

HOPE Online Learning Academy Co-Op

**(A Component Unit of Douglas County School District RE. 1
Douglas County, Colorado)**

Financial Statements and Independent Auditor's Reports

June 30, 2021

HOPE Online Learning Academy Co-Op
 (A Component Unit of Douglas County School District RE. 1
 Douglas County, Colorado)
 June 30, 2021

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Independent Auditor's Report

Board of Directors
HOPE Online Learning Academy Co-Op
Englewood, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of HOPE Online Learning Academy Co-Op (HOPE) (a component unit of Douglas County School District RE. 1 of Douglas County, Colorado (DCSD)), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise HOPE's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Board of Directors
HOPE Online Learning Academy Co-Op

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of HOPE Online Learning Academy Co-Op as of June 30, 2021, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021 on our consideration of HOPE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of HOPE's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HOPE's internal control over financial reporting and compliance.

BKD, LLP

Denver, Colorado
October 29, 2021

HOPE Online Learning Academy Co-Op
(A Component Unit of Douglas County School District RE. 1
Douglas County, Colorado)
Management's Discussion and Analysis (Unaudited)
As of and for the Fiscal Year Ended June 30, 2021

In this Management's Discussion and Analysis (MD&A) section of the financial statements for HOPE Online Learning Academy Co-Op (HOPE), a component unit of the Douglas County School District RE. 1, Douglas County, Colorado (DCSD), we provide a narrative overview and analysis of the financial activities for the year ended June 30, 2021. This discussion and analysis is also intended to serve as an introduction to HOPE's basic financial statements. The information presented here should be considered in conjunction with the information presented in the basic financial statements to enhance understanding of HOPE's financial activity and performance.

Financial Highlights

The year ended June 30, 2021 was HOPE's sixteenth year of operation as a blended online charter school resulting in an increase of net assets of \$4,847,234.

The effect of GASB 68, *Accounting and Financial Reporting for Pensions*, an amendment of GASB Statement No. 27, continues to impact the government-wide financial statements of HOPE and all Colorado Public Employees' Retirement Association (PERA) participants. Though the impact is material and creates an overall deficit in the financial presentation, the GASB 68 standard only impacts the accounting presentation of these pension-related items, and does not represent a current funding obligation of HOPE. For further information on GASB 68, see the attached financial statements and Note 5 to the Financial Statements.

Additionally, the effect of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), continues to impact the government-wide financial statements of HOPE and all Colorado PERA participants. The GASB 75 standard only impacts the accounting presentation of these postemployment health care related benefits and does not represent a current funding obligation on behalf of HOPE. For further information on GASB 75, see the attached financial statements and Note 6 to the financial statements.

Overview of the Financial Statements

The basic financial statements are composed of three components:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

Government-wide Financial Statements

The government-wide financial statements are designed to provide a long-term and broad overview of HOPE's finances as a whole in a manner similar to a private sector business.

The Statement of Net Position presents the financial position of HOPE as a whole at the end of the fiscal year by presenting information on all of HOPE's assets, deferred inflows of resources, liabilities and deferred outflows of resources. The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as net position. Over time, increases or decreases in net position serve as a useful indicator of whether HOPE's financial position is improving or deteriorating.

HOPE Online Learning Academy Co-Op
(A Component Unit of Douglas County School District RE. 1
Douglas County, Colorado)
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As of and for the Fiscal Year Ended June 30, 2021

The Statement of Activities shows how the financial position of HOPE as a whole has changed since the beginning of the fiscal year by presenting information showing how HOPE's net position has changed during the year. In the Statement of Activities, all changes in net position are reported as soon as the underlying economic event has occurred, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flows may be recorded in a future period.

Fund Financial Statements

A fund is a fiscal and accounting entity with a self-balancing set of accounts used to record cash and other financial resources and related liabilities and residual equities segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. HOPE, like other charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related regulations, requirements, restrictions or limitations.

Governmental Funds

Governmental funds are used to account for essentially 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 financial (spendable/appropriable) resources, as well as on balances of financial (spendable) resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing and appropriation related requirements.

Because the focus of fund financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds in fund financial statements with similar information presented for governmental activities in the government-wide financial statements. By doing so, the long-term impact of the government's near-term financing decisions may be better understood. Because there are differences between governmental activities (shown in the Statement of Net Position and the Statement of Activities previously discussed) and governmental funds, a reconciliation is provided in the financial statements.

In this annual report, HOPE reports on two major governmental funds. Information is presented separately in the Governmental Fund Balance Sheets and Statements of Revenues, Expenditures and Changes in Fund Balance for both the General Fund and for the Nutrition Services Fund.

Notes to the Financial Statements

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

Condensed Statement of Net Position

The following table provides a condensed presentation of HOPE's government-wide statement of net position as of June 30, 2021 and 2020, the sixteenth and fifteenth year-end of operations for the organization.

HOPE Online Learning Academy Co-Op
(A Component Unit of Douglas County School District RE. 1
Douglas County, Colorado)
Management's Discussion and Analysis (Unaudited)
As of and for the Fiscal Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>
Assets		
Current (noncapital)	\$ 2,279,664	\$ 3,028,720
Noncurrent (capital)	<u>156,453</u>	<u>190,580</u>
Total assets	<u>2,436,117</u>	<u>3,219,300</u>
Deferred Outflows of Resources	<u>1,989,277</u>	<u>1,877,719</u>
Liabilities		
Current	490,598	1,588,849
Noncurrent		
Unamortized straight-line rent	21,667	41,667
Net OPEB liability	393,558	571,957
Net pension liability	<u>10,794,242</u>	<u>11,630,193</u>
Total liabilities	<u>11,700,065</u>	<u>13,832,666</u>
Deferred Inflows of Resources	<u>7,460,813</u>	<u>10,847,071</u>
Net Position		
Restricted	365,095	549,154
Net investment in capital assets	156,453	190,580
Unrestricted (deficit)	<u>(15,257,032)</u>	<u>(20,322,452)</u>
Total net position (deficit)	<u>\$ (14,735,484)</u>	<u>\$ (19,582,718)</u>

Net position increased by approximately \$4,847,000, primarily as a result of changes in GASB 68 and 75 liabilities and related accounts. Prior to adjustments for GASB 68 and 75, HOPE's net position increased by approximately \$332,000 as a result of increase in cash holdings and reduction in unamortized rent.

