

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, 2022

HOPE Online Learning Academy Co-Op
 (A Component Unit of Douglas County School District RE. 1
 Douglas County, Colorado)
 June 30, 2022

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund, of HOPE Online Learning Academy Co-Op (HOPE), collectively a component unit of Douglas County School District RE. 1, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise HOPE's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 On-line Learning Academy, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of a Matter – Change in Accounting Principle

As discussed in Note 12 to the financial statements, effective July 1, 2021, HOPE adopted GASB Statement Number 87, *Leases* (GASB 87). Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HOPE's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HOPE's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HOPE's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022, 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.

FORVIS, LLP

Denver, Colorado
October 28, 2022

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, 2022

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, 2022. 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, 2022 was HOPE's seventeenth year of operation as a blended online charter school resulting in an increase of net position of \$4,899,173.

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.

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As of and for the Fiscal Year Ended June 30, 2022

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.

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, 2022

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, 2022 and 2021, the seventeenth and sixteenth year-end of operations for the organization.

	2022	2021*
Assets		
Current (noncapital)	\$ 3,971,161	\$ 2,279,664
Noncurrent (capital)	2,142,410	156,453
Total assets	6,113,571	2,436,117
Deferred Outflows of Resources	1,081,718	1,989,277
Liabilities		
Current	1,934,220	490,598
Noncurrent		
Lease liabilities	1,802,000	-
Unamortized straight-line rent	-	21,667
Net OPEB liability	289,401	393,558
Net pension liability	5,981,791	10,794,242
Total liabilities	10,007,412	11,700,065
Deferred Inflows of Resources	7,024,188	7,460,813
Net Position		
Net investment in capital assets	(79,255)	156,453
Restricted	623,060	365,095
Unrestricted (deficit)	(10,380,116)	(15,257,032)
Total net position (deficit)	\$ (9,836,311)	\$ (14,735,484)

* 2021 was not restated for the implementation of GASB 87.

Net position increased by approximately \$4,900,000, 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 \$453,000 primarily as a result of increase in cash holdings.

Total assets increased by approximately \$3,677,000, primarily due to the addition of leases due to the implementation of GASB 87 and higher cash balances related to increased revenue.

Excluding the GASB 68 pension liability of approximately \$5,982,000 and GASB 75 postemployment health care liability of approximately \$289,000, total liabilities increased by approximately \$3,224,000. This increase is primarily due to the implementation of GASB 87 and increased account payables related to the higher instruction expenses due to the enrollment increase.

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, 2022

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, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Revenues		
General Revenues		
School Finance Act	\$ 18,869,689	\$ 8,954,853
Interest and other revenue	2,862	1,606
Program Revenues	<u>2,230,738</u>	<u>3,588,247</u>
Total revenues	<u>21,103,289</u>	<u>12,544,706</u>
Expenses		
Governmental Activities		
Instruction		
General	18,739,258	10,170,717
Allocation of OPEB expense (credit)	615,897	(30,669)
Allocation of pension expense (credit)	(4,117,905)	(3,136,936)
Supporting services		
General	1,822,781	2,042,278
Allocation of OPEB expense (credit)	166,121	(13,051)
Allocation of pension expense (credit)	(1,109,786)	(1,334,867)
Interest expense	<u>87,750</u>	<u>-</u>
Total expenses	<u>16,204,116</u>	<u>7,697,472</u>
Change in Net Position	4,899,173	4,847,234
Net Position (Deficit) - Beginning of Year	<u>(14,735,484)</u>	<u>(19,582,718)</u>
Net Position (Deficit) - End of Year	<u><u>\$ (9,836,311)</u></u>	<u><u>\$ (14,735,484)</u></u>

Prior to the allocation of GASB 68 pension expense and GASB 75, change in net position was approximately \$453,000 and \$332,000 for the years ended June 30, 2022 and 2021, respectively.

General revenues increased by \$9,916,000 in the current year due to an enrollment increase as a result of HOPE's expansion of learning sites, adding nine drop in center options for eligible students. Program revenues decreased by \$1,358,000, primarily due to one-time COVID-19 funding received in 2021.

Total expenses, excluding GASB 68 and 75 allocations, increased approximately by \$8,349,000 in the current year, mainly due higher instruction expenses related to the higher student count.

