

Colorado River Board of Cooperative Educational Services

Parachute, Colorado

Financial Report

June 30, 2020



Colorado River Board of Cooperative Educational Services

Parachute, Colorado

**Roster of Officials
June 30, 2020**

BOARD

School District	Superintendent	Board Member
De Beque School District 49JT	Robin Dove	Dustin Sandidge
Garfield County School District 16	Brad Ray	Lynne Shore, President
Garfield County School District Re2	Brent Curtice	Anne Guettler, Vice President
Roaring Fork School District	Dr. Rob Stein	Dr. Maureen Stepp, Secretary/Treasurer
Director At Large		Vacant

ADMINISTRATIVE

Ken Haptonstall, Executive Director
Jennifer Rhoades, Business Manager
Denise Rahe, Director of Special Education

**Colorado River Board of Cooperative Educational Services
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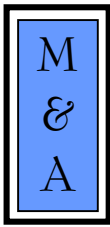
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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Colorado River Board of Cooperative Educational Services
Parachute, Colorado**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of Colorado River Board of Cooperative Educational Services ("BOCES"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements as listed in the table of contents

Management's Responsibility for the Financial Statements

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

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 of 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 BOCES' 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 BOCES' 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.

INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Colorado River Board of Cooperative Educational Services
Parachute, Colorado

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund of Colorado River Board of Cooperative Educational Services as of June 30, 2020, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in section B, the Schedule of the BOCES' Proportionate Share of the Net Pension Liability, the Schedule of BOCES Pension Contributions, the Schedule of the BOCES' Proportionate Share of the Other Post-employment Benefits Liability, the Schedule of BOCES Other Post-Employment Benefit Contributions, and the Notes to the Required Supplemental Information in Section E, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis in Section B 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.

The budgetary comparison schedule in section E is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 financial statements, or to the 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 financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the BOCES' financial statements taken as a whole. The Colorado Department of Education Auditor's Electronic Data Integrity Check Figures listed in the accompanying table of contents is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The Colorado Department of Education Auditor's Electronic Data Integrity Check Figures is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 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 financial statements, or to the 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 financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Colorado River Board of Cooperative Educational Services
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Additionally, the Schedule of Expenditures of Federal Awards included in the Single Audit section is presented for the purpose of additional analysis, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and is not a required part of the BOCES' 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 financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

The supplementary information in section F, and the Schedule of Expenditures of Federal Awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 in section E and the Schedule of Expenditures of Federal Awards is fairly stated in all material aspects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report **December 30, 2020** on our consideration of the BOCES' internal control over financial reporting and on our tests of its compliance with provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 the BOCES' internal control over financial reporting and compliance.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
December 30, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS



**Colorado River Board of Cooperative Educational Services
Management's Discussion and Analysis
As of and for the fiscal year ended June 30, 2020**

As management of the Colorado River Board of Cooperative Educational Services (the "BOCES"), we offer readers of the BOCES' financial statements this narrative overview and analysis of the financial activities of the BOCES for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the BOCES' financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of the BOCES were exceeded by its liabilities and deferred inflows as of June 30, 2020 by \$\$3,983,576 resulting deficit net position. Due to the long-term obligation for pension and other post-employment obligations, the BOCES was not able to report a positive amount for unrestricted net position.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the BOCES' basic financial statements. The BOCES' basic financial statements have three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the BOCES' finances, using accounting methods similar to those used by a private-sector business.

The Statement of Net Position presents information on all the BOCES' assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the BOCES is improving or deteriorating.

The Statement of Activities presents information showing how the BOCES' net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the BOCES that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion their costs through user fees and charges (business-type activities). The BOCES only reports governmental activities.

- **Governmental activities:** The BOCES' basic services are included here, such as instructional services, support services, student activities, activities relating to building maintenance and operations, technology and administration.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide more detailed information about the operations of the BOCES by fund instead of the BOCES as a whole.

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 spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The BOCES' only fund is a governmental fund.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

The combined government-wide and fund financial statements can be found on pages C1 – C2 of this report. A reconciliation to facilitate a comparison between governmental funds and governmental activities is shown in Note II of the Notes to the Financial Statements on pages D7 – D8 of this report.

The BOCES adopts an annual appropriated budget for its fund. A budgetary comparison statement has been provided to demonstrate compliance with state budget statutes on pages E1 – E2.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found at section D of this report.

Government-wide Financial Analysis:

The following table provides a comparative summary of the BOCES' net position as of June 30, 2020 and 2019:

Colorado River Board of Cooperative Educational Services Summary of Net Position

	<u>2020</u>	<u>2019</u>
Assets:		
Current and other assets	\$ 3,009,872	3,072,355
Capital assets	976,175	1,051,125
Total Assets	<u>3,986,047</u>	<u>4,123,480</u>
Deferred Outflows:		
Pension related deferred outflow	1,624,671	3,274,588
OPEB related deferred outflow	96,519	105,307
Total Deferred Outflows	<u>1,721,190</u>	<u>3,379,895</u>
Liabilities:		
Other liabilities	933,752	1,234,838
Long-term liabilities	5,394,317	6,094,443
Total Liabilities	<u>6,328,069</u>	<u>7,329,281</u>
Deferred Inflows:		
Deferred grant revenues	374,733	161,105
Pension related deferred inflow	2,941,361	4,012,804
OPEB related deferred inflow	46,650	2,984
Total Deferred Inflows	<u>3,362,744</u>	<u>4,176,893</u>
Net Position:		
Net investment in capital assets	976,175	1,051,125
Unrestricted	<u>(4,959,751)</u>	<u>(5,053,924)</u>
Total Net Position	<u>\$ (3,983,576)</u>	<u>(4,002,799)</u>

Of total assets, 24% are capital assets (e.g. buildings and improvements, vehicles, and equipment). This is comparable to 25% in 2019. The BOCES uses these assets to provide instruction and related services to member districts.

Note that net position may serve as an indicator of the BOCES' financial position over time. The BOCES' net position for governmental activities has increased during the current year (see further discussion below).

The following table presents a summary of activities and changes in net position for the fiscal years ended June 30, 2020 and 2019:

**Colorado River Board of Cooperative Educational Services Summary of Activities
and Changes in Net Position**

	<u>2020</u>	<u>2019</u>
Revenues:		
Charges for services	\$ 2,838,037	2,569,143
Operating grants	6,018,413	5,624,244
Interest income	473	535
Gain on sale of assets	-	1,000
Miscellaneous	256,042	203,297
Total Revenues	<u>9,112,965</u>	<u>8,398,219</u>
Expenditures/Expenses:		
Instruction	7,763,595	3,368,623
Supporting services	1,306,281	5,210,432
Community services	22,811	7,101
Debt service interest	1,055	1,563
Total Expenditures/Expenses	<u>9,093,742</u>	<u>8,587,719</u>
Change in Net Position	19,223	(189,500)
Net Position - Beginning	(4,002,799)	(3,442,934)
Prior period restatement	-	(370,365)
Net Position - Beginning Restated	<u>(4,002,799)</u>	<u>(3,813,299)</u>
Net Position - Ending	<u>\$ (3,983,576)</u>	<u>(4,002,799)</u>

Governmental Activities: Net position from governmental activities increased by \$19,223. This increase is primarily due to an increase in grant expenditures during the current year.

