u>66,196</u> |
| Total | <u>\$ 10,388,170</u> |

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 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. At June 30, 2018, JICS had bank deposits of \$6,566,395 collateralized with securities held by the financial institutions' agents but not in JICS' name.

Investments

JICS 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

James Irwin Charter Schools
Notes to Financial Statements
June 30, 2018

Note 3: Cash and Investments (Continued)

Investments (Continued)

At June 30, 2018, JICS had the following investments.

| Investment Type | S&P Rating | Investment Maturities (in Years) | | |
|----------------------------------|------------|----------------------------------|-------------|--------------|
| | | Less Than 1 | 1 - 5 Years | Total |
| Local Government Investment Pool | AAAm | \$ 1,539,608 | \$ - | \$ 1,539,608 |
| Money Market Fund | AAAm | 323,055 | - | 323,055 |
| U.S. Treasury Securities | NA | - | 492,981 | 492,981 |
| U.S. Agency Securities | AA+ | 147,423 | - | 147,423 |
| Total | | \$ 2,010,086 | \$ 492,981 | \$ 2,503,067 |

Fair Value Measurements - JICS reports its investments using the fair value measurements established by generally accepted accounting principles. As such, a fair value hierarchy categorizes the inputs used to measure the fair value of the investments into three levels. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs include quoted prices in active markets for similar investments, or other observable inputs; and Level 3 inputs are unobservable inputs. At June 30, 2018, JICS' investments in U.S. Treasury and Agency securities were measured utilizing quoted prices in active markets for similar investments (Level 2 inputs). The local government investment pool and money market fund were reported at the net asset value per share.

Interest Rate Risk - State statutes generally limit the maturity of investment securities to five years from the date of purchase, 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.

In accordance with the Foundation's debt-related Indenture of Trust, debt proceeds may be invested in a money market fund registered with the Securities and Exchange Commission, meeting the requirements of Rule 2a-7 under the Investment Company Act of 1940, and that is rated in either of the two highest categories by a nationally recognized rating service. At June 30, 2018, the Foundation had \$323,055 invested in the Morgan Stanley Institutional Liquidity Funds Government Portfolio, which was rated AAAm by Standard and Poor's.

Concentration of Credit Risk - State statutes do not limit the amount JICS may invest in a single issuer of investment securities, except for corporate securities. At June 30, 2018, JICS' investment in the Federal Home Loan Bank represented 6% of total investments.

Custodial Credit Risk - At June 30, 2018, JICS' investments in U.S. Treasury and Agency securities were held by the counterparty (broker), but not in JICS' name.

James Irwin Charter Schools
Notes to Financial Statements
June 30, 2018

Note 3: Cash and Investments (Continued)

Investments (Continued)

Local Government Investment Pools - At June 30, 2018, JICS had \$1,539,608 invested in the Colorado Local Government Liquid Asset Trust (Colotrust). Colotrust is an investment vehicle established for local government entities in Colorado to pool surplus funds. 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.

Restricted Cash and Investments

At June 30, 2018, the Foundation held cash and investments of \$2,160,960 restricted for capital outlay, future debt service, and building repair and replacement.

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2018, is summarized below.

| | <u>Balance 6/30/17</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 6/30/18</u> |
|--|----------------------------|-------------------|------------------|----------------------------|
| Governmental Activities | | | | |
| Capital Assets, <i>Being Depreciated</i> | | | | |
| Equipment | \$ - | \$ 110,897 | \$ - | \$ 110,897 |
| Less Accumulated Depreciation Equipment | - | (5,430) | - | (5,430) |
| Governmental Activities Capital Assets, <i>net</i> | <u>\$ -</u> | <u>\$ 105,467</u> | <u>\$ -</u> | <u>\$ 105,467</u> |