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Management's Discussion and Analysis (Unaudited)
As of and for the Fiscal Year Ended June 30, 2022

Financial Analysis of HOPE's Governmental Funds

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

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 \$2,500,000 for the year ended June 30, 2022. After consideration for statutory reserves, the unassigned general fund balance for HOPE at the end of this fiscal year was approximately \$611,000.

HOPE's General Fund reported an ending fund balance of approximately \$1,763,000 for the year ended June 30, 2022. The General Fund is the chief operating fund of HOPE. General Fund revenue totaled approximately \$20,463,000 for the year ended June 30, 2022. Actual expenditures of the General Fund for the fiscal year amounted to approximately \$19,133,000.

HOPE's Nutrition Services Fund reported an ending fund balance of approximately \$701,000 for the year ended June 30, 2022. Nutrition Services Fund revenue totaled approximately \$476,000 for the year ended June 30, 2022, and expenses for the fiscal year amounted to approximately \$392,000.

HOPE's Nutrition Services fund experienced a positive net gain during the 2021/2022 school year, this was primarily due to the COVID-19 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 \$182,000 and \$156,000, net of accumulated depreciation of \$343,000 and \$2,037,000, at June 30, 2022 and 2021, respectively.

HOPE Online Learning Academy Co-Op
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Management's Discussion and Analysis (Unaudited)
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Economic Factors and Next Year's Budget and Rates

HOPE's budget for the 2022/2023 fiscal year anticipated 2,250 full-time students in grades 6-12, with total General Fund revenue of approximately \$23,172,000 and Nutrition Services Fund revenue of \$555,000. For the 2022/2023 fiscal year, HOPE's base per pupil revenue will increase by 6%, to \$8,685 per pupil.

HOPE's current estimated enrollment is approximately 1,850 full-time students in grades 6-12, compared to HOPE's 2022/2023 budgeted enrollment of 2,250 students and 2021/2022 enrollment of 1,998.5 students. HOPE will present a revised budget, based on the final 2022/2023 pupil count, to its Governing Board for approval in November 2022.

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, 2022

	Governmental Activities
Assets	
Current assets	
Cash	\$ 2,168,973
Restricted cash	623,060
Accounts receivable	649,624
Refundable deposits	132,671
Prepaid expenses and other assets	396,833
Total current assets	3,971,161
Noncurrent assets	
Capital assets, net of accumulated depreciation	181,788
Lease assets, net of accumulated amortization	1,960,622
Total assets	6,113,571
Deferred Outflows of Resources	
Related to pensions	1,056,270
Related to other post-employment benefits	25,448
	1,081,718
Liabilities	
Current liabilities	
Accounts payable	1,427,585
Reserve for pupil count audit	86,970
Lease liability, due in one year	419,665
Total current liabilities	1,934,220
Noncurrent liabilities, due in more than one year	
Lease liabilities	1,802,000
Net OPEB liability	289,401
Net pension liability	5,981,791
Total noncurrent liabilities	8,073,192
Total liabilities	10,007,412
Deferred Inflows of Resources	
Related to pensions	5,857,935
Related to other post-employment benefits	1,166,253
	7,024,188
Net Position	
Net investment in capital assets	(79,255)
Restricted for TABOR	623,060
Unrestricted (deficit)	(10,380,116)
Total net position (deficit)	\$ (9,836,311)

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, 2022

		Program Revenues	Operating Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position
	Expenses			Governmental Activities
Functions/Programs				
Primary government				
Governmental activities				
Instruction	\$ 18,739,258	\$ 1,590,551		\$ (17,148,707)
Allocation of OPEB expense	615,897	-		(615,897)
Allocation of Pension expense	(4,117,905)	129,125		4,247,030
Supporting services	1,432,239	-		(1,432,239)
Allocation of OPEB expense	153,856	-		(153,856)
Allocation of Pension expense	(1,027,848)	32,230		1,060,078
Nutrition services	390,542	476,263		85,721
Allocation of OPEB expense	12,265	-		(12,265)
Allocation of Pension expense	(81,938)	2,569		84,507
Interest expense	87,750	-		(87,750)
	<u>\$ 16,204,116</u>	<u>\$ 2,230,738</u>		<u>(13,973,378)</u>
General revenues				
School Finance Act, unrestricted				18,869,689
Interest and other revenue				2,862
				<u>18,872,551</u>
Change in Net Position				<u>4,899,173</u>
Net Position (Deficit) - Beginning of Year				<u>(14,735,484)</u>
Net Position (Deficit) - End of Year				<u>\$ (9,836,311)</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, 2022

