



**JAMES MADISON CHARTER
ACADEMY**

FINANCIAL STATEMENTS
With Independent Auditors' Report

For the Year Ended June 30, 2021

JAMES MADISON CHARTER ACADEMY
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
James Madison Charter Academy

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of James Madison Charter Academy, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of James Madison Charter Academy, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

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

Hoelting & Company Inc.

Colorado Springs, Colorado
November 8, 2021

MANAGEMENT’S DISCUSSION AND ANALYSIS

The management of James Madison Charter Academy (JMCA), offers readers of the financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2021. Readers are encouraged to consider the information presented here in conjunction with additional information that can be found in the notes to the financial statements.

FINANCIAL HIGHLIGHTS

The liabilities and deferred inflows of JMCA exceeded its assets and deferred outflows at the close of fiscal year 2020-2021 by \$2,123,402 with a deficit of \$1,968,671 in unrestricted net position. In comparison, at June 30, 2020, liabilities exceeded assets by \$2,593,290 with a deficit of \$2,458,767 in unrestricted net position on the government-wide basis.

The total liabilities at June 30, 2021 were \$3,074,478 compared to \$3,174,373 at June 30, 2020. For the 2020-2021 fiscal year, JMCA’s revenues were \$939,939 compared to \$1,187,070 for fiscal year 2019-2020. Total expenses for the fiscal year 2020-2021 were \$470,541 compared to \$804,867 for the fiscal year 2019-2020 on the government-wide basis.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management’s discussion and analysis is intended to serve as an introduction to JMCA’s basic financial statements. This report consists of three parts: 1) Management’s Discussion and Analysis, 2) Basic Financial Statements, including Notes to the Financial Statements, and 3) Required and Other Supplemental Information.

SCHOOL-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position presents information on all of the School’s assets and liabilities, with the difference between the two reported as net position. Over time, increase or decreases in net position may serve as a useful indicator of whether the financial position of the school is improving or deteriorating.

The Statement of Activities presents information showing how the School’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. earned but unpaid salary and benefits).

The School-wide statement of activities distinguishes functions of the School supported primarily by per pupil revenue or other revenues passed through from Widefield School

District No. 3. The governmental activities of the School include instruction and supporting services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the School-wide financial statements. However, unlike the school-wide financial statements, governmental funds financial statements focus on near term inflows and outflows of resources available to spend at the end of the fiscal year. Such information may be useful in evaluating the school's near term financing requirements.

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

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

Notes to the 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.

FINANCIAL ANALYSIS OF THE SCHOOL

One of the most important questions asked about a school's finances is "Is the school as a whole better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the School's activities in a way that can help answer that question. These two statements report the net position of the school and changes in them. The School's net position (the difference between assets and liabilities) are one way to measure financial health or financial position. In addition, readers also need to consider other non-financial factors such as changes in economic conditions, student population growth, or changes in governmental legislation.

NET POSITION

As part of the analysis, below is a summary of the school's comparative Statement of Net Position and Statement of Activities on the government-wide basis below.

Condensed Statement of Net Position June 30, 2021 and June 30, 2020

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Current assets	\$ 13,125	\$ 89,054	\$ (1,250)	\$ -	\$ 11,875	\$ 89,054
Noncurrent assets	-	-	250,568	249,042	250,568	249,042
Capital assets (net)	95,469	104,979	1,157,088	1,218,352	1,252,557	1,323,331
Total Assets	108,594	194,033	1,406,406	1,467,394	1,515,000	1,661,427
Deferred outflows	260,671	177,648	-	-	260,671	177,648
Current liabilities	20,288	20,874	19,875	20,438	40,163	41,312
Long-term liabilities	1,465,653	1,520,732	1,568,662	1,612,329	3,034,315	3,133,061
Total Liabilities	1,485,941	1,541,606	1,588,537	1,632,767	3,074,478	3,174,373
Deferred inflows	824,595	1,257,992	-	-	824,595	1,257,992
Net Investment in Capital Assets	-	-	(412,823.00)	(395,227.00)	(412,823)	(395,227)
Restricted funds	27,400	30,850	230,692	229,854	258,092	260,704
Unrestricted funds	(1,968,671)	(2,458,767)	-	-	(1,968,671)	(2,458,767)
Total Net Position	\$ (1,941,271)	\$ (2,427,917)	\$ (182,131)	\$ (165,373)	\$ (2,123,402)	\$ (2,593,290)

Condensed Statement of Activities For the Years Ended June 30, 2021 and June 30, 2020

