

**JAMES IRWIN CHARTER SCHOOLS**

FINANCIAL STATEMENTS  
With Independent Auditors' Report

For the Year Ended June 30, 2019

**JAMES IRWIN CHARTER SCHOOLS**  
**TABLE OF CONTENTS**  
**JUNE 30, 2019**

	Page
Independent Auditors' Report	
Management Discussion and Analysis	<i>i</i>
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet—Governmental Funds	3
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Net Position—Proprietary Fund	7
Statement of Revenues, Expenses, and Change in Net Position—Proprietary Fund	8
Statement of Cash Flows—Proprietary Fund	9
Notes to Financial Statements	10
Required Supplementary Information	
Schedule of Employer's Share of the Net Pension Liability	40
Schedule of Employer's Statutory Payroll Contributions—Pension	41
Schedule of the Employer's Proportionate Share of Net OPEB Liability	42
Schedule of the Employer's Payroll Contributions—OPEB	43
Statement of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual—General Fund	44
Supplementary Information	
Combining Balance Sheet—General Fund	45
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances—General Fund	46
Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—Building Fund	47



## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
James Irwin Charter Schools

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of James Irwin Charter Schools as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise James Irwin Charter Schools' basic financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of James Irwin Charter Schools, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Adoption of new accounting standard***

As described in Note 1 to the financial statements, effective July 1, 2018, James Irwin Charter Schools adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

### ***Correction of previously issued statements***

In our report dated August 30, 2019, we reported that the financial statements as of June 30, 2019 were presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. As described in Note 16 to the financial statements, subsequent to that report, the School discovered that it had not recognized its proportionate share of revenues and expenditures for on-behalf payments to its defined benefit pension plan by the State of Colorado. The previously issued June 30, 2019 financial statements have been restated to recognize those on-behalf payments. 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 required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise James Irwin Charter Schools' basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 such 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.

*Hoelting & Company, Inc.*

Colorado Springs, Colorado  
September 9, 2019

**JAMES IRWIN CHARTER SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

As of and for the Year Ended June 30, 2019

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, 2019. Please read this discussion in conjunction with additional information provided in the accompanying financial statements.

**FINANCIAL HIGHLIGHTS**

The year ended June 30, 2019 is the seventh 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 new legislation that allowed 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, 2019 are: James Irwin Charter High School, nineteen years; James Irwin Charter Middle School, sixteen years; James Irwin Charter Elementary School, fourteen years; James Irwin Charter Academy, six years; Power Technical Early College, three years.

Effective July 1, 2017, the James Irwin Educational Foundation was 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. JICS operates a General Fund, a Building Fund, and Proprietary Fund.

### **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 \$18,345,391 resulting in a negative net position. Please see Notes 9 and 10.

Total assets increased \$7,589,539 to \$39,287,616 from June 30, 2018 to June 30, 2019; a 24 percent increase. This increase includes receipt of voter approved bond funding of \$6,300,000 for capital improvements to the Astrozon Campus in Harrison District 2.

This fiscal year, revenue of \$23,618,477 exceeded net expenses of \$15,166,733 by \$8,451,744.

Total revenue for the 18-19 school year was \$23,618,477; an increase of 43.4% from the 17-18 school year, due primarily to increased capital grants and per pupil revenue.

The two summary statements below report the fiscal year 2019 and the prior year, fiscal year 2018.

## Condensed Statement of Net Position

	<u>2019</u>	<u>2018</u>	<u>Change</u>
<b>Assets</b>			
Current and other assets	\$ 17,002,353	\$ 10,432,046	\$ 6,570,307
Capital assets	<u>22,285,263</u>	<u>21,266,031</u>	<u>1,019,232</u>
<b>Total Assets</b>	<b>39,287,616</b>	<b>31,698,077</b>	<b>7,589,539</b>
Deferred Outflows	<u>8,618,295</u>	<u>17,162,747</u>	<u>(8,544,452)</u>
Current Liabilities	1,086,271	1,289,243	(202,972)
Noncurrent Liabilities	25,374,115	25,980,703	(606,588)
Net Pension Liability	<u>23,161,920</u>	<u>46,574,829</u>	<u>(23,412,909)</u>
<b>Total Liabilities</b>	<b>49,622,306</b>	<b>73,844,775</b>	<b>-24,222,469</b>
Deferred Inflows	<u>16,628,996</u>	<u>1,879,381</u>	<u>14,749,615</u>
Investment in capital assets	(2,324,204)	(3,601,401)	1,277,197
Restricted Funds	2,634,454	2,470,474	163,980
Unrestricted Funds	<u>(18,655,641)</u>	<u>(25,732,405)</u>	<u>7,076,764</u>
<b>Total Net Position</b>	<b><u>\$ (18,345,391)</u></b>	<b><u>\$ (26,863,332)</u></b>	<b><u>\$ 8,517,941</u></b>

## Condensed Statement of Activities

	<u>2019</u>	<u>2018</u>	<u>Change</u>
<b>Revenues:</b>			
Charges for services	\$ 500,651	\$ 421,210	\$ 79,441
Operating Grants	419,311	254,472	164,839
Capital Grants	6,875,670	506,744	6,368,926
Per Pupil Revenue	15,407,850	14,544,244	863,606
District Mill Levy	106,173	26,727	79,446
Additional At Risk Funding	-	2,366	(2,366)
At-Risk Supplemental Aid	-	35,635	(35,635)
Grants and Contributions not			
Restricted to Specific Programs	46,326	560,223	(513,897)
Investment Income	146,990	36,895	110,095
Other	<u>115,506</u>	<u>77,311</u>	<u>38,195</u>
<b>Total Revenues</b>	<b><u>23,618,477</u></b>	<b><u>16,465,827</u></b>	<b><u>7,152,650</u></b>
<b>Expenses:</b>			
Instruction	7,938,864	13,854,249	(5,915,385)
Instructional Support Services	5,363,261	8,496,639	(3,133,378)
Interest Expense	-	-	-
Foundation	<u>1,864,608</u>	<u>1,826,061</u>	<u>38,547</u>
<b>Total Expenses</b>	<b><u>15,166,733</u></b>	<b><u>24,176,949</u></b>	<b><u>(9,010,216)</u></b>
Change in net position	8,451,744	(7,711,122)	16,162,866
Net position, beginning	(26,863,331)	(19,152,209)	(7,711,122)
Prior period adjustment	<u>66,196</u>	-	<u>66,196</u>
<b>Net position, ending</b>	<b><u>\$ (18,345,391)</u></b>	<b><u>\$ (26,863,331)</u></b>	<b><u>\$ 8,517,940</u></b>