Total assets decreased by approximately \$783,000, primarily due to lower cash balances as COVID Relief Funds for use in the 2020/2021 school year were deposited in 2019/2020.

Excluding the GASB 68 pension liability of approximately \$10,794,000 and GASB 75 postemployment health care liability of approximately \$394,000, total liabilities decreased by approximately \$1,118,000. This decrease is due to the decrease of unearned revenue related to the spending of COVID Relief Funds.

Condensed Statement of Activities

The following table provides a condensed comparative presentation of HOPE's government-wide statement of activities for the fiscal years ended June 30, 2021 and 2020.

HOPE Online Learning Academy Co-Op
(A Component Unit of Douglas County School District RE. 1
Douglas County, Colorado)
Management's Discussion and Analysis (Unaudited)
As of and for the Fiscal Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>
Revenues		
General Revenues		
School Finance Act	\$ 8,954,853	\$ 16,316,704
Interest and other revenue	1,606	5,240
Program Revenues	<u>3,588,247</u>	<u>3,113,739</u>
Total revenues	<u>12,544,706</u>	<u>19,435,683</u>
Expenses		
Governmental Activities		
Instruction		
General	10,170,717	15,051,705
Allocation of OPEB expense (credit)	(30,669)	(10,755)
Allocation of pension expense (credit)	(3,136,936)	(2,018,388)
Supporting services		
General	2,042,278	3,454,235
Allocation of OPEB expense	(13,051)	(2,605)
Allocation of pension expense	<u>(1,334,867)</u>	<u>(488,827)</u>
Total expenses	<u>7,697,472</u>	<u>15,985,365</u>
Change in Net Position	4,847,234	3,450,318
Net Position (Deficit) - Beginning of Year	<u>(19,582,718)</u>	<u>(23,033,036)</u>
Net Position (Deficit) - End of Year	<u>\$ (14,735,484)</u>	<u>\$ (19,582,718)</u>

Prior to the allocation of GASB 68 pension expense and GASB 75, change in net position was approximately \$332,000 and \$930,000 for the years ended June 30, 2021 and 2020, respectively.

General revenues decreased by \$7,365,000 in the current year primarily due to the closure of HOPE Online Elementary School. Program revenues increased by \$475,000, primarily due to COVID Relief Funds and ESSER funds, partially offset by reduced grant revenues related to the closure of HOPE Online Elementary School.

Total expenses, excluding GASB 68 and 75 allocations, decreased approximately by \$6,293,000 in the current year, mainly due to lower expenses related to the lower student count.

Financial Analysis of HOPE's Governmental Funds

As noted earlier, HOPE uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

HOPE Online Learning Academy Co-Op
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Douglas County, Colorado)
Management's Discussion and Analysis (Unaudited)
As of and for the Fiscal Year Ended June 30, 2021

The focus of HOPE's governmental funds is to provide information on the near-term inflows, outflows and balances of spendable resources. Such information is useful in the assessment of HOPE's financing and fundraising requirements. In particular, the unassigned fund balance may serve as a useful measure of a government entity's net resources available for spending at the end of the fiscal year.

HOPE's governmental funds reported a combined ending fund balance of approximately \$1,789,000 for the year ended June 30, 2021. After consideration for statutory reserves, the unassigned general fund balance for HOPE at the end of this fiscal year was approximately \$434,000.

HOPE's General Fund reported an ending fund balance of approximately \$1,278,000 for the year ended June 30, 2021. The General Fund is the chief operating fund of HOPE. General Fund revenue totaled approximately \$11,968,000 for the year ended June 30, 2021. Actual expenditures of the General Fund for the fiscal year amounted to approximately \$11,785,000.

HOPE's Nutrition Services Fund reported an ending fund balance of approximately \$511,000 for the year ended June 30, 2021. Nutrition Services Fund revenue totaled approximately \$576,000 for the year ended June 30, 2021, and expenses for the fiscal year amounted to approximately \$410,000.

HOPE's Nutrition Services fund experienced a positive net gain during the 2020/2021 school year, this was primarily due to the COVID Emergency food reimbursement rate exceeding the normal reimbursement per meal rate and covering 100% of the meals being delivered versus the standard Community Eligibility Provision (CEP) "paid" percentage exclusion. The CEP leverages a formula based upon percentages of student participating in specific programs and classifies them in either a Free or Paid category that reduces administrative burden and increases the Free reimbursable rate. Per the U.S. Department of Education "CEP allows the nation's highest poverty schools and districts to serve breakfast and lunch at no cost to all enrolled students without the burden of collecting household applications."

HOPE expects that Nutrition Services expenses will return to exceeding revenues as HOPE is committed to the universal free model to support our students. However, with an increasing free and reduced population and increased reimbursement rates, the gap between expense and revenues will narrow, but is not expected to be eliminated.

Capital Assets and Long-term Debt

HOPE has computer equipment, software, leasehold improvements, curriculum licenses, and vehicles with a carrying value of approximately \$156,000 and \$191,000, net of accumulated depreciation of \$2,037,000 and \$2,048,000, at June 30, 2021 and 2020, respectively.