	General Fund	Nutrition Services	Total
Assets			
Cash	\$ 1,538,542	\$ 630,431	\$ 2,168,973
Restricted cash	623,060	-	623,060
Accounts receivable	579,733	70,101	649,834
Refundable deposits	132,671	-	132,671
Prepaid expenses and other assets	396,833	-	396,833
Total assets	<u>\$ 3,270,839</u>	<u>\$ 700,532</u>	<u>\$ 3,971,371</u>
Liabilities			
Accounts payable	\$ 1,420,788	\$ -	\$ 1,420,788
Reserve for pupil count audit	86,970	-	86,970
Total liabilities	1,507,758	-	1,507,758
Fund Balances			
Nonspendable			
Refundable deposits	132,671	-	132,671
Prepaid expenses and other assets	396,833	-	396,833
Restricted			
TABOR	623,060	-	623,060
Assigned			
	-	700,532	700,532
Unassigned			
	610,517	-	610,517
Total fund balances	1,763,081	700,532	2,463,613
Total liabilities and fund balances	<u>\$ 3,270,839</u>	<u>\$ 700,532</u>	<u>\$ 3,971,371</u>
Reconciliation			
Net position (deficit) per statement of net position			\$ (9,836,311)
Less capital assets, net			(181,788)
Less deferred outflows of resources			(1,081,718)
Less lease assets not used in governmental activities not reported in the funds			(1,960,622)
Add net OPEB liability			289,401
Add net pension liability			5,981,791
Add deferred inflows of resources			7,024,188
Accrued interest			7,007
Lease liability			2,221,665
Total fund balance			<u>\$ 2,463,613</u>

HOPE Online Learning Academy Co-Op
(A Component Unit of Douglas County School District RE. 1
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Statement of Revenues, Expenditures and Changes in Fund Balance –
Governmental Funds

Year Ended June 30, 2022

	General Fund	Nutrition Services	Total
Revenue			
Intergovernmental	\$ 18,869,689	\$ -	\$ 18,869,689
Contributions	95,423	-	95,423
Title I funding	721,383	-	721,383
Other grant revenue	773,745	-	773,745
National School Lunch Program	-	476,263	476,263
Interest and other revenue	2,862	-	2,862
	<u>20,463,102</u>	<u>476,263</u>	<u>20,939,365</u>
Total revenue			
Expenditures			
Instruction			
Regular instruction	14,785,963	-	14,785,963
Special education instruction	1,503,204	-	1,503,204
Title I expenditures	723,142	-	723,142
Other grant expenditures	649,010	-	649,010
Supporting services			
General administration	369,304	-	369,304
School administration services	997,749	-	997,749
Capital outlay	159,894	-	159,894
Nutrition services	-	391,706	391,706
Debt services			
Lease payments	604,103	-	604,103
Interest payments	80,743	-	80,743
	<u>19,873,112</u>	<u>391,706</u>	<u>20,264,818</u>
Total expenditures			
Revenues over Expenditures	<u>589,990</u>	<u>84,557</u>	<u>674,547</u>
Other Financing Sources and Uses			
Transfer	(105,030)	105,030	-
Net Change in Fund Balance	484,960	189,587	674,547
Fund Balance, Beginning of Year	<u>1,278,121</u>	<u>510,945</u>	<u>1,789,066</u>
Fund Balance, End of Year	<u>\$ 1,763,081</u>	<u>\$ 700,532</u>	<u>\$ 2,463,613</u>
Reconciliation to Statement of Activities			
Change in net position			\$ 4,899,173
Capitalization of assets			(159,894)
Depreciation of capital assets			111,607
Change in deferred rent			(21,667)
Change in accrued interest			7,007
Disposal of capital assets			22,952
Change in lease liability			(604,103)
Amortization of leases			865,146
OPEB expense (credit)			782,017
Pension expense (credit)			(5,227,691)
			<u>674,547</u>
Change in fund balance			<u>\$ 674,547</u>

HOPE Online Learning Academy Co-Op
(A Component Unit of Douglas County School District RE. 1
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Notes to Financial Statements
June 30, 2022

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 Sites. Learning Centers provide students access to HOPE's blended online curriculum. As of June 30, 2022, HOPE had contracted with 14 Learning Site Organizations that operate 23 Learning 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, 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.

