

POWER TECHNICAL EARLY COLLEGE

FINANCIAL STATEMENTS

June 30, 2017

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Board of Directors
Power Technical Early College
Colorado Springs, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and the major fund of the Power Technical Early College as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Power Technical Early College, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Emphasis of Matter

We draw attention to Note 1 to the financial statements, which indicates that the accompanying financial statements present only the Power Technical Early College, and are not intended to be a complete presentation of the financial position of the James Irwin Charter Schools as of June 30, 2017, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters (Required Supplementary Information)

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



October 13, 2017

Power Technical Early College
Management's Discussion and Analysis
Unaudited
For the Year Ended June 30, 2017

The management of Power Technical Early College (the “School”) offers this Management’s Discussion and Analysis (MD&A) of the School’s financial performance to provide an overall review of financial activities for the fiscal year ended June 30, 2017. Please read this discussion in conjunction with the additional information provided in the accompanying financial statements.

Financial Highlights

June 30, 2017 marked the end of the first year of operation for the School.

On June 30, 2017 the School’s net position was \$77,517.

School operations are primarily funded by per pupil revenue from the State of Colorado as provided for in the Colorado State School Finance Act. Total per pupil revenue received for the year ended June 30, 2017 was \$1,132,160.

Overview of Financial Statements

The School’s basic statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

Government-wide financial statements are prepared to provide interested parties with a broad overview of the School’s financial reporting in similar format to a private-sector business. The statement of net position presents information related to assets and liabilities and remaining net position. With historical data, increases and decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School’s net position changed during the 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 grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities, or objectives as designated by Colorado State statute. Power Technical Early College monitors these funds 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 of the governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources.

Notes to Financial Statements

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

Other Information

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

Government-Wide Financial Analysis

The summary statements below report the fiscal year 2017. The School's net position on June 30, 2017 was \$77,517.

Condensed Statement of Net Position	
2017	
Assets:	
Cash	\$ 300,160
Accounts Receivable	43,115
Accounts Receivable, related parties	17,488
Prepaid Expenses	1,800
Total Assets	<u>362,563</u>
Liabilities:	
Accounts payable, related parties	265,338
Unearned Revenue	19,708
Total Liabilities	<u>285,046</u>
Net Position:	
Restricted for TABOR	43,500
Unrestricted	34,017
Total net position	<u>\$ 77,517</u>

Condensed Statement of Activities	
2017	
Revenues:	
Program revenues:	
Charges for services	\$ 29,441
General revenues:	
Per Pupil Revenue	1,132,160
Capital Construction	44,423
Grants and Contributions not restricted	
For specific programs	445,243
Other general revenue	<u>85</u>
Total revenues	<u>1,651,352</u>
Expenses:	
Instruction	644,916
Supporting Services	<u>928,919</u>

Total expenses	1,573,835
Change in net position	77,517
Net position, beginning of year	
Net position, end of year	\$ <u>77,517</u>

Analysis of Operations - General Fund

Revenues - Total revenues for the period of July 1, 2016 through June 30, 2017 were \$1,651,352. The majority of income was received in the form of per pupil revenue allocated to Power Technical Early College from the State of Colorado through their charter authorizer Falcon School District 49, and a Charter School Start up grant from the federal government. The School had 160 full time students and received \$1,132,160 (\$7,076 per pupil). The School received \$44,423 in Capital Construction funding from the State of Colorado.

Expenditures: Total expenditures for the period of July 1, 2016 through June 30, 2017 were \$1,573,835 (equal to \$9,836.46 per pupil).

Analysis of Budget-General Fund

The initial School budget included expenditures of \$1,962,932. This budget was based on projected salary and employment benefits expense, and student enrollment numbers. The budget was amended when the actual student count was known, and appropriated expenses were reduced to \$1,780,096. Total actual expenses of \$1,573,835 were \$206,261 or 11.69% less than the approved budget.

