

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

Financial Statements

June 30, 2022



Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
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June 30, 2022

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COMPANY**
Strategic ^{PC}
Business Advisors

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund of Parker Core Knowledge, Inc. (the School), component unit of Douglas County School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements of the School, as listed in the table of contents.

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 the School, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The School's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Office Locations:

Colorado Springs, CO
Denver, CO
Tulsa, OK

Denver Office:

750 W. Hampden Avenue
Suite 400
Englewood,
Colorado 80110
TEL: 303.796.1000
FAX: 303.796.1001
www.HinkleCPAs.com

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



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

Englewood, Colorado
October 27, 2022



Parker Core Knowledge Charter School
Management's Discussion and Analysis
June 30, 2022

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, 2022. 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, 2022 is the twenty-eighth year of operations for Parker Core Knowledge. The Fund balance increased \$598,708 during the year, from \$3,798,990 to \$4,397,698.

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 until the 2000-2021 school year when the PPR funding decreased. PPR increased in 2021-2022 to \$8,546. PPR for the 2022-2023 school year is expected to be higher than the previous year but this trend may not continue in the future.

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 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
June 30, 2022

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. The School implemented GASB Statement No. 90 – Majority Equity Interests in the year ended June 30, 2021. 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.

3) Notes to the Financial Statements

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

Parker Core Knowledge Charter School
Management's Discussion and Analysis
June 30, 2022

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, 2022 Parker Core Knowledge's net position is a negative (\$4,854,392). The negative balance is primarily due to 1) GASB Statement No. 68, resulting in a net pension liability of \$7,625,604 which represents Parker Core Knowledge's proportionate share of PERA's net pension liability, 2) GASB 75, resulting in a net OPEB liability of \$368,928, and 3) Loss on Debt Refunding of \$385,398. Our proportionate share of our net pension liability decreased \$3,356,460 over the prior year. Our proportionate share of our net OPEB liability decreased \$30,264 over the prior year.

Parker Core Knowledge Charter School
Management's Discussion and Analysis
June 30, 2022

Parker Core Knowledge's Combined Net Position

| | Governmental Type Activities 2021-2022 | Governmental Type Activities 2020-2021 |
|--|--|--|
| Assets | | |
| Cash and Investments | \$ 4,522,787 | \$ 3,781,923 |
| Restricted Cash and Investments | 304,358 | 317,544 |
| Accounts Receivable | 18,406 | 11,587 |
| Deposits | 8,995 | 12,829 |
| Prepaid Expenses | 88,171 | 28,104 |
| Capital Assets, <i>Not being Depreciated</i> | 646,135 | 235,020 |
| Capital Assets, <i>Net of Accumulated Depreciation</i> | <u>7,815,887</u> | <u>8,056,811</u> |
| Total Assets | <u>13,404,739</u> | <u>12,443,818</u> |
| Deferred Outflows of Resources | | |
| Pensions, <i>Net of Accumulated Amortization</i> | 2,228,686 | 3,603,362 |
| OPEB, <i>Net of Accumulated Amortization</i> | 48,954 | 45,354 |
| Loss on Debt Refunding, <i>Net of Accumulated Amortization</i> | <u>385,398</u> | <u>481,524</u> |
| Total Deferred Outflows of Resources | <u>2,663,038</u> | <u>4,130,240</u> |
| Liabilities | | |
| Accounts Payable | 284,424 | 82,190 |
| Accrued Liabilities | 232,016 | 242,584 |
| Unearned Revenues | 28,579 | 28,223 |
| Accrued Interest Payable | 24,512 | 25,152 |
| Noncurrent Liabilities | | |
| Due Within One Year | 227,177 | 256,676 |
| Due in More Than One Year | 8,201,693 | 8,455,850 |
| Net Pension Liability | 7,625,604 | 10,982,064 |
| Net OPEB Liability | <u>368,928</u> | <u>399,192</u> |
| Total Liabilities | <u>16,992,933</u> | <u>20,471,931</u> |
| Deferred Inflows of Resources | | |
| Pensions, <i>Net of Accumulated Amortization</i> | 3,796,917 | 4,632,509 |
| OPEB, <i>Net of Accumulated Amortization</i> | <u>132,319</u> | <u>132,375</u> |
| Total Deferred Inflows of Resources | <u>3,929,236</u> | <u>4,764,884</u> |
| Net Position | | |
| Net Investment in Capital Assets | 418,550 | 125,217 |
| Restricted for Debt Service | 279,846 | 292,392 |
| Restricted for Emergencies | 264,000 | 239,000 |
| Playground Reserve | 250,000 | |
| Unrestricted | <u>(6,066,788)</u> | <u>(9,319,366)</u> |
| Total Net Position | <u>\$ (4,854,392)</u> | <u>\$ (8,662,757)</u> |