The majority of BOCES' operating revenues are generated from assessments billed to member districts. BOCES also receives significant funding from State and Federal operating grants and contributions.

Financial Analysis of the BOCES' Funds

The BOCES utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the BOCES' governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the BOCES' financing requirements. In particular, unrestricted fund balances may serve as a useful measure of the BOCES' net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the BOCES' governmental fund reported ending fund of \$1,721,552, an increase of \$25,495 from the prior year ending fund balance.

General Fund Budgetary Highlights: The BOCES' budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The original budget is prepared based on an estimate of member districts' student count and services. The adoption of supplemental budgets is allowed throughout the year when unanticipated additional revenues are received. Original and final adopted budgets, as well as variances between actual revenues, expenditures, and final budgeted amounts are reflected on pages E1 – E2 of the audited financial statements.

Capital Assets: The BOCES' investment in capital assets for governmental activities as of June 30, 2020 amounts to \$976,175 (net of accumulated depreciation). This investment in capital assets includes buildings and improvements, vehicles, and equipment.

Additional information as well as a detailed classification of the BOCES' net capital assets can be found in the Notes to the Financial Statements section of this report.

Long-Term Liabilities: As of June 30, 2020, the BOCES has outstanding long-term debt of \$5,394,317. This primarily includes the Net Pension Liability of \$5,141,785.

Additional information, as well as a detailed classification of the BOCES' total long-term liabilities, can be found in the Notes to the Financial Statements section of this report.

Next Year's Budget and Fund Balance: The fund balance for the BOCES' General Fund at the end of fiscal year 2020 was \$1,721,552. The BOCES budgeted revenues to cover budgeted expenditures in the General Fund for fiscal year 2021.

Request for Information

This financial report is designed to provide a general overview of the BOCES' finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Business Manager at P. O. Box 68, Parachute, Colorado 81635.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS /
FUND FINANCIAL STATEMENTS**



Colorado River Board of Cooperative Educational Services
Balance Sheet / Statement of Net Position
June 30, 2020

	General Fund	Adjustments	Statement of Net Position
Assets:			
Cash and cash equivalents	1,870,547	-	1,870,547
Accounts receivable, net of allowance	638,988	-	638,988
Grants receivable	491,981	-	491,981
Prepaid expenses	8,356	-	8,356
Capital assets, net of accumulated depreciation	-	976,175	976,175
Total Assets	3,009,872	976,175	3,986,047
Deferred Outflows:			
Deferred pension expenses	-	1,624,671	1,624,671
Deferred OPEB expenses	-	96,519	96,519
Total Deferred Outflows	-	1,721,190	1,721,190
Liabilities:			
Current Liabilities:			
Accounts payable	538,568	-	538,568
Accrued payroll and related liabilities	375,019	-	375,019
Loan payable - due within one year	-	20,165	20,165
Total Current Liabilities	913,587	20,165	933,752
Noncurrent Liabilities:			
Net pension liability	-	5,141,785	5,141,785
Net OPEB liability	-	252,532	252,532
Total Noncurrent Liabilities	-	5,394,317	5,394,317
Total Liabilities	913,587	5,414,482	6,328,069
Deferred Inflows:			
Deferred grant revenues	374,733	-	374,733
Deferred pension expenses	-	2,941,361	2,941,361
Deferred OPEB expenses	-	46,650	46,650
Total Deferred Inflows	374,733	2,988,011	3,362,744
Fund Balances / Net Position:			
Fund Balance:			
Non-spendable	8,356	(8,356)	
Assigned	623,225	(623,225)	
Unassigned	1,089,971	(1,089,971)	
Total Fund Balance	1,721,552	(1,721,552)	
Total Liabilities, Deferred Inflows and Fund Balance	3,009,872		
Net Position (Deficit):			
Net investment in capital assets		976,175	976,175
Unrestricted		(4,959,751)	(4,959,751)
Total Net Position		(3,983,576)	(3,983,576)

The accompanying notes are an integral part of these financial statements.

Colorado River Board of Cooperative Educational Services
Statement of Revenues, Expenditures and
Changes in Fund Balance / Statement of Activities
For the Year Ended June 30, 2020

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
Services provided to Districts	2,838,037	-	2,838,037
Federal operating grants and contributions	1,974,792	-	1,974,792
State operating grants and contributions	3,706,430	(20,629)	3,685,801
Other operating grants and contributions	357,820	-	357,820
Interest income	473	-	473
Miscellaneous	256,042	-	256,042
Total Revenues	<u>9,133,594</u>	<u>(20,629)</u>	<u>9,112,965</u>
Expenditures / Expenses:			
Direct instruction	3,815,536	1,404	3,816,940
Indirect instruction	3,933,598	13,057	3,946,655
General administration	528,549	(4,764)	523,785
Support services	514,183	(4,548)	509,635
Operations and maintenance	74,451	207	74,658
Transportation	93,026	(547)	92,479
Community service	23,198	(387)	22,811
Other	104,858	866	105,724
Debt service:			
Principle	19,645	(19,645)	-
Interest	1,055	-	1,055
Total Expenditures / Expenses	<u>9,108,099</u>	<u>(14,357)</u>	<u>9,093,742</u>
Change in Fund Balance / Net Position	25,495	(6,272)	19,223
Fund Balance / Net Position:			
Beginning of the year	<u>1,696,057</u>		<u>(4,002,799)</u>
End of the year	<u>1,721,552</u>		<u>(3,983,576)</u>

The accompanying notes are an integral part of these financial statements.

Colorado River Board of Cooperative Educational Services
Statement of Fiduciary Net Position
Agency Fund
June 30, 2020

	<u>Pupil Activity</u> <u>Agency Fund</u>
Assets:	
Cash and cash equivalents	143,296
Total Assets	<u>143,296</u>
Liabilities:	
Accounts payable	280
Due to student activities	143,016
Total Liabilities	<u>143,296</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS



Colorado River Board of Cooperative Educational Services
Notes to the Financial Statements
June 30, 2020

I. Summary of Significant Accounting Policies

Colorado River Board of Cooperative Educational Services (the "BOCES") was formed in July 2017 by an intergovernmental agreement approved by Mountain Board of Cooperative Educational Services ("Mountain BOCES"). The agreement called for the transfer of operations of the West Group school districts from Mountain BOCES. BOCES collects member assessments from its four member school districts, some outlying districts, charter schools and private schools to provide services common to each on a basis that is more economical than if the same services were provided by each member district individually. Administrative costs are borne equally by the districts. Other costs and services provided by the BOCES are charged to each district based upon individual needs and their student population.

