

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

Financial Statements

June 30, 2021



Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
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**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, 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, 2021, 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, and each major fund of Parker Core Knowledge, Inc., as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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, 2021



Parker Core Knowledge Charter School

Management's Discussion and Analysis

Fiscal Year Ending June 30, 2021

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, 2021. 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, 2021 is the twenty-seventh year of operations for Parker Core Knowledge. The Fund balance increased \$444,563 during the year, from \$3,354,427 to \$3,798,990.

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 until the current year when the PPR funding decreased once again. In 2020-2021 PPR was \$7,771. PPR for the 2021-2022 school year is expected to be higher than the previous year but this trend may not 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, 2021

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 and the CKCS Building Corporation is a special revenue fund that is included in the governmental funds.

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 three individual governmental funds – the General Fund, the Activity Fund and the Building 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 the Activity Fund is minimal compared to the Operating Fund so the Operating Fund and Activity funds have been combined in the accompanying financial statements.

Special Revenue Fund. The CKCS Building Corporation is considered a Special Revenue fund of Parker Core Knowledge. Its activity is related to the assets purchased with tax-exempt financing. For the year ended June 30, 2021, the School implemented GASB Statement No. 90 – Majority Equity Interests. In previous years, the CKCS Building Corporation was a Proprietary Fund. The adoption of this statement changed the Building Corporation from a Proprietary Fund to a Special Revenue (governmental) fund.

Parker Core Knowledge Charter School

Management's Discussion and Analysis

Fiscal Year Ending June 30, 2021

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.

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, 2021 Parker Core Knowledge's net position is a negative (\$8,662,757). The negative balance is primarily due to 1) GASB Statement No. 68, resulting in a net pension liability of \$10,982,064 which represents Parker Core Knowledge's proportionate share of PERA's net pension liability, 2) GASB 75, resulting in a net OPEB liability of \$399,192, and 3) Loss on Debt Refunding of \$481,524. Our proportionate share of our net pension liability increased \$1,445,632 over the prior year. Our proportionate share of our net OPEB liability decreased \$69,717 over the prior year.

Parker Core Knowledge Charter School
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2021

Parker Core Knowledge's Combined Net Position
For the Year Ended June 30, 2021 and June 30, 2020

	Governmental Type Activities	Business Type Activities	Governmental Type Activities	Business Type Activities
	2020-2021	2020-2021	2019-2020	2019-2020
Assets				
Cash and Investments	\$ 3,781,923	\$ -	\$ 3,358,237	\$ 284,781
Restricted Cash and Investments	317,544	-	-	317,206
Accounts Receivable	11,587	-	344	-
Deposits	12,829	-	6,419	-
Prepaid Expenses	28,104	-	4,130	-
Capital Assets, <i>Not being Depreciated</i>	235,020	-	-	235,020
Capital Assets, <i>Net of Accumulated Depreciation</i>	8,056,811	-	66,683	8,253,321
Total Assets	12,443,818	-	3,435,813	9,090,328
Deferred Outflows of Resources				
Pensions, <i>Net of Accumulated Amortization</i>	3,603,362	-	1,396,903	-
OPEB, <i>Net of Accumulated Amortization</i>	45,354	-	47,862	-
Loss on Debt Refunding, <i>Net of Accumulated Amortization</i>	481,524	-	-	577,650
Total Deferred Outflows of Resources	4,130,240	-	1,444,765	577,650
Liabilities				
Accounts Payable	82,190	-	85,584	10
Accrued Liabilities	242,584	-	223,215	-
Unearned Revenues	28,223	-	307,881	-
Accrued Interest Payable	25,152	-	-	25,770
Noncurrent Liabilities				
Due Within One Year	256,676	-	37,190	211,635
Due in More Than One Year	8,455,850	-	26,823	8,648,138
Net Pension Liability	10,982,064	-	9,536,432	-
Net OPEB Liability	399,192	-	468,909	-
Total Liabilities	20,471,931	-	10,686,034	8,885,553
Deferred Inflows of Resources				
Pensions, <i>Net of Accumulated Amortization</i>	4,632,509	-	6,439,633	-
OPEB, <i>Net of Accumulated Amortization</i>	132,375	-	92,276	-
Total Deferred Inflows of Resources	4,764,884	-	6,531,909	-
Net Position				
Net Investment in Capital Assets	125,217	-	66,683	206,218
Restricted for Debt Service	292,392	-	-	291,436
Restricted for Emergencies	239,000	-	232,500	-
Unrestricted	(9,319,366)	-	(12,636,548)	284,771
Total Net Position	\$ (8,662,757)	\$ -	\$ (12,337,365)	\$ 782,425