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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 acquisition 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.

Lease Assets

HOPE has recorded right-to-use assets as a result of implementing GASB Statement No. 87, *Leases*. In the government-wide financial statements, the right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. The right-to-use assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. HOPE has elected to capitalize leases above \$25,000 per individual item.

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.

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.

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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.

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.

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Description	Carrying Amount	Bank Balance	Amount Covered by PDPA
Cash	\$ 2,792,033	\$ 3,344,362	\$ 3,094,262
Total deposits	<u>\$ 2,792,033</u>	<u>\$ 3,344,362</u>	<u>\$ 3,094,262</u>

Note 3: Capital and Lease Assets

As of June 30, 2022, capital assets consisted of the following:

	Balance at July 1, 2021	Additions	Disposals	Balance at June 30, 2022
Governmental activities				
Equipment	\$ 1,405,003	\$ 159,894	\$ (1,118,097)	\$ 446,800
Software	11,988	-	(11,988)	-
Vehicles	17,446	-	(17,446)	-
Leasehold improvements	759,334	-	(678,802)	80,532
Accumulated depreciation and amortization	<u>(2,037,318)</u>	<u>(111,607)</u>	<u>1,803,381</u>	<u>(345,544)</u>
Total capital assets, net	<u>\$ 156,453</u>	<u>\$ 48,287</u>	<u>\$ (22,952)</u>	<u>\$ 181,788</u>

Depreciation expense was charged as follows:

Instruction	\$ 74,847
General administration	33,196
Nutrition services	<u>3,564</u>
	<u>\$ 111,607</u>

HOPE has several right-to-use leased assets for the year ended June 30, 2022. These assets are right-to-use assets for leased building space and printers. The related leases are discussed in the long-term liability disclosure. The right-to-use lease assets are amortized on a straight-line basis over the terms of the related leases. As a result of the implementation of GASB 87, *Leases*, \$2,825,768 in leased assets has been added to the beginning balance presented below. Right-to-use asset activity for HOPE for the year ended June 30, 2022, was as follows:

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	Balance at July 1, 2021 (Restated)	Additions	Deletions	Balance at June 30, 2022
Lease assets - building	\$ 2,693,338	\$ -	\$ -	\$ 2,693,338
Lease assets - equipment	<u>132,430</u>	<u>-</u>	<u>-</u>	<u>132,430</u>
	2,825,768	-	-	2,825,768
Less accumulated amortization				
Lease assets - building	-	(822,640)	-	(822,640)
Lease assets - equipment	<u>-</u>	<u>(42,506)</u>	<u>-</u>	<u>(42,506)</u>
Total accumulated amortization	<u>-</u>	<u>(865,146)</u>	<u>-</u>	<u>(865,146)</u>
Total lease assets being amortized, net	<u>\$ 2,825,768</u>	<u>\$ (865,146)</u>	<u>\$ -</u>	<u>\$ 1,960,622</u>

Amortization expense was charged to supporting services costs.

Note 4: Lease Liabilities

HOPE has several right to use leased assets for leased building space and copiers, the terms of which expire in various years through 2029. The leases were measured based upon the index at lease commencement. The lease liabilities have been recorded at the present value of the future minimum lease payments as of the date of their inception. The lease liabilities are measured using an incremental borrowing rate of 3.75% which represents an estimate of the interest rate that would be charged for borrowing the lease payment amounts during the lease term. There are no variable payment components to any of the leases.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

	Principal	Interest
2023	\$ 419,665	\$ 75,665
2024	298,797	62,629
2025	279,194	51,707
2026	295,325	41,038
2027	317,433	29,580
2028 - 2029	<u>611,251</u>	<u>21,536</u>
	<u>\$ 2,221,665</u>	<u>\$ 282,155</u>

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As a result of implementation of GASB 87, *Leases*, \$2,825,768 in lease liabilities for leases of buildings and equipment has been added to the beginning balance presented below. Long-term liability activity for the year ended June 30, 2022, is shown in the table below:

	Balance at July 1, 2021 (Restated)	Additions	Deletions	Balance at June 30, 2022	Due Within One Year
Lease liabilities	\$ 2,825,768	\$ -	\$ (604,103)	\$ 2,221,665	\$ 419,665

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.