Parker Core Knowledge Charter School
Management's Discussion and Analysis
June 30, 2022

Parker Core Knowledge's Change in Combined Net Assets
For the Year Ended June 30, 2022 and June 30, 2021

| | Governmental Type Activities 2021-2022 | Governmental Type Activities 2020-2021 |
|--|--|--|
| Revenue: | | |
| Charges for Services | \$ 1,138,624 | \$ 989,509 |
| Operating Grants and Contributions | 390,344 | 380,354 |
| Per Pupil Revenue | 6,028,677 | 5,461,923 |
| District Mill Levy | 843,101 | 829,757 |
| Capital Construction | 209,006 | 212,399 |
| Contributions not Restricted to Specific Programs | 293,258 | 42,514 |
| Investment Income | 9,178 | 3,134 |
| Other | <u>598,597</u> | <u>556,042</u> |
| Total General Revenue | 9,510,785 | 8,475,632 |
| Expenses: | | |
| Instruction | 2,587,364 | 2,511,804 |
| Supporting Services | 2,717,081 | 2,666,012 |
| Interest on Long-Term Debt | <u>397,975</u> | <u>405,633</u> |
| Total Expenses | 5,702,420 | 5,583,449 |
| Change in Net Position | 3,808,365 | 2,892,183 |
| Net Position, <i>Beginning of Year</i> | <u>(8,662,757)</u> | <u>(11,554,940)</u> |
| Net Position, <i>End of Year</i> | <u><u>\$ (4,854,392)</u></u> | <u><u>\$ (8,662,757)</u></u> |

Parker Core Knowledge Charter School
Management's Discussion and Analysis
June 30, 2022

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 \$3,808,555, an increase of \$611,887. During the prior fiscal year, the fund balance increased \$444,218. The increase from the prior year was primarily due to the net effect of a) increased revenue from higher PPR, b) increased expense due to renovations, c) decreased revenue from grants received due the Coronavirus pandemic, and d) increased revenue from donations although most of the donations received are for use of a future upgrade to our playground. Salaries and benefits remained relatively unchanged as wage increases for employees were offset by lower staffing. The lower staffing was due additional help needed in the prior year for remote learning and some positions that were unfilled during part of the current year.

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 \$401 for the year.

During the year, the School paid for renovations to the property owned by the Building Corporation. These renovations included the transformation of our old gym to a new Multipurpose Room, upgrades to our Student Services Center and several of our restrooms, and new carpet through a large area of the school. 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 2022, \$279,846 was being held for debt service.

Parker Core Knowledge Charter School
Management's Discussion and Analysis
June 30, 2022

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 2021-22, the School budgeted for net revenues of \$2,202. The actuals for 2021-2022 show net revenues of \$611,887.

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2022, the CKCS Building Corporation owns equipment, land and improvements, net of depreciation of \$8,430,983. 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 2022-23. Per Pupil revenue is anticipated to increase 6.0% for the 2022-23 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 increase however the amount received by the school will probably decrease because of more charter school students in the State of Colorado.

The School raised budgeted salaries in 2022-23 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 renovations to the campus. These expenses will be paid from revenue received and from reserves.

Parker Core Knowledge Charter School
Management's Discussion and Analysis
June 30, 2022