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating grants and contributions	43,290	21,803	-	-	43,290	21,803
Capital grants and contributions	28,441	29,976	-	-	29,976	29,976
General revenues:						
Property taxes	87,027	89,747	-	-	87,027	89,747
Per pupil revenue	725,181	866,634	-	-	725,181	866,634
Other	55,973	20,422	27	158,488	178,910	178,910
Transfers	(167,896)	(170,438)	167,896	170,438	-	-
Total Revenues and transfers	772,016	858,144	167,923	328,926	1,064,384	1,187,070
Expenses						
Instructional	148,733	368,461	-	-	148,733	368,461
Support services	136,637	253,424	-	-	136,637	253,424
Enterprise operations	-	-	184,681	182,982	184,681	182,982
Total Expenses	285,370	621,885	184,681	182,982	470,051	804,867
Change in net position	486,646	236,259	(16,758)	145,944	469,888	382,203
Beginning net position as restated	(2,427,917)	(2,664,176)	(165,373)	(311,317)	(2,593,290)	(2,975,493)
Ending Net Position	\$ (1,941,271)	\$ (2,427,917)	\$ (182,131)	\$ (165,373)	\$ (2,123,402)	\$ (2,593,290)

GENERAL FUND BUDGETARY HIGHLIGHTS

The School developed its budget for fiscal year 2021 in the spring of 2020. The actual expenditures for the year were \$9,760 more than the final budgeted expenditures. The General Fund ended the 2020-2021 school year in a deficit position (\$7,163). This was a direct result of the pandemic and the impact it had on student enrollment. JMCA will budget in the 2021-2022 fiscal year to restore the General Fund fund balance to a positive position.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The School-wide investment in capital assets for the primary government, including business-type activities, as of June 30, 2021 totaled \$1,252,557 (net of accumulated depreciation of \$709,255).

Long-term debt At the end of the current fiscal year, the School had total long-term debt outstanding of \$1,568,662 including \$50,000 due within the next twelve months. The School's debt is non-rated. For comparison, at the end of the previous fiscal year, the School had total long-term debt outstanding, of \$1,612,329 including \$45,000 due within the next twelve months.

For more detailed information on capital assets and debt administration, see Notes 4 and 5 in the Notes to the Basic Financial Statements.

CAPITAL ASSET 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 life of the assets. James Madison Building Corporation acquired the building in which JMCA is operating the Charter School, therefore, the cost and accumulated depreciation for this building are reported in the financial statements of the reporting entity.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The primary factor driving the budget for the school is student enrollment. The enrollment projected for the 2021-2022 school year is 100 FTE. The School is also projecting grant revenue of over \$120,000 for the 2021-2022 school year. Projections are for another increase in PPR which will result in increased revenues to support returning to a positive fund balance in the General Fund at the end of the 2021-2022 school year and improving on that for the 22-23 school year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the James Madison Charter Academy's finances for all those with an interest in them. Questions concerning any of the information provided in this report should be directed to the school at James Madison Charter Academy, 660 Syracuse Street, Colorado Springs, CO 80911.

BASIC FINANCIAL STATEMENTS

JAMES MADISON CHARTER ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 6,656	\$ -	\$ 6,656
Restricted cash and investments	-	250,568	250,568
Receivables	1,723	-	1,723
Intergovernmental receivable	3,496	-	3,496
Internal Balances	1,250	(1,250)	-
Capital assets, net of accumulated depreciation	95,469	1,157,088	1,252,557
Total Assets	<u>108,594</u>	<u>1,406,406</u>	<u>1,515,000</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	257,884	-	257,884
Deferred OPEB outflows	2,787	-	2,787
Total Deferred Outflows of Resources	<u>260,671</u>	<u>-</u>	<u>260,671</u>
LIABILITIES			
Accounts payable and other accrued liabilities	5,657	-	5,657
Accrued salaries and benefits	14,631	-	14,631
Accrued interest payable	-	19,875	19,875
Long-term liabilities			
Due within one year	-	50,000	50,000
Due in more than one year	-	1,518,662	1,518,662
Net pension liability	1,414,178	-	1,414,178
Net OPEB liability	51,475	-	51,475
Total Liabilities	<u>1,485,941</u>	<u>1,588,537</u>	<u>3,074,478</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	789,772	-	789,772
Deferred OPEB inflows	34,823	-	34,823
Total Deferred Inflows of Resources	<u>824,595</u>	<u>-</u>	<u>824,595</u>
NET POSITION			
Net investment in capital assets	-	(412,823)	(412,823)
Restricted for:			
TABOR	27,400	-	27,400
Debt Service	-	230,692	230,692
Unrestricted	<u>(1,968,671)</u>	<u>-</u>	<u>(1,968,671)</u>
Total Net Position (deficit)	<u>\$ (1,941,271)</u>	<u>\$ (182,131)</u>	<u>\$ (2,123,402)</u>