Parker Core Knowledge Charter School
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2021

Parker Core Knowledge's Change in Combined Net Assets
For the Year Ended June 30, 2021 and June 30, 2020

	Governmental Type Activities	Business Type Activities	Governmental Type Activities	Business Type Activities
	2020-2021	2020-2021	2019-2020	2020-2021
Revenue:				
Charges for Services	\$ 989,509	\$ -	\$ 761,234	\$ -
Operating Grants and Contributions	380,354	-	92,179	-
Per Pupil Revenue	5,461,923	-	5,713,337	-
District Mill Levy	829,757	-	815,222	-
State Capital Construction	212,399	-	195,753	-
Contributions not Restricted to				
Specific Programs	42,514	-	69,915	-
Investment Income	3,134	-	38,668	4,919
Other	556,042	-	6,638	-
Transfers	-	-	(923,257)	923,257
	<u>8,475,632</u>	<u>-</u>	<u>6,769,689</u>	<u>928,176</u>
Expenses:				
Instruction	2,511,804	-	3,420,235	-
Supporting Services	2,325,561	-	1,842,543	-
Depreciation	340,451	-	-	310,642
Interest on Long-Term Debt	405,633	-	-	413,869
Other	-	-	-	10
	<u>5,583,449</u>	<u>-</u>	<u>5,262,778</u>	<u>724,521</u>
Change in Net Position	2,892,183	-	1,506,911	203,655
Net Position, <i>Beginning of Year</i>	<u>(11,554,940)</u>	<u>-</u>	<u>(13,844,276)</u>	<u>578,770</u>
Net Position, <i>End of Year</i>	<u><u>\$ (8,662,757)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (12,337,365)</u></u>	<u><u>\$ 782,425</u></u>

Parker Core Knowledge Charter School

Management's Discussion and Analysis

Fiscal Year Ending June 30, 2021

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 \$3,196,668, an increase of \$444,218. During the prior fiscal year, the fund balance increased \$70,336. The increase from the prior year was primarily due to the net effect of a) decreased expense due to the prior year construction for building security and an elementary science lab, b) increased revenue from grants due the Coronavirus pandemic, c) decreased revenue from lower PPR, d) increased expense due to higher salaries and benefits cost mainly from wage increases for employees and additional staffing needs to help with remote learning, and d) higher revenue from an increase in preschool tuition as the preschool was closed from mid- March to the end of May in the prior year due to the Coronavirus pandemic.

The Building Fund includes the activities of the Building Corporation and is a Special Revenue Fund. 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 \$355 for the year.

During the year, the School paid for renovations to the property owned by the Building Corporation. These renovations included new carpet, handwashing stations and a security fence and gate. 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 2021, \$317,544 was being held for debt service.

Parker Core Knowledge Charter School

Management's Discussion and Analysis

Fiscal Year Ending June 30, 2021

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 2020-21, the School budgeted for net revenues of \$208,521. The actuals for 2020-2021 show net revenues of \$444,218.