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, 2022

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Cash and Investments | \$ 4,522,787 |
| Restricted Cash and Investments | 304,358 |
| Accounts Receivable | 18,406 |
| Deposits | 8,995 |
| Prepaid Expenses | 88,171 |
| Capital Assets, <i>Not Being Depreciated</i> | 646,135 |
| Capital Assets, <i>Net of Accumulated Depreciation</i> | <u>7,815,887</u> |
| Total Assets | <u>13,404,739</u> |
| Deferred Outflows of Resources | |
| Pensions, <i>Net of Accumulated Amortization</i> | 2,228,686 |
| OPEB, <i>Net of Accumulated Amortization</i> | 48,954 |
| Loss on Debt Refunding, <i>Net of Accumulated Amortization</i> | <u>385,398</u> |
| Total Deferred Outflows of Resources | <u>2,663,038</u> |
| Liabilities | |
| Accounts Payable | 284,424 |
| Accrued Liabilities | 232,016 |
| Unearned Revenues | 28,579 |
| Accrued Interest Payable | 24,512 |
| Noncurrent Liabilities | |
| Due Within One Year | 227,177 |
| Due in More Than One Year | 8,201,693 |
| Net Pension Liability | 7,625,604 |
| Net OPEB Liability | <u>368,928</u> |
| Total Liabilities | <u>16,992,933</u> |
| Deferred Inflows of Resources | |
| Pensions, <i>Net of Accumulated Amortization</i> | 3,796,917 |
| OPEB, <i>Net of Accumulated Amortization</i> | <u>132,319</u> |
| Total Deferred Inflows of Resources | <u>3,929,236</u> |
| Net Position | |
| Net Investment in Capital Assets | 418,550 |
| Restricted for: | |
| Debt Service | 279,846 |
| Emergencies | 264,000 |
| Playground Reserve | 250,000 |
| Unrestricted | <u>(6,066,788)</u> |
| Total Net Position | <u>\$ (4,854,392)</u> |

Parker Core Knowledge, Inc.
 (A Component Unit of Douglas County School District RE.1)
 Statement of Activities
 For the Year Ended June 30, 2022

| 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 | \$ 2,587,364 | \$ 1,138,624 | \$ 390,344 | \$ (1,058,396) |
| Supporting Services | 2,717,081 | - | - | (2,717,081) |
| Interest on Long-Term Debt | <u>397,975</u> | - | - | <u>(397,975)</u> |
| Total Governmental Activities | <u>\$ 5,702,420</u> | <u>\$ 1,138,624</u> | <u>\$ 390,344</u> | <u>(4,173,452)</u> |
| General Revenues | | | | |
| | | | | 6,028,677 |
| Per Pupil Revenue | | | | 843,101 |
| District Mill Levy | | | | 209,006 |
| Capital Construction | | | | |
| Contributions not Restricted to | | | | |
| Specific Programs | | | | 293,258 |
| Investment Income | | | | 9,178 |
| Other | | | | <u>598,597</u> |
| Total General Revenues | | | | <u>7,981,817</u> |
| Change in Net Position | | | | 3,808,365 |
| Net Position, Beginning of year | | | | <u>(8,662,757)</u> |
| Net Position, End of year | | | | <u>\$ (4,854,392)</u> |

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Balance Sheet
Governmental Funds
June 30, 2022

| | General | Building | Total |
|--|------------------|----------------|------------------|
| Assets | | | |
| Cash and Investments | \$ 4,238,002 | \$ 284,785 | \$ 4,522,787 |
| Restricted Cash and Investments | - | 304,358 | 304,358 |
| Accounts Receivable | 18,406 | - | 18,406 |
| Prepaid Expenses | 88,171 | - | 88,171 |
| Deposits | 8,995 | - | 8,995 |
| Total Assets | \$ 4,353,574 | \$ 589,143 | \$ 4,942,717 |
| Liabilities and Fund Balance | | | |
| <i>Liabilities</i> | | | |
| Accounts Payable | \$ 284,424 | \$ - | \$ 284,424 |
| Accrued Salaries and Benefits | 232,016 | - | 232,016 |
| Unearned Revenues | 28,579 | - | 28,579 |
| Total Liabilities | 545,019 | - | 545,019 |
| <i>Fund Balance</i> | | | |
| Nonspendable Deposits | 8,995 | - | 8,995 |
| Restricted for Emergencies | 264,000 | - | 264,000 |
| Restricted for Playground | 250,000 | - | 250,000 |
| Unrestricted, Unassigned | 3,285,560 | 589,143 | 3,874,703 |
| Total Fund Balance | 3,808,555 | 589,143 | 4,397,698 |
| Total Liabilities and Fund Balance | \$ 4,353,574 | \$ 589,143 | \$ 4,942,717 |