General Information about the Pension Plan

Plan description. Eligible employees of 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 (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2021. 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:

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- 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.

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.

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

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of 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, 2022: 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, 2021 through June 30, 2022. Employer contribution requirements are summarized in the table below:

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	July 1, 2021 Through June 30, 2022
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).

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 \$714,862 for the year ended June 30, 2022.

For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation. As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (actual dollars) direct distribution each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. In addition to the \$225 million (actual dollars) direct distribution due July 1, 2022, House Bill (HB) 22-1029, instructs the State treasurer to issue a warrant to PERA in the amount of \$380 million (actual dollars), upon enactment, with reductions to future direct distributions scheduled to occur July 1, 2023 and July 1, 2024.

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

The net pension liability for the SCHDTF was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the total pension liability to December 31, 2021. HOPE's proportion of the net pension liability was based on

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HOPE contributions to the SCHDTF for the calendar year 2021 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2022, HOPE reported a liability of \$5,981,791 for its proportionate share of the net pension liability for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the HOPE as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with HOPE were as follows:

HOPE proportionate share of the net pension liability	\$ 5,981,791
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with HOPE	<u>686</u>
Total	<u>\$ 5,982,477</u>

At December 31, 2021, HOPE's proportion was 0.051%, which was a decrease of 0.02 from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the HOPE recognized pension expense (credit) of \$4,512,829 and revenue of \$163,925 for support from the State as a nonemployer contributing entity. At June 30, 2022, 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	\$ 229,007	\$ -
Changes of assumptions or other inputs	456,665	-
Net difference between projected and actual earnings on pension plan investments	-	2,248,975
Changes in proportion	-	3,608,960
Contributions subsequent to the measurement date	<u>370,598</u>	<u>-</u>
Total	<u>\$ 1,056,270</u>	<u>\$ 5,857,935</u>

\$370,598 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (credit) as follows:

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Year Ending June 30	
2023	\$ (2,019,303)
2024	(1,982,162)
2025	(897,820)
2026	(272,978)
	\$ (5,172,263)

Actuarial Assumptions

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial Cost Method	Entry Age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.40% - 11%
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)	1.00% 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.

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

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

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

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

Several factors 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, 20, 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%	

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

Discount rate. The discount rate used to measure the 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.
- 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.
- The projected benefit payments reflect the lowered AI cap, from 1.25% to 1.00%, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the 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%. There was no change in the discount rate from the prior measurement date.

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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	\$ 8,804,707	\$ 5,981,791	\$ 3,626,173

Pension plan fiduciary net position. Detailed information about the SCHDTF’s fiduciary net position is available in PERA’s ACFR 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.

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 annual

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comprehensive financial report (ACFR) 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.

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.

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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 \$36,678 for the year ended June 30, 2022.

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

At June 30, 2022, HOPE reported a liability of \$289,401 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2021. HOPE's proportion of the net OPEB liability was based on HOPE contributions to the HCTF for the calendar year 2021 relative to the total contributions of participating employers to the HCTF.