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2021, the CKCS Building Corporation owns equipment, land and improvements, net of depreciation of \$8,245,044. 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 increase in 2021-22. Per Pupil revenue is anticipated to increase 9.4% for the 2021-22 school year due to formula increases 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 raised budgeted salaries in 2020-21 because of the expected increased revenue mostly due to the expected increase in PPR. The School also expects to continue 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, 2021

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, 2021

	<u>Governmental Activities</u>
Assets	
Cash and Investments	\$ 3,781,923
Restricted Cash and Investments	317,544
Accounts Receivable	11,587
Deposits	12,829
Prepaid Expenses	28,104
Capital Assets, <i>Not Being Depreciated</i>	235,020
Capital Assets, <i>Net of Accumulated Depreciation</i>	8,056,811
Total Assets	<u>12,443,818</u>
Deferred Outflows of Resources	
Pensions, <i>Net of Accumulated Amortization</i>	3,603,362
OPEB, <i>Net of Accumulated Amortization</i>	45,354
Loss on Debt Refunding, <i>Net of Accumulated Amortization</i>	481,524
Total Deferred Outflows of Resources	<u>4,130,240</u>
Liabilities	
Accounts Payable	82,190
Accrued Liabilities	242,584
Unearned Revenues	28,223
Accrued Interest Payable	25,152
Noncurrent Liabilities	
Due Within One Year	256,676
Due in More Than One Year	8,455,850
Net Pension Liability	10,982,064
Net OPEB Liability	399,192
Total Liabilities	<u>20,471,931</u>
Deferred Inflows of Resources	
Pensions, <i>Net of Accumulated Amortization</i>	4,632,509
OPEB, <i>Net of Accumulated Amortization</i>	132,375
Total Deferred Inflows of Resources	<u>4,764,884</u>
Net Position	
Net Investment in Capital Assets	125,217
Restricted for:	
Debt Service	292,392
Emergencies	239,000
Unrestricted	<u>(9,319,366)</u>
Total Net Position	<u>\$ (8,662,757)</u>

See Notes to the 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, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	
Primary Government				
<i>Governmental Activities</i>				
Instruction	\$ 2,511,804	\$ 975,920	\$ 380,354	\$ (1,155,530)
Supporting Services	2,666,012	13,589	-	(2,652,423)
Interest on Long-Term Debt	405,633	-	-	(405,633)
Total Governmental Activities	\$ 5,583,449	\$ 989,509	\$ 380,354	(4,213,586)
General Revenues				
				5,461,923
Per Pupil Revenue				829,757
District Mill Levy				212,399
Capital Construction				42,514
Contributions not Restricted to Specific Programs				3,134
Investment Income				556,042
Other				<u>7,105,769</u>
Total General Revenues				7,105,769
Change in Net Position				2,892,183
Net Position, Beginning of year				<u>(11,554,940)</u>
Net Position, End of year				\$ <u>(8,662,757)</u>

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Balance Sheet
Governmental Funds
June 30, 2021

	General	Building	Total
Assets			
Cash and Investments	\$ 3,497,145	\$ 284,778	\$ 3,781,923
Restricted Cash and Investments	-	317,544	317,544
Accounts Receivable	11,587	-	11,587
Prepaid Expenses	28,104	-	28,104
Deposits	12,829	-	12,829
 Total Assets	 \$ 3,549,665	 \$ 602,322	 \$ 4,151,987
Liabilities and Fund Balance			
<i>Liabilities</i>			
Accounts Payable	\$ 82,190	\$ -	\$ 82,190
Accrued Salaries and Benefits	242,584	-	242,584
Unearned Revenues	28,223	-	28,223
 Total Liabilities	 352,997	 -	 352,997
<i>Fund Balance</i>			
Nonspendable Deposits	12,829	-	12,829
Restricted for Emergencies	239,000	-	239,000
Unrestricted, Unassigned	2,944,839	602,322	3,547,161
 Total Fund Balance	 3,196,668	 602,322	 3,798,990
 Total Liabilities and Fund Balance	 \$ 3,549,665	 \$ 602,322	 \$ 4,151,987

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

Total Fund Balance of the Governmental Fund	\$ 3,798,990
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	8,291,831
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds:	
Accrued interest payable	(25,152)
Long-term debt	(8,648,138)
Accrued compensated absences	(64,388)
Loss on debt refunding	481,524
Net pension liability	(10,982,064)
Pension-related deferred outflows of resources	3,603,362
Pension-related deferred inflows of resources	(4,632,509)
Net OPEB liability	(399,192)
OPEB-related deferred outflows of resources	45,354
OPEB-related deferred inflows of resources	(132,375)
 Total Net Position of Governmental Activities	 \$ (8,662,757)

See Notes to the Financial Statements.