## **GOVERNMENTAL FUND ANALYSIS**

Revenues: Total revenue for the period of July 1, 2018 through June 30, 2019 was \$43% higher than the year ending June 30, 2017. James Irwin Charter Schools received \$23,774,395 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 \$3,338,599 for enrollment of 404, (\$8,272 per full time pupil); James Irwin Charter Middle School received \$3,698,523 for enrollment of 447, (\$8,272 per full time pupil); and James Irwin Charter Elementary School received \$3,878,809 for enrollment of 496.68, (equal to \$7,887 per full-time equivalent). The Charter School Institute authorizes the James Irwin Charter Academy with enrollment of 306.7 full time equivalent students, they received \$2,415,564 in PPR, or \$7,876 per student. Power Technical Early College with enrollment of 267 received \$2,076,355, or \$7,780 per student, through their authorizer, District 49. The James Irwin Charter Schools also received voter approved bond funding of \$6,300,000 for capital improvements on the Astrozon Campus (reported in the Building Fund), and \$575,670 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, 2018 through June 30, 2019 were \$16,841,838; a 5.6% increase from the year ending June 30, 2018. Salary and benefits for the year ending June 30, 2018 were \$9,713,047, and accounted for 62% of the annual expenditures, (and were equal to 63% of annual per state pupil revenue). The average PERA employer contribution was 20.15% of salary.

Change in Fund Balance: For the year 2018 – 2019, the fund balance increased by \$6,932,557. \$5,355,344 of the increase reflects the balance of the voter approved bond for capital improvements planned to be completed during the 19-20 fiscal year and the remaining \$1,577,213 was from school operations. JICS also implemented GASB statement No. 84, Fiduciary Activities which further increased the governmental fund balance by \$66,196 to a total June 30, 2019 fund balance of \$13,971,069. \$700,000 of the fund balances is restricted by statute for emergency reserves, \$22,453 is nonspendable due to prepaid expenditures. The remaining fund balance of \$13,248,616 is available to be used to meet future obligations.

## **ANALYSIS OF BUDGET**

James Irwin's 2018-2019 operating budget for the schools was approved by the Board of Directors in March of 2018 and included revenue of \$17,755,882 and expenditures of \$18,108,185. The budget was amended during the year, with the final version showing a revenue budget of \$17,094,422 and an expenditure budget of \$17,779,060. Actual annual school revenue was \$17,413,045; \$318,623 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, 2019 were \$15,835,832; \$1,943,228 or 11% less than budgeted. Budgeted line items that came in significantly under budget include district purchased services, (special education and administration fees), employee benefits, and the purchase of a new bus and planned capital improvements that are deferred to the 2019-20 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, 2019, James Irwin's net capital assets totaled \$22,285,263. The assets include the three school campuses and thirteen vehicles. During the year ending June 30, 2019, a new school bus was purchased, high school lighting fixtures were updated and the middle school lighting was partially updated, construction began on the Astrozon athletic fields, and the Astrozon parking lot was re-paved.

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 \$25,374,115. 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 6 and 7 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 2,061 full time students; a 7% increase over last year's enrollment.

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.

## **SUBSEQUENT EVENTS**

On August 30, 2019 the James Irwin Educational Foundation refinanced its outstanding debt. The terms of the new funding is 3.95% payable over 30 years and will reduce the annual debt service by \$235,000.

July 1, 2019 the Astrozon schools authorized by Harrison D2 began receiving mill levy override revenue. This is being paid at \$484 per pupil, and amounts to \$680,504 for these three schools.

## **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, 2019**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,432,712	\$ 4,671	\$ 9,437,383
Restricted cash and cash equivalents	5,355,344	2,114,918	7,470,262
Receivables	72,255	-	72,255
Internal balances	133,195	(133,195)	-
Prepays	22,453	-	22,453
Capital assets not being depreciated	1,081,438	3,827,206	4,908,644
Capital assets, net of accumulated depreciation	482,212	16,894,407	17,376,619
Total Assets	<u>16,579,609</u>	<u>22,708,007</u>	<u>39,287,616</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges	-	764,648	764,648
Deferred pension outflows	7,731,904	-	7,731,904
Deferred OPEB outflows	121,743	-	121,743
Total Deferred Outflows of Resources	<u>7,853,647</u>	<u>764,648</u>	<u>8,618,295</u>
<b>LIABILITIES</b>			
Accounts payable and other accrued liabilities	360,300	-	360,300
Accrued salaries and benefits	449,240	-	449,240
Unearned revenue	235,350	-	235,350
Accrued interest payable	-	41,381	41,381
Long-term liabilities			
Due within one year	-	628,400	628,400
Due in more than one year	-	24,745,715	24,745,715
Net pension liability	22,060,150	-	22,060,150
Net OPEB liability	1,101,770	-	1,101,770
Total Liabilities	<u>24,206,810</u>	<u>25,415,496</u>	<u>49,622,306</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension inflows	16,627,319	-	16,627,319
Deferred OPEB inflows	1,677	-	1,677
Total Deferred Inflows of Resources	<u>16,628,996</u>	<u>-</u>	<u>16,628,996</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,563,650	(3,887,854)	(2,324,204)
Restricted for:			
TABOR	700,000	-	700,000
Debt Service	-	1,934,454	1,934,454
Unrestricted	(18,666,200)	10,559	(18,655,641)
Total Net Position (deficit)	<u>\$ (16,402,550)</u>	<u>\$ (1,942,841)</u>	<u>\$ (18,345,391)</u>

