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, 2018

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BKD LLP
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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of HOPE Online Learning Academy Co-Op (HOPE) (a component unit of Douglas County School District RE. 1 of Douglas County, Colorado (DCSD)), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise HOPE's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors
HOPE Online Learning Academy Co-Op

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of HOPE Online Learning Academy Co-Op as of June 30, 2018, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13, during the year ended June 30, 2018, HOPE adopted new accounting guidance, Statement No. 75 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise HOPE's basic financial statements. The accompanying supplementary information including the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Board of Directors
HOPE Online Learning Academy Co-Op

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 10, 2018 on our consideration of HOPE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of HOPE's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HOPE's internal control over financial reporting and compliance.

BKD, LLP

Denver, Colorado
October 10, 2018

HOPE
ONLINE LEARNING ACADEMY

Management's Discussion and Analysis (Unaudited)
As of and for the Fiscal Year Ended June 30, 2018

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, 2018. 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, 2018 was HOPE's thirteenth year of operation as a blended online charter school. Before consideration of the impact of GASB 68 and the newly introduced GASB 75, expenses exceeded revenues as expected according to planned academic investment to increase student growth and achievement.

New to the year ending June 30, 2018 was the implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("OPEB"),* which affects HOPE and all Colorado PERA participants. Colorado PERA's Health Care Trust Fund (HCTF) is a cost-sharing multiple employer defined benefit OPEB plan. This change consists of including the proportionate share of OPEB liability, expense, deferred outflows and deferred inflows related to the plan. The change is material and generates an additional deficit in the financial presentation, however, this new standard only impacts the accounting presentation of these postemployment health care related benefits and the change 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.

Additionally, 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 PERA participants. Specifically, HOPE's government-wide financial statements show a negative change in net position as a result of changes to the net pension liability as well as deferred inflows of resources, deferred outflows of resources, and expenses related to the pension plan. 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 the change 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.

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 liabilities 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.

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.

HOPE
ONLINE LEARNING ACADEMY

Management's Discussion and Analysis (Unaudited)
As of and for the Fiscal Year Ended June 30, 2018

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

Notes to the Financial Statements

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

Condensed Statement of Net Position

The following table provides a condensed presentation of HOPE's government-wide statement of net position as of June 30, 2018 and 2017, the thirteenth and twelfth year-end of operations for the organization.

	2018	2017
Assets		
Current (noncapital)	$ 1,240,760	$ 1,882,200
Noncurrent (capital)	706,439	794,228
Total assets	1,947,199	2,676,428
Deferred Outflows of Resources	12,559,424	10,485,033
Liabilities		
Current	1,107,518	1,260,774
Noncurrent		
Unamortized straight-line rent	185,007	166,628
Net OPEB liability	800,496	-
Net pension liability	35,054,309	27,045,670
Total liabilities	37,147,330	28,473,072
Deferred Inflows of Resources	1,857,983	846,109
Net Position		
Restricted	583,486	575,999
Net investment in capital assets	706,439	794,228
Unrestricted (deficit)	(25,788,615)	(17,527,947)
Total net position (deficit)	$ (24,498,690)	$ (16,157,720)

Net position decreased by approximately $8,341,000, primarily as a result of GASB 68 pension expense of approximately $7,070,000 and GASB 75 postemployment health care expense of approximately $676,000, including the prior period adjustment.

HOPE
ONLINE LEARNING ACADEMY

Management's Discussion and Analysis (Unaudited)
As of and for the Fiscal Year Ended June 30, 2018

Prior to adjustments for GASB 68 & 75, HOPE's net position decreased by approximately $594,000 as a result of planned investment in academic support to target academic growth and achievement. Total assets decreased by approximately $730,000, primarily due to this increased investment in academic support personnel.

Excluding the GASB 68 pension liability of approximately $35,054,000 and GASB 75 postemployment health care liability of approximately $800,000, total liabilities decreased by approximately $150,000. This decrease was primarily related to the decrease in software liability related to curriculum license.

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, 2018 and 2017.