The BOCES' Board of Directors consists of one member of each participating district. Each district has equal voting rights.

The BOCES' financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the BOCES are discussed below.

A. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the BOCES, and (b) organizations for which the BOCES is financially accountable. The BOCES is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the BOCES. Consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the BOCES. Organizations for which the nature and significance of their relationship with the BOCES are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity. Based upon the above criteria, the BOCES is not financially accountable for any other organization. No additional separate governmental units, agencies or nonprofit organizations are included the financial statements of the BOCES.

The BOCES receives funding from local, state and federal government sources and must comply with all the requirements of these funding sources. However, the BOCES is not included in any other governmental reporting entity.

B. Government-wide and Fund Financial Statements

1. Government-wide Financial Statements

The BOCES' basic financial statements include both government-wide (financial activities of the overall BOCES, except for fiduciary activities) and fund financial statements (reporting the BOCES' major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The BOCES does not have any business-type activities, only governmental activities. Governmental activities generally are financed through fees charged for services, intergovernmental revenues, and other non-exchange transactions.

Colorado River Board of Cooperative Educational Services
Notes to the Financial Statements
June 30, 2020
(Continued)

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

1. Government-wide Financial Statements (continued)

In the government-wide Balance Sheet and Statement of Net Position, the Statement of Net Position column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The BOCES' net position is reported in three parts—net investment in capital assets; restricted net position; and unrestricted net position.

The government-wide focus is on the sustainability of the BOCES as an entity and the change in the BOCES' net position resulting from the current year's activities.

2. Fund Financial Statements

The financial transactions of the BOCES are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures / expenses. The fund focus is on current available resources and budget compliance.

The BOCES reports the following major governmental fund:

The *General Fund* is the BOCES' primary operating fund. It accounts for all financial resources of the BOCES, except those required to be accounted for in another fund.

The BOCES also reports the following agency fund:

The *Pupil Activity Agency Fund* accounts for resources generated by and utilized for students at Yampah Mountain High School.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Colorado River Board of Cooperative Educational Services
Notes to the Financial Statements
June 30, 2020
(Continued)

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

2. Current Financial Focus and Modified Accrual Basis

The BOCES' fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. The BOCES considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

D. Financial Statement Accounts

1. Cash and Cash Equivalents

Cash and cash equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with original maturities of three months or less.

2. Receivables

The BOCES uses the allowance method for recognition of uncollectible receivables, whereby an allowance for possible uncollectibility is established when collection becomes doubtful.

3. Capital Assets

Capital assets, which include buildings and improvements, vehicles and other equipment, are reported in the government-wide financial statements. The BOCES defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost where historical records are available and at an estimated historical cost where no historical record exists. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed asset, as applicable.

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase, if applicable, is capitalized as part of the value of the assets.

Colorado River Board of Cooperative Educational Services
Notes to the Financial Statements
June 30, 2020
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

3. Capital Assets (continued)

Buildings and improvements, vehicles and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Assets</u>	<u>Years</u>
Buildings and improvements	10 - 45
Vehicles and equipment	3 - 20

4. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statements of Net Position. In the fund financial statements, the BOCES records the face amount of debt issued as other financing sources.

5. Pensions

The BOCES 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.

6. Defined Benefit Other Post Employment Benefit (OPEB) Plan

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

Colorado River Board of Cooperative Educational Services
Notes to the Financial Statements
June 30, 2020
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

7. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The BOCES has two items that qualify for reporting in this category, the pension related and OPEB related deferred outflows reported in the statement of net position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The BOCES has three types of items that qualify for reporting in this category, unearned grants received, pension related and OPEB related deferred inflows.

See Note IV (E) and Note IV (F) below for discussion on pension related and OPEB related deferred outflows and inflows.

8. Fund Balance and Fund Classifications

Governmental accounting standards establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, include Non-spendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund Balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the general fund. The general fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

The BOCES classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Colorado River Board of Cooperative Educational Services
Notes to the Financial Statements
June 30, 2020
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

8. Fund Balance and Fund Classifications

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the Board of Directors.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by the Board of Directors or its management designee.

Unassigned – includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The BOCES uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the BOCES first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

9. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the BOCES' management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Colorado River Board of Cooperative Educational Services
Notes to the Financial Statements
June 30, 2020
(Continued)

II. Reconciliation of government-wide and Fund Financial Statements

A. Explanation of differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position

The governmental fund Balance Sheet and government-wide Statement of Net Position includes an adjustment column. Explanations of adjustments included in this column are as follows:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Capital assets	\$ 1,983,918
Accumulated depreciation	(1,007,743)

Changes in pension and OPEB related actuarial assumptions, proportion of collective pension and OPEB amounts, differences between actual and expected experience and investment earnings, and differences between actual and annualized contributions to the pension plan and Health Care Trust Fund are recorded as deferred inflows or outflows of resources and amortized over the average remaining service life of all active and inactive plan members.

Unamortized pension-related deferred outflows	\$ 1,624,671
Unamortized pension-related deferred inflows	(2,941,361)
Unamortized OPEB-related deferred outflows	96,519
Unamortized OPEB-related deferred inflows	(46,650)

Long-term liabilities, including net pension and OPEB liability, loans payable and accrued interest are not due and payable in the current period and therefore, are not reported in the governmental funds.

Loans payable	\$ (20,165)
Net pension liability	(5,141,785)
Net OPEB liability	(252,532)

Colorado River Board of Cooperative Educational Services
Notes to the Financial Statements
June 30, 2020
(Continued)

II. Reconciliation of government-wide and Fund Financial Statements (continued)

B. Explanation of differences between the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and government-wide Statement of Activities includes an adjustment column. Explanations of adjustments included in this column are as follows:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	\$ (74,950)
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The issuance of long-term debt (e.g., notes, bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Debt service - principal	\$ 19,645
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Changes in the BOCES' net pension related and OPEB related liabilities reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes differences between employer contributions to the pension plan or Health Care Trust Fund and amortization of pension-related and OPEB-related deferrals.