James Irwin Charter Schools
Notes to Financial Statements
June 30, 2018

Note 4: Capital Assets (Continued)

| | <u>Balance 6/30/17</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 6/30/18</u> |
|---|----------------------------|---------------------|--------------------|----------------------------|
| Business-Type Activities | | | | |
| <i>Capital Assets, Not Being Depreciated</i> | | | | |
| Land | \$ 3,802,206 | \$ - | \$ - | \$ 3,802,206 |
| Construction in Progress | - | 25,000 | - | 25,000 |
| Total Capital Assets, <i>Not Being Depreciated</i> | <u>3,802,206</u> | <u>25,000</u> | <u>-</u> | <u>3,827,206</u> |
| <i>Capital Assets, Being Depreciated</i> | | | | |
| Buildings | 20,036,891 | - | - | 20,036,891 |
| Improvements | 1,955,296 | 185,499 | - | 2,140,795 |
| Furniture and Equipment | 175,698 | - | (175,698) | - |
| Vehicles | - | 190,691 | (46,596) | 144,095 |
| Total Capital Assets, <i>Being Depreciated</i> | <u>22,167,885</u> | <u>376,190</u> | <u>(222,294)</u> | <u>22,321,781</u> |
| <i>Less Accumulated Depreciation</i> | | | | |
| Buildings | (4,136,702) | (501,090) | - | (4,637,792) |
| Improvements | (252,263) | (72,264) | - | (324,527) |
| Furniture and Equipment | (175,698) | - | 175,698 | - |
| Vehicles | - | (27,608) | 1,504 | (26,104) |
| Total Accumulated Depreciation | <u>(4,564,663)</u> | <u>(600,962)</u> | <u>177,202</u> | <u>(4,988,423)</u> |
| Total Capital Assets, <i>Being Depreciated, net</i> | <u>17,603,222</u> | <u>(224,772)</u> | <u>(45,092)</u> | <u>17,333,358</u> |
| Business-Type Activities Capital Assets, <i>net</i> | <u>\$ 21,405,428</u> | <u>\$ (199,772)</u> | <u>\$ (45,092)</u> | <u>\$ 21,160,564</u> |

Depreciation expense of the governmental activities was charged to the instruction program.

Note 5: Long-Term Debt

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

| | <u>Balance 6/30/17</u> | <u>Additions</u> | <u>Payments</u> | <u>Balance 6/30/18</u> | <u>Due Within One Year</u> |
|---------------------------------|----------------------------|------------------|-----------------|----------------------------|--------------------------------|
| Business-Type Activities | | | | | |
| 2015 Building Loan | \$ 26,563,694 | \$ - | \$ (582,991) | \$ 25,980,703 | \$ 606,588 |

In September, 2015, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$24,472,760 Charter School Revenue Notes, Series 2015. A portion of the note proceeds were loaned to the Foundation for the acquisition and construction of a new educational facility and a portion was used to refund the Charter School Revenue Refunding Bonds, Series 2007. In addition, proceeds of \$1,918,277 were used to acquire existing educational facilities used by the James Irwin Charter Academy by paying the related debt in full. On August 1, 2016, CECFA issued an additional \$3,000,000 Charter School Revenue Notes, Series 2016. Proceeds were loaned to the Foundation for construction of the new educational facility.

James Irwin Charter Schools
Notes to Financial Statements
June 30, 2018

Note 5: Long-Term Debt (Continued)

Interest accrues on the outstanding balance of the notes at 3.92% per annum. Monthly principal and interest payments are required beginning on October 1, 2015, with a balloon payment of \$21,083,236 due on August 15, 2025.

In September, 2015, proceeds of the Series 2015 Notes in the amount of \$19,755,522 were deposited with an escrow agent to advance refund \$18,235,000 of the Series 2007 Bonds. As the result, the refunded debt is considered defeased and the liability has been removed from the financial statements. The Series 2007 Bonds were called and paid in full on August 1, 2017.