Economic Factors and Next Year's Budget and Rates

HOPE's original budget for the 2021/2022 fiscal year anticipated 1,250 full-time students in grades 6-12, with total General Fund revenue of approximately \$12,700,000 and Nutrition Services Fund revenue of \$583,000. For the 2021/2022 fiscal year, HOPE's base PPR will increase by 9%, to \$8,123 per pupil.

HOPE Online Learning Academy Co-Op
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HOPE's current estimated enrollment is approximately 1,950 full-time students in grades 6-12, compared to HOPE's 2021/2022 budgeted enrollment of 1,250 students and 2020/2021 enrollment of 1,089 students. This current estimate of enrollment growth is a result of HOPE's expansion of learning sites, adding 9 drop in center options for eligible students. HOPE will present a revised budget, based on the final 2021/2022 pupil count, to its Governing Board for approval in November 2021, which anticipates 2021/2022 General Fund revenue of \$21,300,000 and Nutrition Services revenue of \$583,000. As a result of these increased student count, expenditures are projected to total \$20,800,000.

Requests for Information

This financial report is designed to provide a general overview of HOPE's finances for all those with interest in HOPE. Questions concerning any of the information provided in this report or requests for additional information shall be addressed to Heather O'Mara, CEO, HOPE Online Learning Academy Co-Op, 9780 Pyramid Court, Suite 100, Englewood, CO 80112.

HOPE Online Learning Academy Co-Op
(A Component Unit of Douglas County School District RE. 1
Douglas County, Colorado)
Statement of Net Position
June 30, 2021

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash	\$ 937,583
Restricted cash	365,095
Accounts receivable	498,209
Refundable deposits	138,621
Prepaid expenses and other assets	<u>340,156</u>
Total current assets	<u>2,279,664</u>
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>156,453</u>
Total assets	<u>2,436,117</u>
Deferred Outflows of Resources	
Related to pensions	1,925,860
Related to other post-retirement benefits	<u>63,417</u>
	<u>1,989,277</u>
Liabilities	
Current liabilities	
Accounts payable	459,316
Reserve for pupil count audit	<u>31,282</u>
Total current liabilities	<u>490,598</u>
Noncurrent liabilities, due in more than one year	
Unamortized straight-line rent	21,667
Net OPEB liability	393,558
Net pension liability	<u>10,794,242</u>
Total noncurrent liabilities	<u>11,209,467</u>
Total liabilities	<u>11,700,065</u>
Deferred Inflows of Resources	
Related to pensions	7,142,766
Related to other post-retirement benefits	<u>318,047</u>
	<u>7,460,813</u>
Net Position	
Restricted for TABOR	365,095
Net investment in capital assets	156,453
Unrestricted (deficit)	<u>(15,257,032)</u>
Total net position (deficit)	<u>\$ (14,735,484)</u>

HOPE Online Learning Academy Co-Op
(A Component Unit of Douglas County School District RE. 1
Douglas County, Colorado)
Statement of Activities
Year Ended June 30, 2021

			Net (Expenses) Revenue and Changes in Net Position
	Expenses	Program Revenues Operating Grants and Contributions	Governmental Activities
Functions/Programs			
Primary government			
Governmental activities			
Instruction	\$ 10,170,717	\$ 3,011,976	\$ (7,158,741)
Allocation of OPEB expense	(30,669)	-	30,669
Allocation of Pension expense	(3,136,936)	-	3,136,936
Supporting services			
Administration	1,847,114	-	(1,847,114)
Allocation of OPEB expense	(13,051)	-	13,051
Allocation of Pension expense	(1,334,867)	-	1,334,867
Nutrition services	195,164	576,271	381,107
	<u>\$ 7,697,472</u>	<u>\$ 3,588,247</u>	<u>(4,109,225)</u>
General revenues			
School Finance Act, unrestricted			8,954,853
Interest and other revenue			1,606
			<u>8,956,459</u>
Change in Net Position			<u>4,847,234</u>
Net Position (Deficit) - Beginning of Year			<u>(19,582,718)</u>
Net Position (Deficit) - End of Year			<u>\$ (14,735,484)</u>

HOPE Online Learning Academy Co-Op
(A Component Unit of Douglas County School District RE. 1
Douglas County, Colorado)

Balance Sheet – Governmental Funds

June 30, 2021

	General Fund	Nutrition Services	Total
Assets			
Cash	\$ 554,010	\$ 383,573	\$ 937,583
Restricted cash	365,095	-	365,095
Accounts receivable	366,910	131,299	498,209
Refundable deposits	138,621	-	138,621
Prepaid expenses and other assets	340,156	-	340,156
Total assets	<u>\$ 1,764,792</u>	<u>\$ 514,872</u>	<u>\$ 2,279,664</u>
Liabilities			
Accounts payable	\$ 455,389	\$ 3,927	\$ 459,316
Reserve for pupil count audit	31,282	-	31,282
Total liabilities	<u>486,671</u>	<u>3,927</u>	<u>490,598</u>
Fund Balances			
Nonspendable			
Refundable deposits	138,621	-	138,621
Prepaid expenses and other assets	340,156	-	340,156
Restricted			
TABOR	365,095	-	365,095
Assigned			
	-	510,945	510,945
Unassigned			
	434,249	-	434,249
Total fund balances	<u>1,278,121</u>	<u>510,945</u>	<u>1,789,066</u>
Total liabilities and fund balances	<u>\$ 1,764,792</u>	<u>\$ 514,872</u>	<u>\$ 2,279,664</u>
Reconciliation			
Net position (deficit) per statement of net position			\$ (14,735,484)
Less capital assets, net			(156,453)
Less deferred outflows of resources			(1,989,277)
Add net OPEB liability			393,558
Add net pension liability			10,794,242
Add deferred inflows of resources			7,460,813
Add unamortized straight-line rent			21,667
Total fund balance			<u>\$ 1,789,066</u>