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

**JAMES MADISON CHARTER ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenue		Net (Expense) Revenue and Changes in Net Position		
		Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Instruction	\$ 148,733	\$ 39,056	\$ -	\$ (109,677)	\$ -	\$ (109,677)
Supporting services	136,637	4,234	28,441	(103,962)	-	(103,962)
Total governmental activities	285,370	43,290	28,441	(213,639)	-	(213,639)
Business-type activities:						
Building Corp	184,681	-	-		(184,681)	(184,681)
Total	\$ 470,051	\$ 43,290	\$ 28,441		(184,681)	(398,320)
General revenues:						
Per pupil revenue				725,181	-	725,181
District mill levy				87,027	-	87,027
Unrestricted investment earnings				-	27	27
Miscellaneous				55,973	-	55,973
Transfers				(167,896)	167,896	-
Total general revenues and transfers				700,285	167,923	868,208
Change in net position				486,646	(16,758)	469,888
Net position - beginning (deficit)				(2,427,917)	(165,373)	(2,593,290)
Net position - ending (deficit)				\$ (1,941,271)	\$ (182,131)	\$ (2,123,402)

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

**JAMES MADISON CHARTER ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 6,656
Receivables	1,723
Intergovernmental receivables	3,496
Due from other funds	<u>1,250</u>
Total Assets	<u><u>\$ 13,125</u></u>
LIABILITIES	
Accounts payable and other accrued liabilities	\$ 5,657
Accrued salaries and benefits	<u>14,631</u>
Total Liabilities	<u>20,288</u>
FUND BALANCE	
Restricted for:	
Emergencies	27,400
Unassigned	<u>(34,563)</u>
Total Fund Balance	<u>(7,163)</u>
Total Liabilities and Fund Balance	<u><u>\$ 13,125</u></u>

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

**JAMES MADISON CHARTER ACADEMY
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

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

Total Fund Balance of Governmental Funds	\$	(7,163)
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Capital assets being depreciated	\$	123,875
Accumulated depreciation		<u>(28,406)</u>
		95,469
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	\$	(1,414,178)
Pension outflows		257,884
Pension inflows		(789,772)
Net OPEB liability		(51,475)
OPEB outflows		2,787
OPEB inflows		<u>(34,823)</u>
		<u>(2,029,577)</u>
Total Net Position of Governmental Activities	\$	<u><u>(1,941,271)</u></u>

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

JAMES MADISON CHARTER ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>
REVENUES	
Local sources	\$ 143,000
State sources	767,926
Federal sources	<u>28,986</u>
Total revenues	<u>939,912</u>
EXPENDITURES	
Instruction	512,756
Supporting services	<u>502,499</u>
Total expenditures	<u>1,015,255</u>
Net change in fund balance	(75,343)
Fund balance, beginning	<u>68,180</u>
Fund balance, ending	<u><u>\$ (7,163)</u></u>

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

**JAMES MADISON CHARTER ACADEMY
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

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

Net Change in Fund Balance of Governmental Funds	\$	(75,343)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation Expense	<u>\$ (9,510)</u>	(9,510)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Pension expenses	\$ 563,883	
OPEB expenses	<u>7,616</u>	<u>571,499</u>

Change in Net Position of Governmental Activities	\$	<u><u>486,646</u></u>
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The accompanying notes are an integral part of these financial statements.

JAMES MADISON CHARTER ACADEMY
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2021

	<u>Building Corporation</u>
ASSETS	
Current Assets:	
Restricted cash and investments	\$ 250,568
Capital assets being depreciated, net of accumulated depreciation	<u>1,157,088</u>
Total assets	<u>1,407,656</u>
LIABILITIES	
Current Liabilities:	
Due to other funds	1,250
Accrued interest payable	19,875
Loan payable, current portion	<u>50,000</u>
Total current liabilities	71,125
Noncurrent Liabilities:	
Loan payable	<u>1,518,662</u>
Total liabilities	<u>1,589,787</u>
NET POSITION	
Net investment in capital assets	(412,823)
Restricted for debt service	<u>230,692</u>
Total net position (deficit)	<u><u>\$ (182,131)</u></u>

