

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)

Financial Statements

June 30, 2020



Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Table of Contents
June 30, 2020

| | |
|--|----|
| Independent Auditors' Report | 1 |
| Management's Discussion and Analysis | i |
| Basic Financial Statements | |
| <i>Government-wide Financial Statements</i> | |
| Statement of Net Position | 3 |
| Statement of Activities | 4 |
| <i>Governmental Fund</i> | |
| Balance Sheet | 5 |
| Statement of Revenues, Expenditures and Changes in Fund Balance | 6 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities | 7 |
| <i>Proprietary Fund</i> | |
| Statement of Net Position | 8 |
| Statement of Revenues, Expenses and Changes in Net Position | 9 |
| Statement of Cash Flows..... | 10 |
| <i>Notes to Financial Statements</i> | 11 |
| Required Supplementary Information | |
| Schedule of Proportionate Share of the Net Pension Liability and Contributions..... | 35 |
| Schedule of Proportionate Share of the Net OPEB Liability and Contributions..... | 37 |
| Budgetary Comparison Schedule – General Fund..... | 38 |
| <i>Notes to Required Supplementary Information</i> | 39 |



**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

Independent Auditors' Report

Board of Directors
Parker Core Knowledge, Inc.
Parker, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Parker Core Knowledge, Inc., component unit of Douglas County School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of Parker Core Knowledge, Inc., as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Parker Core Knowledge, Inc., as of June 30, 2020, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Hick & Company, PC

Greenwood Village, Colorado
October 27, 2020



Parker Core Knowledge Charter School

Management's Discussion and Analysis

Fiscal Year Ending June 30, 2020

The Management's Discussion and Analysis of Parker Core Knowledge's financial performance provides narrative overview and analysis of the financial activities of Parker Core Knowledge for the fiscal year ended June 30, 2020. Readers of this narrative are encouraged to review the Financial Statements and Notes to the Financial Statements to better understand the School's financial performance.

Financial Highlights

The year ending June 30, 2020 is the twenty-sixth year of operations for Parker Core Knowledge. The Fund balance increased \$70,336 during the year, from \$2,682,114 to \$2,752,450.

The operations of Parker Core Knowledge continue to be funded almost exclusively by tax revenue received under the State School Finance Act. Under the Act, the School is paid a per pupil revenue (PPR) for each child enrolled in the School on October 1st of each year. The School also receives a portion of the Mill Levy Revenues collected by Douglas County School District and from money provided for Charter School facilities from the State of Colorado. The downturn in the economy, and subsequent loss of state revenues by the State of Colorado, had an adverse effect on the PPR funding from the state for several years between 2009 and 2015 but had slowly been increasing each year since then. In 2019-2020 PPR was \$8,124. PPR for the 2020-2021 school year is expected to be lower than the previous year and this trend may continue in the future due to the Coronavirus pandemic.

At the end of the FY 2016, the CKCS Building Corporation (Building Corporation), which owns the facilities of Parker Core Knowledge restructured its debt and borrowed an additional \$3,000,000 to construct a new 15,000 sq./ft. building on the School's property. This new building includes seven classrooms and a new, larger school gym and was completed in time for school start-up in August of 2018. Payments on this debt total \$521,760 per year until July 1, 2026 when the balloon payment of \$7,446,179 is due.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to Parker Core Knowledge's basic financial statements. The basic statements are comprised of four components: 1) government-wide financial statements; 2) fund financial statements; 3) notes to the financial statements; and 4) supplementary information.

1) Government-wide Financial Statements

The government-wide financial statements report information on all activities of the School and the CKCS Building Corporation. They are designed to provide readers with a broad overview of Parker Core Knowledge's finances, in a manner similar to a private-sector business.

Parker Core Knowledge Charter School

Management's Discussion and Analysis

Fiscal Year Ending June 30, 2020

The Statement of Net Position presents information on all Parker Core Knowledge's assets and liabilities, with the difference between the two being reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of Parker Core Knowledge is improving or deteriorating.

The Statement of Activities (Revenues and Expenses) presents information showing how Parker Core Knowledge's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurred, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will affect cash flows in future periods.

2) 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. Parker Core Knowledge keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements. The General Fund of Parker Core Knowledge is a governmental fund; the CKCS Building Corporation is a business-type activity or proprietary fund.

Governmental Funds. Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of resources available at the end of the fiscal year. Such information may be useful in evaluating Parker Core Knowledge's near-term financing requirements.

Parker Core Knowledge maintains two individual governmental funds, the General Fund and the Activity Fund. The Activity Fund is used to record school-sponsored pupil organizations and activities. These activities are self-supporting and do not receive any direct support from the general funds. However, the activity in this Fund is minimal compared to the Operating Fund so the Operating Fund and Activity funds have been combined in the accompanying financial statements.

Proprietary Fund. The CKCS Building Corporation is considered a component unit of Parker Core Knowledge and has one fund, the proprietary fund. Its activity is related to the assets purchased with tax-exempt financing and is represented in the financial statements on the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

3) Notes to the financial statements

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

Parker Core Knowledge Charter School

Management's Discussion and Analysis

Fiscal Year Ending June 30, 2020

4) Supplementary Information

Parker Core Knowledge adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget. The supplementary information also provides schedules and information on the School's proportionate share of the net pension liability and contributions and the School's proportionate share of the net OPEB liability and contributions.

Government-wide Financial Analysis

As noted previously, over time, net position may serve as a useful indicator of Parker Core Knowledge's financial position. For the year ended June 30, 2020 Parker Core Knowledge's net position is a negative (\$11,554,940). The negative balance is primarily due to the adoption of GASB Statement No. 68, resulting in a net pension liability of \$9,536,432 which represents Parker Core Knowledge's proportionate share of PERA's net pension liability, GASB 75, resulting in a net OPEB liability of \$468,909, and Loss on Debt Refunding of \$577,650. Our proportionate share of our net pension liability decreased \$1,663,397 over the prior year. Our proportionate share of our net OPEB liability decreased \$90,458 over the prior year.