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

**JAMES IRWIN CHARTER SCHOOLS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
Instruction	\$ 7,938,864	\$ 500,651	\$ 393,819	\$ 6,300,000	\$ (744,394)	\$ -	\$ (744,394)
Supporting services	5,363,261	-	25,492	575,670	(4,762,099)		(4,762,099)
Total governmental activities	13,302,125	500,651	419,311	6,875,670	(5,506,493)		(5,506,493)
<b>Business-type activities:</b>							
Foundation	1,864,608	-	-	-		(1,864,608)	(1,864,608)
Total	\$ 15,166,733	\$ 500,651	\$ 419,311	\$ 6,875,670		(1,864,608)	(7,371,101)
<b>General revenues:</b>							
Per pupil revenue					15,407,850	-	15,407,850
Mill levy override					106,173	-	106,173
Grants and contributions not restricted to specific programs					46,326	-	46,326
Unrestricted investment earnings					139,250	7,740	146,990
Miscellaneous					115,506	-	115,506
Transfers					(1,635,522)	1,635,522	-
Total general revenues and transfers					14,179,583	1,643,262	15,822,845
Change in net position					8,673,090	(221,346)	8,451,744
Net position - beginning (deficit)					(25,141,836)	(1,721,495)	(26,863,331)
Prior period adjustment					66,196	-	66,196
Net position - beginning, as restated (deficit)					(25,075,640)	(1,721,495)	(26,797,135)
Net position - ending (deficit)					\$ (16,402,550)	\$ (1,942,841)	\$ (18,345,391)

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

**JAMES IRWIN CHARTER SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019**

	General Fund	Building Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,432,712	\$ -	\$ 9,432,712
Restricted cash and cash equivalents	-	5,355,344	5,355,344
Receivables	72,255	-	72,255
Due from other funds	139,083	-	139,083
Prepays	22,453	-	22,453
	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>9,666,503</u>	<u>5,355,344</u>	<u>15,021,847</u>
<b>LIABILITIES</b>			
Accounts payable and other accrued liabilities	360,300	-	360,300
Accrued salaries and benefits	449,240	-	449,240
Due to other funds	5,888	-	5,888
Unearned revenue	235,350	-	235,350
	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	<u>1,050,778</u>	<u>-</u>	<u>1,050,778</u>
<b>FUND BALANCE</b>			
Non-spendable	22,453	-	22,453
Restricted	509,000	191,000	700,000
Unassigned	8,084,272	5,164,344	13,248,616
	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balance	<u>8,615,725</u>	<u>5,355,344</u>	<u>13,971,069</u>
Total Liabilities and Fund Balance	<u>\$ 9,666,503</u>	<u>\$ 5,355,344</u>	<u>\$ 15,021,847</u>

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

**JAMES IRWIN CHARTER SCHOOLS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2019**

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

Total Fund Balance of Governmental Funds	\$	13,971,069
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Capital assets not being depreciated	\$	1,081,438
Capital assets, net of accumulated depreciation		1,563,650
		<u>482,212</u>
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in government funds:		
Net pension liability	\$	(22,060,150)
Pension outflows		7,731,904
Pension inflows		(16,627,319)
Net OPEB liability		(1,101,770)
OPEB outflows		121,743
OPEB inflows		(1,677)
		<u>(31,937,269)</u>
Total Net Position of Governmental Activities	\$	<u>(16,402,550)</u>

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

**JAMES IRWIN CHARTER SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund	Building Fund	Total
<b>REVENUES</b>			
Local sources	\$ 916,926	\$ 6,361,350	\$ 7,278,276
State sources	16,347,769	-	16,347,769
Federal sources	148,350	-	148,350
Total revenues	<u>17,413,045</u>	<u>6,361,350</u>	<u>23,774,395</u>
<b>EXPENDITURES</b>			
Instruction	8,195,971	-	8,195,971
Supporting services	7,639,861	1,006,006	8,645,867
Total expenditures	<u>15,835,832</u>	<u>1,006,006</u>	<u>16,841,838</u>
Net change in fund balance	<u>1,577,213</u>	<u>5,355,344</u>	<u>6,932,557</u>
Fund balance - beginning, as originally stated	6,972,316	-	6,972,316
Prior period adjustment	66,196	-	66,196
Fund balance, beginning, as restated	<u>7,038,512</u>	<u>-</u>	<u>7,038,512</u>
Fund balance, ending	<u>\$ 8,615,725</u>	<u>\$ 5,355,344</u>	<u>\$ 13,971,069</u>

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

**JAMES IRWIN CHARTER SCHOOLS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

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

Net Change in Fund Balance of Governmental Funds	\$	6,932,557
--	----	-----------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Depreciation expense	\$ (50,874)		
Capital outlays	<u>1,509,057</u>		1,458,183

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Pension expenses	\$ 318,727		
OPEB expenses	<u>(36,377)</u>		<u>282,350</u>

Change in Net Position of Governmental Activities	\$	<u><u>8,673,090</u></u>
---	----	-------------------------

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

**JAMES IRWIN CHARTER SCHOOLS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**JUNE 30, 2019**

	Foundation
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 4,671
Restricted cash and cash equivalents	2,114,918
Due from other funds	5,888
Total current assets	2,125,477
Noncurrent Assets:	
Capital assets not being depreciated	3,827,206
Capital assets being depreciated:	16,894,407
Total noncurrent assets	20,721,613
Total assets	22,847,090
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charges on refunding	764,648
<b>LIABILITIES</b>	
Current Liabilities:	
Due to other funds	139,083
Accrued interest payable	41,381
Notes payable, current portion	628,400
Total current liabilities	808,864
Noncurrent Liabilities:	
Loan payable	24,745,715
Total liabilities	25,554,579
<b>NET POSITION</b>	
Net investment in capital assets	(3,887,854)
Restricted for debt service	1,934,454
Unrestricted	10,559
Total net position (deficit)	\$ (1,942,841)