Change in net pension liability	\$ 643,551
Change in unamortized pension-related deferred outflows	(1,649,917)
Change in unamortized pension-related deferred inflows	1,071,443
Change in net OPEB liability	36,410
Change in unamortized OPEB-related deferred outflows	(8,788)
Change in unamortized OPEB-related deferred inflows	(43,666)

III. Stewardship, Compliance, and Accountability

A. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with GAAP. As required by Colorado Statutes, all funds have legally adopted budgets and appropriations. The total expenditures for each fund may not exceed the amount appropriated. Appropriations for a fund may be increased if unanticipated revenues offset them. All appropriations lapse at year-end.

Colorado River Board of Cooperative Educational Services
Notes to the Financial Statements
June 30, 2020
(Continued)

III. Stewardship, Compliance, and Accountability (continued)

A. Budgets and Budgetary Accounting (continued)

As required by Colorado Statutes, the BOCES followed the required timetable noted below in preparing, approving, and enacting its budget for fiscal year 2020:

1. The proposed budget was submitted to the Board of Education by May 31 of the year proceeding the budget year. The proposed budget must include a description of major educational objectives and how the proposed budget fulfills those objectives.
2. Notice was published within ten (10) days which contained: availability of proposed budget for inspection, date and time of budget adoption meeting, and that any County taxpayer may file objections prior to the adoption of the budget.
3. The Board of Education certified revenue requirements to the local County Commissioners prior to December 15.
4. The final budget was adopted prior to June 30, along with an appropriation resolution.

The BOCES' General Fund had expenditures in excess of appropriations.

B. TABOR Amendment – Revenue and Spending Limitation Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20; commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments.

The amendment does not specifically address BOCES. However, several legal opinions have been issued stating that a BOCES itself is not subject to the requirements and restrictions of the TABOR amendment. There have been several recent court cases with organizations similar to BOCES, where the court has found that these organizations are not subject to TABOR since they are not a municipality and do not exercise independent "Government" power. However, in virtually all situations, a BOCES will be impacted to the degree that their member districts are impacted by the restrictions of TABOR. A BOCES does not need to maintain emergency reserves required by TABOR, and expenditures can fluctuate independently of TABOR.

IV. Detailed Notes on all Funds

A. Deposits

The BOCES' deposits are entirely covered by federal depository insurance (FDIC) or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the BOCES' deposits at each financial institution. All deposit balances over \$250,000 are collateralized as required by PDPA.

Colorado River Board of Cooperative Educational Services
Notes to the Financial Statements
June 30, 2020
(Continued)

IV. Detailed Notes on all Funds (continued)

A. Deposits (continued)

The deposits held by the BOCES at June 30, 2020, were as follows:

	<u>Standard and Poor's Rating</u>	<u>Carrying Amounts</u>	<u>Maturities</u>	
			<u>Less than One Year</u>	<u>Less than Five Years</u>
Deposits:				
Checking	Not rated	\$ 1,870,547	1,870,547	-
		<u>\$ 1,870,547</u>	<u>1,870,547</u>	<u>-</u>

Credit Risk. Colorado statutes specify instruments in which local governments may invest, including:

- Obligations of the U.S. and certain U.S. governmental agency securities
- Certain international agency securities
- General obligation and revenue bonds for U.S. local governmental entities
- Bankers acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

B. Receivables

Receivables as of year-end for the BOCES' funds, including applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>
Current Receivables:	
Accounts receivable	\$ 638,988
Grants receivable	491,981
Gross receivables	<u>1,130,969</u>
Less: Allowance for uncollectible accounts	<u>-</u>
Total	<u>\$ 1,130,969</u>

Colorado River Board of Cooperative Educational Services
Notes to the Financial Statements
June 30, 2020
(Continued)

IV. Detailed Notes on all Funds (continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Buildings and building improvements	\$ 1,499,281	-	-	1,499,281
Vehicles and equipment	484,637	-	-	484,637
Total capital assets, being depreciated	<u>1,983,918</u>	<u>-</u>	<u>-</u>	<u>1,983,918</u>
Less accumulated depreciation for:				
Buildings and building improvements	(680,065)	(35,760)	-	(715,825)
Vehicles and equipment	(252,728)	(39,190)	-	(291,918)
Total accumulated depreciation	<u>(932,793)</u>	<u>(74,950)</u>	<u>-</u>	<u>(1,007,743)</u>
Total Capital Assets, Net	<u>\$ 1,051,125</u>	<u>(74,950)</u>	<u>-</u>	<u>976,175</u>

The BOCES' had the following capital outlay and depreciation expense for the following functions:

Function:	<u>Capital Outlay</u>	<u>Depreciation Expense</u>
Direct instruction	\$ -	31,469
Indirect instruction	-	32,443
General administration	-	4,359
Support services	-	4,241
Operations and maintenance	-	614
Transportation	-	767
Community service	-	191
Other	-	866
Total Depreciation	<u>\$ -</u>	<u>74,950</u>

D. Long-term Debt – Governmental Activities

1. 2017 Capital Lease

In 2017, Mountain BOCES entered into a capital lease arrangement for the purchase of a school bus. The lease was for \$98,290 and requires 5 annual payments of \$20,700 through 2021 at 2.65%. The BOCES has capitalized assets with a remaining net book value of \$50,315 related to this lease. In the event of default, the BOCES will deliver the equipment to the lessor at the location specified by the lessor at the BOCES cost.

Colorado River Board of Cooperative Educational Services
Notes to the Financial Statements
June 30, 2020
(Continued)

IV. Detailed Notes on all Funds (continued)

D. Long-term Debt – Governmental Activities (continued)

2. Schedule of Future Payments

The BOCES' future minimum lease payments on the lease are as follows:

Fiscal Year Ending	Total	
2021	Principal	Interest
\$ 20,165	534	
\$ 20,165	534	

3. Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2020:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Loan payable	\$ 39,810	-	(19,645)	20,165	20,165
Net pension liability	5,785,336	-	(643,551)	5,141,785	-
Net OPEB liability	288,942	-	(36,410)	252,532	-
	\$ 6,114,088	-	(699,606)	5,414,482	20,165

E. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

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

Benefits provided as of December 31, 2019: 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.

Colorado River Board of Cooperative Educational Services
Notes to the Financial Statements
June 30, 2020
(Continued)

IV. Detailed Notes on all Funds (continued)

E. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:

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

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

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

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

Colorado River Board of Cooperative Educational Services
Notes to the Financial Statements
June 30, 2020
(Continued)

IV. Detailed Notes on all Funds (continued)

E. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the lifetime retirement benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

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

Contribution provisions as of December 31, 2019: Eligible employees, the BOCES, and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. Eligible employees are required to contribute 8 percent of their PERA-includable salary during the period of July 1, 2019 through June 30, 2020. Employer contribution requirements are summarized in the table below:

	For the Year Ended December 31,	
	2018	2019
Employer Contribution Rate	10.15%	10.40%
Amount of Employer Contribution apportioned to the Health care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF	9.13%	9.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%	5.50%
Total	19.13%	19.38%

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

As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

Colorado River Board of Cooperative Educational Services
Notes to the Financial Statements
June 30, 2020
(Continued)

IV. Detailed Notes on all Funds (continued)

E. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Subsequent to the SCHDTF's December 31, 2019, measurement date, HB 20-1379 *Suspend Direct Distribution to PERA Public Employees Retirement Association for 2020-21 Fiscal Year*, was passed into law during the 2020 legislative session and signed by Governor Polis on June 29, 2020. This bill suspends the July 1, 2020, \$225 million direct distribution allocated to the State, School, Judicial, and DPS Divisions, as required under Senate Bill 18-200.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the BOCES is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the BOCES were \$410,916 for the year ended June 30, 2020.