Parker Core Knowledge Charter School
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2020

Core Knowledge Charter School's Combined Net Position
For the Year Ended June 30, 2020 and June 30, 2019

| | Governmental and Business-Type Activities 2019-2020 | Governmental and Business-Type Activities 2018-2019 |
|--|--|--|
| Assets | | |
| Cash and Investments | \$ 3,643,018 | \$ 3,391,607 |
| Restricted Cash and Investments | 317,206 | 312,341 |
| Accounts Receivable | 344 | 9,409 |
| Deposits | 6,419 | 18,236 |
| Prepaid Expenses | 4,130 | - |
| Capital Assets, <i>Not being Depreciated</i> | 235,020 | 469,270 |
| Capital Assets, <i>Net of Accumulated Depreciation</i> | 8,320,004 | 7,997,814 |
| Total Assets | 12,526,141 | 12,198,677 |
| Deferred Outflows of Resources | | |
| Pensions, <i>Net of Accumulated Amortization</i> | 1,396,903 | 3,847,826 |
| OPEB, <i>Net of Accumulated Amortization</i> | 47,862 | 48,004 |
| Loss on Debt Refunding, <i>Net of Accumulated Amortization</i> | 577,650 | 673,776 |
| Total Deferred Outflows of Resources | 2,022,415 | 4,569,606 |
| Liabilities | | |
| Accounts Payable | 85,594 | 226,164 |
| Accrued Liabilities | 223,215 | 230,665 |
| Unearned Revenues | 307,881 | 2,500 |
| Accrued Interest Payable | 25,770 | 26,363 |
| Noncurrent Liabilities | | |
| Due Within One Year | 248,825 | 230,362 |
| Due in More Than One Year | 8,674,961 | 8,985,604 |
| Net Pension Liability | 9,536,432 | 11,199,829 |
| Net OPEB Liability | 468,909 | 559,367 |
| Total Liabilities | 19,571,587 | 21,460,854 |
| Deferred Inflows of Resources | | |
| Pensions, <i>Net of Accumulated Amortization</i> | 6,439,633 | 8,564,598 |
| OPEB, <i>Net of Accumulated Amortization</i> | 92,276 | 8,337 |
| Total Deferred Inflows of Resources | 6,531,909 | 8,572,935 |
| Net Position | | |
| Net Investment in Capital Assets | 272,901 | 87,663 |
| Restricted for Debt Service | 291,436 | 285,978 |
| Restricted for Emergencies | 232,500 | 231,000 |
| Unrestricted | (12,351,777) | (13,870,147) |
| Total Net Position | \$ (11,554,940) | \$ (13,265,506) |

Parker Core Knowledge Charter School
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2020

Core Knowledge Charter School Change in Combined Net Assets
For the Year Ended June 30, 2019 and June 30, 2018

| | Governmental and Business-Type Activities 2019-2020 | Governmental and Business-Type Activities 2018-2019 |
|--|--|--|
| Revenue: | | |
| Charges for Services | \$ 761,234 | \$ 1,140,393 |
| Operating Grants and Contributions | 92,179 | 17,748 |
| Per Pupil Revenue | 5,713,337 | 5,176,600 |
| District Mill Levy | 815,222 | 794,496 |
| State Capital Construction | 195,753 | 200,208 |
| Contributions not Restricted to Specific Programs | 69,915 | 200,139 |
| Investment Income | 43,587 | 59,530 |
| Other | 6,638 | 2,236 |
| Total Program and General Revenues | 7,697,865 | 7,591,350 |
| Expenses: | | |
| Instruction | 3,420,235 | 3,716,266 |
| Supporting Services | 1,842,543 | 2,043,934 |
| Building Corporation | 724,521 | 682,561 |
| Total Expenses | 5,987,299 | 6,442,761 |
| Change in Net Position | 1,710,566 | 1,148,589 |
| Net Position, <i>Beginning of Year</i> | (13,265,506) | (14,414,095) |
| Net Position, <i>End of Year</i> | \$ (11,554,940) | \$ (13,265,506) |

Parker Core Knowledge Charter School

Management's Discussion and Analysis

Fiscal Year Ending June 30, 2020

Financial Analysis of the Funds

Governmental Funds

The focus of Parker Core Knowledge's Governmental Fund Financial Statement is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the School's operating requirements. In particular, the unassigned fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year.

The General Fund is the major operating fund of the School and reflects the day-to-day operations of the School. At the end of the current fiscal year, the School's operating fund reported an ending fund balance of \$2,752,450, an increase of \$70,336. During the prior fiscal year, the fund balance increased \$493,740. The decrease from the prior year was primarily due to the effect of a) increased revenue from higher PPR, b) increased expense due to higher salaries and benefits cost mainly from wage increases for employees, c) increased expense due to construction for building security and an elementary science lab and d) lower revenue from a decrease in preschool tuition as the preschool was closed from mid- March to the end of May due to the Coronavirus pandemic.

Proprietary Fund

The Proprietary Fund includes the activities of the Building Corporation. Its purpose consists entirely of holding title to the School's facilities and debt service. The School is obligated under a lease agreement to make monthly payments to the Building Corporation for use of the facilities. These payments from the School flow through the Building Corporation to service the long-term bond debt. These rent payments are then held in restricted cash accounts to service the debt. The only other revenue for the Building Corporation is investment earnings which totaled \$4,919 for the year.

During the year, the School paid for renovations to the property owned by the Building Corporation. These renovations included a remodel to the front office for increased security and the construction of a new elementary science lab. These costs were expenses in the School's financial statements and are shown as a capital contribution in the financial statements of the Building Corporation.

Because of the limited activity of the Building Corporation, most of its cash is restricted for loan repayment purposes. At the end of 2019, \$291,436 was being held for debt service.

Parker Core Knowledge Charter School

Management's Discussion and Analysis

Fiscal Year Ending June 30, 2020

General Fund Budgetary Highlights

The School approves a budget in May based on enrollment projections for the following school year. The budget is then revised in December after the official student enrollment count is taken. Over 80% of the School's budget is spent on salaries, benefits, and property services. Therefore, any large expenditures must come from accumulated funds from prior years. For the school year 2019-20, the School budgeted for net expenses of \$246,970. The actuals for 2019-2020 show net revenues of \$70,336.

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2020, the CKCS Building Corporation own's equipment, land and improvements, net of depreciation of \$8,488,341. This investment in capital assets includes the property and building for one campus.

Long-Term Debt. In June 2016, The Colorado Educational and Cultural Facilities Authority (CECFA) issued \$9,605,000 Charter School Refunding and Improvement Revenue Notes, Series 2016. Proceeds were used to refund the outstanding Charter School Revenue Refunding and Improvement Bonds, Series 2004, and the Charter School Revenue Bonds, Series 2010, and to provide additional funds for construction of an additional building on the current School site. The current loan carries an interest rate of 3.5% and requires monthly payments of principal and interest with a balloon payment of \$7,446,179 due July 1, 2026. The School makes lease payments for use of the facilities, which the Building Corporations uses to make the required principal and interest payments on this loan. These transactions flow through the Colorado State Intercept Program, which requires the School District to withhold a portion of the Per Pupil Funding and transfer the funds directly to the Trustee who, in turn, makes the principal and interest payments.