	2018	2017
Revenues		
General Revenues		
School Finance Act	$ 15,913,747	$ 16,532,524
Interest and other revenue	5,684	1,706
Program Revenues	2,815,930	2,782,682
Total revenues	18,735,361	19,316,912
Expenses		
Governmental Activities		
Instruction		
General	15,953,348	15,407,701
Allocation of OPEB expense	26,286	-
Allocation of pension expense	5,713,895	2,602,455
Supporting services		
General	3,376,365	3,859,602
Allocation of OPEB expense	6,240	-
Allocation of pension expense	1,356,310	1,383,118
Total expenses	26,432,444	23,252,876
Change in Net Position	(7,697,083)	(3,935,964)
Net Position (Deficit) - Beginning of Year	(16,157,720)	(12,221,756)
Change in Accounting Principle - GASB 75	(643,887)	-
Net Position (Deficit) - End of Year	$ (24,498,690)	$ (16,157,720)

Prior to the allocation of GASB 68 pension expense and GASB 75, change in net position was approximately ($594,000) and $50,000 for the years ended June 30, 2018 and 2017, respectively.

Total revenue decreased by approximately $582,000 in the current year. School Finance Act revenue decreased approximately $619,000, due to a decrease in funded student count of 186 students, mostly offset by an increase of 3.35% in the base Per Pupil Funding (PPR).

Total expenses increased approximately $3,180,000 in the current year. Instructional expenses increased approximately $3,860,000 primarily as a result of the increased costs related to the planned investment in academic support to target academic growth and achievement, as well as the continued GASB 68 impact and the new GASB 75 adjustment. Other expenditures, including Learning Center allocations and purchased services, decreased by approximately $800,000 related to the lower student count.

Financial Analysis of HOPE's Governmental Funds

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

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 $445,000 for the year ended June 30, 2018. After consideration for statutory reserves, the unassigned general fund balance for HOPE at the end of this fiscal year was a deficit of approximately $614,000.

HOPE's General Fund reported an ending fund balance of approximately $266,000 for the year ended June 30, 2018. The General Fund is the chief operating fund of HOPE. General Fund revenue totaled approximately $17,647,000 for the year ended June 30, 2018. Actual expenditures of the General Fund for the fiscal year amounted to approximately $18,202,000.

HOPE's Nutrition Services Fund reported an ending fund balance of $178,000 for the year ended June 30, 2018. Nutrition Services Fund revenue totaled approximately $1,088,000 for the year ended June 30, 2018, and expenses for the fiscal year amounted to approximately $1,214,000.

HOPE expects that Nutrition Services expenses will continue to exceed revenue 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.

HOPE

ONLINE LEARNING ACADEMY

Capital Assets and Long-term Debt

HOPE has computer equipment, software, leasehold improvements, curriculum licenses, and vehicles with a carrying value of $706,439 and $794,228, net of accumulated depreciation of $2,719,979 and $2,780,095, at June 30, 2018 and 2017, respectively.

Economic Factors and Next Year's Budget and Rates

For the 2018/2019 fiscal year, HOPE's base PPR will increase by 12%, to $7,865.65 per pupil. Employer contributions to Colorado PERA will continue to grow over the next several years at a rate of 0.25% per year starting with the 2018/2019 rate of 20.15%. PERA Employee contributions are set to rise as well, from 8% up to 10%. The rate increases are required to fund the retirement fund and is part of the trade-off of increased base per pupil funding.

HOPE's budget for the 2018/2019 fiscal year anticipates total General Fund revenue of approximately $18 million and Nutrition Services Fund revenue of $1 million. Enrollment for the 2018/2019 fiscal year was budgeted to be 2,350 full-time students. HOPE's current estimated enrollment is approximately 2,020 full-time students, compared to 2,176 in 2017/2018.