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

	General	Building	Total
Revenues			
Local Sources	\$ 7,360,764	\$ 522,115	\$ 7,882,879
State Sources	264,453	-	264,453
Federal Sources	328,300	-	328,300
 Total Revenues	 7,953,517	 522,115	 8,475,632
Expenditures			
Instruction	4,535,951	-	4,535,951
Supporting Services	2,973,348	10	2,973,358
Debt Service			
Principal	-	211,687	211,687
Interest	-	310,073	310,073
 Total Expenditures	 7,509,299	 521,770	 8,031,069
 Excess of Revenues Over Expenditures	 444,218	 345	 444,563
 Net Change in Fund Balance	 444,218	 345	 444,563
 Fund Balance, Beginning of year	 2,752,450	 601,977	 3,354,427
 Fund Balance, End of year	 \$ 3,196,668	 \$ 602,322	 \$ 3,798,990

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 Funds to the Statement of Activities
 For the Year Ended June 30, 2021

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

Net Change in Fund Balance of the Governmental Funds	\$	444,563
<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		77,257
Depreciation expense		(340,450)
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. Repayments of debt principal are expenditures in governmental funds, but they reduce long-term liabilities in the statement of net position and do not affect the statement of activities.</p>		
Loan Payments		211,635
<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>		
Amortization of Loss on Refunding		(96,126)
Accrued compensated absences		(375)
Accrued interest payable		618
Net pension liability		(1,445,632)
Pension-related deferred outflows of resources		2,206,459
Pension-related deferred inflows of resources		1,807,124
Net OPEB liability		69,717
OPEB-related deferred outflows of resources		(2,508)
OPEB-related deferred inflows of resources		(40,099)
		(40,099)
Change in Net Position of Governmental Activities	\$	2,892,183

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2021

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 a Special Revenue 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* are normally supported by taxes and intergovernmental revenues.

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, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements (Continued)

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*. 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.

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 funds:

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.

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

Assets, Liabilities and Net Position/Fund Balance

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

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

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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

Capital Assets - Capital assets, which include land, buildings, and equipment, are reported in the government-wide 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, 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.

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

Parker Core Knowledge, Inc.
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Notes to Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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

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. Most of these changes were in effect as of June 30, 2021.

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

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.

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.

Implementation of New Accounting Pronouncements

For the year ended June 30, 2021, the School implemented GASB Statement No. 90 – Majority Equity Interests. This Statement changes the Building Corporation of the School from a Proprietary to a Special Revenue fund and will be a blended component unit of the School.

Parker Core Knowledge, Inc.
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 Notes to Financial Statements
 June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Prior Period Adjustments

The Building Corporation is part of the School for financial reporting purposes because its resources are entirely for the direct benefit of the School and is blended into the School's financial statements as a Special Revenue Fund. Separate financial statements are not available.

The financial impact for the changes in fund effects on the financial statement opening balances of the Special Revenue Fund are summarized as follows:

Building Corporation Fund	As Originally Stated Balance 06/30/20	Capital Assets Adjustments	Loan Payable Adjustments	Interest Payable Adjustments	As Restated Balance 06/30/20
Balance Sheet					
Assets					
Cash and Investments	\$ 284,781	\$ -	\$ -	\$ -	\$ 284,781
Restricted Cash and Investments	317,206	-	-	-	317,206
Capital Assets	8,488,341	(8,488,341)	-	-	-
Loss on Debt Refunding	577,650	-	(577,650)	-	-
Liabilities					
Accounts Payable	10	-	-	-	10
Interest Payable	25,770	-	-	(25,770)	-
Loan Payable	8,859,773	-	(8,859,773)	-	-
Fund Balance	\$ 782,425	\$ (8,488,341)	\$ 8,282,123	\$ 25,770	\$ 601,977

Subsequent Events

The School has evaluated subsequent events through October 27, 2021, the date the financial statements were available to be issued.