Economic Factors and Next Year's Budget

State funding is expected to decrease in 2020-21 due to the Coronavirus pandemic. Per Pupil revenue is anticipated to decrease 5.7% for the 2020-21 school year due to constraints from the Coronavirus pandemic and the Legislature's continuing effort to buy down the "negative factor". The negative factor is the difference between what public school funding would have been due to Legislative formula and the actual funding that was provided to public schools due to the state level funding cuts. Capital Construction is expected to decrease and will probably be even more of a decrease because of the increased number of charter school students in the State of Colorado.

The School slightly raised budgeted salaries in 2020-21 to help offset the required increased contributions employees make to PERA. The School also expects to have increased costs from the Coronavirus pandemic. These expenses will be paid from revenue received and from reserves.

Parker Core Knowledge Charter School

Management's Discussion and Analysis
Fiscal Year Ending June 30, 2020

Requests for Information

The financial report is designed to provide a general overview of Parker Core Knowledge's finances for those with an interest in Parker Core Knowledge. Questions concerning any information provided in this report or request for additional information should be addressed to:

Business Manager
Parker Core Knowledge, Inc.
11661 N. Pine Drive
Parker CO 80138

Basic Financial Statements

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Statement of Net Position
June 30, 2020

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|------------------------|
| Assets | | | |
| Cash and Investments | \$ 3,358,237 | \$ 284,781 | \$ 3,643,018 |
| Restricted Cash and Investments | - | 317,206 | 317,206 |
| Accounts Receivable | 344 | - | 344 |
| Deposits | 6,419 | - | 6,419 |
| Prepaid Expenses | 4,130 | - | 4,130 |
| Capital Assets, <i>Not Being Depreciated</i> | - | 235,020 | 235,020 |
| Capital Assets, <i>Net of Accumulated Depreciation</i> | 66,683 | 8,253,321 | 8,320,004 |
| Total Assets | <u>3,435,813</u> | <u>9,090,328</u> | <u>12,526,141</u> |
| Deferred Outflows of Resources | | | |
| Pensions, <i>Net of Accumulated Amortization</i> | 1,396,903 | - | 1,396,903 |
| OPEB, <i>Net of Accumulated Amortization</i> | 47,862 | - | 47,862 |
| Loss on Debt Refunding, <i>Net of Accumulated Amortization</i> | - | 577,650 | 577,650 |
| Total Deferred Outflows of Resources | <u>1,444,765</u> | <u>577,650</u> | <u>2,022,415</u> |
| Liabilities | | | |
| Accounts Payable | 85,584 | 10 | 85,594 |
| Accrued Liabilities | 223,215 | - | 223,215 |
| Unearned Revenues | 307,881 | - | 307,881 |
| Accrued Interest Payable | - | 25,770 | 25,770 |
| Noncurrent Liabilities | | | |
| Due Within One Year | 37,190 | 211,635 | 248,825 |
| Due in More Than One Year | 26,823 | 8,648,138 | 8,674,961 |
| Net Pension Liability | 9,536,432 | - | 9,536,432 |
| Net OPEB Liability | 468,909 | - | 468,909 |
| Total Liabilities | <u>10,686,034</u> | <u>8,885,553</u> | <u>19,571,587</u> |
| Deferred Inflows of Resources | | | |
| Pensions, <i>Net of Accumulated Amortization</i> | 6,439,633 | - | 6,439,633 |
| OPEB, <i>Net of Accumulated Amortization</i> | 92,276 | - | 92,276 |
| Total Deferred Inflows of Resources | <u>6,531,909</u> | <u>-</u> | <u>6,531,909</u> |
| Net Position | | | |
| Net Investment in Capital Assets | 66,683 | 206,218 | 272,901 |
| Restricted for: | | | |
| Debt Service | - | 291,436 | 291,436 |
| Emergencies | 232,500 | - | 232,500 |
| Unrestricted | <u>(12,636,548)</u> | <u>284,771</u> | <u>(12,351,777)</u> |
| Total Net Position | <u>\$ (12,337,365)</u> | <u>\$ 782,425</u> | <u>\$ (11,554,940)</u> |

See Notes to Financial Statements.

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Statement of Activities
For the Year Ended June 30, 2020

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Change in Net Position | | |
|--|--------------|----------------------|------------------------------------|--|--------------------------|-----------------|
| | | Charges for Services | Operating Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Primary Government | | | | | | |
| <i>Governmental Activities</i> | | | | | | |
| Instruction | \$ 3,420,235 | \$ 723,788 | \$ 92,179 | \$ (2,604,268) | \$ - | \$ (2,604,268) |
| Supporting Services | 1,842,543 | 37,446 | - | (1,805,097) | - | (1,805,097) |
| Total Governmental Activities | 5,262,778 | 761,234 | 92,179 | (4,409,365) | - | (4,409,365) |
| <i>Business-Type Activities</i> | | | | | | |
| Building Corporation | 724,521 | - | - | - | (724,521) | (724,521) |
| Total Primary Government | \$ 5,987,299 | \$ 761,234 | \$ 92,179 | (4,409,365) | (724,521) | (5,133,886) |
| General Revenues | | | | | | |
| Per Pupil Revenue | | | | 5,713,337 | - | 5,713,337 |
| District Mill Levy | | | | 815,222 | - | 815,222 |
| Capital Construction | | | | 195,753 | - | 195,753 |
| Contributions not Restricted to | | | | | | |
| Specific Programs | | | | 69,915 | - | 69,915 |
| Investment Income | | | | 38,668 | 4,919 | 43,587 |
| Other | | | | 6,638 | - | 6,638 |
| Transfers | | | | (923,257) | 923,257 | - |
| Total General Revenues and Transfers | | | | 5,916,276 | 928,176 | 6,844,452 |
| Change in Net Position | | | | 1,506,911 | 203,655 | 1,710,566 |
| Net Position, Beginning of year | | | | (13,844,276) | 578,770 | (13,265,506) |
| Net Position, End of year | | | | \$ (12,337,365) | \$ 782,425 | \$ (11,554,940) |