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

**JAMES MADISON CHARTER ACADEMY
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Building Corporation
OPERATING REVENUES	
Rental income	\$ 167,896
OPERATING EXPENSES	
Interest expense	123,417
Net operating income (loss)	44,479
NON-OPERATING REVENUES (EXPENSES)	
Interest income	27
Depreciation expense	(61,264)
Total non-operating revenues (expenses)	(61,237)
Change in net position	(16,758)
Net position - beginning (deficit)	(165,373)
Net position - ending (deficit)	\$ (182,131)

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

**JAMES MADISON CHARTER ACADEMY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Building Corporation</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Lease payments received	\$ 167,896
Interest payments on loan	<u>(122,647)</u>
Net cash provided (used) by operating activities	<u>45,249</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payment on loan	<u>(45,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>27</u>
Net increase (decrease) in cash and cash equivalents	276
Cash and cash equivalents, beginning	<u>250,292</u>
Cash and cash equivalents, ending	<u><u>\$ 250,568</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 44,479
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Amortization on loan discount	1,333
Changes in assets and liabilities:	
<i>Increase (decrease) in:</i>	
Interest payable	<u>(563)</u>
Net cash provided (used) by operating activities	<u><u>\$ 45,249</u></u>

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

NOTES TO FINANCIAL STATEMENTS

JAMES MADISON CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

James Madison Charter Academy (the School) began operations on July 1, 2005, pursuant to the Colorado Charter Schools Act, to form and operate a charter school within Widefield School District No. 3 (the District).

The financial statements of James Madison Charter Academy (the School) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the School are described below.

A. REPORTING ENTITY

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

Blended component unit. The James Madison Building Corporation (the Building Corporation) was organized for the purpose of acquiring, leasing, constructing, improving, equipping and financing various facilities, land, equipment and other improvements in connection with property intended to be leased to the School. The Building Corporation has no financial balances or transactions outside of those reported by the School, and therefore, are not reported separately in the financial statements. The Building Corporation does not issue separate financial statements.

The School is considered a component unit of the District. The School is deemed to be fiscally dependent upon the District because the District provides the majority of the support to the School in the form of per pupil operating revenue. The School operates under a charter with the District. The current charter runs through June 30, 2025 at which time the School may seek renewal of its charter in accordance with procedures set forth in state law and school district policy and regulations.

B. BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. Governmental activities are normally supported by per pupil revenue and intergovernmental revenues. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

JAMES MADISON CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

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

The School reports the following major governmental fund:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the School reports the following major proprietary fund:

The *Proprietary Fund* is used to account for the financial activities of the Building Corporation, primarily related to capital assets and the related debt service.

During the course of operations, the government 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 (i.e., the governmental and internal service funds) 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 activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

D. MEASUREMENT FOCUS 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.

JAMES MADISON CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The enterprise 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.

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 items

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

Capital assets

Capital assets, are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. The capitalization level for equipment is \$5,000. 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.

**JAMES MADISON CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital assets (continued)

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.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed.

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

Building and improvements	30 years
Equipment	5 to 15 years

Long-term liabilities

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.

Pensions

James Madison Charter Academy 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 (FNP) and additions to/deductions from the FNP of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 made changes to certain benefit provisions. Most of these changes were in effect as of June 30, 2021.

JAMES MADISON CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

James Madison Charter Academy 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 (FNP) and additions to/deductions from the FNP 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.

Net position flow assumption

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

Fund balance classification

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

Non-spendable – 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.

**JAMES MADISON CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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 (continued)

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

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

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

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

F. REVENUES AND EXPENDITURES/EXPENSES

Program revenues

Amounts reported as *program revenues* include 1) 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 state equalization.

Proprietary funds operating and non-operating revenues and expenses

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

G. ESTIMATES

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

JAMES MADISON CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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. On or before June 1, 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. Variances between budget and actual results 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.

Excess of expenditures over appropriations

For the year ended June 30, 2021, expenditures exceeded appropriations by \$9,760. The excess of expenditures over appropriations was funded by the use of the beginning fund balance.

NOTE 3 - DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of June 30, 2021 is as follows:

Deposits	\$ 6,656
Investments	<u>250,568</u>
Total	<u>\$ 257,224</u>

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

Cash and investments	\$ 6,656
Restricted cash and investments	<u>250,568</u>
Total	<u>\$ 257,224</u>

JAMES MADISON CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash deposits with financial institutions

Custodial credit risk—deposits. 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 cash deposits for the governmental activities at June 30, 2021 was \$6,656 and the bank balances were \$8,085. All of the bank balances were covered by federal deposit insurance.