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

**JAMES IRWIN CHARTER SCHOOLS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Foundation
<b>OPERATING REVENUES</b>	
Rental income	\$ 1,635,522
Total operating revenues	1,635,522
<b>OPERATING EXPENSES</b>	
Purchased services	66,557
Interest expense	1,182,635
Total operating expenses	1,249,192
Net operating income (loss)	386,330
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest income	7,740
Depreciation expense	(615,416)
Total non-operating revenues (expenses)	(607,676)
Change in net position	(221,346)
Net position - beginning (deficit)	(1,721,495)
Net position - ending (deficit)	\$ (1,942,841)

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

**JAMES IRWIN CHARTER SCHOOLS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	Foundation
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Lease payments received	\$ 1,629,633
Payment purchased services	(66,557)
Interest payments to bondholders	(1,020,117)
	542,959
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(40,153)
Principal payment on bonds	(606,588)
	(646,741)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	7,740
	7,740
Net increase (decrease) in cash and cash equivalents	(96,042)
Cash and cash equivalents, beginning	2,215,631
Cash and cash equivalents, ending	\$ 2,119,589
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ 386,330
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Amortization expense	163,509
Changes in assets and liabilities:	
<i>(Increase) decrease in:</i>	
Due from other funds	(5,888)
<i>Increase (decrease) in:</i>	
Accrued interest payable	(992)
	\$ 542,959

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

## **NOTES TO FINANCIAL STATEMENTS**

**JAMES IRWIN CHARTER SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

James Irwin Charter Schools (JICS) is a federal 501(c)(3) tax-exempt, state nonprofit corporation that was formed pursuant to the Colorado Charter Schools Act. 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 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.

*A. REPORTING ENTITY*

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

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

*B. BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS*

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for interfund services provided or used. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. Governmental activities are normally supported by per pupil revenue and intergovernmental revenues. Business-type activities rely to a significant extent on fees and charges for support.

**JAMES IRWIN CHARTER SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*C. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS*

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

The emphasis of fund financial statements is on major funds, each displayed in a separate column. JICS reports the following major governmental funds:

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

The *Building Fund* accounts for all resources available for acquiring capital sites, buildings, and equipment.

JICS reports the following major proprietary fund:

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the JICS's internal service fund are rental charges for the school buildings. Operating expenses for the Foundation include administrative expenses, purchased services, and interest expense. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

**JAMES IRWIN CHARTER SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING*

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

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

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

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

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

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

*Cash and cash equivalents*

Cash and cash equivalents include cash on hand and in the bank and short-term investments with original maturities of three months or less from the date of acquisition.

*Restricted cash and cash equivalents*

The use of certain cash and cash equivalents of JICS may be restricted. These cash items are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by debt agreements or voter authorizations.

**JAMES IRWIN CHARTER SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

*Receivables*

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

*Prepays*

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

*Capital assets*

Capital assets, which include buildings and improvements, equipment, and vehicles, are reported in the government-wide financial statements. Capital assets are defined by JICS as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets or remaining period of the lease, as applicable.

Buildings and improvements, leasehold improvements, furniture and equipment, and vehicles of the government are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	8 - 40 years
Leasehold improvements	10 – 20 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.

*Unearned Revenue*

Unearned revenue includes resources received by JICS before it has a legal claim to them, including student fees.

**JAMES IRWIN CHARTER SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

*Pensions*

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

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 for the SCHDTF are listed below. A full copy of the bill can be found online at [www.leg.colorado.gov](http://www.leg.colorado.gov).

- Increases employer contribution rates for the SCHDTF by 0.25 percent on July 1, 2019.
- Increases employee contribution rates for the SCHDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the State, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

**JAMES IRWIN CHARTER SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

*Health Care Trust Fund*

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

*Deferred outflows/inflows of resources*

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

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

*Long-term debt*

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

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

*Net position flow assumption*

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

**JAMES IRWIN CHARTER SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

*Fund balance classification*

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

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

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

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

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

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

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

**JAMES IRWIN CHARTER SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

*F. REVENUES AND EXPENDITURES/EXPENSES*

*Program revenues*

Amounts reported as *program revenues* include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as programs revenues. Likewise, general revenues include all per pupil revenue.

*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.

*G. ESTIMATES*

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

*H. ADOPTION OF NEW ACCOUNTING STANDARD*

JICS implemented GASB Statement No. 84, *Fiduciary Activities*, effective July 1, 2018. This Statement establishes specific criteria for identifying activities that should be reported as fiduciary activities. As a result, net position at June 30, 2018, was restated to reflect the cumulative effect of adopting this standard.

Restatements had the following impact on previously reported balances:

Net Position, June 30, 2018, as originally stated	\$ (25,141,836)
Adoption of new accounting standard	<u>66,196</u>
Net Position, June 30, 2018, as Restated (deficit)	<u>\$ (25,075,640)</u>
Fund Balance, June 30, 2018, as originally stated	\$ 6,972,316
Adoption of new accounting standard	<u>66,196</u>
Fund Balance, June 30, 2018, as Restated	<u>\$ 7,038,512</u>

**JAMES IRWIN CHARTER SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*BUDGET INFORMATION*

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

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

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

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

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

**NOTE 3 – DEPOSITS AND INVESTMENTS**

A summary of deposits and investments as of June 30, 2019 is as follows:

Deposits	\$ 3,514,530
Investments	<u>13,393,115</u>
Total	<u>\$ 16,907,645</u>

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

Cash and cash equivalents	\$ 9,437,383
Restricted cash and cash equivalents	<u>7,470,262</u>
Total	<u>\$ 16,907,645</u>

**JAMES IRWIN CHARTER SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

*Cash deposits with financial institutions*

*Custodial credit risk—deposits.* Custodial credit risk is the risk that, in the event of a bank failure, JICS’s deposits might not be recovered. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government 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. 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 the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The carrying amount of JICS’s deposits at June 30, 2019 was \$3,514,530 and the bank balances were \$4,023,334. Of the bank balances, \$304,671 was covered by federal deposit insurance and \$3,718,663 was uninsured but collateralized in accordance with the provisions of the PDPA. The collateral is pooled and held in trust for all uninsured deposits as a group.