Actual revenue of \$1,651,352 was \$(166,941) lower than the approved budget. The primary areas where actual revenue was lower than budget were per pupil funding and donations.

Capital Assets and Long Term Debt

The James Irwin Educational Foundation (JIEF) owns the property where the School is located. The school pays rent to JIEF for using the property, but does not have a formal lease agreement with JIEF.

Economic Factors and Next Year’s Budget

The primary factor driving the budget for the School is student enrollment. Enrollment for the 2016-17 school year was 160 and projected enrollment for the 2017-18 school year is 237. The 2017-2018 budget includes per pupil funding of \$7,314, (a 3.4% increase in the rate of per pupil funding over 2016-17).

The Board and School administration acknowledge that the amount of funding for School operations is contingent upon the state of the economy and current and future legislation. Therefore, the School practices conservative budgeting and closely monitors the budget to actual in order to proactively adjust planned spending when necessary.

Future Events

On July 1, 2017 the five James Irwin Charter Schools merged together to form a single legal entity. By resolution of the James Irwin Charter Schools Board of Directors, the five James Irwin Charter Schools became a Colorado Charter School Network. This action was taken in order to take advantage of recent legislation that allows organizations with more than one charter school to streamline their operations and governance structures.

Requests for information

This financial report is provided as a general overview of the Power Technical Early College finances for persons interested in the School. 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

POWER TECHNICAL EARLY COLLEGE

STATEMENT OF NET POSITION

June 30, 2017

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash	\$ 300,160
Accounts Receivable	1,490
Accounts Receivable - Related Parties	17,488
Grants Receivable	41,625
Prepaid Expenses	<u>1,800</u>
TOTAL ASSETS	<u>362,563</u>
LIABILITIES	
Accounts Payable - Related Parties	265,338
Unearned Revenues	<u>19,708</u>
TOTAL LIABILITIES	<u>285,046</u>
NET POSITION	
Restricted for Emergencies	43,500
Unrestricted	<u>34,017</u>
TOTAL NET POSITION	<u>\$ 77,517</u>

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

POWER TECHNICAL EARLY COLLEGE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES CHARGES FOR SERVICES</u>	<u>NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION GOVERNMENTAL ACTIVITIES</u>
PRIMARY GOVERNMENT			
Governmental Activities			
Instruction	\$ 644,916	\$ 24,991	\$ (619,925)
Supporting Services	<u>928,919</u>	<u>4,450</u>	<u>(924,469)</u>
TOTAL GOVERNMENTAL ACTIVITIES	\$ <u>1,573,835</u>	\$ <u>29,441</u>	<u>(1,544,394)</u>
GENERAL REVENUES			
Per Pupil Revenue			1,132,160
Capital Construction			44,423
Grants and Contributions not Restricted to Specific Programs			445,243
Investment Income			<u>85</u>
TOTAL GENERAL REVENUES			<u>1,621,911</u>
CHANGE IN NET POSITION			77,517
NET POSITION, Beginning			<u>-</u>
NET POSITION, Ending			\$ <u>77,517</u>

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

POWER TECHNICAL EARLY COLLEGE

BALANCE SHEET
GOVERNMENTAL FUND

June 30, 2017

	<u>GENERAL</u>
ASSETS	
Cash	\$ 300,160
Accounts Receivable	1,490
Accounts Receivable - Related Parties	17,488
Grants Receivable	41,625
Prepaid Expenditures	<u>1,800</u>
 TOTAL ASSETS	 \$ <u><u>362,563</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable - Related Parties	\$ 265,338
Unearned Revenues	<u>19,708</u>
 TOTAL LIABILITIES	 <u>285,046</u>
FUND BALANCE	
Nonspendable Prepaid Expenditures	1,800
Restricted for Emergencies	43,500
Unrestricted, Unassigned	<u>32,217</u>
 TOTAL FUND BALANCE	 <u>77,517</u>
 TOTAL LIABILITIES AND FUND BALANCE	 \$ <u><u>362,563</u></u>