Future debt service requirements are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|----------------------|---------------------|----------------------|
| 2019 | \$ 606,588 | \$ 1,020,117 | \$ 1,626,705 |
| 2020 | 628,400 | 998,305 | 1,626,705 |
| 2021 | 656,576 | 970,129 | 1,626,705 |
| 2022 | 683,152 | 943,553 | 1,626,705 |
| 2023 | 710,804 | 915,901 | 1,626,705 |
| 2024 - 2026 | <u>22,695,183</u> | <u>1,887,448</u> | <u>24,582,631</u> |
| Total | <u>\$ 25,980,703</u> | <u>\$ 6,735,453</u> | <u>\$ 32,716,156</u> |

Note 6: Defined Benefit Pension Plan

General Information

Plan Description - JICS 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 JICS participate in the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the SDTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

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

James Irwin Charter Schools
Notes to Financial Statements
June 30, 2018

Note 6: Defined Benefit Pension Plan (Continued)

General Information (Continued)

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 - JICS 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. JICS' contribution rate for calendar years 2017 and 2018 was 19.65% and 20.15% of covered salaries, respectively. However, a portion of the JICS' contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 7). JICS' contributions to the SDTF for the year ended June 30, 2018, were \$1,334,085, equal to the required contributions.

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

At June 30, 2018, JICS reported a net pension liability of \$45,535,002, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017.

JICS' proportion of the net pension liability was based on JICS' contributions to the SDTF for the calendar year ended December 31, 2017, relative to the contributions of all participating employers. At December 31, 2017, JICS' proportion was 0.1408163477%, which was an increase of 0.0112756992% from its proportion measured at December 31, 2016.

James Irwin Charter Schools

Notes to Financial Statements

June 30, 2018

Note 6: Defined Benefit Pension Plan (Continued)

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

During the 2018 legislative session, the State Legislature passed Senate Bill (SB) 18-200 with the goal of eliminating the unfunded pension liability of the SDTF within the next 30 years. The significant provisions of the legislation include increased age and service requirements to receive full retirement benefits, highest average salary calculated over five years rather than three years, changes to includable employee salaries, increased contributions from employees and employers, and an annual direct distribution from the State of Colorado. JICS' estimated net pension liability at June 30, 2018, had the provisions of SB 18-200 been effective was \$20,572,319.

For the year ended June 30, 2018, JICS recognized pension expense of \$11,156,904. At June 30, 2018, JICS 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 | \$ 837,195 | \$ - |
| Changes of assumptions and other inputs | 11,626,776 | 73,783 |
| Net difference between projected and actual earnings on plan investments | - | 1,788,202 |
| Changes in proportion | 2,948,779 | - |
| Contributions subsequent to the measurement date | 709,945 | - |
| Total | \$ 16,122,695 | \$ 1,861,985 |

JICS contributions subsequent to the measurement date of \$709,945 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,

| | |
|-------|---------------|
| 2019 | \$ 8,557,356 |
| 2020 | 5,225,118 |
| 2021 | 441,019 |
| 2022 | (672,728) |
| Total | \$ 13,550,765 |

James Irwin Charter Schools

Notes to Financial Statements

June 30, 2018

Note 6: 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, 2016, determined the total pension liability using the following actuarial assumptions and other inputs.

| | |
|---|-------------|
| Price inflation | 2.4% |
| Real wage growth | 1.1% |
| Wage inflation | 3.5% |
| Salary increases, including wage inflation | 3.5% - 9.7% |
| Long-term investment rate of return, net of plan investment expenses, including price inflation | 7.25% |
| Discount rate ¹ | 5.26% |
| Future post-employment benefit increases: | |
| Hired prior to 1/1/2007 | 2.0% |
| Hired after 12/31/2006 | ad hoc |

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

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

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

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

James Irwin Charter Schools

Notes to Financial Statements

June 30, 2018

Note 6: 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:

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

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

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

James Irwin Charter Schools

Notes to Financial Statements

June 30, 2018

Note 6: Defined Benefit Pension Plan (Continued)

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

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

| | <u>1% Decrease (3.78%)</u> | <u>Current Discount Rate (4.78%)</u> | <u>1% Increase (5.78%)</u> |
|---|--------------------------------|--|--------------------------------|
| Proportionate share of the net pension liability | \$ 57,518,452 | \$ 45,535,002 | \$ 35,769,859 |

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 7: Postemployment Healthcare Benefits

General Information

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

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

James Irwin Charter Schools
Notes to Financial Statements
June 30, 2018

Note 7: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

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

Contributions - As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of JICS' contributions to the School Division Trust Fund (SDTF) (See Note 6) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. JICS' apportionment to the HCTF for the year ended June 30, 2018, was \$68,378, equal to the required amount.