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, 373 Inverness Parkway, Suite 205, 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, 2018

	Governmental Activities
Assets	
Current assets	
Cash	$ 618,537
Accounts receivable	325,780
Refundable deposits	91,946
Prepaid expenses and other assets	204,497
Total current assets	1,240,760
Noncurrent assets	
Capital assets, net of accumulated depreciation	706,439
Total assets	1,947,199
Deferred Outflows of Resources	
Related to pensions	12,421,950
Related to other postretirement benefits	137,474
	12,559,424
Liabilities	
Current liabilities	
Accounts payable	712,160
Accrued lease liability	61,255
Accrued expenses	60,689
Unearned revenue	16,107
Reserve for pupil count audit	7,307
Noncurrent liabilities, due within one year	
Software liability	250,000
Total current liabilities	1,107,518
Noncurrent liabilities, due in more than one year	
Unamortized straight-line rent	185,007
Net OPEB liability	800,496
Net pension liability	35,054,309
Total noncurrent liabilities	36,039,812
Total liabilities	37,147,330
Deferred Inflows of Resources	
Related to pensions	1,844,591
Related to other postretirement benefits	13,392
	1,857,983
Net Position	
Restricted for TABOR	583,486
Net investment in capital assets	706,439
Unrestricted (deficit)	(25,788,615)
Total net position (deficit)	$ (24,498,690)

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, 2018

	Expenses	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position: Governmental Activities
Functions/Programs			
Primary government			
Governmental activities			
Instruction			
Instruction	$ 15,953,348	$ 1,728,031	$ (14,225,317)
Allocation of OPEB expense	26,286	-	(26,286)
Allocation of Pension expense	5,713,895	-	(5,713,895)
Supporting services			
Administration	2,073,165	-	(2,073,165)
Allocation of OPEB expense	6,240	-	(6,240)
Allocation of Pension expense	1,356,310	-	(1,356,310)
Nutrition services	1,303,200	1,087,899	(215,301)
Total governmental activities	$ 26,432,444	$ 2,815,930	(23,616,514)
General revenues			
School Finance Act, unrestricted			15,913,747
Interest and other revenue			5,684
Total general revenues			15,919,431
Change in Net Position			(7,697,083)
Net Position (Deficit) - Beginning of Year, as Previously Stated			(16,157,720)
Change in Accounting Principle - GASB 75			(643,887)
Net Position (Deficit) - Beginning of Year, as Restated			(16,801,607)
Net Position (Deficit) - End of Year			$ (24,498,690)

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, 2018

	General Fund	Nutrition Services	Total
Assets			
Cash	$ 615,515	$ 3,022	$ 618,537
Accounts receivable	201,099	124,681	325,780
Refundable deposits	91,946	-	91,946
Due from other funds	-	50,802	50,802
Prepaid expenses and other assets	204,497	-	204,497
Total assets	$ 1,113,057	$ 178,505	$ 1,291,562
Liabilities			
Accounts payable	$ 711,932	$ 228	$ 712,160
Accrued expenses	60,689	-	60,689
Unearned revenue	16,107	-	16,107
Reserve for pupil count audit	7,307	-	7,307
Due to other funds	50,802	-	50,802
Total liabilities	846,837	228	847,065
Fund Balances			
Nonspendable			
Refundable deposits	91,946	-	91,946
Prepaid expenses and other assets	204,497	-	204,497
Restricted			
TABOR	583,486	-	583,486
Assigned	-	178,277	178,277
Unassigned	(613,709)	-	(613,709)
Total fund balances	266,220	178,277	444,497
Total liabilities and fund balances	$ 1,113,057	$ 178,505	$ 1,291,562
Reconciliation			
Net position (deficit) per statement of net position			$ (24,498,690)
Less capital assets, net			(706,439)
Less deferred outflows of resources			(12,559,424)
Add accrued lease liability			61,255
Add software liability			250,000
Add net OPEB liability			800,496
Add net pension liability			35,054,309
Add deferred inflows of resources			1,857,983
Add unamortized straight-line rent			185,007
Total fund balance			$ 444,497