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Balance Sheet
Governmental Fund
June 30, 2020

| | General |
|---|-----------------|
| Assets | |
| Cash and Investments | \$ 3,358,237 |
| Accounts Receivable | 344 |
| Prepaid Expenses | 4,130 |
| Deposits | 6,419 |
| Total Assets | \$ 3,369,130 |
| Liabilities and Fund Balance | |
| <i>Liabilities</i> | |
| Accounts Payable | \$ 85,584 |
| Accrued Salaries and Benefits | 223,215 |
| Unearned Revenues | 307,881 |
| Total Liabilities | 616,680 |
| <i>Fund Balance</i> | |
| Nonspendable Deposits | 6,419 |
| Restricted for Emergencies | 232,500 |
| Unrestricted, Unassigned | 2,513,531 |
| Total Fund Balance | 2,752,450 |
| Total Liabilities and Fund Balance | \$ 3,369,130 |
| Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because: | |
| Total Fund Balance of the Governmental Fund | \$ 2,752,450 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. | 66,683 |
| Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds: | |
| Accrued compensated absences | (64,013) |
| Net pension liability | (9,536,432) |
| Pension-related deferred outflows of resources | 1,396,903 |
| Pension-related deferred inflows of resources | (6,439,633) |
| Net OPEB liability | (468,909) |
| OPEB-related deferred outflows of resources | 47,862 |
| OPEB-related deferred inflows of resources | (92,276) |
| Total Net Position of Governmental Activities | \$ (12,337,365) |

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2020

| | General |
|---|--------------|
| Revenues | |
| Local Sources | \$ 7,405,014 |
| State Sources | 310,008 |
| Federal Sources | 31,278 |
| Total Revenues | 7,746,300 |
| Expenditures | |
| Instruction | 4,561,870 |
| Supporting Services | 3,114,094 |
| Total Expenditures | 7,675,964 |
| Excess of Revenues Over Expenditures | 70,336 |
| Net Change in Fund Balance | 70,336 |
| Fund Balance, <i>Beginning of year</i> | 2,682,114 |
| Fund Balance, <i>End of year</i> | \$ 2,752,450 |

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balance of the Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2020**

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

| | | |
|--|----|-------------|
| Net Change in Fund Balance of the Governmental Fund | \$ | 70,336 |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p> | | |
| Capital outlay | | 23,900 |
| Depreciation expense | | (19,897) |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes changes in the following:</p> | | |
| Accrued compensated absences | | 88,756 |
| Net pension liability | | 1,663,397 |
| Pension-related deferred outflows of resources | | (2,450,923) |
| Pension-related deferred inflows of resources | | 2,124,965 |
| Net OPEB liability | | 90,458 |
| OPEB-related deferred outflows of resources | | (142) |
| OPEB-related deferred inflows of resources | | (83,939) |
| | | (83,939) |
| Change in Net Position of Governmental Activities | \$ | 1,506,911 |

Parker Core Knowledge, Inc.
 (A Component Unit of Douglas County School District RE.1)
 Statement of Net Position
 Proprietary Fund
 June 30, 2020

| | <u>Building Corporation</u> |
|--|---------------------------------|
| Assets | |
| <i>Current Assets</i> | |
| Cash and Investments | \$ 284,781 |
| Restricted Cash and Investments | <u>317,206</u> |
| Total Current Assets | <u>601,987</u> |
| <i>Noncurrent Assets</i> | |
| Capital Assets, <i>Not Being Depreciated</i> | 235,020 |
| Capital Assets, <i>Net of Accumulated Depreciation</i> | <u>8,253,321</u> |
| Total Noncurrent Assets | <u>8,488,341</u> |
| Total Assets | <u>9,090,328</u> |
| Deferred Outflows of Resources | |
| Loss on Debt Refunding, <i>Net of Accumulated Amortization</i> | <u>577,650</u> |
| Liabilities | |
| <i>Current Liabilities</i> | |
| Accounts Payable | 10 |
| Accrued Interest Payable | 25,770 |
| Loan Payable, <i>Current Portion</i> | <u>211,635</u> |
| Total Current Liabilities | <u>237,415</u> |
| <i>Noncurrent Liabilities</i> | |
| Loan Payable | <u>8,648,138</u> |
| Total Liabilities | <u>8,885,553</u> |
| Net Position | |
| Net Investment in Capital Assets | 206,218 |
| Restricted for Debt Service | 291,436 |
| Unrestricted | <u>284,771</u> |
| Total Net Position | <u>\$ 782,425</u> |

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2020

| | <u>Building Corporation</u> |
|--|---------------------------------|
| Operating Revenues | |
| Lease Income | \$ <u>521,760</u> |
| Total Operating Revenues | <u>521,760</u> |
| Operating Expenses | |
| Purchased Services | 10 |
| Depreciation | 310,642 |
| Debt Service | |
| Interest | <u>413,869</u> |
| Total Operating Expenses | <u>724,521</u> |
| Net Operating Loss | <u>(202,761)</u> |
| Nonoperating Revenues | |
| Investment Income | <u>4,919</u> |
| Net Loss Before Capital Contributions and Transfers | (197,842) |
| Capital Contributions and Transfers | |
| Capital Contributions | <u>401,497</u> |
| Change in Net Position | 203,655 |
| Net Position, <i>Beginning of year</i> | <u>578,770</u> |
| Net Position, <i>End of year</i> | <u>\$ <u>782,425</u></u> |

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2020

| | <u>Building Corporation</u> |
|---|---------------------------------|
| Cash Flows From Operating Activities | |
| Lease Payments Received | \$ 521,760 |
| Loan Principal Paid | (203,424) |
| Loan Interest Paid | <u>(318,336)</u> |
| Net Cash Used by Operating Activities | <u>-</u> |
| Cash Flows From Investing Activities | |
| Investment Income Received | 4,919 |
| Return of deposits | <u>10,000</u> |
| Net Cash Provided by Investing Activities | <u>14,919</u> |
| Cash Flows From Capital and Related Financing Activities | |
| Disposal of Capital Assets | <u>6,918</u> |
| Net Cash Provided by Capital and Related Financing Activities | <u>6,918</u> |
| Net Change in Cash and Cash Equivalents | 21,837 |
| Cash and Cash Equivalents, Beginning of year | <u>580,150</u> |
| Cash and Cash Equivalents, End of year | <u><u>\$ 601,987</u></u> |
| Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities: | |
| Net Operating Loss | \$ (202,761) |
| Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities | |
| Depreciation Expense | 310,642 |
| Amortization of Loss on Debt Refunding | 96,126 |
| Changes in Assets and Liabilities | |
| Accounts Payable | 10 |
| Accrued Interest Payable | (593) |
| Loan Payable | <u>(203,424)</u> |
| Net Cash Used by Operating Activities | <u><u>\$ -</u></u> |

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2020

Note 1: Summary of Significant Accounting Policies

Parker Core Knowledge, Inc. (the School) was formed pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Douglas County School District (the District).