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

POWER TECHNICAL EARLY COLLEGE

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

	<u>GENERAL</u>
REVENUES	
Local Sources	\$ 1,395,422
State Sources	44,423
Federal Sources	<u>211,507</u>
TOTAL REVENUES	<u>1,651,352</u>
EXPENDITURES	
Instruction	644,916
Supporting Services	<u>928,919</u>
TOTAL EXPENDITURES	<u>1,573,835</u>
NET CHANGE IN FUND BALANCE	77,517
FUND BALANCE, Beginning	<u>-</u>
FUND BALANCE, Ending	<u>\$ 77,517</u>

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The James Irwin Charter Schools (“JICS”) was organized to support high quality education, including support for specific charter schools within the State of Colorado as a charter management organization. Effective July 1, 2013, JICS was organized as a charter school collaborative, as defined by State statutes. Power Technical Early College (the “School”) is a charter school within the James Irwin Charter Schools. The School began operations in the Fall of 2016.

The financial statements present only the financial activities of the School, and are not intended to be a complete presentation of the financial statements of JICS in conformity with accounting principles generally accepted in the United States of America as applicable to government entities. Complete financial statements, including the management’s discussion and analysis, for JICS are available at James Irwin Charter Schools, 5525 Astrozon Boulevard, Colorado Springs, Colorado 80916.

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

Reporting Entity

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

The School’s charter was authorized by El Paso County School District 49 (the “District”), and the majority of the School’s funding is provided by the District.

Government-wide and Fund Financial Statements

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Available means collected within the current year or soon enough thereafter to pay liabilities of the current year, not to exceed 60 days. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

The School reports the following major governmental fund:

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

Assets, Liabilities and Net Position/Fund Balance

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

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management

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

NOTE 2: CASH AND INVESTMENTS

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Investments

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

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

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

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

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

At June 30, 2017, the School had no investments.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 3: RELATED PARTIES

Accounts Receivable and Accounts Payable

At June 30, 2017, the James Irwin Charter High School owed \$17,488 to the School. In addition, the School owed \$265,338 to the James Irwin Charter Schools. All balances represent routine operating activities.

NOTE 4: MANAGEMENT AGREEMENT

JICS, a charter management organization, provides all labor, materials, facilities, and supervision necessary for the provision of educational services to the School's students, and the management, operation and maintenance of the School. These costs are reported in functional categories in the financial statements for better reporting purposes.

NOTE 5: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

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

Tabor Amendment

In November 1992, Colorado voters approved the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2017, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$43,500.

REQUIRED SUPPLEMENTARY INFORMATION

POWER TECHNICAL EARLY COLLEGE

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2017

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 1,765,442	\$ 1,148,543	\$ 1,132,160	\$ (16,383)
Student Fees and Activities	-	25,000	24,991	(9)
Transportation Fees	-	-	4,450	4,450
Contributions and Donations	-	390,000	233,736	(156,264)
Investment Income	-	-	85	85
State Sources				
Capital Construction	60,000	39,750	44,423	4,673
Federal Sources				
Grants	<u>215,000</u>	<u>215,000</u>	<u>211,507</u>	<u>(3,493)</u>
TOTAL REVENUES	<u>2,040,442</u>	<u>1,818,293</u>	<u>1,651,352</u>	<u>(166,941)</u>
EXPENDITURES				
Instruction	952,176	695,760	644,916	50,844
Supporting Services	<u>1,010,756</u>	<u>1,084,336</u>	<u>928,919</u>	<u>155,417</u>
TOTAL EXPENDITURES	<u>1,962,932</u>	<u>1,780,096</u>	<u>1,573,835</u>	<u>206,261</u>
NET CHANGE IN FUND BALANCE	77,510	38,197	77,517	39,320
FUND BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 77,510</u>	<u>\$ 38,197</u>	<u>\$ 77,517</u>	<u>\$ 39,320</u>

See the accompanying Independent Auditors' Report.

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

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

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

All appropriations lapse at fiscal year end.