Note 2: Cash and Investments

At June 30, 2021, the School and the Corporation had the following cash and investments:

Cash on Hand	\$ 13
Deposits	427,501
Investments	<u>3,671,953</u>
Total	\$ <u>4,099,467</u>

Parker Core Knowledge, Inc.
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 Notes to Financial Statements
 June 30, 2021

Note 2: Cash and Investments (Continued)

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

Cash and Investments	\$	3,781,923
Restricted Cash and Investments		317,544
 Total	 \$	 <u><u>4,099,467</u></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, 2021, 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 \$209,454.

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.

Parker Core Knowledge, Inc.
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Notes to Financial Statements
June 30, 2021

Note 2: Cash and Investments (Continued)

Investments (Continued)

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, 2021, the School had \$3,354,409 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 \$317,544 have been restricted by the Corporation's loan agreement for future debt service.

Parker Core Knowledge, Inc.
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Notes to Financial Statements
June 30, 2021

Note 3: Capital Assets

Capital assets activity for the year ended June 30, 2021, is summarized below.

Governmental Activities	Balance 06/30/20	Additions	Deletions	Balance 06/30/21
Capital Assets, <i>Not Being Depreciated</i>				
Land	\$ 235,020	\$ -	\$ -	\$ 235,020
Total Capital Assets, <i>Not Being Depreciated</i>	235,020	-	-	235,020
Capital Assets, <i>Being Depreciated</i>				
Land Improvements	369,381	-	-	369,381
Buildings and Improvements	10,380,234	71,931	-	10,452,165
Equipment	161,524	5,326	-	166,850
Total Capital Assets, <i>Being Depreciated</i>	10,911,139	77,257	-	10,988,396
Less Accumulated Depreciation				
Land Improvements	(140,036)	(33,372)	-	(173,408)
Buildings and Improvements	(2,360,594)	(281,496)	-	(2,642,090)
Equipment	(90,505)	(25,582)	-	(116,087)
Total Accumulated Depreciation	(2,591,135)	(340,450)	-	(2,931,585)
Total Capital Assets, <i>Being Depreciated, net</i>	8,320,004	(263,193)	-	8,056,811
Governmental Activities Capital Assets, net	\$ 8,555,024	\$ (263,193)	\$ -	\$ 8,291,831

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

Note 4: Long-Term Debt

Following is a summary of long-term debt transactions for the year ended June 30, 2021.

Governmental Activities	Balance 06/30/20	Additions	Payments	Balance 06/30/21	Due Within One Year
Compensated Absences	\$ 64,013	\$ 37,565	\$ (37,190)	\$ 64,388	\$ 37,408
2016 Loan	8,859,773	-	(211,635)	8,648,138	219,268
	\$ 8,923,786	\$ 37,565	(248,825)	\$ 8,712,526	\$ 256,676

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.

Parker Core Knowledge, Inc.
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2021

Note 4: Long-Term Debt (Continued)

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>
2022	\$ 219,268	\$ 302,491	\$ 521,759
2023	227,177	294,583	521,760
2024	234,584	287,176	521,760
2025	243,832	277,927	521,759
2026	252,627	269,133	521,760
2027	<u>7,470,650</u>	<u>21,718</u>	<u>7,492,368</u>
Total	<u>\$ 8,648,138</u>	<u>\$ 1,453,028</u>	<u>\$ 10,101,166</u>

Note 5: Defined Benefit Pension Plan

General Information

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

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

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

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

Parker Core Knowledge, Inc.
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Notes to Financial Statements
June 30, 2021

Note 5: Defined Benefit Pension Plan (Continued)

General Information (Continued)

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

- a) Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- b) \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

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

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

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

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 shown above 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.