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

Reporting Entity

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

The School includes the Core Knowledge Charter School Building Corporation (the Corporation) within its reporting entity. The Corporation was formed to hold title to real and personal property for use by the School and to provide facilities, equipment and other property and related support to the School. The Corporation is blended into the School's financial statements as an enterprise fund. Separate audited financial statements for the Corporation are not available.

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

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements (Continued)

Separate financial statements are provided for the governmental fund and the proprietary fund. Major individual funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

The School reports the following major governmental fund:

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

The School reports one major proprietary fund, as follows:

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

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position/Fund Balance

Cash Equivalents - For purposes of the statement of cash flows, cash equivalents include investments with original maturities of three months or less.

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

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

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

| | |
|----------------------------|--------------|
| Land Improvements | 15 years |
| Buildings and Improvements | 7 - 45 years |
| Equipment | 7 - 15 years |

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

Compensated Absences - Employees of the School are allowed to accumulate up to 120 hours of unused personal and sick leave. Upon termination of employment from the School, an employee will be compensated for all unused leave at the rate of \$100 per day. A long-term liability has been reported in the government-wide financial statements for these accrued compensated absences. This liability is expected to be liquidated with resources of the General Fund.

Long-Term Debt - In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums, discounts and accounting losses resulting from debt refunding's are deferred and amortized over the life of the debt using the straight-line method. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

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

Pensions - The School participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to and deductions from the SCHDTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the SCHDTF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees. 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 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2020.

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

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

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

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Risk Management

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

Subsequent Events

The School has evaluated subsequent events through October 27, 2020, the date the financial statements were available to be issued.

Note 2: Cash and Investments

At June 30, 2020, the School and the Corporation had the following cash and investments:

| | |
|--------------|---------------------|
| Cash on Hand | \$ 13 |
| Deposits | 467,397 |
| Investments | <u>3,492,814</u> |
| Total | <u>\$ 3,960,224</u> |

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

| | |
|---------------------------------|---------------------|
| Cash and Investments | \$ 3,643,018 |
| Restricted Cash and Investments | <u>317,206</u> |
| Total | <u>\$ 3,960,224</u> |

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2020, none of the School bank deposits were collateralized with securities held by the financial institution's agent, but not in the School's name. The Corporation had uninsured, uncollateralized deposits of \$260,099.

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2020

Note 2: Cash and Investments (Continued)

Investments

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

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

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

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

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

Local Government Investment Pool - At June 30, 2020, the School had \$3,175,608 invested in the Colorado Surplus Asset Fund Trust (CSAFE), an investment vehicle established by State statutes for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating CSAFE. CSAFE operates in conformity with the Securities and Exchange Commission's Rule 2a-7. CSAFE is measured at the net asset value per share, with each share valued at \$1. CSAFE is rated AAAM by Standard and Poor's. Investments of CSAFE are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Restricted Cash and Investments

Cash and investments of \$317,206 have been restricted by the Corporation's loan agreement for future debt service.

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2020

Note 3: Capital Assets

Capital assets activity for the year ended June 30, 2020, is summarized below.

| | Balance 6/30/19 | Additions | Deletions | Balance 6/30/20 |
|---|----------------------------|-------------------|---------------------|----------------------------|
| Governmental Activities | | | | |
| Capital Assets, <i>Being Depreciated</i> | | | | |
| Equipment | \$ 97,360 | \$ 23,900 | \$ - | \$ 121,260 |
| Accumulated Depreciation | <u>(34,680)</u> | <u>(19,897)</u> | <u>-</u> | <u>(54,577)</u> |
| Governmental Activities Capital Assets, <i>net</i> | <u>\$ 62,680</u> | <u>\$ 4,003</u> | <u>\$ -</u> | <u>\$ 66,683</u> |
| Business-Type Activities | | | | |
| Capital Assets, <i>Not Being Depreciated</i> | | | | |
| Land | \$ 235,020 | \$ - | \$ - | \$ 235,020 |
| Construction in Progress | <u>234,250</u> | <u>-</u> | <u>(234,250)</u> | <u>-</u> |
| Total Capital Assets, <i>Not Being Depreciated</i> | <u>469,270</u> | <u>-</u> | <u>(234,250)</u> | <u>235,020</u> |
| Capital Assets, <i>Being Depreciated</i> | | | | |
| Land Improvements | 376,299 | - | (6,918) | 369,381 |
| Buildings and Improvements | 9,744,487 | 635,747 | - | 10,380,234 |
| Equipment | <u>40,264</u> | <u>-</u> | <u>-</u> | <u>40,264</u> |
| Total Capital Assets, <i>Being Depreciated</i> | <u>10,161,050</u> | <u>635,747</u> | <u>(6,918)</u> | <u>10,789,879</u> |
| Less Accumulated Depreciation | | | | |
| Land Improvements | (106,664) | (33,372) | - | (140,036) |
| Buildings and Improvements | (2,088,249) | (272,345) | - | (2,360,594) |
| Equipment | <u>(31,003)</u> | <u>(4,925)</u> | <u>-</u> | <u>(35,928)</u> |
| Total Accumulated Depreciation | <u>(2,225,916)</u> | <u>(310,642)</u> | <u>-</u> | <u>(2,536,558)</u> |
| Total Capital Assets, <i>Being Depreciated, net</i> | <u>7,935,134</u> | <u>325,105</u> | <u>(6,918)</u> | <u>8,253,321</u> |
| Business-Type Activities Capital Assets, <i>net</i> | <u>\$ 8,404,404</u> | <u>\$ 325,105</u> | <u>\$ (241,168)</u> | <u>\$ 8,488,341</u> |

Depreciation expense of the governmental activities was charged to the supporting services program of the School.

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2020

Note 4: Long-Term Debt

Following is a summary of long-term debt transactions for the year ended June 30, 2020.

| | <u>Balance 6/30/19</u> | <u>Additions</u> | <u>Payments</u> | <u>Balance 6/30/20</u> | <u>Due Within One Year</u> |
|---------------------------------|----------------------------|------------------|-----------------|----------------------------|--------------------------------|
| Governmental Activities | | | | | |
| Compensated Absences | \$ 152,769 | \$ - | \$ (88,756) | \$ 64,013 | \$ 37,190 |
| Business-Type Activities | | | | | |
| 2016 Loan | \$ 9,063,197 | \$ - | \$ (203,424) | \$ 8,859,773 | \$ 211,635 |

On June 27, 2016, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$9,605,000 Charter School Refunding and Improvement Revenue Notes, Series 2016. Proceeds were used to refund the outstanding Charter School Revenue Refunding and Improvement Bonds, Series 2004, and the Charter School Revenue Bonds, Series 2010, and to provide \$3,091,498 for new construction. Proceeds of the refunded bonds were loaned to the Corporation to construct the School's educational facilities.