*Investments*

JICS is authorized by Colorado statutes to invest in the following:

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

The investments for fiscal year ending June 30, 2019:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>
ColoTrust	\$ 8,960,709	Less than 60 days
Money Markets	<u>4,432,406</u>	Less than 60 days
Total Fair Value	<u>\$ 13,393,115</u>	

The District has invested in the Colorado Government Liquid Asset Trust (ColoTrust). ColoTrust is a AAA rated investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. This investment vehicle operates similarly to money market funds and each share is equal in value to \$1.00. The fair value of the position in the pool is the same as the value of the pool shares.

The designated custodial bank provides safekeeping and depository services to ColoTrust in connection with the direct investment and withdrawal function of ColoTrust. Substantially all securities owned by ColoTrust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian’s internal records identify the investments owned by ColoTrust. Investments of ColoTrust consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury Notes.

**JAMES IRWIN CHARTER SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

However, the District does not categorize investments with ColoTrust because they are not evidenced by securities that exist in physical or book entry form.

*Interest Rate Risk:* Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. State law limits investment maturities to five years or less as a means of managing exposure to fair value loss resulting from increasing interest rates. JICS does not have a formal investment policy that would further limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

*Credit Risk:* Credit risk involves the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments to those described above. ColoTrust and the money market accounts are rated AAA by Standard and Poors and maintain a constant net asset value of \$1 per share.

*Concentration of Credit Risk:* JICS places no limit on the amount the district may invest in any one issuer. More than 5 percent of JICS’s investments are in ColoTrust and money market accounts. These investments are 66.9% and 33.1%, respectively, of JICS’s total investments.

**NOTE 4 –RECEIVABLES**

Receivables consists of the following at June 30, 2019:

Grants receivable	\$ 55,170
Other receivables	<u>17,085</u>
Total	<u>\$ 72,255</u>

**NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES**

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

The composition of interfund balances at June 30, 2019 is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 139,083	\$ 5,888
Foundation	<u>5,888</u>	<u>139,083</u>
Total	<u>\$ 144,971</u>	<u>\$ 144,971</u>

**JAMES IRWIN CHARTER SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b><i>Governmental Activities</i></b>				
Capital assets, not being depreciated:				
Construction in process	\$ -	\$ 1,081,438	\$ -	\$ 1,081,438
Total capital assets, not being depreciated	<u>-</u>	<u>1,081,438</u>	<u>-</u>	<u>1,081,438</u>
Capital assets, being depreciated:				
Leasehold improvements	-	275,214	-	275,214
Vehicles	-	138,233	-	138,233
Equipment	<u>110,897</u>	<u>14,172</u>	<u>-</u>	<u>125,069</u>
Total capital assets, being depreciated	110,897	427,619	-	538,516
Less accumulated depreciation	<u>(5,430)</u>	<u>(50,874)</u>	<u>-</u>	<u>(56,304)</u>
Total capital assets being depreciated, net	<u>105,467</u>	<u>376,745</u>	<u>-</u>	<u>482,212</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 105,467</u>	<u>\$ 1,458,183</u>	<u>\$ -</u>	<u>\$ 1,563,650</u>
<b><i>Business-type Activities</i></b>				
Capital assets, not being depreciated:				
Land	\$ 3,802,206	\$ -	\$ -	\$ 3,802,206
Construction in progress	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Total capital assets, not being depreciated	<u>3,827,206</u>	<u>-</u>	<u>-</u>	<u>3,827,206</u>
Capital assets, being depreciated:				
Building and improvements	22,177,686	176,464	-	22,354,150
Vehicles	<u>144,095</u>	<u>-</u>	<u>-</u>	<u>144,095</u>
Total capital assets, being depreciated	22,321,781	176,464	-	22,498,245
Less accumulated depreciation	<u>(4,988,423)</u>	<u>(615,415)</u>	<u>-</u>	<u>(5,603,838)</u>
Total capital assets being depreciated, net	<u>17,333,358</u>	<u>(438,951)</u>	<u>-</u>	<u>16,894,407</u>
<i>Business-type activities capital assets, net</i>	<u>\$ 21,160,564</u>	<u>\$ (438,951)</u>	<u>\$ -</u>	<u>\$ 20,721,613</u>

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

<i>Governmental activities</i>	
Instruction	<u>\$ 50,874</u>

**JAMES IRWIN CHARTER SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 7 – LONG-TERM LIABILITIES**

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.

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.

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

<u>Fiscal Year Ending June 30</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 628,400	\$ 998,305
2021	656,576	970,129
2022	683,152	943,553
2023	710,804	915,901
2024	769,409	857,296
2025-2026	21,925,774	1,030,152
Total	\$ 25,374,115	\$ 5,715,336

The changes in long-term debt for the year ended June 30, 2019 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Loans payable	<u>\$ 25,980,703</u>	<u>\$ -</u>	<u>\$ 606,588</u>	<u>\$ 25,374,115</u>	<u>\$ 628,400</u>

**JAMES IRWIN CHARTER SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 8 – OPERATING LEASES**

*Foundation Lease*

In September 2015, James Irwin Charter Schools executed a new lease agreement with their blended component unit, James Irwin Educational Foundation. The lease term renews annually.

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

<u>Fiscal Year</u> <u>Ending June 30</u>	
2020	\$ 1,626,705
2021	1,626,705
2022	1,626,705
2023	1,626,705
2024	1,626,705
2025-2026	<u>22,955,926</u>
Total	<u>\$ 31,089,451</u>

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

For the fiscal year ended June 30, 2019, the lease payments were \$1,635,522.