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

| | |
|---|--------------------|
| Total Fund Balance of the Governmental Fund | \$ 4,397,698 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. | 8,462,022 |
| 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 | (24,512) |
| Long-term debt | (8,428,870) |
| Accrued compensated absences | - |
| Loss on debt refunding | 385,398 |
| Net pension liability | (7,625,604) |
| Pension-related deferred outflows of resources | 2,228,686 |
| Pension-related deferred inflows of resources | (3,796,917) |
| Net OPEB liability | (368,928) |
| OPEB-related deferred outflows of resources | 48,954 |
| OPEB-related deferred inflows of resources | (132,319) |
| Total Net Position of Governmental Activities | \$ (4,854,392) |

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, 2022

| | General | Building | Total |
|---|--------------|------------|--------------|
| Revenues | | | |
| Local Sources | \$ 8,389,274 | \$ 522,161 | \$ 8,911,435 |
| State Sources | 358,100 | - | 358,100 |
| Federal Sources | 32,278 | - | 32,278 |
| Total Revenues | 8,779,652 | 522,161 | 9,301,813 |
| Expenditures | | | |
| Instruction | 4,621,953 | - | 4,621,953 |
| Supporting Services | 3,545,812 | 13,583 | 3,559,395 |
| Debt Service | | | |
| Principal | - | 219,269 | 219,269 |
| Interest | - | 302,488 | 302,488 |
| Total Expenditures | 8,167,765 | 535,340 | 8,703,105 |
| Excess of Revenues Over Expenditures | 611,887 | (13,179) | 598,708 |
| Net Change in Fund Balance | 611,887 | (13,179) | 598,708 |
| Fund Balance, Beginning of year | 3,196,668 | 602,322 | 3,798,990 |
| Fund Balance, End of year | \$ 3,808,555 | \$ 589,143 | \$ 4,397,698 |

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, 2022

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

| | | |
|---|----|-------------|
| Net Change in Fund Balance of the Governmental Funds | \$ | 598,708 |
| <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 | | 514,126 |
| Depreciation expense | | (343,935) |
| <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 | | 219,269 |
| <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 | | 64,388 |
| Accrued interest payable | | 640 |
| Net pension liability | | 3,356,460 |
| Pension-related deferred outflows of resources | | (1,374,676) |
| Pension-related deferred inflows of resources | | 835,591 |
| Net OPEB liability | | 30,264 |
| OPEB-related deferred outflows of resources | | 3,600 |
| core | | 56 |
| Change in Net Position of Governmental Activities | \$ | 3,808,365 |

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2022

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, 2022

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.

Building 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, 2022

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 – The School no longer has compensated absences as of the year ended 2022. The last payout was made August 2021.

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

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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

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/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.

The School has evaluated subsequent events through October 27, 2022 the date the financial statements were available to be issued.

Note 2: Cash and Investments

At June 30, 2022, the School and the Corporation had the following cash and investments:

| | | |
|--------------|----|-------------------------|
| Cash on Hand | \$ | 13 |
| Deposits | | 514,600 |
| Investments | | <u>4,312,532</u> |
| Total | \$ | <u><u>4,827,145</u></u> |

Parker Core Knowledge, Inc.
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2022

Note 2: Cash and Investments (Continued)

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

| | | |
|---------------------------------|--------|----------------------|
| Cash and Investments | \$ | 4,522,787 |
| Restricted Cash and Investments | | 304,358 |
| Total | \$ | <u>4,827,145</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, 2022, \$302,227 of the School bank deposits were collateralized with securities held by the financial institution's agent, but not in the School's name.

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.
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2022

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, 2022, the School had \$4,312,532 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 \$304,358 have been restricted by the Corporation's loan agreement for future debt service.

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2022

Note 3: Capital Assets

Capital assets activity for the year ended June 30, 2022, is summarized below.