Pension Liabilities: The net pension liability for the SCHDTF was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total pension liability to December 31, 2019. The BOCES' proportion of the net pension liability was based on the BOCES' contributions to the SCHDTF for the calendar year 2019 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2020, the BOCES reported a liability of \$5,141,785 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the BOCES as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the BOCES were as follows:

The BOCES' proportionate share of the net pension liability	\$ 5,141,785
The State's proportionate share of the pension liability as a nonemployer contributing entity associated with the BOCES	<u>578,762</u>
 Total	 <u><u>\$ 5,720,547</u></u>

At December 31, 2019, the BOCES' proportionate share was 0.0344%, as compared to its proportionate share of 0.0327% at December 31, 2018.

Pension Expense: For the year ended June 30, 2020, the BOCES recognized pension expense (revenue) of \$85,706 and revenue (expense) of \$20,629 for support from the State as a nonemployer contributing entity.

Colorado River Board of Cooperative Educational Services
Notes to the Financial Statements
June 30, 2020
(Continued)

IV. Detailed Notes on all Funds (continued)

E. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources: At June 30, 2020, the BOCES 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 expenses and actual experience	\$ 280,231	-
Change of assumptions or other inputs	146,790	(2,332,265)
Net difference between projected and actual earnings on plan investments	-	(609,096)
Changes in proportionate share of contributions	988,295	-
Contributions subsequent to measurement date	209,355	-
	\$ 1,624,671	(2,941,361)

\$209,355, 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 calculated at the December 31, 2020 measurement date. 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 Ended	Amortization
June 30,	
2019	\$ (759,606)
2020	(627,710)
2021	68,467
2022	(207,196)
	\$ (1,526,045)

Colorado River Board of Cooperative Educational Services
Notes to the Financial Statements
June 30, 2020
(Continued)

IV. Detailed Notes on all Funds (continued)

E. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Actuarial assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 - 9.70 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	1.25 percent
PERA Benefit Structure hired prior to 12/31/06; (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve ("AIR")

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 changed to reflect 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.

Colorado River Board of Cooperative Educational Services
Notes to the Financial Statements
June 30, 2020
(Continued)

IV. Detailed Notes on all Funds (continued)

E. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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 by the investment consultant 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
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	<u>100.00%</u>	

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

Colorado River Board of Cooperative Educational Services
Notes to the Financial Statements
June 30, 2020
(Continued)

IV. Detailed Notes on all Funds (continued)

E. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Discount rate. The discount rate used to measure the total pension 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:

- 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 member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions 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.
- As specified in law, the State will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered annual increase cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Colorado River Board of Cooperative Educational Services
Notes to the Financial Statements
June 30, 2020
(Continued)

IV. Detailed Notes on all Funds (continued)

E. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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

Sensitivity of the BOCES' proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Collective net pension liability	\$ 19,813,351,000	14,939,783,000	10,847,998,000
Proportionate share of net pension liability	6,819,108	5,141,785	3,733,526

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.

F. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

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

Colorado River Board of Cooperative Educational Services
Notes to the Financial Statements
June 30, 2020
(Continued)

IV. Detailed Notes on all Funds (continued)

F. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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

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

PERA Benefit Structure. The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 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.

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

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

Contributions. Pursuant to Title 24, Article 51, Section 208(1) (f) of the 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.

For the year ended June 30, 2020, the BOCES' contributions to HCTF were approximately \$21,627.

Colorado River Board of Cooperative Educational Services
Notes to the Financial Statements
June 30, 2020
(Continued)

IV. Detailed Notes on all Funds (continued)

F. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Liabilities. At June 30, 2020, the BOCES reported a liability of \$252,532 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2019. The BOCES proportion of the net OPEB liability was based on the BOCES' contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the BOCES proportion was 0.0225%, as compared to its proportion of 0.0212% measured as of December 31, 2018.

Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2020, the BOCES recognized OPEB expense (revenue) of (\$16,044). At June 30, 2020, the BOCES 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 expenses and actual experience	\$ 838	(42,435)
Change of assumptions or other inputs	2,095	-
Net difference between projected and actual earnings on plan investments	-	(4,215)
Changes in proportionate share of contributions	82,567	-
Contributions subsequent to measurement date	11,019	-
	\$ 96,519	(46,650)

\$11,019, reported as deferred outflows of resources related to other post-employment benefits, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net other post-employment benefits liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB related expense as follows:

Year Ended	Amortization
June 30,	Amortization
2021	\$ 12,254
2022	12,255
2023	13,475
2024	6,211
2025	(5,014)
2026	(331)
	\$ 38,850

Colorado River Board of Cooperative Educational Services
Notes to the Financial Statements
June 30, 2020
(Continued)

IV. Detailed Notes on all Funds (continued)

F. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Actuarial assumptions. The total OPEB liability in the December 31, 2018, actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment Rate of Return, net of OPEB	
plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.60 percent in 2019, gradually decreasing to 4.50 percent in 2029
Medicare Part A Premiums	3.50 percent in 2018, gradually increasing to 4.50 percent in 2029
DPS benefit structure;	
Service-based premium subsidy	0.00 percent
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.

The actuarial assumptions used in the December 31, 2018, 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. 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 discussed below.

Colorado River Board of Cooperative Educational Services
Notes to the Financial Statements
June 30, 2020
(Continued)

IV. Detailed Notes on all Funds (continued)

F. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2019 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	\$ 601	240
Kaiser Permanente Medicare Advantage HMO	605	237

The 2019 Medicare Part A premium is \$437 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

Medicare Plan	Cost for Members Without Medicare Part A
Change in investment return difference	\$ 562
Change in proportionate share of contributions	571

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2018, 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.

Colorado River Board of Cooperative Educational Services
Notes to the Financial Statements
June 30, 2020
(Continued)

IV. Detailed Notes on all Funds (continued)

F. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
Thereafter	4.50%	4.50%

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.

Colorado River Board of Cooperative Educational Services
Notes to the Financial Statements
June 30, 2020
(Continued)

IV. Detailed Notes on all Funds (continued)

F. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- 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 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.