HOPE Online Learning Academy Co-Op

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

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds

Year Ended June 30, 2018

	General Fund	Nutrition Services	Total
Revenue			
Intergovernmental	$ 15,913,747	$ -	$ 15,913,747
Contributions	24,017	-	24,017
Title I funding	922,996	-	922,996
Other grant revenue	781,018	-	781,018
National School Lunch Program	-	1,087,899	1,087,899
Interest and other revenue	5,684	-	5,684
Total revenue	17,647,462	1,087,899	18,735,361
Expenditures			
Instruction			
Regular instruction	12,881,243	-	12,881,243
Special education instruction	1,588,977	-	1,588,977
Title I expenditures	922,997	-	922,997
Other grant expenditures	439,853	-	439,853
Supporting services			
General administration	551,805	-	551,805
School administration services	1,445,380	-	1,445,380
Capital outlay	372,173	-	372,173
Nutrition Services	-	1,214,390	1,214,390
Total expenditures	18,202,428	1,214,390	19,416,818
Revenues over Expenditures	(554,966)	(126,491)	(681,457)
Other Financing Sources and Uses			
Transfer	(157,058)	157,058	-
Net Change in Fund Balance	(712,024)	30,567	(681,457)
Fund Balance, Beginning of Year	978,244	147,710	1,125,954
Fund Balance, End of Year	$ 266,220	$ 178,277	$ 444,497
Reconciliation to Statement of Activities			
Change in net position			$ (7,697,083)
Capitalization of assets			(372,173)
Depreciation of capital assets			459,962
Change in software liability			(150,000)
OPEB expense			32,526
Pension expense			7,070,205
Change in lease liabilities			(24,894)
Change in fund balance			$ (681,457)

Note 1: Summary of Significant Accounting Policies

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

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

Reporting Entity

HOPE Online Learning Academy Co-Op was organized as a Colorado nonprofit corporation on October 25, 2004, for the purpose of entering into a charter school contract with a Colorado school district and contracting with numerous Learning Centers. Learning Centers provide students access to HOPE's blended online curriculum. As of June 30, 2018, HOPE had contracted with 22 Learning Center Organizations that operate 26 Learning Center sites. These financial statements reflect the operations of HOPE. HOPE is a component unit of the Douglas County School District RE. 1 of Douglas County, Colorado (DCSD). It is the administrative position of the Colorado Department of Education that a charter school has the same relationship to a public school district as does any other school program or school building within a District. A charter school is part of a local school district that is a political subdivision of the State of Colorado. In accordance with Colorado state statute, DCSD has approved the charter of HOPE for a six-year period ending June 30, 2019. Management is in the process of renewing their charter for up to a five-year period ending June 30, 2024.

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.

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.

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.

Accounts Receivable

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

Capital Assets

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

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

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

Prepaid Expenses and Other Assets

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

Accrued Salaries and Benefits/Compensated Absences

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

Accrued Lease Liability and Unamortized Straight-line Rent

Unamortized straight-line rent is recorded for the lease incentive over the life of the lease. The accrued lease liability is also recorded for leases that contain escalating rental payments so that the reimbursement is recognized on a straight-line basis over the life of the lease.

Deferred Inflows and Outflows of Resources

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

Net Position and Fund Balances

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

Revenue and Expenditures

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

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

Investment Policy and Compliance

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

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

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

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

Description	Carrying Amount	Bank Balance	Amount Covered by PDPA
Cash	$ 618,537	$ 644,384	$ 394,384
Total deposits	$ 618,537	$ 644,384	$ 394,384

Note 3: Capital Assets

As of June 30, 2018, capital assets consisted of the following:

	Balance at July 1, 2017	Additions	Disposals	Balance at June 30, 2018
Governmental activities				
Computer hardware	$ 2,027,111	$ 167,555	$ (520,078)	$ 1,674,588
Software	127,884	-	-	127,884
Curriculum license	717,000	-	-	717,000
Vehicles	25,492	-	-	25,492
Leasehold improvements	676,836	204,618	-	881,454
Accumulated depreciation and amortization	(2,780,095)	(459,962)	520,078	(2,719,979)
Total capital assets, net	$ 794,228	$ (87,789)	$ -	$ 706,439

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

Instruction	$ 359,095
General administration	100,867
	$ 459,962

HOPE entered into agreements with software providers in which HOPE received a certain number of curriculum licenses with an original value of $717,000. As of June 30, 2018, the curriculum license balance was $200,000, net of accumulated amortization.