| Governmental Activities | Balance 06/30/21 | Additions | Deletions | Balance 06/30/22 |
|---|-----------------------------|-------------------|------------------|-----------------------------|
| <i>Capital Assets, Not Being Depreciated</i> | | | | |
| Land | \$ 235,020 | \$ - | \$ - | \$ 235,020 |
| Construction in Progress | - | 411,115 | - | 411,115 |
| Total Capital Assets, Not Being Depreciated | 235,020 | 411,115 | - | 646,135 |
| <i>Capital Assets, Being Depreciated</i> | | | | |
| Land Improvements | 369,381 | - | - | 369,381 |
| Buildings and Improvements | 10,452,165 | 103,011 | - | 10,555,176 |
| Equipment | 166,850 | - | - | 166,850 |
| Total Capital Assets, Being Depreciated | 10,988,396 | 103,011 | - | 11,091,407 |
| <i>Less Accumulated Depreciation</i> | | | | |
| Land Improvements | (173,408) | (33,372) | - | (206,780) |
| Buildings and Improvements | (2,642,090) | (292,843) | - | (2,934,933) |
| Equipment | (116,087) | (17,720) | - | (133,807) |
| Total Accumulated Depreciation | (2,931,585) | (343,935) | - | (3,275,520) |
| Total Capital Assets, Being Depreciated, net | 8,056,811 | (240,924) | - | 7,815,887 |
| Governmental Activities Capital Assets, net | \$ 8,291,831 | \$ 170,191 | \$ - | \$ 8,462,022 |

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, 2022.

| Governmental Activities | Balance 06/30/21 | Additions | Payments | Balance 06/30/22 | Due Within One Year |
|--------------------------------|-----------------------------|------------------|---------------------|-----------------------------|--------------------------------|
| Compensated Absences | \$ 64,388 | \$ - | \$ (64,388) | \$ - | \$ - |
| 2016 Loan | 8,648,139 | - | (219,269) | 8,428,870 | 227,177 |
| | \$ 8,712,527 | \$ - | \$ (283,657) | \$ 8,428,870 | \$ 227,177 |

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, 2022

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> |
|----------------------------|---------------------|---------------------|---------------------|
| 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 | 7,470,650 | 21,718 | 7,492,368 |
| Total | <u>\$ 8,428,870</u> | <u>\$ 1,150,537</u> | <u>\$ 9,579,407</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 annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of June 30, 2022 - 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 specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2022

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:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- \$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.

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% 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(s) shown above considering a minimum of 20 years of service credit, if deemed disabled.

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

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2022

Note 5: Defined Benefit Pension Plan (Continued)

General Information (Continued)

Contributions provisions as of June 30, 2022 - 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 10.50% of their PERA-includable salary during the period of July 01, 2021 through June 30, 2022. The School's contribution rate was 20.90% of covered salaries for July 01, 2021 through June 30, 2022. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (see Note 6). Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

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 \$812,993 for the year ended June 30, 2022.

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. As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (actual dollars) direct distribution 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. In addition to the \$225 million (actual dollars) direct distribution due July 1, 2022, House Bill (HB) 22-1029, instructs the State treasurer to issue a warrant to PERA in the amount of \$380 million (actual dollars), upon enactment, with reductions to future direct distributions scheduled to occur July 1, 2023, and July 1, 2024.

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, 2021, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll forward the TPL to December 31, 2021. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2021 relative to the total contributions of participating employers and State as a nonemployer contributing entity.

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2022

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, 2022, the School reported a liability of \$7,625,604 for its proportionate share of the net pension liability that reflected an increase for support from the State as a nonemployer contributing entity. 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 | \$ | 8,499,780 |
| The State's proportionate share of net pension liability as a nonemployer contributing entity associated with the School | | <u>(874,176)</u> |
| Proportionate share of the net pension liability | \$ | <u><u>7,625,604</u></u> |

At December 31, 2021, the School's proportion was 0.0655268933%, which was a decrease of 0.0071154948% from its proportion measured at December 31, 2020.

For the year ended 2022, the School recognized pension expense of \$2,004,007 and expense of \$208,972 due to support from the State as a nonemployer contributing entity. At June 30, 2022, 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 | \$ 291,939 | \$ - |
| Changes of assumptions and other inputs | 582,159 | - |
| Net difference between projected and actual earnings on plan investments | - | 2,867,000 |
| Changes in proportion | 881,011 | 929,917 |
| Contributions subsequent to the measurement date | <u>473,577</u> | <u>-</u> |
| Total | <u><u>\$ 2,228,686</u></u> | <u><u>\$ 3,796,917</u></u> |

Parker Core Knowledge, Inc.
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2022

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)

\$473,577 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| <u>Year Ended June 30,</u> | |
|----------------------------|-----------------------|
| 2023 | \$ (1,628) |
| 2024 | (878,903) |
| 2025 | (813,283) |
| 2026 | <u>(347,994)</u> |
| Total | <u>\$ (2,041,808)</u> |

Actuarial assumptions - The TLP in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs.

| | |
|---|-----------------|
| 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% |
| Post-retirement benefit increases: | |
| Hired prior to 1/1/2007 | 1.0% |
| Hired after 12/31/2006 | Financed by AIR |

The TPL as of December 31, 2021, includes the anticipated adjustments to contribution rates and the AI cap, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.