Colorado River Board of Cooperative Educational Services
Notes to the Financial Statements
June 30, 2020
(Continued)

IV. Detailed Notes on all Funds (continued)

F. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
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	<u>100.00%</u>	

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

Sensitivity of the BOCES' 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:

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
Initial PERACare Medicare trend rate	4.60%	5.60%	6.60%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Collective Net OPEB Liability	\$ 1,097,298,000	1,123,998,000	1,154,852,000
Proportionate Share of Net OPEB Liability	246,533	252,532	259,464

Colorado River Board of Cooperative Educational Services
Notes to the Financial Statements
June 30, 2020
(Continued)

IV. Detailed Notes on all Funds (continued)

F. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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, 2019, 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.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 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 the BOCES' 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 6.25%	Current Discount 7.25%	1% Increase 8.25%
Collective Net OPEB Liability	\$ 1,270,906,000	1,123,998,000	998,361,000
Proportionate Share of Net OPEB Liability	285,538	252,532	224,305

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 www.copera.org/investments/pera-financial-reports.

Colorado River Board of Cooperative Educational Services
Notes to the Financial Statements
June 30, 2020
(Continued)

V. Other Information

A. Defined Contribution Pension Plan Voluntary Investment Program

Plan Description. Employees of the BOCES who are members of the SDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Plan. That report may be obtained online at www.copera.org/investments/pera-financial-reports.

Funding Policy. Voluntary Investment Program is fund by voluntary member contributions up to a maximum limit set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings. There were no 401(k) Plan member contributions from the BOCES for the year ended June 30, 2020, 2019, and 2018.

B. Risk Management

The BOCES is exposed to various risks of loss related to workers compensation, general liability, unemployment, torts, theft of, damage to, and destruction of assets, and error and omissions. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

C. Contingencies

1. Legal Claims

During the normal course of business, the BOCES incurs claims and other assertions against it from various agencies and individuals. Management of the BOCES and their legal representatives feel none of these claims or assertions are significant enough that they would materially affect the fairness of the presentation of the financial statements at June 30, 2020.

2. Federal Programs

Funds received from Federal grants are subject to audit and disallowance of ineligible costs. Management of the BOCES feels any potential questioned or disallowed costs or liability arising from the Federal program audits would not materially affect the fairness of the presentation of the financial statements at June 30, 2020.

3. State Programs

The BOCES receives payment for State equalization, State transportation and various other State revenues to fund programs. These grants and programs are subject to audit and may result in the BOCES either refunding amounts due for overpayment or receiving additional revenue for underpayment by the State. These adjustments can be material. The amount of these adjustments cannot be estimated or determined as of the date of these financial statements.

Colorado River Board of Cooperative Educational Services
Notes to the Financial Statements
June 30, 2020
(Continued)

V. Other Information (continued)

D. Subsequent Event – COVID-19

The spread of COVID-19 may have operational, economic and financial impacts on the BOCES. The significance and duration of the potential impacts cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION



Colorado River Board of Cooperative Educational Services
Schedule of Revenues and Expenditures and Changes in Fund
Balances - Budget and Actual (GAAP Basis)
General Fund
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	<u>2020</u>			<u>2019</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Local Sources:				
Interest income	300	473	173	535
Community service revenue	111,000	119,600	8,600	22,500
Donations	194,719	230,928	36,209	231,690
Member assessments	2,492,100	2,838,037	345,937	2,569,143
Services provided outside AU	28,000	(658)	(28,658)	27,953
Other local	132,153	187,203	55,050	152,845
Total Local Sources	<u>2,958,272</u>	<u>3,375,583</u>	<u>417,311</u>	<u>3,004,666</u>
Intermediate Sources:				
Other intermediate source revenue	58,000	76,787	18,787	57,193
State Sources:				
ECEA	1,900,626	2,224,446	323,820	1,929,138
Gifted and talented	110,651	112,059	1,408	110,651
Expelled and at risk students	-	1,753	1,753	11,235
Colorado empowerment learning	1,220,000	1,194,691	(25,309)	1,220,000
Read to achieve grant	-	1,385	1,385	-
School counselor grant	5,200	-	(5,200)	5,296
GT education universal screening	31,844	24,579	(7,265)	31,163
Retaining teachers grant	-	48,898	48,898	-
Education stability grant	-	188	188	-
Ninth grade success grant	-	148	148	-
State BOCES allocation	111,696	48,889	(62,807)	61,087
PERA - State contribution	-	49,396	49,396	48,984
Total State Sources	<u>3,380,017</u>	<u>3,706,432</u>	<u>326,415</u>	<u>3,417,554</u>
Federal Sources:				
IDEA Part B	1,718,972	1,910,555	191,583	1,872,643
IDEA Part C	-	5,437	5,437	-
IDEA preschool	33,663	34,986	1,323	38,064
IDEA proportionate	20,042	18,240	(1,802)	-
CACFP grant	7,000	4,675	(2,325)	7,101
Cares Act	-	899	899	-
Total Federal Sources	<u>1,779,677</u>	<u>1,974,792</u>	<u>195,115</u>	<u>1,917,808</u>
Total Revenues	<u>8,175,966</u>	<u>9,133,594</u>	<u>957,628</u>	<u>8,397,221</u>
Expenditures / Expenses:				
Local Programs				
Yampah mountain high school	1,114,303	1,113,172	1,131	1,049,950
Executive leadership	10,000	30,587	(20,587)	53,119
Human resources	800	1,100	(300)	1,046
Alternative licensure	111,000	183,674	(72,674)	128,026
Other general administrative	165,504	166,808	(1,304)	233,696
Temple Buell playground	-	429	(429)	17,971
Flood reconstruction	-	100,183	(100,183)	-
YMHS/TPP community liaison	6,069	10,002	(3,933)	16,087
ECE Buell	198,434	204,531	(6,097)	177,631
AU affective needs	131,969	96,760	35,209	98,653
ECE early headstart	24,122	16,896	7,226	26,103
YMHS/TPP post high school success	103,189	110,740	(7,551)	95,887
Century Link grants	-	1,497	(1,497)	293
Project link	-	818	(818)	-
Total Local Programs	<u>1,865,390</u>	<u>2,037,197</u>	<u>(171,807)</u>	<u>1,898,462</u>

The accompanying notes are an integral part of these financial statements.