Note 4: Leases

HOPE leases office space and office equipment under noncancelable operating lease agreements. The leases expire on various dates through June 2023. Rent expense for these leases for the year ended June 30, 2018, was $442,139.

Under the operating lease expiring in 2019, HOPE was granted a three-month abated rent period. Additionally, HOPE also received a tenant improvement allowance. The abated rent and tenant improvement allowance were applied to the annual expense, which escalates over the life of the lease. As such, the expense is recognized over the life of the lease.

Minimum annual rental payments required under the operating leases that have remaining terms in excess of one year as of June 30, 2018 are as follows:

2019	$ 681,157
2020	668,683
2021	552,201
2022	565,388
2023	139,046
Total	$ 2,606,475

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 fund 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.

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. Governmental accounting standards require the net pension liability and related amounts of the SCHDTF for financial reporting purposes be measured using the plan provisions in effect as of the SCHDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled Changes between the measurement date of the net pension liability and June 30, 2018.

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 that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2017: PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA’s Annual Increase Reserve (AIR) for the SCHDTF.

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 retirement benefit formula 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, 2018: Eligible employees and HOPE are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. Eligible employees are required to contribute 8 percent of their PERA-includable salary.

The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Employer contribution rate	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) [1]	-1.02%	-1.02%
Amount apportioned to the SCHDTF[1]	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 [1]	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 [1]	5.50%	5.00%
Total Employer Contribution Rate to the SCHDTF[1]	19.13%	18.63%

[1]Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42)

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the HOPE is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from HOPE were $947,498 for the year ended June 30, 2018.

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

At June 30, 2018, HOPE reported a liability of $35,054,309 for its proportionate share of the net pension liability. The net pension liability for the SCHDTF was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total pension liability to December 31, 2017. The proportion of the net pension liability was based on HOPE’s contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, HOPE’s proportion was 0.011 percent, which was an increase of 0.02 from its proportion measured as of December 31, 2016 of 0.09 percent.

For the year ended June 30, 2018, HOPE recognized pension expense of $8,017,703. At June 30, 2018, 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	$ 644,505	$ -
Changes of assumptions or other inputs	8,950,717	56,799
Net difference between projected and actual earnings on pension plan investments	-	1,376,624
Changes in proportion	2,344,103	411,168
Contributions subsequent to the measurement date	482,625	-
Total	$ 12,421,950	$ 1,844,591

$482,625 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2019	$ 6,208,800
2020	3,976,270
2021	427,556
2022	(517,892)
	$ 10,094,734

Actuarial Assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50-9.70%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	5.26%
Post-retirement benefit increases	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2.00%
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

A discount rate of 4.78 percent was used in the roll-forward calculation of the total pension liability to the measurement date of December 31, 2017.

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

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

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

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

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

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

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

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

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

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

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 4.78 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan 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. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a discount rate of 4.78 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.86 percent were used in the discount rate determination resulting in a discount rate of 5.26 percent, 0.48 percent higher compared to the current measurement date.

Sensitivity of HOPE's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.

The following presents the proportionate share of the net pension liability calculated using the discount rate of 4.78 percent, 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 (3.78 percent) or 1-percentage-point higher (5.78 percent) than the current rate:

	1% Decrease 3.78%	Current Discount Rate 4.78%	1% Increase 5.78%
Proportionate share of the net pension liability	$ 44,279,800	$ 35,054,309	$ 27,536,940

Pension Plan Fiduciary Net Position

Detailed information about the SCHDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Payables to the Pension Plan

Changes between the measurement date of the net pension liability and June 30, 2018.

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates by 0.25 percent on July 1, 2019.
- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Directs the state to allocate $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the other divisions eligible for the direct distribution.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

At June 30, 2018, HOPE reported a liability of $35,054,309 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what HOPE's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	$15,843,895

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately $16,370,455 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

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 plan administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/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 HOPE are provided with OPEB through the HCTF – a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report 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 are eligible for a premium subsidy, if enrolled in a health care plan under PERACare.