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

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

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

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2022

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)

- Males: 112% of the rates prior to age 80 and 94% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 83% of the rates prior to age 80 and 106% 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 PubT-2010 Contingent Survivor Table, adjusted as follows:

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

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the periods January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

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.

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.

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.

Parker Core Knowledge, Inc.
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 Notes to Financial Statements
 June 30, 2022

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)

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> | |

Note: 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 TPL 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 Senate Bill (SB) 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

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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, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. 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.
- 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.
- The projected benefit payments reflect the lowered AI cap, from 1.25% to 1.00%, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.
- 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% on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. The discount determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. 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 | \$ <u>11,224,266</u> | \$ <u>7,625,604</u> | \$ <u>4,622,656</u> |

Pension plan fiduciary net position - Detailed information about the SCHDTF's FNP is available in PERA's ACFR 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 OPEB through the HCTF - a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, and sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) 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 health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

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

Enrollment in the PERACare health benefits program 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% 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.

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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% 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 State, School, Local Government, and Judicial Divisions 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 \$41,713 for the year ended June 30, 2022.

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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

At June 30, 2022, the School reported a liability of \$368,928 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured at December 31, 2021, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2021. 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, 2021, relative to the contributions of all participating employers to the HCTF.

At December 31, 2021, the School's proportion was 0.0427839687%, which was an increase of 0.0007737605% from its proportion measured at December 31, 2020.

For the year ended June 30, 2022, the School recognized OPEB expense of \$4,984. At June 30, 2022, 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 | \$ 561 | \$ 87,476 |
| Changes of assumptions and other inputs | 7,638 | 20,012 |
| Net difference between projected and actual earnings on plan investments | - | 22,835 |
| Changes in proportion | 17,171 | 1,996 |
| Contributions subsequent to the measurement date | 23,584 | - |
| Total | \$ 48,954 | \$ 132,319 |

\$23,584 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

| <u>Year Ended June 30,</u> | | | |
|-----------------------------------|--|----|-----------|
| 2023 | | \$ | (27,387) |
| 2024 | | | (32,299) |
| 2025 | | | (30,478) |
| 2026 | | | (14,431) |
| 2027 | | | (2,034) |
| Thereafter | | | (320) |
| Total | | \$ | (106,949) |

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)

Actuarial assumptions - The TOL in the December 31, 2020 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

| | |
|--|----------------|
| Actuarial cost method | Entry age |
| Price inflation | 2.3% |
| Real wage growth | 0.7% |
| Wage inflation | 3.0% |
| Salary increases, including wage inflation | 3.40% - 11.00% |
| 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 | |
| <i>PERA benefit structure:</i> | |
| Service-based premium subsidy | 0.0% |
| PERACare Medicare plans | |
| 4.50% in 2021, 6.00% in 2022, gradually decreasing to 4.50% in 2029 | |
| Medicare Part A premiums: | |
| 3.75% in 2021, gradually increasing to 4.50% in 2029 | |
| <i>DPS benefit structure:</i> | |
| Service-based premium subsidy | 0.0% |
| PERACare Medicare plans | N/A |
| Medicare Part A premiums | N/A |

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

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, 2020 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 \$633, Monthly Premium of \$230, Monthly Costs Adjusted to Age 65 of \$591.
- Kaiser Permanente Medicare Advantage HMO - Monthly Cost of \$596, Monthly Premium of \$199, Monthly Costs Adjusted to Age 65 of \$562.

The 2021 Medicare Part A premium is \$471 (actual dollars) per month.

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and 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, 2020, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates used to measure the TOL are summarized in the table below:

| <u>Year</u> | <u>PERACare Medicare Plans</u> | <u>Medicare Part A Premiums</u> |
|-------------|------------------------------------|-------------------------------------|
| 2021 | 4.50% | 3.75% |
| 2022 | 6.00% | 3.75% |
| 2023 | 5.80% | 4.00% |
| 2024 | 5.60% | 4.00% |
| 2025 | 5.40% | 4.00% |
| 2026 | 5.10% | 4.25% |
| 2027 | 4.90% | 4.25% |
| 2028 | 4.70% | 4.25% |
| 2029+ | 4.50% | 4.50% |

Mortality assumptions used in the December 31, 2020, 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 TOL for the HCTF, but developed using a headcount-weighted basis. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

The pre-retirement mortality assumptions for the School Division were based upon the PubT-2010 Employee Table 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)

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

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

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

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

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

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

- 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 2021 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 PERA Board's actuary, as discussed above.