Colorado River Board of Cooperative Educational Services
Schedule of Revenues and Expenditures and Changes in Fund
Balances - Budget and Actual (GAAP Basis)
General Fund
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)
(Continued)

	<u>2020</u>			<u>2019</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>	<u>Actual</u>
Expenditures / Expenses (continued):				
State Grants:				
ECEA special education	3,062,613	3,596,108	(533,495)	3,087,703
Gifted and talented	110,651	112,059	(1,408)	110,651
Colorado empowerment learning	1,220,000	1,201,607	18,393	1,237,188
School counselor	5,264	-	5,264	5,296
GT education universal screening	31,844	24,579	7,265	31,165
Retaining teacher	-	48,898	(48,898)	-
Grant writing	-	-	-	13,235
Ctr for collab initiative	100,527	67,652	32,875	61,088
State of CO PERA distribution	-	50,644	(50,644)	48,984
Total State Grant Programs	<u>4,530,899</u>	<u>5,101,547</u>	<u>(570,648)</u>	<u>4,595,310</u>
Federal Grants:				
IDEA education of the handicapped	1,739,014	1,928,795	(189,781)	1,872,643
IDEA preschool	33,663	34,986	(1,323)	38,064
CACFP grant	7,000	4,675	2,325	7,101
Cares Act	-	899	(899)	-
Total Federal Grant Expenditures	<u>1,779,677</u>	<u>1,969,355</u>	<u>(189,678)</u>	<u>1,917,808</u>
Total Expenditures / Expenses	<u>8,175,966</u>	<u>9,108,099</u>	<u>(932,133)</u>	<u>8,411,580</u>
Excess (Deficiency) of Revenues Over Expenditures	-	25,495	25,495	(14,359)
Other Financing Sources (Uses):				
Gain (Loss) on sale of assets	-	-	-	1,000
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Change in Fund Balance / Net Position	-	25,495	25,495	(13,359)
Fund Balance / Net Position:				
Beginning of the Year		<u>1,696,057</u>		<u>1,709,416</u>
End of the Year		<u>1,721,552</u>		<u>1,696,057</u>

The accompanying notes are an integral part of these financial statements.

Colorado River Board of Cooperative Educational Services
Schedule of BOCES' Proportionate Share of the Net Pension Liability
Colorado Public Employees' Retirement Association School Division Trust Fund
Last 10 Fiscal Years *

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
BOCES' proportion of the net pension liability	0.0344%	0.0327%	0.0275%	0.0223%
BOCES' proportionate share of the net pension liability	\$ 5,141,785	\$ 5,785,336	\$ 8,878,892	\$ 6,641,479
State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the BOCES	\$ 578,762	\$ 695,909	\$ -	\$ -
Total proportionate share of the net pension liability associated with the BOCES	<u>\$ 5,720,547</u>	<u>\$ 6,481,245</u>	<u>\$ 8,878,892</u>	<u>\$ 6,641,479</u>
BOCES' covered payroll	\$ 2,020,166	\$ 1,796,182	\$ 1,266,598	\$ 1,001,151
BOCES' proportionate share of the net pension liability as a percentage of its covered payroll	254.52%	322.09%	701.00%	663.38%
Plan fiduciary net position as a percentage of the total pension liability	64.52%	57.01%	43.96%	43.13%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. Information is only available beginning in fiscal year 2017.

The accompanying notes are an integral part of these financial statements.

Colorado River Board of Cooperative Educational Services
Schedule of BOCES' Proportionate Share of the Net Pension Liability
Colorado Public Employees' Retirement Association School Division Trust Fund
Last 10 Fiscal Years *

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 410,916	\$ 343,610	\$ 235,967	\$ 181,509
Contributions in relation to the contractually required contribution	<u>(410,916)</u>	<u>(343,610)</u>	<u>(235,967)</u>	<u>(181,509)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BOCES' covered payroll	\$ 2,120,311	\$ 1,796,182	\$ 1,266,598	\$ 1,001,151
Contributions as a percentage of covered payroll	19.38%	19.13%	18.63%	18.13%

* Information is only available beginning in fiscal year 2017.

The accompanying notes are an integral part of these financial statements.

Colorado River Board of Cooperative Educational Services
Schedule of BOCES' Proportionate Share of the Net Other Post-Employment Liability
Colorado Public Employees' Retirement Association School Division Trust Fund
Last 10 Fiscal Years *

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
BOCES' proportion of the net OPEB liability	0.02247%	0.02124%	0.01560%	0.01268%
BOCES' proportionate share of the net OPEB liability	252,532	288,942	202,756	164,391
BOCES' covered payroll	2,020,166	1,796,182	1,266,598	1,001,151
BOCES' proportionate share of the net OPEB liability as a percentage of its covered payroll	12.50%	16.09%	16.01%	16.42%
Plan fiduciary net position as a percentage of the total OPEB liability	24.49%	17.03%	17.53%	16.72%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. Information is only available beginning in fiscal year 2017.

**Colorado River Board of Cooperative Educational Services
Schedule of BOCES' Other Post-Employment Contributions
Colorado Public Employees' Retirement Association Health Care Trust Fund
Last 10 Fiscal Years ***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 21,627	\$ 18,321	\$ 12,919	\$ 10,212
Contributions in relation to the contractually required contribution	<u>\$ (21,627)</u>	<u>\$ (18,321)</u>	<u>\$ (12,919)</u>	<u>\$ (10,212)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BOCES' covered payroll	\$ 2,120,311	\$ 1,796,182	\$ 1,266,598	\$ 1,001,151
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%

* Information is only available beginning in fiscal year 2017.

The accompanying notes are an integral part of these financial statements.

**Colorado River Board of Cooperative Educational Services
Notes to Required Supplementary Information
June 30, 2020**

I. Schedule of the District's Proportionate Share of the Net Pension Liability

A. Changes to assumptions or other inputs

1. Changes since the December 31, 2018 actuarial valuation:

- The assumption used to value the AI cap benefit provision was changed from 1.50 percent to 1.25 percent.

2. Changes since the December 31, 2017 actuarial valuation:

- The single equivalent interest rate ("SEIR") was increased from 4.78 percent to 7.25 percent to reflect the changes to the projection's valuation basis, which no longer resulted in a projected year of depletion of the FNP, thereby eliminating the need to apply the municipal bond index rate.

3. Changes since the December 31, 2016 actuarial valuation:

- The single equivalent interest rate ("SEIR") was lowered from 5.26 percent to 4.78 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate.
- The municipal bond index rate used in the determination of the SEIR changed from 3.86 percent on the prior measurement date to 3.43 percent on the measurement date.

B. Changes of benefit terms

No changes during the years presented.

C. Changes of size or composition of population covered by benefit terms

No changes during the years presented.

II. Notes to the Schedule of District Pension Contributions

A. Changes to assumptions or other inputs

No changes during the years presented.

B. Changes of benefit terms

No changes during the years presented.

C. Changes of size or composition of population covered by benefit terms

No changes during the years presented.