HOPE Online Learning Academy Co-Op
(A Component Unit of Douglas County School District RE. 1
Douglas County, Colorado)

Statement of Revenues, Expenditures and Changes in Fund Balance –
Governmental Funds
Year Ended June 30, 2021

	General Fund	Nutrition Services	Total
Revenue			
Intergovernmental	\$ 8,954,853	\$ -	\$ 8,954,853
Contributions	63,397	-	63,397
Title I funding	1,010,305	-	1,010,305
Other grant revenue	1,938,274	-	1,938,274
National School Lunch Program	-	576,271	576,271
Interest and other revenue	1,606	-	1,606
	<u>11,968,435</u>	<u>576,271</u>	<u>12,544,706</u>
Total revenue			
Expenditures			
Instruction			
Regular instruction	6,631,860	-	6,631,860
Special education instruction	424,516	-	424,516
Title I expenditures	1,010,311	-	1,010,311
Other grant expenditures	1,821,548	-	1,821,548
Supporting services			
General administration	622,897	-	622,897
School administration services	1,202,788	-	1,202,788
Capital outlay	71,102	-	71,102
Nutrition Services	-	410,489	410,489
	<u>11,785,022</u>	<u>410,489</u>	<u>12,195,511</u>
Total expenditures			
Revenues over Expenditures	<u>183,413</u>	<u>165,782</u>	<u>349,195</u>
Other Financing Sources and Uses			
Transfer	(70,830)	70,830	-
	<u>112,583</u>	<u>236,612</u>	<u>349,195</u>
Net Change in Fund Balance			
Fund Balance, Beginning of Year	<u>1,165,538</u>	<u>274,333</u>	<u>1,439,871</u>
Fund Balance, End of Year	<u>\$ 1,278,121</u>	<u>\$ 510,945</u>	<u>\$ 1,789,066</u>
Reconciliation to Statement of Activities			
Change in net position			\$ 4,847,234
Capitalization of assets			(71,102)
Depreciation of capital assets			105,229
OPEB expense (credit)			(43,720)
Pension expense (credit)			(4,471,803)
Change in lease liabilities			(16,643)
			<u>349,195</u>
Change in fund balance			<u>\$ 349,195</u>

HOPE Online Learning Academy Co-Op
(A Component Unit of Douglas County School District RE. 1
Douglas County, Colorado)
Notes to Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies

The accounting policies of HOPE Online Learning Academy Co-Op (HOPE) conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

The following is a summary of the more significant accounting policies:

Reporting Entity

HOPE Online Learning Academy Co-Op was organized as a Colorado nonprofit corporation on October 25, 2004 for the purpose of entering into a charter school contract with a Colorado school district and contracting with numerous Learning Centers. Learning Centers provide students access to HOPE's blended online curriculum. As of June 30, 2021, HOPE had contracted with 14 Learning Center Organizations that operate 15 Learning Center sites. These financial statements reflect the operations of HOPE. HOPE is a component unit of the Douglas County School District RE. 1 of Douglas County, Colorado (DCSD). It is the administrative position of the Colorado Department of Education that a charter school has the same relationship to a public school district as does any other school program or school building within a District. A charter school is part of a local school district that is a political subdivision of the State of Colorado. In accordance with Colorado state statute, DCSD has approved the charter of HOPE through June 30, 2023 with an automatic extension based on specific criteria through June 30, 2026.

As required by accounting principles generally accepted in the United States of America, these basic financial statements present the financial activities of HOPE. HOPE follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining the governmental activities, organizations and functions that should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's governing body as the criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of HOPE's governing body, ability to impose its will on HOPE, a potential for HOPE to provide specific financial benefits or burdens and fiscal dependency.

HOPE is not financially accountable for any other organization. Under current GASB pronouncements, HOPE has been determined to be a component unit of DCSD – the primary government. As such, HOPE's financial results are included in DCSD's Comprehensive Annual Financial Report.

HOPE Online Learning Academy Co-Op
(A Component Unit of Douglas County School District RE. 1
Douglas County, Colorado)
Notes to Financial Statements
June 30, 2021

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements (*i.e.*, the statement of net position and the statement of activities) report information on all of HOPE’s financial activities. Governmental activities are normally supported by taxes and intergovernmental revenue. Business-type activities rely, to a significant extent, on fees and charges for support. HOPE has no business-type activities. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, the operating statement presents increases and decreases in net current assets and unassigned fund balance as a measure of available spendable resources. This means that only current liabilities are generally included on the governmental fund balance sheet.

Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. “Measurable” means the amount of the transaction can be determined; “available” means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred and expected to be paid with current available resources.

Program revenues are those that are derived directly from the program itself. Program revenues include program-specific operating grants and contributions, which include revenues arising from mandatory and voluntary non-exchange transactions with other governments, private organizations or individuals where monies are required by the grantor/contributor to be used for a particular program or activity. General revenues include state per-pupil funding under the *School Finance Act* reported as state categorical revenue, interest and other revenue.

Fund Accounting

The accounts of HOPE are organized on the basis of funds. The operations of the General Fund and Nutrition Services Fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Resources are allocated to and accounted for in the General Fund and Nutrition Services Fund based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

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The major funds presented in the accompanying basic financial statements are the General Fund and Nutrition Services Fund. The General Fund is used to account for HOPE's general operational governmental activities. The Nutrition Services Fund is a special revenue fund used to account for revenues and expenditures related to providing students with healthy and nutritious meals. Revenues are from federal, state, and local sources specifically for nutrition services operations.

Budget

An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America, including accrued salaries and benefits, except for the purchase and depreciation of capitalized equipment. For financial reporting purposes, salaries and benefits earned but unpaid at year-end are reflected as a liability. The schedules of revenues, expenditures and changes in fund balance – budget and actual – are presented as required supplementary information.