**NOTE 9 – DEFINED BENEFIT PENSION PLAN**

*General Information about the Pension Plan*

*Plan description.* Eligible employees of the James Irwin Charter Schools are provided with pensions through the School Division Trust Fund (SCHDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided as of December 31, 2018.* PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

**JAMES IRWIN CHARTER SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

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

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

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 will receive the lesser of an annual increase of 1.5 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the lifetime retirement benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

**JAMES IRWIN CHARTER SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

*Contributions provisions as of June 30, 2019:* Eligible employees, James Irwin Charter Schools and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 8 percent of their PERA-includable salary during the period of July 1, 2018 through June 30, 2019. Employer contribution requirements are summarized in the table below:

	January 1, 2018 Through December 31, 2018	January 1, 2019 Through June 30, 2019
Employer contribution rate	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%	(1.02)%
Amount apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%	5.50%
Total employer contribution rate to the SCHDTF	19.13%	19.13%

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

As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the James Irwin Charter Schools is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from James Irwin Charter Schools were \$1,325,193 for the year ended June 30, 2019.

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

The net pension liability for the SCHDTF was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total pension liability to December 31, 2018. The James Irwin Charter Schools proportion of the net pension liability was based on James Irwin Charter Schools contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

**JAMES IRWIN CHARTER SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

At June 30, 2019, the James Irwin Charter Schools reported a liability of \$22,060,150 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the James Irwin Charter Schools as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with James Irwin Charter Schools were as follows:

James Irwin Charter Schools proportionate share of the net pension liability	\$ 22,060,150
The State’s proportionate share of the net pension liability as a nonemployer contributing entity associated with the James Irwin Charter Schools	3,016,419
Total	\$ 25,076,569

At December 31, 2018, the James Irwin Charter Schools proportion was 0.1245839625 percent, which was decrease of 0.0162323852 percent from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the James Irwin Charter Schools recognized pension expense of \$1,006,466 and revenue of \$15,496 for support from the State as a nonemployer contributing entity. At June 30, 2019, the James Irwin Charter Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 748,305	\$ -
Changes of assumptions or other inputs	4,117,623	13,719,040
Net difference between projected and actual earnings on pension plan investments	1,202,416	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	1,005,852	2,908,279
Contributions subsequent to the measurement date	657,708	N/A
Total	\$ 7,731,904	\$ 16,627,319

**JAMES IRWIN CHARTER SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

\$657,708 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2019:	
2020	\$ (977,695)
2021	(5,550,784)
2022	(3,682,389)
2023	657,745
2024	-
Thereafter	-

*Actuarial assumptions.* The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	4.78 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

The revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2018:

Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	0% through 2019 and 1.5% compounded annually, thereafter
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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

**JAMES IRWIN CHARTER SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

Healthy, post-retirement mortality assumptions reflect the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

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

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

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

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

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

**JAMES IRWIN CHARTER SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

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

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

*Discount rate.* The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

**JAMES IRWIN CHARTER SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

- As specified in law, the State will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.43 percent were used in the discount rate determination resulting in a discount rate of 4.78 percent, 2.47 percent lower compared to the current measurement date.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 28,045,706	\$ 22,060,150	\$ 17,037,258

*Pension plan fiduciary net position.* Detailed information about the SCHDTF’s fiduciary net position is available in PERA’s CAFR which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**JAMES IRWIN CHARTER SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

*Health Care Trust Fund*

*Plan description.* Eligible employees of the James Irwin Charter Schools are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided.* The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

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

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

*PERA Benefit Structure*

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

**JAMES IRWIN CHARTER SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the James Irwin Charter Schools is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from James Irwin Charter Schools were \$70,658 for the year ended June 30, 2019.

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

At June 30, 2019, the James Irwin Charter Schools reported a liability of \$1,101,770 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The James Irwin Charter Schools proportion of the net OPEB liability was based on James Irwin Charter Schools contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, the James Irwin Charter Schools proportion was 0.0809802499 percent, which was an increase of 0.0009689443 from its proportion measured as of December 3, 2017.

**JAMES IRWIN CHARTER SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

For the year ended June 30, 2019, the James Irwin Charter Schools recognized OPEB expense of \$107,035. At June 30, 2019, the James Irwin Charter Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 3,999	\$ 1,677
Changes of assumptions or other inputs	7,729	-
Net difference between projected and actual earnings on OPEB plan investments	6,336	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	68,611	-
Contributions subsequent to the measurement date	35,068	N/A
Total	\$ 121,743	\$ 1,677

\$35,068 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30, 2019:	
2020	\$ 19,267
2021	19,267
2022	19,268
2023	23,669
2024	3,397
Thereafter	130

**JAMES IRWIN CHARTER SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

*Actuarial assumptions.* The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.25 percent for 2018, gradually rising to 5.00 percent in 2025
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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

The actuarial assumptions used in the December 31, 2017, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA’s actuary, as discussed below.

In determining the additional liability for PERACare enrollees who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

<b>Medicare Plan</b>	<b>Cost for Members Without Medicare Part A</b>	<b>Premiums for Members Without Medicare Part A</b>
Self-Funded Medicare Supplement Plans	\$736	\$367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
UnitedHealthcare Medicare HMO	686	213

The 2018 Medicare Part A premium is \$422 per month.

**JAMES IRWIN CHARTER SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

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

<b>Medicare Plan</b>	<b>Cost for Members Without Medicare Part A</b>
Self-Funded Medicare Supplement Plans	\$289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
UnitedHealthcare Medicare HMO	400

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2017, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

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

**JAMES IRWIN CHARTER SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

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

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

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

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

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

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

**JAMES IRWIN CHARTER SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

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

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

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Net OPEB Liability	\$ 1,071,346	\$ 1,101,770	\$ 1,136,763

*Discount rate.* The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2018, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

**JAMES IRWIN CHARTER SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 1,232,785	\$ 1,101,770	\$ 989,765

*OPEB plan fiduciary net position.* Detailed information about the HCTF’s fiduciary net position is available in PERA’s CAFR which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**NOTE 11 - RISK MANAGEMENT**

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

JICS purchases commercial insurance for these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the last three fiscal years.