Parker Core Knowledge, Inc.
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Notes to Financial Statements
June 30, 2021

Note 5: Defined Benefit Pension Plan (Continued)

General Information (Continued)

Contributions Provisions as of June 30, 2021 - Eligible employees, the School and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 10.00% of their PERA-includable salary during the period of July 01, 2020 through June 30, 2021. The School's contribution rate was 20.90% of covered salaries for July 01, 2020 through June 30, 2021. 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. § 24-51-208(1)(f).

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. House Bill (HB) 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020 for the State's 2020-21 fiscal year.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were \$842,981 for the year ended June 30, 2021.

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

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

Parker Core Knowledge, Inc.
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Notes to Financial Statements
June 30, 2021

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)

At June 30, 2021, the School reported a liability of \$10,982,064 for its proportionate share of the net pension liability. The amount recognized by the School 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 were as follows:

School proportionate share of net pension liability	\$ 10,982,064
The State's proportionate share of net pension liability as a nonemployer contributing entity associated with the School	-
Proportionate share of the net pension liability	\$ 10,982,064

At December 31, 2020, the School's proportion was 0.0726423881%, which was an increase of 0.0088099215% from its proportion measured at December 31, 2019.

For the year ended June 30, 2021, the School recognized a pension benefit of \$1,765,102. There was no support from the State as a nonemployer contributing entity.

At June 30, 2021, 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	\$ 603,409	\$ -
Changes of assumptions and other inputs	1,056,441	1,845,991
Net difference between projected and actual earnings on plan investments	-	2,417,400
Changes in proportion	1,469,844	369,118
Contributions subsequent to the measurement date	473,668	-
Total	\$ 3,603,362	\$ 4,632,509

Parker Core Knowledge, Inc.
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 Notes to Financial Statements
 June 30, 2021

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)

School contributions subsequent to the measurement date of \$473,668 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 (benefit) as follows:

<u>Year Ended June 30,</u>	
2022	\$ (1,661,577)
2023	742,471
2024	(202,353)
2025	<u>(381,356)</u>
Total	<u>\$ (1,502,815)</u>

Actuarial Assumptions - The actuarial valuation as of December 31, 2019 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.

Parker Core Knowledge, Inc.
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 Notes to Financial Statements
 June 30, 2021

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)

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

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

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

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

Actuarial cost method	Entry Age
Price inflation	2.3%
Real wage growth	0.7%
Wage inflation	3.0%
Salary increases, including wage inflation	3.4% - 11.0%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Future post-employment benefit increases:	
Hired prior to 1/1/2007	1.25%
Hired after 12/31/2006	Financed by AIR

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

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

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

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Notes to Financial Statements
June 30, 2021

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)

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

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

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

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

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

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

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

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

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

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

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

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 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

Parker Core Knowledge, Inc.
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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)

- 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 reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded. HB 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020, for the State's 2020-21 fiscal year.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the SCHDTF's FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

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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)

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the 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:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 14,980,435	\$ 10,982,064	\$ 7,650,104

Pension Plan Fiduciary Net Position - Detailed information about the SCHDTF's FNP is available in PERA's Annual Report which can be obtained at www.copera.org/investments/pera-financial-reports.

Note 6: Postemployment Healthcare Benefits

General Information

Plan Description - Eligible employees of the School are provided with postemployment benefits other than pensions (OPEB) through the HCTF, a cost-sharing multiple-employer defined benefit OPEB 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 comprehensive annual financial report (Annual report) that can be obtained at www.copera.org/investments/pera-financial-reports.

Parker Core Knowledge, Inc.
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Note 6: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

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

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

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

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

Parker Core Knowledge, Inc.
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Note 6: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

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

DPS Benefit Structure - The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy, in each case, is for retirees 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 retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

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

Contributions - Pursuant to Title 24, Article 51, Section 208(1)(f) of the CRS, as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the School Division are required to contribute at a rate of 1.02% of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School was \$41,141 for the year ended June 30, 2021.