HOPE prepares the annual budget and presents it to its board and to the Board of Education of DCSD for approval.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

Cash

Cash is held in a checking account. The balance in the cash account is available to meet current operating needs.

Restricted Cash

The balance in the cash account is restricted for TABOR.

Accounts Receivable

Accounts receivable consist of various amounts owed to HOPE. A large portion of these receivables are related to reimbursements requested for federal grant awards that have not yet been received. As the amounts are generally received within one month, HOPE does not record any allowance for doubtful accounts related to these items.

Capital Assets

Capital assets are utilized for general operations and are capitalized at cost or estimated historical cost if purchased, or fair market value if donated, at the time of purchase or donation. Capital assets are reported in the government-wide financial statements.

Software licenses are utilized for instructional and general and administrative purposes and are recognized under Governmental Accounting Standards Board No. 51, *Accounting and Reporting for Intangible Assets*. These multiple-year licenses meet the description of an intangible asset. A long-term liability representing HOPE's obligation to make annual payments over the life of the license is also recognized in the government-wide financial statements.

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The monetary threshold for capitalization of assets is \$5,000. All computer equipment (computers, monitors, printers) will be capitalized as these items represent an integral part of HOPE's operations. HOPE's capital assets are depreciated using the straight-line method over the estimated useful lives of the assets.

Prepaid Expenses and Other Assets

Under the modified accrual basis of accounting, a government may recognize the entire amount of prepayments as an expenditure of the period that payment is made (purchase method) or proportionately over the periods that service is provided (consumption method). HOPE uses the purchase method to account for computer warranties and the consumption method to account for other prepaids.

Accrued Salaries and Benefits/Compensated Absences

These amounts represent salaries and benefits earned by HOPE employees, but unpaid at year-end, as well as amounts accrued for unpaid vacation.

Unamortized Straight-line Rent

Unamortized straight-line rent is recorded for the lease incentive over the life of the lease.

Deferred Inflows and Outflows of Resources

A deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period. Deferred inflows and outflows of resources include items related to the PERA pension and other postemployment benefit plans and is included in the government-wide statements but not in the fund statements.

Net Position and Fund Balances

Restrictions of net position and fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. To comply with Article X, Section 20 of the Colorado Constitution (TABOR Amendment), HOPE is required to report an annual emergency reserve equal to 3% of the General Fund's applicable expenditures. Assigned fund balance is reported when the board, or other authorizing body or official, intends to use the funds for a specific purpose.

Revenue and Expenditures

Revenues for the governmental funds are recorded when they are determined to be both measurable and available. Generally, the State of Colorado per-pupil funding, donations and other income are recognized when received. Grants are recognized when qualifying expenditures are incurred. Expenditures for the governmental funds are recorded when the related fund liability is incurred. HOPE does not utilize encumbrance accounting.

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Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net position during the reporting period. Actual results could differ from those estimates.

Note 2: Cash and Restricted Cash

Investment Policy and Compliance

The financial institution holding HOPE’s cash accounts is participating in the FDIC’s Transaction Account Guarantee Program. Interest-bearing transaction accounts were subject to the \$250,000 limit on FDIC insurance per covered institution.

HOPE’s investment policy conforms to state statute for governmental entities. All accounts established at financial institutions should, in the aggregate, total less than \$250,000 so as to provide maximum insurance coverage provided by the FDIC. If, however, deposits exceed the \$250,000 insurance coverage level, the excess must be (1) fully collateralized at face value with government securities, (2) separately segregated in HOPE’s name, and (3) held at a Federal Reserve Bank or another depository.

Under the provisions of GASB 40, *Deposit and Investment Risk Disclosures*, deposits are not deemed exposed to custodial credit risk if they are collateralized with securities held by the pledging financial institutions under *Colorado Public Deposit Protection Act (PDPA)*, as discussed below. Custodial credit risk is the risk that in the event of bank failure, HOPE’s deposits may not be returned.

Colorado State statutes govern HOPE’s deposit of cash. The PDPA requires HOPE to make deposits only in eligible public depositories as defined by the regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The PDPA requires the eligible depository with public deposits in excess of the federal insurance levels to create single institution collateral pools for all public funds. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group.

Description	Carrying Amount	Bank Balance	Amount Covered by PDPA
Cash	\$ 1,302,678	\$ 1,328,504	\$ 1,078,504
Total deposits	<u>\$ 1,302,678</u>	<u>\$ 1,328,504</u>	<u>\$ 1,078,504</u>

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Note 3: Capital Assets

As of June 30, 2021, capital assets consisted of the following:

	Balance at July 1, 2020	Additions	Disposals	Balance at June 30, 2021
Governmental activities				
Equipment	\$ 1,333,901	\$ 71,102	\$ -	\$ 1,405,003
Software	127,884	-	(115,896)	11,988
Vehicles	17,446	-	-	17,446
Leasehold improvements	759,334	-	-	759,334
Accumulated depreciation and amortization	<u>(2,047,985)</u>	<u>(105,229)</u>	<u>115,896</u>	<u>(2,037,318)</u>
Total capital assets, net	<u>\$ 190,580</u>	<u>\$ (34,127)</u>	<u>\$ -</u>	<u>\$ 156,453</u>

Depreciation expense was charged to the instructional and general administration costs as follows:

Instruction	\$ 67,159
General administration	33,196
Nutrition services	<u>4,874</u>
	<u>\$ 105,229</u>

Note 4: Leases

HOPE leases office space and office equipment under noncancelable operating lease agreements. The leases expire on various dates through December 2023. Rent expense for these leases for the year ended June 30, 2021, was \$273,616 office space and \$61,487 for other lease obligations.

Under an operating lease expiring in 2023, HOPE was granted a three-month abated rent period. Additionally, HOPE also received a tenant improvement allowance. The abated rent and tenant improvement allowance are being applied to the annual expense.