Investments

Credit Risk

The School 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.

At June 30, 2021 the School's investment balances were as follows:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Money market	Less than 60 days	\$ <u>250,568</u>

These investments are money market funds which are not rated by rating agencies.

All investment balances were restricted for debt service.

JAMES MADISON CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<i>Governmental Activities</i>				
Capital assets, being depreciated:				
Site improvements	\$ 86,301	\$ -	\$ -	\$ 86,301
Equipment	<u>37,574</u>	<u>-</u>	<u>-</u>	<u>37,574</u>
Total capital assets, being depreciated	<u>123,875</u>	<u>-</u>	<u>-</u>	<u>123,875</u>
Less accumulated depreciation for:				
Site improvements	(9,589)	(5,753)	-	(15,342)
Equipment	<u>(9,307)</u>	<u>(3,757)</u>	<u>-</u>	<u>(13,064)</u>
Total accumulated depreciation	<u>(18,896)</u>	<u>(9,510)</u>	<u>-</u>	<u>(28,406)</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 104,979</u>	<u>\$ (9,510)</u>	<u>\$ -</u>	<u>\$ 95,469</u>

Business Type Activities

Capital assets, being depreciated:				
Building and improvements	\$ 1,837,937	\$ -	\$ -	\$ 1,837,937
Less accumulated depreciation	<u>(619,585)</u>	<u>(61,264)</u>	<u>-</u>	<u>(680,849)</u>
Total capital assets, being depreciated, net	<u>1,218,352</u>	<u>(61,264)</u>	<u>-</u>	<u>1,157,088</u>
<i>Business type activities capital assets, net</i>	<u>\$ 1,218,352</u>	<u>\$ (61,264)</u>	<u>\$ -</u>	<u>\$ 1,157,088</u>

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

<i>Governmental activities</i>	
Instruction	<u>\$ 9,510</u>

JAMES MADISON CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 – LONG-TERM LIABILITIES

Series 2007 Charter School Revenue Bonds

Principal
Balance

Bonds to finance acquiring the building the School operates in the original amount of \$2,040,000 due in varying annual installments through May 1, 2037 with a coupon rate of 7.50%

\$ 1,590,000

The School is obligated under a lease agreement to make monthly lease payments to the Building Corporation for use of the building. The Building Corporation is required to make equal lease payments to the Trustee, for payment of the Series 2007 Bonds.

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

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 50,000	\$ 119,250
2023	55,000	115,500
2024	55,000	111,375
2025	60,000	107,250
2026	65,000	102,750
2027-2031	405,000	433,125
2032-2036	585,000	256,125
2037	<u>315,000</u>	<u>23,625</u>
Total	<u>\$ 1,590,000</u>	<u>\$ 1,269,000</u>

The changes in long-term debt for the year ended June 30, 2021 were as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Revenue Bonds	\$ 1,635,000	\$ -	\$ 45,000	\$ 1,590,000	\$ 50,000
Unamortized bond discount	<u>(22,671)</u>	<u>-</u>	<u>(1,333)</u>	<u>(21,338)</u>	<u>-</u>
Total bonds payable	<u>\$ 1,612,329</u>	<u>\$ -</u>	<u>\$ 43,667</u>	<u>\$ 1,568,662</u>	<u>\$ 50,000</u>

JAMES MADISON CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

Benefits provided as of December 31, 2020. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

As of December 31, 2020, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lessor of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA’s Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

**JAMES MADISON CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

Contributions provisions as of June 30, 2021: Eligible employees of, James Madison Charter Academy 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 10.00 percent of their PERA-includable salary during the period of July 1, 2020 through June 30, 2021. Employer contribution requirements are summarized in the table below:

	July 1, 2020 Through June 30, 2021
Employer contribution rate	10.90%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%
Amount apportioned to the SCHDTF	9.88%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
Total employer contribution rate to the SCHDTF	19.88%

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

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (actual dollars) 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. House Bill (HB) 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020 for the State's 2020-21 fiscal year.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the James Madison Charter Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from James Madison Charter Academy were \$88,725 for the year ended June 30, 2021.