**JAMES IRWIN CHARTER SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 12 - COMMITMENTS AND CONTINGENCIES**

*Grants*

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

**NOTE 13 – COMPLIANCE**

JICS has complied with the requirements of the Financial Policies and Procedures Handbook for the 2019 audit period as required by Colorado Statute CRS 22-44-204(3).

**NOTE 14 - AMENDMENT TO COLORADO CONSTITUTION**

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

The amendment requires emergency reserves be established. These reserves must be at least 3% of fiscal year spending. JICS is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary and benefit increases. At June 30, 2019 there is a \$509,000 and \$191,000 reservation of fund balance in the General Fund and Building Fund, respectively, for the amendment.

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

**NOTE 15 – SUBSEQUENT EVENT**

On August 1, 2019 the Arizona Industrial Development Authority (AZIDA) issued \$24,580,313 of Arizona Industrial Development Authority Charter School Revenue Notes, Series 2019. Note proceeds were loaned to the Foundation for the purpose of refunding the Colorado Educational and Cultural Facilities Authority Charter School Revenue Notes, Series 2015 and 2016. This refunding resulted in net present value savings of \$1,078,668.

**NOTE 16 – CORRECTION OF PREVIOUSLY ISSUED STATEMENTS**

Subsequent to the original issuance of its year-ended June 30, 2019 financial statements, the School discovered that it had not recognized its proportionate share of revenues and expenditures for on-behalf payments to its defined benefit pension plan by the State of Colorado. The June 30, 2019 financial statements have been corrected to report \$179,155 of revenues and expenditures in the general fund for those on-behalf payments. These corrections had no effect on fund balance of the general fund.

**REQUIRED SUPPLEMENTARY INFORMATION**

**JAMES IRWIN CHARTER SCHOOLS**  
**SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**JUNE 30, 2019**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
School's proportion of the net pension liability (asset)	0.1245839625%	0.1408163477%	0.1295406485%	0.1212756605%	0.1195724723%	0.1118196214%
School's proportionate share of the net pension liability (asset)	\$ 22,060,150	\$ 45,535,002	\$ 38,569,260	\$ 18,548,256	\$ 16,206,086	\$ 14,262,563
State's proportionate share of the net pension liability (asset) associated with the School	3,016,419	-	-	-	-	-
<b>Total</b>	<u>\$ 25,076,569</u>	<u>\$ 45,535,002</u>	<u>\$ 38,569,260</u>	<u>\$ 18,548,256</u>	<u>\$ 16,206,086</u>	<u>\$ 14,262,563</u>
School's covered payroll	\$ 6,849,050	\$ 6,495,692	\$ 5,814,016	\$ 5,285,165	\$ 5,009,229	\$ 4,507,805
School's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	322.09%	701.00%	663.38%	350.95%	323.52%	316.40%
Plan fiduciary net position as a percentage of the total pension liability	57.0%	44.0%	43.1%	59.2%	62.8%	64.1%

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

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

See the accompanying independent auditors' report.

**JAMES IRWIN CHARTER SCHOOLS**  
**SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - PENSION**  
**JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,325,193	\$ 1,265,707	\$ 1,138,572	\$ 970,124	\$ 870,404	\$ 784,848
Contributions in relation to the contractually required contribution	<u>(1,325,193)</u>	<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>	<u>\$ -</u>
School's covered payroll	\$ 6,927,304	\$ 6,703,957	\$ 6,194,625	\$ 5,471,653	\$ 5,156,422	\$ 4,911,439
Contributions as a percentage of covered payroll	19.13%	18.88%	18.38%	17.73%	16.88%	15.98%

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

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

See the accompanying independent auditors' report.

**JAMES IRWIN CHARTER SCHOOLS**  
**SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE**  
**OF THE NET OPEB LIABILITY**  
**JUNE 30, 2019**

	2018	2017
School's proportion of the net OPEB liability (asset)	0.0809802499%	0.0800113056%
School's proportionate share of the net OPEB liability (asset)	\$ 1,101,770	\$ 1,039,827
School's covered payroll	\$ 6,849,049	\$ 6,495,691
School's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	16.09%	16.01%
Plan fiduciary net position as a percentage of the total OPEB liability	17.0%	17.5%

- \* The amounts presented for each year were determined as of 12/31.
- \* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

**JAMES IRWIN CHARTER SCHOOLS**  
**SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - OPEB**  
**JUNE 30, 2019**

	2019	2018
Contractually required contribution	\$ 70,658	\$ 68,378
Contributions in relation to the contractually required contribution	(70,658)	(68,378)
Contribution deficiency (excess)	\$ -	\$ -
School's covered payroll	\$ 6,927,280	\$ 6,703,725
Contributions as a percentage of covered payroll	1.02%	1.02%

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

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

See the accompanying independent auditors' report.