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 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

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

Contributions: Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent 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 $51,185 for the year ended June 30, 2018.

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

At June 30, 2018, HOPE reported a liability of $800,496 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. HOPE proportion of the net OPEB liability was based on HOPE’s contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, HOPE proportion was 0.06 percent, which was an increase of 0.01 percent from its proportion measured as of December 31, 2016 of 0.05 percent.

For the year ended June 30, 2018, HOPE recognized OPEB expense of $83,711. At June 30, 2018, 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	$ 3,785	$ -
Net difference between projected and actual earnings on pension plan investments	-	13,392
Changes in proportion	107,956	-
Contributions subsequent to the measurement date	25,733	-
Total	$ 137,474	$ 13,392

$25,733 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	
2019	$ 18,605
2020	18,605
2021	18,605
2022	18,605
2023	21,954
Thereafter	1,975
	$ 98,349

Actuarial assumptions: The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50%
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	0.00%
PERACare Medicare plans	5.00%
Medicare Part A premiums	3% for 2017, gradually rising to 4.25% in 2023
DPS benefit structure	
Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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

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, 2016, 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
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024	5.00%	4.25%

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

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

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

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

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

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

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

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

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

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience
- 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 2017 plan year
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums
- The rates of PERAcare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience

The actuarial assumptions used in the December 31, 2016, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA’s actuary, as needed.

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

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

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

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

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 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
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	$ 783,583	$ 800,496	$ 832,455

Discount rate: The discount rate used to measure the total OPEB liability was 7.25 percent. 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, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

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

Sensitivity of 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 percent, 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 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Proportionate share of the net OPEB liability	$ 900,009	$ 800,496	$ 715,559

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

Note 7: Defined Contribution Pension Plan

In May 2011, HOPE established a defined contribution pension plan under the provisions of the Internal Revenue Service Code Subsection 403(b). Management annually determines the amount, if any, of HOPE's contributions to the plan during the budgeting process. Each year, the budget is approved by the Board of Directors. No employer contributions were made to this plan for the years ended June 30, 2018 and 2017.

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, 2018 was $1,675,605.

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 2018, 2017 and 2016.

Note 10: 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; however, HOPE believes it is currently in compliance with the requirements of the TABOR Amendment through the restriction of net position/fund balance to assist in meeting the reserve requirements.

As discussed in Note 12, HOPE maintained a deficit in the General Fund unassigned fund balance. Management anticipates a positive change in fund balance to address the current deficit going forward.

Claims

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

Note 11: Due to Colorado Department of Education

The Colorado Department of Education (CDE) completes regular audits of DCSD's pupil counts. Preliminary results were received in the current year, related to the 2017/2018 school year, which indicated one student was reported as an audit exception due to lack of documentation. Although CDE has not finalized the audit, management has recorded a payable for count adjustment in the amount of $7,307. This includes a reserve of one (1) FTE pupil count per open audit year.

Note 12: Deficit Net Position and General Fund Unassigned Fund Balance

At June 30, 2018, HOPE was in a deficit net position for governmental activities. This deficit is primarily due to HOPE's net pension and net OPEB liabilities in accordance with GASB Statement No. 68 and 75, respectively.

Also at June 30, 2018, HOPE maintained a deficit in the General Fund unassigned fund balance. This deficit is primarily due to a combined impact of a decrease in the School Finance Act funding rate and an increase in educational expenses related to a planned investment by the Board to support academic growth and achievement. HOPE's Board of Directors authorized $438,000 from the General Fund and $157,000 from the Nutrition Services fund to cover the necessary expenditures.