The School is obligated under a lease agreement to make monthly payments to the Corporation for using the facilities. The Corporation is required to make equal loan payments to the Trustee, for payment of the notes. Interest accrues on the outstanding balance of the notes at 3.5% per annum. Monthly principal and interest payments are due beginning August 1, 2017, with a balloon payment of \$7,446,179 due on July 1, 2026. Future debt service payments are as follows.

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|---------------------|---------------------|----------------------|
| 2021 | \$ 211,635 | \$ 310,125 | \$ 521,760 |
| 2022 | 219,269 | 302,491 | 521,760 |
| 2023 | 227,177 | 294,583 | 521,760 |
| 2024 | 234,584 | 287,176 | 521,760 |
| 2025 | 243,832 | 277,928 | 521,760 |
| 2026-2027 | <u>7,723,276</u> | <u>290,851</u> | <u>8,014,127</u> |
| Total | <u>\$ 8,859,773</u> | <u>\$ 1,763,154</u> | <u>\$ 10,622,927</u> |

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2020

Note 5: Defined Benefit Pension Plan

General Information

Plan Description - The School contributes to the SCHDTF, a cost-sharing multiple-employer defined benefit pension plan administered by PERA. All employees of the School participate in the SCHDTF. 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 financial report (CAFR) that includes information on the SCHDTF that may be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided - The SCHDTF provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure under which the member retires, the benefit option selected at retirement, and age at retirement.

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the a) highest average salary over three years multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the retiring employee's contribution account plus an equal match on eligible amounts as of the retirement date, annualized into a monthly amount 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, 2019, retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) in certain years, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00 percent for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, and all benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413.

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2020

Note 5: Defined Benefit Pension Plan (Continued)

General Information (Continued)

Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lesser 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 annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of a disability. The disability benefit amount is based on the lifetime retirement benefit formula described previously, considering a minimum of twenty 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 in place under which service credit was obtained, and the qualified survivor who will receive the benefits.

Contributions - The School, eligible employees 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. The contribution rate for eligible employees is 8.75% of covered salaries during the period of July 1, 2019, through June 30, 2020. The School's contribution rate was 20.40% of covered salaries for July 1, 2019, through June 30, 2020. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 6). 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 each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes. During the year ended June 30, 2020, the direct distribution for the SCHDTF was \$126,505,213.

Subsequent to the SCHDTF's December 31, 2019, measurement date, HB 20-1379 Suspend Direct Distribution to PERA Public Employees Retirement Association for 2020-21 Fiscal Year, was passed into law during the 2020 legislative session and signed by Governor Polis on June 29, 2020. This bill suspends the July 1, 2020, \$225 million direct distribution allocated to the State, School, Judicial, and DPS Divisions, as required under Senate Bill 18-200.

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2020

Note 5: Defined Benefit Pension Plan (Continued)

General Information (Continued)

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. The School's contributions to the SCHDTF for the year ended June 30, 2020, were \$740,215, equal to the required contributions.

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 at December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll forward the total pension liability to December 31, 2019.

At June 30, 2020, the School reported a net pension liability of \$9,536,432, representing its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by Parker Core Knowledge, Inc. 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 the School was as follows:

| | |
|--|---------------------|
| School Proportionate share of net pension liability | \$ 10,746,003 |
| The State's proportionate share of net pension liability as a nonemployer contributing entity associated with the School | <u>(1,209,571)</u> |
| Proportionate share of the net pension liability | <u>\$ 9,536,432</u> |

The School's proportion of the net pension liability was based on School's contributions to the SCHDTF for the calendar year 2019 relative to the total contributions of participating employers and the State as a nonemployer contributing entity. At December 31, 2019, the School's proportion was 0.0638324666%, which was a decrease of 0.0005818044% from its proportion measured at December 31, 2018.

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2020

Note 5: Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2020, the School recognized a pension benefit of \$380,381 which included \$38,260 of support from the State as a nonemployer contributing entity. At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 519,741 | \$ - |
| Changes of assumptions and other inputs | 272,250 | 4,325,635 |
| Net difference between projected and actual earnings on plan investments | - | 1,129,684 |
| Changes in proportion | 172,078 | 984,314 |
| Contributions subsequent to the measurement date | <u>432,834</u> | <u>-</u> |
| Total | <u>\$ 1,396,903</u> | <u>\$ 6,439,633</u> |

School contributions subsequent to the measurement date of \$432,834 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| <u>Year Ended June 30,</u> | |
|-----------------------------------|-----------------------|
| 2021 | \$ (3,015,963) |
| 2022 | (2,115,027) |
| 2023 | 39,713 |
| 2024 | <u>(384,287)</u> |
| Total | <u>\$ (5,475,564)</u> |

Parker Core Knowledge, Inc.
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2020

Note 5: Defined Benefit Pension Plan (Continued)

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

Actuarial Assumptions - The actuarial valuation as of December 31, 2018, determined the total pension liability using the following actuarial assumptions and other inputs.

| | |
|---|-------------|
| Price inflation | 2.4% |
| Real wage growth | 1.1% |
| Wage inflation | 3.5% |
| Salary increases, including wage inflation | 3.5% - 9.7% |
| Long-term investment rate of return, net of plan investment expenses, including price inflation | 7.25% |
| Discount rate | 7.25% |
| Post-retirement benefit increases: | |
| Hired prior to 1/1/2007 | 1.25% |
| Hired after 12/31/2006 | ad hoc |

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 were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments, adjusted as follows:

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

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

The actuarial assumptions used in the December 31, 2018, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2020

Note 5: Defined Benefit Pension Plan (Continued)

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

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

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

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

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

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2020

Note 5: Defined Benefit Pension Plan (Continued)

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 and the additional 0.50% resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

Parker Core Knowledge, Inc.
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2020

Note 5: Defined Benefit Pension Plan (Continued)

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

- The projected benefit payments reflect the lowered annual increase cap, from 1.50% to 1.25% resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|------------------------|-------------------------------------|------------------------|
| Proportionate share of the net pension liability | \$ 12,647,351 | \$ 9,536,432 | \$ 6,924,545 |

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

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2020

Note 6: Postemployment Healthcare Benefits

General Information

Plan Description - All employees of the School are eligible to receive postemployment benefits other than pensions (OPEB) through the HCTF, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (CRS), 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. PERA issues a publicly available financial report that includes information on the HCTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

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

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

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

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2020

Note 6: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

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

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.