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were adopted by the PERA's Board during the November 20, 2020, Board meeting.

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.

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June 30, 2022

Note 6: Postemployment Healthcare Benefits (Continued)

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

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.

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).

Note: 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%.

Discount Rate - The discount rate used to measure the TOL 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, 2022 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.

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)

Based on the above assumptions and methods, the HCTF'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% on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

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 | \$ <u>428,472</u> | \$ <u>368,928</u> | \$ <u>318,068</u> |

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 applicable to the PERA benefit structure, ranging from 2.75% to 5.50%, 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 | \$ <u>358,334</u> | \$ <u>368,928</u> | \$ <u>381,201</u> |

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

Parker Core Knowledge, Inc.
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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, 2022, significant amounts of related expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

TABOR Amendment

In November 1992, Colorado voters passed the TABOR Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to interpretation, but the School believes it is in substantial compliance with the requirements of the Amendment. In accordance with the Amendment, the School has established an emergency reserve, representing 3% of qualifying expenditures. At June 30, 2022, this reserve was reported as restricted fund balance in the General Fund, in the amount of \$264,000.

Current Economic Conditions

During the year ended June 30, 2022, 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, 2022

| | 12/31/21 | 12/31/20 | 12/31/19 | 12/31/18 |
|---|---------------|---------------|---------------|---------------|
| Proportionate Share of the Net Pension Liability | | | | |
| School's Proportion of the Net Pension Liability | 0.0655268933% | 0.0726423881% | 0.0638324666% | 0.0632506622% |
| Net Pension Liability | | | | |
| School's Proportionate Share of the State's Proportionate Share | \$ 7,625,604 | \$ 10,982,064 | \$ 9,536,432 | \$ 11,199,829 |
| Total Proportionate Share of the Net Pension Liability | 8,499,780 | 10,982,064 | 10,746,003 | 12,731,253 |
| School's Covered-Employee Payroll | \$ 4,095,212 | \$ 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 | 186% | 283% | 254% | 322% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 75% | 67% | 65% | 65% |
| | 6/30/22 | 6/30/21 | 6/30/20 | 6/30/19 |
| School Contributions | | | | |
| Statutorily Required Contribution | \$ 812,993 | \$ 801,840 | \$ 740,215 | \$ 692,520 |
| Contributions in Relation to the Statutorily Required Contribution | (812,993) | (801,840) | (740,215) | (692,520) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - |
| School's Covered-Employee Payroll | \$ 4,089,484 | \$ 4,033,396 | \$ 3,819,199 | \$ 3,626,994 |
| Contributions as a Percentage of Covered-Employee Payroll | 19.88% | 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, 2022
 (Continued)

| | 12/31/17 | 12/31/16 | 12/31/15 | 12/31/14 | 12/31/13 |
|---|-------------------|-------------------|------------------|------------------|------------------|
| Proportionate Share of the Net Pension Liability | | | | | |
| School's Proportion of the Net Pension Liability | 0.0632506622% | 0.0443513783% | 0.0689535770% | 0.0634105901% | 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 |
| State's Proportionate Share | - | - | - | - | - |
| Total Proportionate Share of the Net Pension Liability | <u>23,339,874</u> | <u>20,530,146</u> | <u>9,698,202</u> | <u>8,284,534</u> | <u>7,282,623</u> |
| School's Covered-Employee Payroll | \$ 3,329,518 | \$ 3,094,759 | \$ 2,763,420 | \$ 2,560,712 | \$ 2,560,712 |
| School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll | 701% | 663% | 351% | 324% | 284% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 44% | 43% | 59% | 63% | 63% |
| School Contributions | | | | | |
| Statutorily Required Contribution | \$ 634,437 | \$ 595,090 | \$ 520,709 | \$ 446,317 | \$ 446,317 |
| 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>(446,317)</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 | \$ 2,625,539 |
| Contributions as a Percentage of Covered-Employee Payroll | 18.89% | 25.21% | 17.65% | 17.00% | 17.00% |