Note 13: Implementation of New Accounting Standard

Effective July 1, 2017, HOPE implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (Statement No. 75), which revises and establishes new financial reporting requirements for most governments that provide their employees with other postemployment benefits. HOPE provides its employees with other postemployment benefits through the state's multiple-employer cost-sharing PERA defined benefit retirement program. Statement No. 75 requires employers participating in multiple-employer cost-sharing plans, such as PERA, to record their proportionate share, as defined in Statement No. 75, of PERA's unfunded other postemployment benefit liability. HOPE has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefits, or annual required contribution decisions made by PERA. The implementation of GASB 75 resulted in a $643,887 restatement of beginning net deficit as of July 1, 2017, which was comprised of the following:

Net OPEB liability as July 1, 2017	$	(669,441)
Deferred outflows of resources - employer contributions from January 1, 2017 through June 30, 2017		25,554
Restatement	$	(643,887)

Information regarding PERA's current funding status can be found in their Comprehensive Annual Financial Report.

Required Supplementary Information

HOPE Online Learning Academy Co-Op

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

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

Years Ended December 31

	2017	2016	2015	2014
HOPE's proportion of the net pension liability	0.11%	0.09%	0.10%	0.10%
HOPE's proportionate share of the net pension liability	$ 35,054,309	$ 27,045,670	$ 14,933,807	$ 13,276,138
HOPE's covered payroll	$ 4,652,749	$ 4,076,951	$ 4,255,315	$ 4,104,363
HOPE's proportionate share of the net pension liability as a percentage of its covered payroll	753.41%	663.38%	350.94%	302.51%
Plan fiduciary net position as a percentage of the total pension liability	43.96%	43.10%	59.20%	62.84%

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

HOPE Online Learning Academy Co-Op

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

Schedule of HOPE’s Pension Contributions

Years Ended June 30

	2018	2017	2016	2015
Contractually required contribution	$ 947,498	$ 856,071	$ 695,385	$ 741,513
Contributions in relation to the contractually required contribution	947,498	856,071	695,385	741,513
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
HOPE’s covered payroll	$ 5,018,159	$ 4,652,749	$ 3,744,567	$ 4,388,659
Contributions as a percentage of covered payroll	18.88%	18.40%	18.57%	16.90%

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

HOPE Online Learning Academy Co-Op

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

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

	December 31, 2017
HOPE's proportion of the net OPEB liability	0.06%
HOPE's proportionate share of the net OPEB liability	$ 800,496
HOPE's covered payroll	$ 4,652,749
HOPE's proportionate share of the net OPEB liability as a percentage of its covered payroll	17.20%
Plan fiduciary net position as a percentage of the total OPEB liability	17.50%

Note: Information is not available prior to 2017. In future reports, additional years wil 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 HOPE’s OPEB Contributions

	June 30, 2018
Contractually required contribution	$ 51,185
Contributions in relation to the contractually required contribution	51,185
Contribution deficiency (excess)	$ -
HOPE’s covered payroll	$ 5,018,159
Contributions as a percentage of covered payroll	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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue				
School Finance Act	$ 15,868,994	$ 15,927,586	$ 15,913,747	$ (13,839)
Contributions	10,000	26,999	24,017	(2,982)
Other grant funding	1,075,908	798,614	781,018	(17,596)
Title I funding	927,560	927,560	922,996	(4,564)
Interest and other	4,817	4,399	5,684	1,285
Total revenue	17,887,279	17,685,158	17,647,462	(37,696)
Expenditures				
Instruction				
Regular	13,164,565	12,944,056	12,881,243	62,813
Title I expenses	946,515	927,560	922,997	4,563
Special education	1,500,982	1,588,977	1,588,977	-
Other grant expenditures	457,249	457,249	439,853	17,396
Support services				
General administrative	2,549,295	793,029	458,770	334,259
School administration services	2,382,741	1,303,285	1,445,380	(142,095)
Non-capitalized equipment purchases	84,180	69,181	93,035	(23,854)
Transfers to nutrition services	150,000	150,000	157,058	(7,058)
Total expenditures	21,235,527	18,233,337	17,987,313	246,024
Changes in Fund Balance	$ (3,348,248)	$ (548,179)	(339,851)	$ 208,328
Reconciliation to GAAP basis:				
Less: Purchase of capitalized equipment				
Computer hardware			164,650	
Nutrition services hardware			2,905	
Leasehold improvements			204,618	
			$ (712,024)	