**JAMES MADISON CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total pension liability to December 31, 2020. The James Madison Charter Academy proportion of the net pension liability was based on James Madison Charter Academy contributions to the SCHDTF for the calendar year 2020 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

Due to the aforementioned suspension of the July 1, 2020, direct distribution payment, the nonemployer contributing entity's proportion is zero percent. Pursuant to C.R.S. § 24-51-414, the direct distribution payment from the State of Colorado is to recommence annually starting on July 1, 2021. For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation.

At June 30, 2021, the James Madison Charter Academy reported a liability of \$1,414,178 for its proportionate share of the net pension liability. The amount recognized by the James Madison Charter Academy 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 Madison Charter Academy were as follows:

James Madison Charter Academy proportionate share of the net pension liability	\$ 1,414,178
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the James Madison Charter Academy	-
Total	\$ 1,414,178

At December 31, 2020, the James Madison Charter Academy proportion was 0.0093542742 percent, which was a decrease of 0.000347649 from its proportion measured as of December 31, 2019.

JAMES MADISON CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended June 30, 2021, the James Madison Charter Academy recognized pension expense of (\$563,883). At June 30, 2021, the James Madison Charter Academy 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	\$ 77,702	\$ -
Changes of assumptions or other inputs	136,039	237,711
Net difference between projected and actual earnings on pension plan investments	-	311,293
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	240,768
Contributions subsequent to the measurement date	44,143	N/A
Total	\$ 257,884	\$ 789,772

\$44,143 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, 2022. 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:	
2022	\$ (419,312)
2023	(28,924)
2024	(78,686)
2025	(49,109)
2026	-
Thereafter	-

**JAMES MADISON CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

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

¹ Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

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

Post-retirement non-disabled mortality assumptions were based on the RP-2014 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.

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

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by PERA’s Board during the November 18, 2016, Board meeting.

**JAMES MADISON CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA’s Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total pension liability from December 31, 2019, to December 31, 2020.

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation:	3.40%-11.00%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (compounded annually)	1.25%
PERA benefit structure hired after 12/31/06 ¹	Financed by the AIR

¹ Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

The pre-retirement mortality assumptions were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- Males: 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.
- Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.

**JAMES MADISON CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a benefit-weighted basis.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

Several factors are considered in evaluating the long-term rate of return assumption, 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 percentages and then adding expected inflation.

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives ¹	6.00%	4.70%
Total	100.00%	

¹ The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

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 nominal rate of return assumption of 7.25 percent.

JAMES MADISON CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. 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 current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, 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. HB 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020, for the State's 2020-21 fiscal year.
- 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 FNP, 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 FNP 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 SCHDTF's FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

**JAMES MADISON CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the James Madison Charter Academy 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	\$ 1,929,054	\$ 1,414,178	\$ 985,116

Pension plan fiduciary net position. Detailed information about the SCHDTF’s FNP is available in PERA’s Annual Report which can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Health Care Trust Fund

Plan description. Eligible employees of the James Madison Charter Academy 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 (Annual Report) that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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.

JAMES MADISON CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

**NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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 maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the James Madison Charter Academy is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from James Madison Charter Academy were \$4,552 for the year ended June 30, 2021.

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

At June 30, 2021, the James Madison Charter Academy reported a liability of \$51,475 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2020. The James Madison Charter Academy proportion of the net OPEB liability was based on James Madison Charter Academy contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

**JAMES MADISON CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

**NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

At December 31, 2020, the James Madison Charter Academy proportion was 0.0054171310 percent, which was a decrease of 0.0009250098 from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the James Madison Charter Academy recognized OPEB expense of (\$7,616). At June 30, 2021, the James Madison Charter Academy 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	\$ 137	\$ 11,317
Changes of assumptions or other inputs	385	3,156
Net difference between projected and actual earnings on OPEB plan investments	-	2,103
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	18,247
Contributions subsequent to the measurement date	2,265	N/A
Total	\$ 2,787	\$ 34,823

\$2,265 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, 2022. 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:	
2022	\$ (8,039)
2023	(7,745)
2024	(8,003)
2025	(6,845)
2026	(3,444)
Thereafter	(225)

JAMES MADISON CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

**NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

Actuarial assumptions. The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	8.10% in 2020, gradually decreasing to 4.50% in 2029
Medicare Part A premiums	3.50% in 2020, gradually increasing to 4.50% in 2029
DPS benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2019, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2020 for the PERA Benefit Structure:

Medicare Plan	Initial Costs for Members without Medicare Part A		
	Monthly Cost	Monthly Premium	Monthly Cost Adjusted to Age 65
Medicare Advantage/Self- Insured Rx	\$588	\$227	\$550
Kaiser Permanente Medicare Advantage HMO	621	232	586

The 2020 Medicare Part A premium is \$458 (actual dollars) per month.