At December 31, 2021, HOPE's proportion was 0.03%, which was a decrease of 0.01 from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, HOPE recognized OPEB expense (credit) of \$42,051. At June 30, 2022, 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	\$ 441	\$ 68,620
Changes of assumptions or other inputs	5,992	15,698
Net difference between projected and actual earnings on pension plan investments	-	17,914
Changes in proportion	-	1,064,021
Contributions subsequent to the measurement date	19,015	-
Total	\$ 25,448	\$ 1,166,253

\$19,015 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

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deferred inflows of resources related to OPEB will be recognized in OPEB expense (credit) as follows:

Year Ending June 30	
2023	\$ (815,540)
2024	(292,810)
2025	(35,854)
2026	(12,687)
2027	(2,566)
Thereafter	(363)
	<u>\$ (1,159,820)</u>

Actuarial assumptions. The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial Cost Method	Entry Age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.4% 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	4.50% in 2021
	6% in 2022
	gradually decreasing to 4.50% in 2029
Medicare Part A premiums	3.75% in 2021
	gradually increasing to 4.5% in 2029

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

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2020, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2021 for the PERA Benefit Structure:

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	Initial Costs for Members without Medicare Part A		
	Monthly Cost	Monthly Premium	Monthly Cost Adjusted to Age 65
Medicare Advantage/ Self-Insured Rx	\$ 633	\$ 230	\$ 591
Kaiser Permanente Medicare Advantage HMO	\$ 596	\$ 190	\$ 562

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

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

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

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

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

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

Mortality assumptions used in the December 31, 2020 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below 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.

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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.

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

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

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

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

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

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2021 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently.

The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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.

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.

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>	

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

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	3.50%	4.50%	5.50%
Initial PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.75%	3.75%	4.75%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 281,090	\$ 289,401	\$ 299,028

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2021, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members.

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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%. There was no change in the discount rate from the prior measurement date.

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%	7.25%	8.25%
Proportionate share of the net OPEB liability	\$ 336,109	\$ 289,401	\$ 249,504

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.

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 ACFR 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, 2022 and 2021.

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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, 2022 was \$282,857.

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 2022, 2021 and 2020.

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.

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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 \$86,970 for the 2019/2020, 2020/2021 and 2021/2022 audits. Although HOPE submitted the requested audit documentation for those years, 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: Implementation of New Standard

During the year ended June 30, 2022, HOPE adopted the provision of the Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. The standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. HOPE has applied the provisions of this standard to the beginning of the period of adoption. See Notes 3 and 4.

Required Supplementary Information

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

	2021	2020	2019	2018	2017
HOPE's proportion of the net pension liability	0.051%	0.071%	0.08%	0.09%	0.11%
HOPE's proportionate share of the net pension liability	\$ 5,981,791	\$ 10,794,242	\$ 11,630,193	\$ 15,685,032	\$ 35,054,309
Nonemployer contributing entities' proportionate share of the net pension liability	\$ 686	\$ -	\$ 1,309,121	\$ 1,886,750	\$ -
HOPE's covered payroll	\$ 2,947,939	\$ 4,605,061	\$ 4,680,161	\$ 5,018,159	\$ 4,652,749
HOPE's proportionate share of the net pension liability as a percentage of its covered payroll	202.91%	234.40%	248.50%	312.57%	753.41%
Plan fiduciary net position as a percentage of the total pension liability	74.86%	66.99%	64.52%	57.01%	43.96%
	2016	2015			
HOPE's proportion of the net pension liability	0.09%	0.10%			
HOPE's proportionate share of the net pension liability	\$ 27,045,670	\$ 14,933,807			
Nonemployer contributing entities' proportionate share of the net pension liability	\$ -	\$ -			
HOPE's covered payroll	\$ 4,076,951	\$ 4,255,315			
HOPE's proportionate share of the net pension liability as a percentage of its covered payroll	663.38%	350.94%			
Plan fiduciary net position as a percentage of the total pension liability	43.10%	59.20%			

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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 714,862	\$ 586,051	\$ 892,461	\$ 895,316	\$ 947,498	\$ 856,071	\$ 695,385
Contributions in relation to the contractually required contribution	<u>714,862</u>	<u>586,051</u>	<u>892,461</u>	<u>895,316</u>	<u>947,498</u>	<u>856,071</u>	<u>695,385</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
HOPE's covered payroll	<u>\$ 3,595,888</u>	<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>
Contributions as a percentage of covered payroll	19.88%	19.88%	19.38%	19.13%	18.88%	18.40%	18.57%