Contributions - As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the School's contributions to the SCHDTF (see Note 5) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and Parker Core Knowledge, Inc. is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School for the year ended June 30, 2020, was \$38,956, equal to the required amount.

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

At June 30, 2020, the School reported a net OPEB liability of \$468,909, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2019.

The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year ended December 31, 2019, relative to the contributions of all participating employers. At December 31, 2019, the School's proportion was 0.0417179830%, which was a decrease of 0.0006044426% from its proportion measured at December 31, 2018.

Parker Core Knowledge, Inc.
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2020

Note 6: Postemployment Healthcare Benefits (Continued)

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

For the year ended June 30, 2020, the School recognized OPEB expense of \$30,677. At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 1,557 | \$ - |
| Changes of assumptions and other inputs | 3,891 | 78,794 |
| Net difference between projected and actual earnings on plan investments | - | 7,827 |
| Changes in proportion | 19,709 | 5,655 |
| Contributions subsequent to the measurement date | <u>22,705</u> | <u>-</u> |
| Total | <u>\$ 47,862</u> | <u>\$ 92,276</u> |

School contributions subsequent to the measurement date of \$22,705 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

| <u>Year Ended June 30,</u> | |
|-----------------------------------|--------------------|
| 2021 | \$ (13,019) |
| 2022 | (13,018) |
| 2023 | (10,752) |
| 2024 | (15,587) |
| 2025 | (13,824) |
| Thereafter | <u>(919)</u> |
| Total | <u>\$ (67,119)</u> |

Parker Core Knowledge, Inc.
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2020

Note 6: Postemployment Healthcare Benefits (Continued)

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

Actuarial Assumptions - The actuarial valuation as of December 31, 2018, determined the total OPEB liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

| | |
|--|-------|
| Price Inflation | 2.4% |
| Real wage growth | 1.1% |
| Wage inflation | 3.5% |
| Salary increases, including wage inflation | 3.5% |
| Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation | 7.25% |
| Discount rate | 7.25% |
| Health care cost trend rates: | |
| Service-based premium subsidy | 0.0% |
| PERACare Medicare plans | |
| 5.60% in 2019, gradually decreasing to 4.50% in 2029 | |
| Medicare Part A premiums: | |
| 3.50% in 2019, gradually increasing to 4.50% in 2029 | |

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, and were adopted by PERA's governing board on November 18, 2016. In addition, certain actuarial assumptions pertaining to per capita health care costs and the related trends are analyzed and reviewed by PERA's actuary as needed.

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.

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2020

Note 6: Postemployment Healthcare Benefits (Continued)

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

Health care cost trend rates 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, 2018, 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.

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

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

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.

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

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

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2020

Note 6: Postemployment Healthcare Benefits (Continued)

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

- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as presented previously (see Note 5).

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

Discount Rate - The discount rate used to measure the total OPEB liability was 7.25%. 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, 2019, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- 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.

Parker Core Knowledge, Inc.
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2020

Note 6: Postemployment Healthcare Benefits (Continued)

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

- 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.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% 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%.

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

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|--|--------------------------------|--|--------------------------------|
| Proportionate share of the net OPEB liability | \$ 530,196 | \$ 468,909 | \$ 416,496 |

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the School's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates, ranging from 2.5% to 6.5%, as well as the School's proportionate share of the net OPEB liability if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as follows:

| | 1% Decrease | Current Healthcare Cost Trend Rates | 1% Increase |
|--|--------------------|--|--------------------|
| Proportionate share of the net OPEB liability | \$ 457,771 | \$ 468,909 | \$ 481,781 |

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

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2020

Note 7: Commitments and Contingencies

Claims and Judgments

The School participates in a number of federal, state, and local programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the School may be required to reimburse the other government. At June 30, 2020, significant amounts of related expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

TABOR Amendment

In November 1992, Colorado voters passed the TABOR Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to interpretation, but the School believes it is in substantial compliance with the requirements of the Amendment. In accordance with the Amendment, the School has established an emergency reserve, representing 3% of qualifying expenditures. At June 30, 2020, this reserve was reported as restricted fund balance in the General Fund, in the amount of \$232,500.

Note 8: Subsequent Event

Subsequent to year-end, the United States of America and the State of Colorado have declared an emergency associated with the Coronavirus pandemic. The School has been economically impacted by the event, however the full economic effect has yet to be determined.

Required Supplementary Information

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
 Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability and Contributions
 Public Employees' Retirement Association of Colorado School Division Trust Fund
 June 30, 2020

| | 12/31/19 | 12/31/18 |
|---|------------------|------------------|
| Proportionate Share of the Net Pension Liability | | |
| School's Proportion of the Net Pension Liability | 0.0638324666% | 0.0632506622% |
| School's Proportionate Share of the Net Pension Liability | \$ 9,536,432 | \$ 11,199,829 |
| School's Covered-Employee Payroll | \$ 3,751,107 | \$ 3,477,250 |
| School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll | 254% | 322% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 65% | 57% |
| School Contributions | 6/30/20 | 6/30/19 |
| Statutorily Required Contribution | \$ 740,215 | \$ 692,520 |
| Contributions in Relation to the Statutorily Required Contribution | <u>(740,215)</u> | <u>(692,520)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> |
| School's Covered-Employee Payroll | \$ 3,819,199 | \$ 3,626,994 |
| Contributions as a Percentage of Covered-Employee Payroll | 19.38% | 19.09% |

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

(Continued)