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

At June 30, 2018, JICS reported a net OPEB liability of \$1,039,827, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2017.

JICS' proportion of the net OPEB liability was based on JICS' contributions to the HCTF for the calendar year ended December 31, 2017, relative to the contributions of all participating employers. At December 31, 2017, JICS' proportion was 0.0800113056%, which was an increase of 0.0063787835% from its proportion measured at December 31, 2016.

For the year ended June 30, 2018, JICS recognized OPEB expense of \$94,768. At June 30, 2018, JICS reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 4,918 | \$ - |
| Net difference between projected and actual earnings on plan investments | - | 17,396 |
| Changes in proportion | 69,123 | - |
| Contributions subsequent to the measurement date | 37,854 | - |
| Total | \$ 111,895 | \$ 17,396 |

James Irwin Charter Schools

Notes to Financial Statements

June 30, 2018

Note 7: Postemployment Healthcare Benefits (Continued)

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

JICS contributions subsequent to the measurement date of \$37,854 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,

| | | |
|-------|----|---------------|
| 2019 | \$ | 10,197 |
| 2020 | | 10,197 |
| 2021 | | 10,197 |
| 2022 | | 10,197 |
| 2023 | | 14,546 |
| 2024 | | 1,311 |
| | | <hr/> |
| Total | \$ | <u>56,645</u> |

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

| | |
|--|-------|
| Price inflation | 2.40% |
| Real wage growth | 1.10% |
| Wage inflation | 3.50% |
| Salary increases, including wage inflation | 3.50% |
| Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation | 7.25% |
| Discount rate | 7.25% |
| Health care cost trend rates: | |
| Service-based subsidy | 0% |
| Medicare plans | 5% |
| Medicare Part A premiums: | |
| 3% for 2017, gradually rising to 4.25% in 2023 | |

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

James Irwin Charter Schools

Notes to Financial Statements

June 30, 2018

Note 7: Postemployment Healthcare Benefits (Continued)

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

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

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

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

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as presented previously in Note 6.

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

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

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|--|------------------------|-------------------------------------|------------------------|
| Proportionate share of the net OPEB liability | \$ <u>1,169,092</u> | \$ <u>1,039,827</u> | \$ <u>929,495</u> |

James Irwin Charter Schools

Notes to Financial Statements

June 30, 2018

Note 7: Postemployment Healthcare Benefits (Continued)

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

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

| | <u>1% Decrease</u> | <u>Current Healthcare Cost Trend Rate</u> | <u>1% Increase</u> |
|--|--------------------|---|--------------------|
| Proportionate share of the net OPEB liability | \$ 1,011,217 | \$ 1,039,827 | \$ 1,074,285 |

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

Note 8: Commitments and Contingencies

Claims and Judgments

JICS 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, JICS may be required to reimburse the other government. At June 30, 2018, significant amounts of related expenditures have not been audited but JICS believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of JICS.

Tabor Amendment

In November 1992, Colorado voters approved 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 JICS believes it is in substantial compliance with the Amendment. In accordance with the Amendment, JICS has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2018, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$537,000.