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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue				
National School Lunch Program	$ 872,558	$ 940,953	$ 1,006,670	$ 65,717
State School Lunch Program	13,317	21,337	19,878	(1,459)
USDA foods	70,694	45,663	61,351	15,688
Other nutrition services revenue	2,600	-	-	-
Transfers in from general fund	150,000	150,000	157,058	7,058
Total revenue	1,109,169	1,157,953	1,244,957	87,004
Expenditures				
Food cost	1,076,383	1,024,659	1,075,977	(51,318)
USDA food used	70,695	67,525	61,351	6,174
Nutrition Services - salaries	56,454	56,454	56,454	-
Nutrition Services - travel	1,500	1,381	1,405	(24)
Nutrition Services - fringe benefits	19,804	18,129	18,103	26
Nutrition Services - equipment	500	60	60	-
Nutrition Services - other	8,865	7,407	1,040	6,367
Nutrition Services - grant	2,600	-	-	-
Total expenditures	1,236,801	1,175,615	1,214,390	(38,775)
Changes in Fund Balance	$ (127,632)	$ (17,662)	$ 30,567	$ 48,229

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.

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of HOPE Online Learning Academy Co-Op (HOPE) (a component unit of Douglas County School District RE. 1 of Douglas County, Colorado (DSCD)), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise HOPE's basic financial statements, and have issued our report thereon dated October 10, 2018, which contained an emphasis of matter paragraph regarding a change in accounting principle.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HOPE's internal control. Accordingly, we do not express an opinion on the effectiveness of HOPE's internal control.

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

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

Board of Directors
HOPE Online Learning Academy Co-Op

Compliance and Other Matters

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

Purpose of this Report

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

BKD, LLP

Denver, Colorado
October 10, 2018

BKD LLP
CPAs & Advisors

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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance -

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of HOPE Online Learning Academy Co-Op (HOPE) (a component unit of Douglas County School District RE. 1 of Douglas County, Colorado (DCSD)) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on HOPE's major federal program for the year ended June 30, 2018. HOPE's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for HOPE's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the HOPE's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of HOPE's compliance.

Board of Directors
HOPE Online Learning Academy Co-Op

Opinion on Major Federal Program

In our opinion, HOPE complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of HOPE Online Learning Academy Co-Op is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered HOPE's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of HOPE's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
October 10, 2018

HOPE Online Learning Academy Co-Op

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

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Federal Grantor / Pass-Through Grantor / Cluster Title / Program Name	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Amount Expended
U.S. Department of Agriculture				
Colorado Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	N/A	$ -	$ 337,540
National School Lunch Program	10.555	N/A	-	669,130
Total			$ -	$ 1,006,670

Notes to Schedule

1. This schedule includes the federal awards activity of HOPE Online Learning Academy Co-Op (HOPE), a component unit of Douglas County School District RE. 1 of Douglas County, Colorado, and is presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

3. HOPE has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

HOPE Online Learning Academy Co-Op

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

Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

Section I – Summary of Auditor's Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP):

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimed

2. Internal control over financial reporting:

   Material weakness(es) identified? ☐ Yes ☒ No

   Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

3. Noncompliance material to the financial statements noted? ☐ Yes ☒ No

Federal Awards

4. Internal control over major federal programs:

   Material weakness(es) identified? ☐ Yes ☒ No

   Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

5. Type of auditor's report issued on compliance for major programs:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimed

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No

7. Identification of major program:

Name of Federal Program or Cluster	CFDA Number
Child Nutrition Cluster	10.553, 10.555

8. Dollar threshold used to distinguish between Type A and Type B programs: $750,000.

9. Auditee qualified as a low-risk auditee?

☒ Yes ☐ No

HOPE Online Learning Academy Co-Op

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

Schedule of Findings and Questioned Costs (continued)

Year Ended June 30, 2018

Federal Award Findings and Questioned Costs

Reference Number	Finding
	No matters are reportable.

HOPE Online Learning Academy Co-Op

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

Status of Prior Audit Findings

Year Ended June 30, 2018

Reference Number	Summary of Finding	Status
	No matters are reportable.	