Minimum annual rental payments required under the operating leases that have remaining terms in excess of one year as of June 30, 2021 are as follows:

2022	\$ 695,631
2023	101,006
2024	<u>36,297</u>
Total	<u>\$ 832,934</u>

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Note 5: Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pensions

HOPE participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2021.

General Information about the Pension Plan

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

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

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

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

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In all cases the service retirement benefit is limited to 100% 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% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether five years of service credit has been obtained and the benefit structure under which contributions were made.

As of December 31, 2020, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00% for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, and all benefit recipients of the DPS benefit structure will receive an annual increase of 1.25% unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lesser of an annual increase of 1.25% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25% 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 disability. The disability benefit amount is based on the lifetime retirement benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

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

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

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

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

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (actual dollars) each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. House Bill (HB) 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020 for the State's 2020-21 fiscal year.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and HOPE is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from HOPE were \$586,051 for the year ended June 30, 2021.

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

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

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Due to the aforementioned suspension of the July 1, 2020, direct distribution payment, the nonemployer contributing entity's proportion is 0%. Pursuant to C.R.S. § 24-51-414, the direct distribution payment from the State of Colorado is to recommence annually starting on July 1, 2021. For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation.

At June 30, 2021, HOPE reported a liability of \$10,794,242 for its proportionate share of the net pension liability.

At December 31, 2020, HOPE's proportion was 0.071%, which was a decrease of 0.007 from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, HOPE recognized pension (credit) of (\$3,887,752). At June 30, 2021, HOPE 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
Difference between expected and actual experience	\$ 593,101	\$ -
Changes of assumptions or other inputs	1,038,391	1,814,453
Net difference between projected and actual earnings on pension plan investments	-	2,376,101
Changes in proportion	-	2,952,212
Contributions subsequent to the measurement date	294,368	-
Total	\$ 1,925,860	\$ 7,142,766

\$294,368 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (credit) as follows:

Year Ending June 30	
2022	\$ (3,805,775)
2023	(588,965)
2024	(741,691)
2025	(374,843)
	\$ (5,511,274)

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Actuarial Assumptions

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

Actuarial Cost Method	Entry Age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.5% to 9.7%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	1.25% compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)*	Financed by the AIR

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

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

Post-retirement mortality assumptions reflect the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

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

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

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

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

Actuarial Cost Method	Entry Age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.4% to 11.0%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	1.25% compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)*	Financed by the AIR

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

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

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

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

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

- Males: 97% of the rates for all ages, with generational projecting using scale MP-2019.
- Females: 105% of the rates for all ages, with generational projecting 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 mortality tables described above are generational mortality tables on a benefit-weighted basis.

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

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

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

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

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

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

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- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded. HB 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020, for the State's 2020-21 fiscal year.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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Sensitivity of the HOPE 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 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Proportionate share of the net pension liability	\$ 14,724,494	\$ 10,794,242	\$ 7,519,402

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

Note 6: Defined Benefit Other Postemployment Benefit (OPEB) Plan

Summary of Significant Accounting Policies

OPEB

HOPE 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 and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

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Douglas County, Colorado)
Notes to Financial Statements
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General Information about the OPEB Plan

Plan description. Eligible employees of the HOPE are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (Annual Report) that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

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

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PERA Benefit Structure

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

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

Contributions

Pursuant to Title 24, Article 51, Section 208(1) (f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02% 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 HOPE is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from HOPE were \$30,069 for the year ended June 30, 2021.

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

At June 30, 2021, HOPE reported a liability of \$393,558 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2020. HOPE's proportion of the net OPEB liability was based on HOPE contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

At December 31, 2020, HOPE's proportion was 0.04%, which was a decrease of 0.01 from its proportion measured as of December 31, 2019.

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For the year ended June 30, 2021, HOPE recognized OPEB (credit) of (\$13,651) in addition to the contribution noted above. At June 30, 2021, HOPE 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
Difference between expected and actual experience	\$ 1,045	\$ 86,523
Changes of assumptions or other inputs	2,941	24,133
Net difference between projected and actual earnings on pension plan investments	-	16,081
Changes in proportion	44,328	191,310
Contributions subsequent to the measurement date	15,103	-
Total	\$ 63,417	\$ 318,047

\$15,103 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (credit) as follows:

Year Ending June 30		
2022	\$	(51,563)
2023		(49,314)
2024		(71,569)
2025		(63,025)
2026		(32,138)
Thereafter		(2,124)
	\$	(269,733)

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

Actuarial Cost Method	Entry Age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.5% in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0%
PERACare Medicare plans	8.1% in 2020 gradually decreasing to 4.50% in 2029
Medicare Part A premiums	3.50% in 2020 gradually increasing to 4.5% in 2029

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

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

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

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

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

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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 heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2019, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2020	8.10%	3.50%
2021	6.40%	3.75%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	4.00%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

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

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

Post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73% factor applied to rates for ages less than 80, a 108% factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78% factor applied to rates for ages less than 80, a 109% factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

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

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

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

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

	Trust Fund			
	State Division	School Division	Local Government Division	Judicial Division
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Price inflation	2.30%	2.30%	2.30%	2.30%
Real wage growth	0.70%	0.70%	0.70%	0.70%
Wage inflation	3.00%	3.00%	3.00%	3.00%
Salary increase, including wage inflation:				
Members other than State Troopers	3.30%-10.90%	3.30%-11.0%	3.20%-11.30%	2.80%-5.30%
State Troopers	3.20%-12.40%	N/A	3.20%-12.40% ¹	N/A

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

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

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

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

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

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

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

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

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

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

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

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

- Males: 112% 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 Judicial Division were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

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

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

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

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

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

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

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

- Price inflation assumption decreased from 2.4% per year to 2.3% per year.
- Real rate of investment return assumption increased from 4.85% per year, net of investment expenses to 4.95% per year, net of investment expenses.
- Wage inflation assumption decreased from 3.5% per year to 3.00% per year.