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.

**JAMES MADISON CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

**NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2019, 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
2020	8.10%	3.50%
2021	6.40%	3.75%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	4.00%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Mortality assumptions used in the December 31, 2019 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

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

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

**JAMES MADISON CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

**NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the period January 1, 2012, through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by PERA’s Board during the November 18, 2016, Board meeting.

Based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period of January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA’s Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total OPEB liability from December 31, 2019, to December 31, 2020.

	Trust Fund			
	State Division	School Division	Local Government Division	Judicial Division
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Price inflation	2.30%	2.30%	2.30%	2.30%
Real wage growth	0.70%	0.70%	0.70%	0.70%
Wage inflation	3.00%	3.00%	3.00%	3.00%
Salary increases, including wage inflation:				
Members other than State Troopers	3.30%-10.90%	3.40%-11.00%	3.20%-11.30%	2.80%-5.30%
State Troopers	3.20%-12.40%	N/A	3.20%-12.40% ¹	N/A

¹ C.R.S. § 24-51-101 (46), as amended, expanded the definition of “State Troopers” to include certain employees within the Local Government Division, effective January 1, 2020. See Note 4 of the Notes to the Financial Statements in PERA’s 2020 Annual Report for more information.

The long-term rate of return, net of OPEB plan investment expenses, including price inflation and discount rate assumptions were 7.25 percent.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Mortality assumptions used in the roll forward calculations for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the roll forward calculation for the HCTF, using a headcount-weighted basis.

Pre-retirement mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

JAMES MADISON CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

**NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

The pre-retirement mortality assumptions for the School Division were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for the Judicial Division were based upon the PubG-2010(A) Above-Median Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- Males: 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the School Division were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- Males: 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the Judicial Division were based upon the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.
- Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for Members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a head-count weighted basis.

**JAMES MADISON CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

**NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

The following health care costs assumptions were updated and used in the roll forward calculation 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 2020 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.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by the Board’s actuary, as discussed above.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

Several factors are considered in evaluating the long-term rate of return assumption, 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 percentages and then adding expected inflation.

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board’s November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives ¹	6.00%	4.70%
Total	100.00%	

¹ The Opportunity Fund’s name changed to Alternatives, effective January 1, 2020.

**JAMES MADISON CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

**NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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 nominal rate of return assumption of 7.25 percent.

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	7.10%	8.10%	9.10%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$50,144	\$51,475	\$53,024

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, 2020, 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 3.00 percent.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the HCTF's FNP 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.

**JAMES MADISON CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

**NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

Sensitivity of the James Madison Charter Academy 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	\$ 58,965	\$ 51,475	\$ 45,075

OPEB plan fiduciary net position. Detailed information about the HCTF’s fiduciary net position is available in PERA’s Annual Report which can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 8 - RISK MANAGEMENT

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

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

NOTE 9 – CONCENTRATION OF RISK

The School is funded directly by the District based on the District’s per pupil funding. For the fiscal year ended June 30, 2021, this funding accounted for approximately 77% of the School’s revenues.

NOTE 10 - AMENDMENT TO COLORADO CONSTITUTION

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

The amendment requires emergency reserves be established. These reserves must be at least 3% of fiscal year spending. The School is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary and benefit increases. At June 30, 2021 there is a \$27,400 reservation of fund balance in the General Fund for the amendment.

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

**JAMES MADISON CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 11 - COMPLIANCE

The School has complied with the requirements of the Financial Policies and Procedures Handbook for the 2021 audit period as required by Colorado Statute CRS 22-44-204(3).

REQUIRED SUPPLEMENTARY INFORMATION

JAMES MADISON CHARTER ACADEMY
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2021

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
School's proportion of the net pension liability (asset)	0.0093542742%	0.0097019239%	0.0106066002%	0.0128675272%	0.0129775899%	0.0120351411%	0.0126928270%	0.0126179931%
School's proportionate share of the net pension liability (asset)	\$ 1,414,178	\$ 1,449,446	\$ 1,878,116	\$ 4,160,901	\$ 3,863,930	\$ 1,840,690	\$ 1,720,304	\$ 1,609,422
State's proportionate share of the net pension liability (asset) associated with the School	-	183,844	256,806	-	-	-	-	-
Total	<u>\$ 1,414,178</u>	<u>\$ 1,633,290</u>	<u>\$ 2,134,922</u>	<u>\$ 4,160,901</u>	<u>\$ 3,863,930</u>	<u>\$ 1,840,690</u>	<u>\$ 1,720,304</u>	<u>\$ 1,609,422</u>
School's covered payroll	\$ 500,947	\$ 570,259	\$ 583,102	\$ 593,564	\$ 582,457	\$ 524,489	\$ 531,738	\$ 508,671
School's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	282.30%	254.17%	322.09%	701.00%	663.38%	350.95%	323.52%	316.40%
Plan fiduciary net position as a percentage of the total pension liability	67.0%	64.5%	57.0%	44.0%	43.1%	59.2%	62.8%	64.1%