Colorado River Board of Cooperative Educational Services
Notes to Required Supplementary Information
June 30, 2020

III. Schedule of the District's Proportionate Share of the OPEB Liability

A. Changes to assumptions or other inputs

No changes during the years presented.

B. Changes of benefit term

No changes during the years presented.

C. Changes of size or composition of population covered by terms

No changes during the years presented.

IV. Notes to the Schedule of District OPEB Contributions

A. Changes to assumptions or other inputs

No changes during the years presented.

B. Changes of benefit terms

No changes during the years presented.

C. Changes of size or composition of population covered by benefit terms

No changes during the years presented.

SUPPLEMENTARY INFORMATION



Colorado River Board of Cooperative Educational Services
Schedule of Revenues, Expenditures, and Changes in Fiduciary
Assets and Liabilities - Budget and Actual (GAAP Basis)
Pupil Activity Agency Fund
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	<u>2020</u>			<u>2019</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>	<u>Actual</u>
Additions:				
Programs	-	63,144	63,144	125,246
Total Additions	<u>-</u>	<u>63,144</u>	<u>63,144</u>	<u>125,246</u>
Deductions:				
Programs	-	96,832	(96,832)	109,110
Total Deductions	<u>-</u>	<u>96,832</u>	<u>(96,832)</u>	<u>109,110</u>
Changes in Fiduciary Assets and Liabilities	-	(33,688)	(33,688)	16,136
Due to Student Activities, Beginning		<u>176,704</u>		<u>160,568</u>
Due to Student Activities, Ending		<u><u>143,016</u></u>		<u><u>176,704</u></u>

The accompanying notes are an integral part of these financial statements.



Colorado Department of Education

Auditors Integrity Report

District: 9175 - Colorado River BOCES

Fiscal Year 2019-20

Colorado School District/BOCES

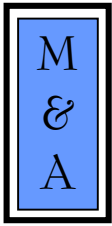
Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	1,696,057	9,133,593	9,108,099	1,721,552
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	1,696,057	9,133,593	9,108,099	1,721,552
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
07 Total Program Reserve Fund	0	0	0	0
21 Food Service Spec Revenue Fund	0	0	0	0
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	0	0	0	0
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	0	0	0	0
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	176,704	63,144	96,832	143,016
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	176,704	63,144	96,832	143,016

DRAFT

**REPORTS AND SCHEDULES FOR
REPORTING REQUIREMENTS
OF UNIFORM GUIDANCE**





McMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

**To the Board of Education
Colorado River Board of Cooperative Educational Services
Parachute, CO**

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Colorado River Board of Cooperative Educational Services (the "BOCES") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements and have issued our report thereon dated December 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit on the financial statements, we considered the BOCES' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BOCES' internal control. Accordingly, we do not express an opinion of the effectiveness of the BOCES' 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the BOCES' 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*.

Member: American Institute of Certified Public Accountants

PAUL J. BACKES, CPA, CGMA
MICHAEL N. JENKINS, CA, CPA, CGMA
DANIEL R. CUDAHY, CPA, CGMA

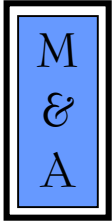
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INDEPENDENT AUDITOR'S REPORT
To the Board of Education
Colorado River Board of Cooperative Educational Services
Parachute, CO

Purpose of this Report

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

McMahan and Associates, L.L.C.
McMahan and Associates, L.L.C.
December 30, 2020



MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

**To the Board of Education
Colorado River Board of Cooperative Educational Services
Parachute, CO**

Report on Compliance for Each Major Program

We have audited the compliance of the Colorado River Board of Cooperative Educational Services (the "BOCES") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the BOCES' major federal programs for the year ended June 30, 2020. The BOCES' major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibilities

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibilities

Our responsibility is to express an opinion on compliance for each of the BOCES' major federal programs based in 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 requirement of the 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 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 BOCES' 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 each major federal program. However, our audit does not provide a legal determination on the BOCES' compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the BOCES complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

INDEPENDENT AUDITOR'S REPORT
To the Board of Education
Colorado River Board of Cooperative Educational Services
Parachute, CO

Report on Internal Control Over Compliance

Management of the BOCES 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, we considered the BOCES' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB 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 the BOCES' 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 a 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 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 the 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.

Purpose of this Report

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 in the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


McMahan and Associates, L.L.C.
December 30, 2020

**Colorado River Board of Cooperative Educational Services
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020**

Part I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	None noted
Significant deficiency identified	None noted
Noncompliance material to financial statements noted	None noted

Federal Awards

Internal control over major programs:	
Material weakness identified	None noted
Significant deficiency identified	None noted
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations Part 200	No
Major programs -	
Special Education	CFDA# 84.027
Special Education – Preschool	CFDA# 84.173
Dollar threshold used to identify Type A from Type B programs	\$750,000
Identified as low-risk auditee	Yes

Part II: Findings Related to Financial Statements

Findings related to financial statements as required by Government Auditing Standards	None noted
Auditor-assigned reference number	Not applicable

Part III: Findings Related to Federal Awards

Internal control findings	None noted
Compliance findings	None noted
Questioned costs	None noted
Auditor-assigned reference number	Not applicable

**Colorado River Board of Cooperative Educational Services
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020**

Note: There were no findings for the fiscal year ended June 30, 2019.

**Colorado River Board of Cooperative Educational Services
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020**

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Project Code</u>	<u>Expenditures</u>
U.S Department of Education:			
Passed through Colorado Department of Education:			
Special Education - Grants to States	84.027	4027	\$ 1,928,795 A
Special Education - Preschool Grants	84.173	4173	<u>34,986 A</u>
Total Department of Education			<u><u>1,963,781</u></u>
U.S Department of Agriculture:			
Passed through Colorado Department of Education:			
Child and Adult Care Food Program	10.558	4558	<u>4,675</u>
Total Department of Agriculture			<u><u>4,675</u></u>
U.S Department of Treasury:			
Passed through Colorado Department of Education:			
Coronavirus Relief Fund	21.019	4012	<u>899</u>
			<u><u>899</u></u>
Total Expenditures			<u><u>\$ 1,969,355</u></u>

Additional Information for Clusters:

A Special Education Cluster	\$ 1,963,781
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Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2020

Note 1. Basis of Presentation:

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Colorado River Board of Cooperative Educational Services and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the general purpose financial statements.

Note 2. Determining the Value of Non-cash Awards Expended:

Food Commodities: Fair market value of commodities at the time recipient receives award or the assessed value provided by the federal agency.

Note 3. Indirect Facilities and Administration Costs

The BOCES has elected to use the 10% de minimis cost rate allowed in Title 2 U.S. Code of Federal Regulations (CFR) Part 200.414, Indirect (F&A) costs.

Note 4. Sub recipients:

The BOCES had no sub-recipients as of June 30, 2020