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

At June 30, 2021, the School reported a liability of \$399,192 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured at December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2020.

Parker Core Knowledge, Inc.
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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 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, 2020, relative to the contributions of all participating employers to the HCTF. At December 31, 2020, the School's proportion was 0.0420102082%, which was an increase of 0.0002922252% from its proportion measured at December 31, 2019.

For the year ended June 30, 2021, the School recognized OPEB expense of \$13,676. At June 30, 2021, 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	\$ 1,060	\$ 87,761
Changes of assumptions and other inputs	2,983	24,478
Net difference between projected and actual earnings on plan investments	-	16,311
Changes in proportion	17,008	3,825
Contributions subsequent to the measurement date	24,303	-
 Total	 \$ 45,354	 \$ 132,375

School contributions subsequent to the measurement date of \$24,303 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 (benefit) as follows:

<u>Year Ended June 30,</u>			
2022		\$	(24,910)
2023			(22,626)
2024			(27,482)
2025			(25,705)
2026			(9,972)
Thereafter			(629)
 Total		 \$	 (111,324)

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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 total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, 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%
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.0%
PERACare Medicare plans	
8.10% in 2020, gradually decreasing to 4.50% in 2029	
Medicare Part A premiums:	
3.50% in 2020, gradually increasing to 4.50% in 2029	
DPS benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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

- Medicare Advantage/Self-Insured Rx - Monthly Cost of \$558, Monthly Premium of \$227, Monthly Costs Adjusted to Age 65 of \$550.
- Kaiser Permanente Medicare Advantage HMO - Monthly Cost of \$621, Monthly Premium of \$232, Monthly Costs Adjusted to Age 65 of \$586.

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

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

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

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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, 2019, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

Mortality assumptions used in the December 31, 2019 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below 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, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

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

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

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

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

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Note 6: Postemployment Healthcare Benefits (Continued)

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

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

Actuarial cost method	Entry age
Price inflation	2.3%
Real wage growth	0.7%
Wage inflation	3.0%
Salary increases, including wage inflation	3.4% - 11.0%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%

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

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

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

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

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

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

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

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

The following health care costs assumptions were updated and used in the roll forward calculation for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2020 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

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

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

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

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, 2021 measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

Parker Core Knowledge, Inc.
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 Notes to Financial Statements
 June 30, 2021

Note 6: Postemployment Healthcare Benefits (Continued)

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

Sensitivity of the School's proportionate share of Net OPEB Liability to Changes in the Discount Rate - The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net OPEB 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 OPEB liability	\$ 457,281	\$ 399,192	\$ 349,559

Sensitivity of the School's proportionate share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the net OPEB liability using the current healthcare cost trend rates, ranging from 2.5% to 9.1%, as well as 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	\$ 388,874	\$ 399,192	\$ 411,203

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

Note 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, 2021, 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.

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Note 7: Commitments and Contingencies (Continued)

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, 2021, this reserve was reported as restricted fund balance in the General Fund, in the amount of \$239,000.

Note 8: Subsequent Event

During the year ended June 30, 2021, the United States of America and State of Colorado declared an emergency associated with the COVID-19 pandemic. Along with significant declines in financial markets, the public health emergency creates uncertain economic conditions. The School has adapted and made changes to operations due to potential impacts on health and safety. Should these conditions persist, the School could be negatively impacted.

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, 2021

	<u>12/31/20</u>	<u>12/31/19</u>	<u>12/31/18</u>
Proportionate Share of the Net Pension Liability			
School's Proportion of the Net Pension Liability	0.0726423881%	0.0638324666%	0.0632506622%
School's Proportionate Share of the Net Pension Liability	\$ 10,982,064	\$ 9,536,432	\$ 11,199,829
School's Covered-Employee Payroll	\$ 3,884,878	\$ 3,751,107	\$ 3,477,250
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	283%	254%	322%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67%	65%	57%
	<u>6/30/21</u>	<u>6/30/20</u>	<u>6/30/19</u>
School Contributions			
Statutorily Required Contribution	\$ 801,840	\$ 740,215	\$ 692,520
Contributions in Relation to the Statutorily Required Contribution	<u>(801,840)</u>	<u>(740,215)</u>	<u>(692,520)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered-Employee Payroll	\$ 4,033,396	\$ 3,819,199	\$ 3,626,994
Contributions as a Percentage of Covered-Employee Payroll	19.88%	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.
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 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, 2021
(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%
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, 2021