**JAMES IRWIN CHARTER SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources:				
Taxes	\$ 131,298	\$ 128,635	\$ 106,173	\$ (22,462)
Tuition	-	-	5,550	5,550
Fees	65,673	49,673	50,471	798
Interest income	24,000	24,000	77,900	53,900
Pupil Activities	339,089	337,005	381,430	44,425
Donations and grants	-	-	116,697	116,697
Other local revenue	123,625	124,477	178,705	54,228
	683,685	663,790	916,926	253,136
State sources:				
Per pupil revenue	16,134,447	15,454,433	15,407,850	(46,583)
Operating grants	202,986	278,722	364,249	85,527
Capital grants	602,544	558,051	575,670	17,619
	16,939,977	16,291,206	16,347,769	56,563
Federal sources				
Operating grants	132,220	139,426	148,350	8,924
Total revenues	17,755,882	17,094,422	17,413,045	318,623
<b>EXPENDITURES</b>				
Instruction				
Salaries	4,952,884	4,876,018	4,855,612	20,406
Benefits	2,415,763	2,356,957	1,940,708	416,249
Purchased services	1,202,545	1,169,595	955,277	214,318
Supplies	622,556	456,437	423,306	33,131
Other	-	-	21,068	(21,068)
Supporting services				
Salaries	2,505,555	2,517,603	2,323,667	193,936
Benefits	952,376	982,626	772,215	210,411
Purchased services	3,938,639	3,994,856	3,411,952	582,904
Supplies	554,707	557,752	646,608	(88,856)
Property	963,160	867,216	439,568	427,648
Other	-	-	45,851	(45,851)
Total expenditures	18,108,185	17,779,060	15,835,832	1,943,228
Net change in fund balances	(352,303)	(684,638)	1,577,213	2,261,851
Fund balances - beginning	6,064,917	6,972,316	7,038,512	66,196
Fund balance - ending	\$ 5,712,614	\$ 6,287,678	\$ 8,615,725	\$ 2,328,047

See the accompanying Independent Auditors' Report.

## **SUPPLEMENTARY INFORMATION**

**JAMES IRWIN CHARTER SCHOOLS  
COMBINING BALANCE SHEET  
GENERAL FUND  
JUNE 30, 2019**

	Elementary School	Middle School	High School	JICA	PTEC	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 3,225,115	\$ 2,541,766	\$ 1,980,993	\$ 1,255,877	\$ 428,961	\$ 9,432,712
Receivables	3,192	3,252	2,232	29,944	33,635	72,255
Due from other funds	-	-	-	-	139,083	139,083
Prepays	3,415	10,903	4,719	3,416	-	22,453
<b>Total Assets</b>	<u>3,231,722</u>	<u>2,555,921</u>	<u>1,987,944</u>	<u>1,289,237</u>	<u>601,679</u>	<u>9,666,503</u>
<b>LIABILITIES</b>						
Accounts payable and other accrued liabilities	162,302	103,752	88,226	4,020	2,000	360,300
Accrued salaries and benefits	123,819	105,705	83,744	76,342	59,630	449,240
Due to other funds	-	-	5,888	-	-	5,888
Unearned revenue	30,911	50,447	59,419	15,900	78,673	235,350
<b>Total Liabilities</b>	<u>317,032</u>	<u>259,904</u>	<u>237,277</u>	<u>96,262</u>	<u>140,303</u>	<u>1,050,778</u>
<b>FUND BALANCE</b>						
Non-spendable	3,416	10,903	4,719	3,415	-	22,453
Restricted	125,000	122,000	113,000	82,000	67,000	509,000
Unassigned	2,786,274	2,163,114	1,632,948	1,107,560	394,376	8,084,272
<b>Total Fund Balance</b>	<u>2,914,690</u>	<u>2,296,017</u>	<u>1,750,667</u>	<u>1,192,975</u>	<u>461,376</u>	<u>8,615,725</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 3,231,722</u>	<u>\$ 2,555,921</u>	<u>\$ 1,987,944</u>	<u>\$ 1,289,237</u>	<u>\$ 601,679</u>	<u>\$ 9,666,503</u>

See the accompanying independent auditors' report.

**JAMES IRWIN CHARTER SCHOOLS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Elementary School	Middle School	High School	JICA	PTEC	Total
<b>REVENUES</b>						
Local sources	\$ 78,704	\$ 208,882	\$ 310,517	\$ 148,499	\$ 170,324	\$ 916,926
State sources	4,140,825	3,890,040	3,510,842	2,612,364	2,193,698	16,347,769
Federal sources	34,892	21,645	14,149	74,375	3,289	148,350
Total revenues	<u>4,254,421</u>	<u>4,120,567</u>	<u>3,835,508</u>	<u>2,835,238</u>	<u>2,367,311</u>	<u>17,413,045</u>
<b>EXPENDITURES</b>						
Instruction	2,133,903	1,910,288	1,740,183	1,210,471	1,201,126	8,195,971
Supporting services	1,662,907	1,801,398	1,918,641	1,267,995	988,920	7,639,861
Total expenditures	<u>3,796,810</u>	<u>3,711,686</u>	<u>3,658,824</u>	<u>2,478,466</u>	<u>2,190,046</u>	<u>15,835,832</u>
Net change in fund balance	<u>457,611</u>	<u>408,881</u>	<u>176,684</u>	<u>356,772</u>	<u>177,265</u>	<u>1,577,213</u>
Fund balance - beginning, as originally stated	2,457,079	1,851,688	1,543,235	836,203	284,111	6,972,316
Prior period adjustment	-	35,448	30,748	-	-	66,196
Fund balance, beginning, as restated	<u>2,457,079</u>	<u>1,887,136</u>	<u>1,573,983</u>	<u>836,203</u>	<u>284,111</u>	<u>7,038,512</u>
Fund balance, ending	<u>\$ 2,914,690</u>	<u>\$ 2,296,017</u>	<u>\$ 1,750,667</u>	<u>\$ 1,192,975</u>	<u>\$ 461,376</u>	<u>\$ 8,615,725</u>

See the accompanying independent auditors' report.

**JAMES IRWIN CHARTER SCHOOLS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**BUILDING FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>			
Local sources:			
Interest income	\$ -	\$ 61,350	\$ 61,350
Other local revenue	6,300,000	6,300,000	-
Total revenues	<u>6,300,000</u>	<u>6,361,350</u>	<u>61,350</u>
<b>EXPENDITURES</b>			
Supporting services			
Property	1,556,691	1,006,006	550,685
Total expenditures	<u>1,556,691</u>	<u>1,006,006</u>	<u>550,685</u>
Net change in fund balances	4,743,309	5,355,344	612,035
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 4,743,309</u></u>	<u><u>\$ 5,355,344</u></u>	<u><u>\$ 612,035</u></u>

See the accompanying Independent Auditors' Report.