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,			
	2021	2020	2019	2018
HOPE's proportion of the net OPEB liability	0.03%	0.04%	0.05%	0.06%
HOPE's proportionate share of the net OPEB liability	\$ 289,401	\$ 393,558	\$ 571,957	\$ 783,381
HOPE's covered payroll	\$ 2,947,939	\$ 4,605,061	\$ 4,680,161	\$ 5,018,159
HOPE's proportionate share of the net OPEB liability as a percentage of its covered payroll	9.82%	8.55%	12.22%	15.61%
Plan fiduciary net position as a percentage of the total OPEB liability	39.40%	32.78%	24.50%	17.00%

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

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Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Fund (Non-GAAP Budgetary Basis)
Year Ended June 30, 2022

	June 30,			
	2022	2021	2020	2019
Contractually required contribution	\$ 36,678	\$ 30,069	\$ 46,972	\$ 47,738
Contributions in relation to the contractually required contribution	<u>36,678</u>	<u>30,069</u>	<u>46,972</u>	<u>47,738</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
HOPE's covered payroll	<u>\$ 3,595,888</u>	<u>\$ 2,947,939</u>	<u>\$ 4,605,061</u>	<u>\$ 4,680,161</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, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue				
School Finance Act	\$ 11,116,961	\$ 18,847,534	\$ 18,869,689	\$ 22,155
Contributions	92,500	94,300	95,423	1,123
Other grant funding	671,814	796,455	773,745	(22,710)
Title I funding	811,552	811,552	721,383	(90,169)
Interest and other	4,696	2,600	2,862	262
	<u>12,697,523</u>	<u>20,552,441</u>	<u>20,463,102</u>	<u>(89,339)</u>
Total revenue				
Expenditures				
Instruction				
Regular	8,692,933	14,626,105	14,785,963	(159,858)
Title I expenses	822,224	811,552	723,142	88,410
Special education	637,097	1,650,000	1,503,204	146,796
Other grant expenditures	594,578	796,455	649,010	147,445
Support services				
General administrative	618,171	902,406	369,304	533,102
School administration				
services	1,110,174	1,361,011	997,749	363,262
Student count expense	75,000	100,000	-	100,000
Transfers to nutrition				
services	8,123	48,780	105,030	(56,250)
	<u>12,558,300</u>	<u>20,296,309</u>	<u>19,133,402</u>	<u>1,162,907</u>
Total expenditures				
Changes in Fund Balance	<u>\$ 139,223</u>	<u>\$ 256,132</u>	<u>1,329,700</u>	<u>\$ 1,073,568</u>
Reconciliation to GAAP basis:				
Less: Lease payments			-	
Less: Purchase of capitalized equipment			<u>159,894</u>	
			<u>\$ 1,169,806</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, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue				
Federal School Lunch Program	\$ 303,555	\$ 300,000	\$ 383,729	\$ 83,729
State Match	-	-	11,236	11,236
USDA	-	-	81,298	81,298
Transfer from General Fund	<u>75,000</u>	<u>100,000</u>	<u>105,030</u>	<u>5,030</u>
Total revenue	<u>378,555</u>	<u>400,000</u>	<u>581,293</u>	<u>181,293</u>
Expenditures				
Food cost	545,125	245,601	226,625	18,976
USDA food used	101,156	80,037	81,298	(1,261)
Nutrition Services - salaries	49,694	47,011	52,687	(5,676)
Nutrition Services - fringe benefits	12,035	11,587	10,328	1,259
Nutrition Services - other	<u>8,874</u>	<u>26,941</u>	<u>20,768</u>	<u>6,173</u>
Total expenditures	<u>716,883</u>	<u>411,177</u>	<u>391,706</u>	<u>19,471</u>
Changes in Fund Balance	<u><u>\$ (338,329)</u></u>	<u><u>\$ (11,177)</u></u>	<u><u>\$ 189,587</u></u>	<u><u>\$ 200,764</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 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) (component unit of Douglas County School District RE 1 of Douglas County (DSCD)), as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise HOPE's basic financial statements, and have issued our report thereon dated October 28, 2022, which contained an emphasis of matter paragraph regarding a change in accounting principle.

Report on 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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 the entity'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 or significant deficiencies may exist that were not identified.

Board of Directors
HOPE Online Learning Academy Co-Op

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether HOPE's financial statements are free from 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORVIS, LLP

Denver, Colorado
October 28, 2022