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

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

See the accompanying independent auditors' report.

JAMES MADISON CHARTER ACADEMY
SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - PENSION
JUNE 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 88,725	\$ 107,202	\$ 111,251	\$ 107,471	\$ 112,648	\$ 100,753	\$ 83,830	\$ 78,193
Contributions in relation to the contractually required contribution	<u>(88,725)</u>	<u>(107,202)</u>	<u>(111,251)</u>	<u>(107,471)</u>	<u>(112,648)</u>	<u>(100,753)</u>	<u>(83,830)</u>	<u>(78,193)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 446,302	\$ 553,160	\$ 581,554	\$ 569,231	\$ 612,881	\$ 568,265	\$ 496,624	\$ 489,318
Contributions as a percentage of covered payroll	19.88%	19.38%	19.13%	18.88%	18.38%	17.73%	16.88%	15.98%

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

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

See the accompanying independent auditors' report.

**JAMES MADISON CHARTER ACADEMY
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
JUNE 30, 2021**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
School's proportion of the net OPEB liability (asset)	0.0054171310%	0.0063421408%	0.0068943502%	0.0073112787%	0.0073766221%
School's proportionate share of the net OPEB liability (asset)	\$ 51,475	\$ 71,286	\$ 93,801	\$ 95,017	\$ 95,640
School's covered payroll	\$ 500,947	\$ 570,259	\$ 583,102	\$ 593,564	\$ 582,457
School's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	10.28%	12.50%	16.09%	16.01%	16.42%
Plan fiduciary net position as a percentage of the total OPEB liability	24.5%	24.5%	17.0%	17.5%	16.7%

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

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

See the accompanying independent auditors' report.

JAMES MADISON CHARTER ACADEMY
SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - OPEB
JUNE 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 4,552	\$ 5,642	\$ 5,932	\$ 5,803	\$ 6,248
Contributions in relation to the contractually required contribution	<u>(4,552)</u>	<u>(5,642)</u>	<u>(5,932)</u>	<u>(5,803)</u>	<u>(6,248)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 446,302	\$ 553,160	\$ 581,554	\$ 569,231	\$ 612,881
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%

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

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

See the accompanying independent auditors' report.

JAMES MADISON CHARTER ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Local sources:				
District mill levy	\$ 95,000	\$ 95,000	\$ 87,027	\$ (7,973)
Other local revenue	-	-	55,973	55,973
	95,000	95,000	143,000	48,000
State sources:				
Per pupil revenue	820,155	735,840	725,181	(10,659)
Operating grants	500	500	14,304	13,804
Capital grants	28,500	49,130	28,441	(20,689)
	849,155	785,470	767,926	(17,544)
Federal sources:				
Operating grants	32,409	85,834	28,986	(56,848)
Total revenues	976,564	966,304	939,912	(26,392)
EXPENDITURES				
Instruction				
Salaries	295,679	295,679	291,132	4,547
Benefits	139,414	111,923	111,514	409
Purchased services	72,209	68,092	73,354	(5,262)
Supplies	7,535	7,105	7,654	(549)
Property	28,389	26,770	28,839	(2,069)
Other	259	244	263	(19)
Supporting services				
Salaries	153,851	153,851	154,295	(444)
Benefits	53,657	43,077	42,919	158
Purchased services	264,516	249,435	268,711	(19,276)
Supplies	31,664	29,859	32,166	(2,307)
Other	4,339	4,092	4,408	(316)
Appropriated reserves	31,523	15,369	-	15,369
Total expenditures	1,083,034	1,005,495	1,015,255	(9,760)
Net change in fund balances	(106,470)	(39,191)	(75,343)	(36,152)
Fund balances - beginning	135,767	68,180	68,180	-
Fund balance - ending	\$ 29,297	\$ 28,989	\$ (7,163)	\$ (36,152)

See the accompanying Independent Auditors' Report.