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)
 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, 2022

| | <u>12/31/21</u> | <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 | 0.042783969% | 0.0420102082% | 0.0417179830% | 0.0411135404% | 0.0410116684% |
| School's Proportionate Share of the Net OPEB Liability | \$ 368,928 | \$ 399,192 | \$ 468,909 | \$ 559,367 | \$ 532,988 |
| School's Covered Payroll | \$ 4,095,212 | \$ 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 | 9% | 10% | 13% | 16% | 16% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 39% | 33% | 24% | 17% | 18% |
| School Contributions | | | | | |
| Statutorily Required Contribution | \$ 41,713 | \$ 41,141 | \$ 38,956 | \$ 36,995 | \$ 34,263 |
| Contributions in Relation to the Statutorily Required Contribution | <u>(41,713)</u> | <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> | <u>\$ -</u> |
| School's Covered Payroll | \$ 4,089,484 | \$ 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% | 1.02% | 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, 2022

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--|--------------------|-------------------|---------------------|------------------------------------|
| Revenues | | | | |
| <i>Local Sources</i> | | | | |
| Per Pupil Revenue | \$ 5,942,665 | \$ 6,028,557 | \$ 6,028,677 | \$ 120 |
| District Mill Levy | 803,731 | 843,101 | 843,101 | - |
| Tuition and Fees | 1,105,097 | 1,096,746 | 1,138,624 | 41,878 |
| Contributions and Fundraising | - | 37,698 | 293,258 | 255,560 |
| Rental Income | 19,593 | 23,525 | 26,160 | 2,635 |
| Investment Income | 3,000 | 849 | 8,777 | 7,928 |
| Other | 34,113 | 48,442 | 50,677 | 2,235 |
| Total Local Sources | <u>7,908,199</u> | <u>8,078,918</u> | <u>8,389,274</u> | <u>310,356</u> |
| <i>State Sources</i> | | | | |
| Capital Construction | 201,778 | 209,006 | 209,006 | - |
| PERA State Distribution Revenue | 91,614 | - | 93,330 | 93,330 |
| Grants | 80,769 | 97,650 | 88,042 | (9,608) |
| Total State Sources | <u>374,161</u> | <u>306,656</u> | <u>390,378</u> | <u>83,722</u> |
| Total Revenues | <u>8,282,360</u> | <u>8,385,574</u> | <u>8,779,652</u> | <u>394,078</u> |
| Expenditures | | | | |
| Salaries | 4,247,998 | 4,272,279 | 4,151,357 | 120,922 |
| Employee Benefits | 1,420,758 | 1,329,578 | 1,346,887 | (17,309) |
| Purchased Services | 1,641,105 | 1,594,513 | 1,524,095 | 70,418 |
| Supplies | 402,045 | 467,356 | 452,326 | 15,030 |
| Property | 283,500 | 669,646 | 651,870 | 17,776 |
| Other | 59,191 | 50,000 | 41,230 | 8,770 |
| Contingency | 3,187,570 | 3,162,759 | - | 3,162,759 |
| Total Expenditures | <u>11,242,167</u> | <u>11,546,131</u> | <u>8,167,765</u> | <u>3,378,366</u> |
| Net Change in Fund Balance | (2,959,807) | (3,160,557) | 611,887 | 3,772,444 |
| Fund Balance, Beginning of year | <u>3,003,263</u> | <u>3,196,695</u> | <u>3,196,668</u> | <u>(27)</u> |
| Fund Balance, End of year | <u>\$ 43,456</u> | <u>\$ 36,138</u> | <u>\$ 3,808,555</u> | <u>\$ 3,772,417</u> |

Parker Core Knowledge, Inc.
(A Component Unit of Douglas County School District RE.1)
Notes to Required Supplemental Information
June 30, 2022

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, 2022, the total pension liability was determined by an actuarial valuation as of December 31, 2020. The following revised economic and demographic assumptions were effective as of December 31, 2020.

- 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 2.3% per year. This assumption decreased from 2.4% from the prior year.
- Real rate of investment return assumption of 4.85% per year, net of investment expenses. 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 3.0% per year. This assumption decreased from 3.5% in the prior year.
- Healthy and disabled mortality assumptions are based on the PubT-2010 Employee 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.