James Irwin Charter Schools

Notes to Financial Statements

June 30, 2018

Note 9: Change in Accounting Principle

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

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

| | Governmental Activities |
|--|------------------------------------|
| Net Position, June 30, 2017, <i>as Originally Stated</i> | \$ (16,391,685) |
| Deferred Outflows of Resources | 35,430 |
| Net OPEB Liability | <u>(954,671)</u> |
| Net Position, June 30, 2017, <i>as Restated</i> | <u>\$ (17,310,926)</u> |

Required Supplementary Information

James Irwin Charter Schools
 Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability and Contributions
 Public Employees' Retirement Association of Colorado School Division Trust Fund
 June 30, 2018

| | <u>12/31/17</u> | <u>12/31/16</u> | <u>12/31/15</u> | <u>12/31/14</u> | <u>12/31/13</u> |
|---|--------------------|--------------------|------------------|------------------|------------------|
| Proportionate Share of the Net Pension Liability | | | | | |
| JICS' Proportion of the Net Pension Liability | 0.1408163477% | 0.1295406485% | 0.1212756605% | 0.1195724723% | 0.1118196214% |
| JICS' Proportionate Share of the Net Pension Liability | \$ 45,535,002 | \$ 38,569,260 | \$ 18,548,256 | \$ 16,206,086 | \$ 14,262,563 |
| JICS' Covered Payroll | \$ 6,495,691 | \$ 5,814,021 | \$ 5,285,165 | \$ 5,009,323 | \$ 4,514,475 |
| JICS' Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | 701% | 663% | 351% | 324% | 316% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 43% | 43% | 59% | 63% | 64% |
| JICS' Contributions | | | | | |
| Statutorily Required Contribution | \$ 1,265,707 | \$ 1,138,572 | \$ 970,124 | \$ 870,404 | \$ 784,848 |
| Contributions in Relation to the Statutorily Required Contribution | <u>(1,265,707)</u> | <u>(1,138,572)</u> | <u>(970,124)</u> | <u>(870,404)</u> | <u>(784,848)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| JICS' Covered Payroll | \$ 6,703,745 | \$ 6,193,182 | \$ 5,470,091 | \$ 5,155,153 | \$ 4,911,358 |
| Contributions as a Percentage of Covered Payroll | 18.88% | 18.38% | 17.74% | 16.88% | 15.98% |

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

James Irwin Charter Schools
 Required Supplementary Information
 Schedule of Proportionate Share of the Net OPEB Liability and Contributions
 Public Employees' Retirement Association of Colorado Health Care Trust Fund
 June 30, 2018

| | 12/31/17 |
|---|---------------|
| Proportionate Share of the Net OPEB Liability | |
| JICS' Proportion of the Net OPEB Liability | 0.0800113056% |
| JICS' Proportionate Share of the Net OPEB Liability | \$ 1,039,827 |
| JICS' Covered-Employee Payroll | \$ 6,851,187 |
| JICS' Proportionate Share of the Net OPEB Liability as a Percentage of Covered-Employee Payroll | 15% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 18% |
| | 6/30/18 |
| JICS Contributions | |
| Statutorily Required Contribution | \$ 68,378 |
| Contributions in Relation to the Statutorily Required Contribution | (68,378) |
| Contribution Deficiency (Excess) | \$ - |
| JICS' Covered-Employee Payroll | \$ 7,073,839 |
| Contributions as a Percentage of Covered-Employee Payroll | 0.97% |

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.

James Irwin Charter Schools
 Budgetary Comparison Schedule
 General Fund
 Year Ended June 30, 2018