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

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

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

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

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

Sensitivity of the HOPE Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	7.10%	8.10%	9.10%
Initial PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 383,386	\$ 393,558	\$ 405,399

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2020, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

Sensitivity of the HOPE proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease	Current	1% Increase
	6.25%	Discount Rate	8.25%
	6.25%	7.25%	8.25%
Proportionate share of the net OPEB liability	\$ 450,827	\$ 393,558	\$ 344,825

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

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Note 7: Defined Contribution Pension Plan

Voluntary Investment Program

Plan Description – Employees of HOPE that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S, as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available Annual Report which includes additional information on the Voluntary Investment Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. No employer contributions were made to this plan for the years ended June 30, 2021 and 2020.

Note 8: Related-party Transactions

Douglas County School District

School Finance Act revenue reported in the statement of activities represents HOPE’s portion of total state equalization funding. HOPE also pays DCSD for purchased services utilized during the year, including special education expenses, other administrative services, assessment services, emergency management, student information system, and treasury fees. The amount paid to DCSD for the year ended June 30, 2021 was \$85,883.

Note 9: Risk Management

HOPE is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; injuries to employees; and natural disasters. HOPE carries commercial insurance for risks of loss, including liability, property, errors and omissions, and workers’ compensation. Settled claims resulting from these risks have not exceeded HOPE’s insurance coverage for fiscal years 2021, 2020 and 2019.

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Note 10: Compliance and Contingent Liabilities

TABOR

Article X, Section 20 of the Colorado Constitution (TABOR Amendment) requires state and local governments to establish an emergency reserve, limits spending to a predefined benchmark and places restrictions on multiple fiscal year debt. The TABOR Amendment is subject to judicial interpretation.

Deficit Net Position

At June 30, 2021, HOPE was in a deficit net position for governmental activities. This deficit is solely due to HOPE's net pension and net OPEB liabilities in accordance with GASB Statement No. 68 and No. 75, respectively.

Claims

HOPE is subject to other claims and lawsuits that arise primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net position and cash flows of HOPE. Events could occur that would change this estimate materially in the near term.

Note 11: Due to Colorado Department of Education

The Colorado Department of Education (CDE) completes regular audits of DCSD's pupil counts. As a precaution, HOPE has reserved \$31,300 for the 2019/2020 and 2020/2021 audits. Although CDE has not yet begun its pupil count audit for these school years, HOPE believes the estimated pupil count liability is fairly stated.

Note 12: COVID-19

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial positions, results of operations and cash flows of HOPE. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

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Note 13: Subsequent Events

HOPE has entered a new lease for office space with an effective date of July 1, 2021. The lease term will be for 93 months with monthly rent beginning on the tenth month at \$24,850, increasing annually to a final monthly payment of \$31,063. HOPE's previous office space lease was not terminated, rather, the space is being subleased through the remainder of the life of the lease.

HOPE has entered into a contract with GlobalAdvantage, a Colorado nonprofit corporation, with the effective date of July 1, 2021 running through June 30, 2023. Under this contract, HOPE will expand its learning sites to add nine drop in center locations to be operated by GlobalAdvantage. Enrolled students will have the opportunity to access the HOPE educational system remotely and receive support at the drop in center sites. Similar to HOPE's arrangements with its learning centers, GlobalAdvantage will receive an agreed upon fee per student from HOPE.

Required Supplementary Information

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Schedule of HOPE's Proportionate Share of the Net Pension Liability
Years Ended December 31

	2020	2019	2018	2017	2016	2015	2014
HOPE's proportion of the net pension liability	0.071%	0.08%	0.09%	0.11%	0.09%	0.10%	0.10%
HOPE's proportionate share of the net pension liability	\$ 10,794,242	\$ 11,630,193	\$ 15,685,032	\$ 35,054,309	\$ 27,045,670	\$ 14,933,807	\$ 13,276,138
Nonemployer contributing entities' proportionate share of the net pension liability	\$ -	\$ 1,309,121	\$ 1,886,750	\$ -	\$ -	\$ -	\$ -
HOPE's covered payroll	\$ 4,605,061	\$ 4,680,161	\$ 5,018,159	\$ 4,652,749	\$ 4,076,951	\$ 4,255,315	\$ 4,104,363
HOPE's proportionate share of the net pension liability as a percentage of its covered payroll	234.40%	248.50%	312.57%	753.41%	663.38%	350.94%	302.51%
Plan fiduciary net position as a percentage of the total pension liability	66.99%	64.52%	57.01%	43.96%	43.10%	59.20%	62.84%

Note: Information is not available prior to 2014. In future reports, additional years will be added until 10 years of historical data are presented.

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Schedule of HOPE's Pension Contributions
Years Ended June 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 586,051	\$ 892,461	\$ 895,316	\$ 947,498	\$ 856,071	\$ 695,385	\$ 741,513
Contributions in relation to the contractually required contribution	<u>586,051</u>	<u>892,461</u>	<u>895,316</u>	<u>947,498</u>	<u>856,071</u>	<u>695,385</u>	<u>741,513</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
HOPE's covered payroll	<u>\$ 2,947,939</u>	<u>\$ 4,605,061</u>	<u>\$ 4,680,161</u>	<u>\$ 5,018,159</u>	<u>\$ 4,652,749</u>	<u>\$ 3,744,567</u>	<u>\$ 4,388,659</u>
Contributions as a percentage of covered payroll	19.88%	19.38%	19.13%	18.88%	18.40%	18.57%	16.90%

Note: Information is not available prior to 2015. In future reports, additional years will be added until 10 years of historical data are presented.