	<u>12/31/20</u>	<u>12/31/19</u>	<u>12/31/18</u>	<u>12/31/17</u>
Proportionate Share of the Net OPEB Liability				
School's Proportion of the Net OPEB Liability	0.0420102082%	0.0417179830%	0.0411135404%	0.0410116684%
School's Proportionate Share of the Net OPEB Liability	\$ 399,192	\$ 468,909	\$ 559,367	\$ 532,988
School's Covered Payroll	\$ 3,884,878	\$ 3,751,107	\$ 3,477,250	\$ 3,329,518
School's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	10%	13%	16%	16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	33%	24%	17%	18%
	<u>6/30/21</u>	<u>6/30/20</u>	<u>6/30/19</u>	<u>6/30/18</u>
School Contributions				
Statutorily Required Contribution	\$ 41,141	\$ 38,956	\$ 36,995	\$ 34,263
Contributions in Relation to the Statutorily Required Contribution	<u>(41,141)</u>	<u>(38,956)</u>	<u>(36,995)</u>	<u>(34,263)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 4,033,396	\$ 3,819,199	\$ 3,626,994	\$ 3,436,378
Contributions as a Percentage of Covered Payroll	1.02%	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, 2021

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
<i>Local Sources</i>				
Per Pupil Revenue	\$ 5,012,499	\$ 5,461,065	\$ 5,461,923	\$ 858
District Mill Levy	789,639	829,756	829,757	1
Tuition and Fees	1,150,410	953,778	975,920	22,142
Contributions and Fundraising	36,000	40,127	42,514	2,387
Rental Income	44,717	6,455	13,589	7,134
Investment Income	47,000	3,566	2,779	(787)
Other	52,066	57,313	34,282	(23,031)
Total Local Sources	<u>7,132,331</u>	<u>7,352,060</u>	<u>7,360,764</u>	<u>8,704</u>
<i>State Sources</i>				
Capital Construction	152,911	212,398	212,399	1
PERA State Distribution Revenue	90,956	90,956	-	(90,956)
Grants	10,000	50,401	52,054	1,653
Total State Sources	<u>253,867</u>	<u>353,755</u>	<u>264,453</u>	<u>(89,302)</u>
<i>Federal Sources</i>				
Covid Grant Funding	-	328,300	328,300	-
Total Revenues	<u>7,386,198</u>	<u>8,034,115</u>	<u>7,953,517</u>	<u>(80,598)</u>
Expenditures				
Salaries	3,952,474	4,201,087	4,164,828	36,259
Employee Benefits	1,376,165	1,380,288	1,258,194	122,094
Purchased Services	1,499,495	1,528,242	1,477,759	50,483
Supplies	420,534	414,472	335,147	79,325
Property	110,900	208,505	242,593	(34,088)
Other	95,762	93,000	30,778	62,222
Contingency	2,413,610	2,960,971	-	2,960,971
Total Expenditures	<u>9,868,940</u>	<u>10,786,565</u>	<u>7,509,299</u>	<u>3,277,266</u>
Net Change in Fund Balance	(2,482,742)	(2,752,450)	444,218	3,196,668
Fund Balance, Beginning of year	<u>2,482,742</u>	<u>2,752,450</u>	<u>2,752,450</u>	<u>-</u>
Fund Balance, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,196,668</u>	<u>\$ 3,196,668</u>

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Notes to Required Supplemental Information
June 30, 2021

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, 2021, the total pension liability was determined by an actuarial valuation as of December 31, 2019. The following revised economic and demographic assumptions were effective as of December 31, 2019.

- 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.