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--|---------------------|---------------------|---------------------|------------------------------------|
| Revenues | | | | |
| Local Sources | | | | |
| Per Pupil Revenue | \$ 14,692,974 | \$ 14,536,361 | \$ 14,544,244 | \$ 7,883 |
| District Mill Levy | 35,000 | 37,308 | 26,727 | (10,581) |
| Student Fees and Activities | 382,532 | 398,196 | 421,210 | 23,014 |
| Contributions | 5,500 | 290,000 | 317,729 | 27,729 |
| Investment Income | 3,000 | 6,000 | 31,207 | 25,207 |
| Other | 11,650 | 111,458 | 77,311 | (34,147) |
| Total Local Sources | <u>15,130,656</u> | <u>15,379,323</u> | <u>15,418,428</u> | <u>39,105</u> |
| State Sources | | | | |
| Capital Construction | 489,750 | 479,190 | 506,744 | 27,554 |
| Grants | 113,000 | 105,170 | 178,422 | 73,252 |
| Total State Sources | <u>602,750</u> | <u>584,360</u> | <u>685,166</u> | <u>100,806</u> |
| Federal Sources | | | | |
| Grants | 384,094 | 423,563 | 356,545 | (67,018) |
| Total Revenues | <u>16,117,500</u> | <u>16,387,246</u> | <u>16,460,139</u> | <u>72,893</u> |
| Expenditures | | | | |
| Instruction | 8,565,308 | 8,502,303 | 8,045,699 | 456,604 |
| Supporting Services | 7,760,767 | 8,876,382 | 7,749,979 | 1,126,403 |
| Total Expenditures | <u>16,326,075</u> | <u>17,378,685</u> | <u>15,795,678</u> | <u>1,583,007</u> |
| Net Change in Fund Balance | (208,575) | (991,439) | 664,461 | 1,655,900 |
| Fund Balance, Beginning of year | <u>4,774,359</u> | <u>6,327,696</u> | <u>6,307,855</u> | <u>(19,841)</u> |
| Fund Balance, End of year | <u>\$ 4,565,784</u> | <u>\$ 5,336,257</u> | <u>\$ 6,972,316</u> | <u>\$ 1,636,059</u> |

James Irwin Charter Schools
Notes to Required Supplementary Information
June 30, 2018

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

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

Changes in Assumptions and Other Inputs

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

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

Note 2: Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

A budget is adopted for JICS 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 budget appropriations lapse at fiscal year-end.

Supplementary Information

James Irwin Charter Schools
Combining Balance Sheet
General Fund
June 30, 2018

| | Elementary School | Middle School | High School | JICA | PTEC | Total |
|---|----------------------|---------------------|---------------------|-------------------|-------------------|---------------------|
| Assets | | | | | | |
| Cash and Investments | \$ 2,821,130 | \$ 2,169,560 | \$ 1,838,976 | \$ 904,984 | \$ 371,693 | \$ 8,106,343 |
| Accounts Receivable | 83 | - | 1,800 | 36,751 | 14,510 | 53,144 |
| Grants Receivable | 4,663 | 4,108 | 4,208 | 14,358 | - | 27,337 |
| Interfund Receivables | - | - | - | - | 2,772 | 2,772 |
| Prepaid Expenditures | 4,841 | 15,231 | 6,258 | 1,599 | 1,662 | 29,591 |
| Total Assets | \$ 2,830,717 | \$ 2,188,899 | \$ 1,851,242 | \$ 957,692 | \$ 390,637 | \$ 8,219,187 |
| Liabilities and Fund Balance | | | | | | |
| <i>Liabilities</i> | | | | | | |
| Accrued Liabilities | \$ 188,067 | \$ 144,161 | \$ 132,976 | \$ - | \$ - | \$ 465,204 |
| Accrued Salaries and Benefits | 165,655 | 148,232 | 124,156 | 112,732 | 76,290 | 627,065 |
| Unearned Revenues | 19,916 | 44,819 | 50,875 | 8,756 | 30,236 | 154,602 |
| Total Liabilities | 373,638 | 337,212 | 308,007 | 121,488 | 106,526 | 1,246,871 |
| <i>Fund Balance</i> | | | | | | |
| Nonspendable Prepaid Expenditures | 4,841 | 15,231 | 6,258 | 1,599 | 1,662 | 29,591 |
| Restricted for Emergencies | 125,000 | 120,000 | 117,000 | 91,000 | 84,000 | 537,000 |
| Committed to Building Improvements | 1,537,026 | 1,053,541 | 632,168 | - | - | 3,222,735 |
| Unrestricted, Unassigned | 790,212 | 662,915 | 787,809 | 743,605 | 198,449 | 3,182,990 |
| Total Fund Balance | 2,457,079 | 1,851,687 | 1,543,235 | 836,204 | 284,111 | 6,972,316 |
| Total Liabilities and Fund Balance | \$ 2,830,717 | \$ 2,188,899 | \$ 1,851,242 | \$ 957,692 | \$ 390,637 | \$ 8,219,187 |