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Schedule of HOPE's Proportionate Share of the Net OPEB Liability

	December 31,			
	2020	2019	2018	2017
HOPE's proportion of the net OPEB liability	0.04%	0.05%	0.06%	0.06%
HOPE's proportionate share of the net OPEB liability	\$ 393,558	\$ 571,957	\$ 783,381	\$ 800,496
HOPE's covered payroll	\$ 4,605,061	\$ 4,680,161	\$ 5,018,159	\$ 4,652,749
HOPE's proportionate share of the net OPEB liability as a percentage of its covered payroll	8.55%	12.22%	15.61%	17.20%
Plan fiduciary net position as a percentage of the total OPEB liability	32.78%	24.50%	17.00%	17.50%

Note: Information is not available prior to 2017. In future reports, additional years will be added until 10 years of historical data are presented.

HOPE Online Learning Academy Co-Op
(A Component Unit of Douglas County School District RE. 1
Douglas County, Colorado)

Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Fund (Non-GAAP Budgetary Basis)
Year Ended June 30, 2021

	June 30,			
	2021	2020	2019	2018
Contractually required contribution	\$ 30,069	\$ 46,972	\$ 47,738	\$ 51,185
Contributions in relation to the contractually required contribution	<u>30,069</u>	<u>46,972</u>	<u>47,738</u>	<u>51,185</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
HOPE's covered payroll	<u>\$ 2,947,939</u>	<u>\$ 4,605,061</u>	<u>\$ 4,680,161</u>	<u>\$ 5,018,159</u>
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%

Note: Information is not available prior to 2018. In future reports, additional years will be added until 10 years of historical data are presented.

HOPE Online Learning Academy Co-Op

(A Component Unit of Douglas County School District RE. 1
Douglas County, Colorado)

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund (Non-GAAP Budgetary Basis)

Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue				
School Finance Act	\$ 10,462,262	\$ 8,954,853	\$ 8,954,853	\$ -
Contributions	72,500	63,397	63,397	-
Other grant funding	974,494	1,938,274	1,938,274	-
Title I funding	1,014,440	1,010,305	1,010,305	-
Interest and other	4,696	1,606	1,606	-
	<u>12,528,392</u>	<u>11,968,435</u>	<u>11,968,435</u>	<u>-</u>
Total revenue	<u>12,528,392</u>	<u>11,968,435</u>	<u>11,968,435</u>	<u>-</u>
Expenditures				
Instruction				
Regular	8,746,381	6,670,247	6,631,860	38,387
Title I expenses	1,014,440	1,030,039	1,010,311	19,728
Special education	547,629	424,516	424,516	-
Other grant expenditures	506,475	1,821,548	1,821,548	-
Support services				
General administrative	528,520	622,897	622,897	-
School administration				
services	1,105,076	1,202,788	1,202,788	-
Student count expense	15,586	15,586	-	15,586
Transfers to nutrition				
services	50,000	70,830	70,830	-
	<u>12,514,107</u>	<u>11,858,451</u>	<u>11,784,750</u>	<u>73,701</u>
Total expenditures	<u>12,514,107</u>	<u>11,858,451</u>	<u>11,784,750</u>	<u>73,701</u>
Changes in Fund Balance	<u>\$ 14,285</u>	<u>\$ 109,984</u>	<u>183,685</u>	<u>\$ 73,701</u>
Reconciliation to GAAP basis:				
Less: Purchase of capitalized equipment				
Equipment			<u>71,102</u>	
			<u>\$ 112,583</u>	

HOPE Online Learning Academy Co-Op
(A Component Unit of Douglas County School District RE. 1
Douglas County, Colorado)

**Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget
and Actual – Nutrition Services Fund (Non-GAAP Budgetary Basis)
Year Ended June 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue				
National School Lunch Program	\$ 550,000	\$ 505,263	\$ 500,388	\$ (4,875)
State School Lunch Program	11,786	11,285	11,285	-
USDA foods	89,024	64,598	64,598	-
Transfers in from general fund	<u>50,000</u>	<u>70,830</u>	<u>70,830</u>	<u>-</u>
Total revenue	<u>700,810</u>	<u>651,976</u>	<u>647,101</u>	<u>(4,875)</u>
Expenditures				
Food cost	550,000	272,771	267,896	(4,875)
USDA food used	89,024	64,598	64,598	-
Nutrition Services - salaries	45,900	51,606	51,606	-
Nutrition Services - fringe benefits	13,625	14,454	14,454	-
Nutrition Services - other	<u>10,500</u>	<u>11,935</u>	<u>11,935</u>	<u>-</u>
Total expenditures	<u>709,048</u>	<u>415,364</u>	<u>410,489</u>	<u>(4,875)</u>
Changes in Fund Balance	<u>\$ (8,239)</u>	<u>\$ 236,612</u>	<u>\$ 236,612</u>	<u>\$ -</u>

Notes and Budgetary Comparison Schedules

Annual budgets are adopted by the Board of Directors (the Board) on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, except for activity related to the purchase and depreciation of capitalized equipment.

The adopted budget can be amended during the budget year. This action requires Board approval in the form of a resolution for a budgetary amendment.

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based
on an Audit of the Financial Statements Performed in
Accordance with *Government Auditing Standards***

Independent Auditor's Report

Board of Directors
HOPE Online Learning Academy Co-Op
Englewood, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of HOPE Online Learning Academy Co-Op (HOPE) (a component unit of Douglas County School District RE. 1 of Douglas County, Colorado (DSCD)), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise HOPE's basic financial statements, and have issued our report thereon dated October 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered HOPE's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HOPE's internal control. Accordingly, we do not express an opinion on the effectiveness of HOPE's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of HOPE's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
HOPE Online Learning Academy Co-Op

Compliance and Other Matters

As part of obtaining reasonable assurance about whether HOPE’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of HOPE’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HOPE’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
October 29, 2021