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
 Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability and Contributions
 Public Employees' Retirement Association of Colorado School Division Trust Fund
 June 30, 2020
(Continued)

| | <u>12/31/17</u> | <u>12/31/16</u> | <u>12/31/15</u> | <u>12/31/14</u> | <u>12/31/13</u> |
|---|------------------|------------------|------------------|------------------|------------------|
| Proportionate Share of the Net Pension Liability | | | | | |
| School's Proportion of the Net Pension Liability | 0.0443513783% | 0.0689535770% | 0.0634105901% | 0.0611253162% | 0.0570963389% |
| School's Proportionate Share of the Net Pension Liability | \$ 23,339,874 | \$ 20,530,146 | \$ 9,698,202 | \$ 8,284,534 | \$ 7,282,623 |
| School's Covered-Employee Payroll | \$ 3,329,518 | \$ 3,094,759 | \$ 2,763,420 | \$ 2,560,712 | \$ 2,301,735 |
| School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll | 701% | 663% | 351% | 324% | 316% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 44% | 43% | 59% | 63% | 64% |
| | <u>6/30/18</u> | <u>6/30/17</u> | <u>6/30/16</u> | <u>6/30/15</u> | <u>6/30/14</u> |
| School Contributions | | | | | |
| Statutorily Required Contribution | \$ 634,437 | \$ 595,090 | \$ 520,709 | \$ 446,317 | \$ 398,247 |
| Contributions in Relation to the Statutorily Required Contribution | <u>(634,437)</u> | <u>(595,090)</u> | <u>(520,709)</u> | <u>(446,317)</u> | <u>(398,247)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| School's Covered-Employee Payroll | \$ 3,359,158 | \$ 2,360,708 | \$ 2,950,423 | 2,625,539 | \$ 2,195,467 |
| Contributions as a Percentage of Covered-Employee Payroll | 18.89% | 25.21% | 17.65% | 17.00% | 18.14% |

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

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
 Required Supplementary Information
 Schedule of Proportionate Share of the Net OPEB Liability and Contributions
 Public Employees' Retirement Association of Colorado Health Care Trust Fund
 June 30, 2020

| | 12/31/19 | 12/31/18 | 12/31/17 |
|---|-----------------|-----------------|-----------------|
| Proportionate Share of the Net OPEB Liability | | | |
| School's Proportion of the Net OPEB Liability | 0.0417179830% | 0.0411135404% | 0.0410116684% |
| School's Proportionate Share of the Net OPEB Liability | \$ 468,909 | \$ 559,367 | \$ 532,988 |
| School's Covered Payroll | \$ 3,751,107 | \$ 3,477,250 | \$ 3,329,518 |
| School's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll | 13% | 16% | 16% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 24% | 17% | 18% |
| School Contributions | | | |
| Statutorily Required Contribution | \$ 38,956 | \$ 36,995 | \$ 34,263 |
| Contributions in Relation to the Statutorily Required Contribution | <u>(38,956)</u> | <u>(36,995)</u> | <u>(34,263)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| School's Covered Payroll | \$ 3,819,199 | \$ 3,626,994 | \$ 3,436,378 |
| Contributions as a Percentage of Covered Payroll | 1.02% | 1.02% | 1.00% |

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

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2020

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|--------------------|-------------------|---------------------|------------------------------------|
| Revenues | | | | |
| <i>Local Sources</i> | | | | |
| Per Pupil Revenue | \$ 5,622,136 | \$ 5,621,774 | \$ 5,713,337 | \$ 91,563 |
| District Mill Levy | 809,048 | 809,048 | 815,222 | 6,174 |
| Tuition and Fees | 900,836 | 889,812 | 723,788 | (166,024) |
| Contributions and Fundraising | 54,500 | 61,000 | 69,915 | 8,915 |
| Rental Income | 53,252 | 53,252 | 37,446 | (15,806) |
| Investment Income | 50,585 | 50,585 | 38,668 | (11,917) |
| Other | - | 1,081 | 6,638 | 5,557 |
| Total Local Sources | <u>7,490,357</u> | <u>7,486,552</u> | <u>7,405,014</u> | <u>(81,538)</u> |
| <i>State Sources</i> | | | | |
| Capital Construction | 167,000 | 167,000 | 195,753 | 28,753 |
| PERA State Distribution Revenue | - | 90,956 | 91,614 | 658 |
| Grants | 10,000 | 10,000 | 22,641 | 12,641 |
| Total State Sources | <u>177,000</u> | <u>267,956</u> | <u>310,008</u> | <u>42,052</u> |
| <i>Federal Sources</i> | | | | |
| Covid Grant Funding | - | 74,420 | 31,278 | (43,142) |
| Total Revenues | <u>7,667,357</u> | <u>7,828,928</u> | <u>7,746,300</u> | <u>(82,628)</u> |
| Expenditures | | | | |
| Salaries | 4,022,168 | 4,013,121 | 3,919,751 | 93,370 |
| Employee Benefits | 1,295,193 | 1,386,224 | 1,311,132 | 75,092 |
| Purchased Services | 1,710,001 | 1,651,242 | 1,524,434 | 126,808 |
| Supplies | 409,130 | 410,832 | 348,970 | 61,862 |
| Property | 409,000 | 585,802 | 539,894 | 45,908 |
| Other | 12,725 | 16,724 | 31,783 | (15,059) |
| Contingency | 2,316,671 | 2,382,720 | - | 2,382,720 |
| Total Expenditures | <u>10,174,888</u> | <u>10,446,665</u> | <u>7,675,964</u> | <u>2,770,701</u> |
| Excess of Revenues Over Expenditures | (2,507,531) | (2,617,737) | 70,336 | 2,688,073 |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | (11,953) | (11,953) | - | 11,953 |
| Net Change in Fund Balance | (2,519,484) | (2,629,690) | 70,336 | 2,700,026 |
| Fund Balance, Beginning of year | <u>2,519,484</u> | <u>2,629,690</u> | <u>2,682,114</u> | <u>52,424</u> |
| Fund Balance, End of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,752,450</u> | <u>\$ 2,752,450</u> |

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Notes to Required Supplemental Information
June 30, 2020

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

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

Changes in Assumptions and Other Inputs

For the year ended June 30, 2020, the total pension liability was determined by an actuarial valuation as of December 31, 2018. The following revised economic and demographic assumptions were effective as of December 31, 2018.

- Investment rate of return assumption of 7.25% per year, compounded annually. This assumption did not change from the prior year.
- Price inflation assumption of 2.4% per year. This assumption did not change from the prior year.
- Real rate of investment return assumption increased from 4.78% per year, net of investment expenses, to 7.25%. The rate reflected in the roll-forward calculation of the collective total pension liability to the measurement date was 7.25%. This assumption did not change from prior year.
- Wage inflation assumption of 3.5% per year. This assumption did not change from the prior year.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables.

Note 2: Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

Budgets are required by State statutes for all funds and are adopted on a basis consistent with generally accepted accounting principles (GAAP). The School adheres to the following procedures to establish the budgetary information reflected in the financial statements.

- Management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Prior to June 30, the budget is adopted by the Board of Directors.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- All appropriations lapse at fiscal year-end.