James Irwin Charter Schools
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund
Year Ended June 30, 2018

| | Elementary School | Middle School | High School | JICA | PTEC | Total |
|--|----------------------|---------------------|---------------------|-------------------|-------------------|---------------------|
| Revenues | | | | | | |
| Local Sources | | | | | | |
| Per Pupil Revenue | \$ 3,687,029 | \$ 3,477,547 | \$ 3,321,604 | \$ 2,309,284 | \$ 1,748,780 | 14,544,244 |
| District Mill Levy | - | - | - | - | 26,727 | 26,727 |
| Student Fees and Activities | 42,562 | 127,635 | 169,577 | 31,154 | 50,282 | 421,210 |
| Contributions | 1,727 | 6,664 | 8,340 | 3,631 | 297,367 | 317,729 |
| Investment Income | 10,515 | 10,283 | 10,265 | - | 144 | 31,207 |
| Other | 8,801 | 7,476 | 45,126 | 6,780 | 9,128 | 77,311 |
| State Sources | | | | | | |
| Capital Construction | 131,094 | 117,303 | 112,705 | 82,602 | 63,040 | 506,744 |
| Grants | 66,138 | 8,676 | 9,048 | 86,244 | 8,316 | 178,422 |
| Federal Sources | | | | | | |
| Grants | 25,192 | 16,938 | 11,856 | 86,981 | 215,578 | 356,545 |
| Total Revenues | <u>3,973,058</u> | <u>3,772,522</u> | <u>3,688,521</u> | <u>2,606,676</u> | <u>2,419,362</u> | <u>16,460,139</u> |
| Expenditures | | | | | | |
| Instruction | 2,167,729 | 1,884,601 | 1,773,020 | 1,255,235 | 965,114 | 8,045,699 |
| Supporting Services | 1,742,024 | 1,736,219 | 1,804,953 | 1,219,129 | 1,247,654 | 7,749,979 |
| Total Expenditures | <u>3,909,753</u> | <u>3,620,820</u> | <u>3,577,973</u> | <u>2,474,364</u> | <u>2,212,768</u> | <u>15,795,678</u> |
| Net Change in Fund Balance | 63,305 | 151,702 | 110,548 | 132,312 | 206,594 | 664,461 |
| Fund Balance, Beginning of year | <u>2,393,774</u> | <u>1,699,985</u> | <u>1,432,687</u> | <u>703,892</u> | <u>77,517</u> | <u>6,307,855</u> |
| Fund Balance, End of year | <u>\$ 2,457,079</u> | <u>\$ 1,851,687</u> | <u>\$ 1,543,235</u> | <u>\$ 836,204</u> | <u>\$ 284,111</u> | <u>\$ 6,972,316</u> |

James Irwin Charter Schools
Statement of Changes in Assets and Liabilities
Agency Fund
Year Ended June 30, 2018

| | Balance 6/30/17 | Additions | Deductions | Balance 6/30/18 |
|-----------------------|--------------------|-------------------|---------------------|--------------------|
| Assets | | | | |
| Cash and Investments | \$ 93,235 | \$ 136,680 | \$ (163,719) | \$ 66,196 |
| Total Assets | <u>\$ 93,235</u> | <u>\$ 136,680</u> | <u>\$ (163,719)</u> | <u>\$ 66,196</u> |
| Liabilities | | | | |
| Accounts Payable | \$ 31,589 | \$ - | \$ (31,589) | \$ - |
| Due to Student Groups | <u>61,646</u> | <u>136,680</u> | <u>(132,130)</u> | <u>66,196</u> |
| Total Liabilities | <u>\$ 93,235</u> | <u>\$ 136,680</u> | <u>\$ (163,719)</u> | <u>\$ 66,196</u> |