

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**COLORADO SPRINGS, COLORADO**

**BASIC FINANCIAL STATEMENTS**

**WITH**

**INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2021**

**CPA**

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**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**FINANCIAL STATEMENTS**

**WITH**

**INDEPENDENT AUDITOR'S REPORT**

**YEAR ENDED JUNE 30, 2021**

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**JUNE 30, 2021**

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## INDEPENDENT AUDITOR'S REPORT

Members of the Board  
Pikes Peak Board of Cooperative Educational Services  
Colorado Springs, Colorado

### Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund of the Pikes Peak Board of Cooperative Educational Services (BOCES) as of and for the year ended June 30, 2021, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund of the BOCES as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of the District's proportionate share of the net pension and OPEB liabilities, the schedule of contributions and related ratios (pension and OPEB), and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the BOCES basic financial statements as a whole. The individual fund financial statements and Colorado Department of Education Auditor's Integrity Report is presented for additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The individual fund financial statements, Colorado Department of Education Auditor's Integrity Report and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In my opinion, the individual fund financial statements, Colorado Department of Education Auditor's Integrity Report and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 30, 2021, on my consideration of the BOCES internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 BOCES internal control over financial reporting and compliance.

Colorado Springs, Colorado  
November 30, 2021



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2021**

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As management of Pikes Peak Board of Cooperative Educational Services (BOCES), we offer readers of the basic financial statements this narrative overview and analysis of the financial activities of the BOCES for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the information furnished in our financial statements.

**Financial Highlights**

**Government-Wide Financial Statements**

- The BOCES' total net position is (\$12,629,705) for the fiscal year ending June 30, 2021. It decreased due to the changes in the PERA pension and OPEB liabilities. The deferred inflows and outflows also affected the decrease.
- Also, you will see that our net position for the prior audit year, 2019-20, was (\$14,414,159). Due to GASB 75 Other Post-retirement Employment Benefits (OPEB) changes in the discount rate and assumptions.
- For more information on GASB 68 and 75, please refer to notes 5 and 6 within the financial statements.

**Major Fund Financial Statements**

- The combined balance sheet of the BOCES shows assets exceeding liabilities at the close of the most recent fiscal year by \$3,328,697. Of this amount, \$113,783 is assigned in the NEED Foundation which will be used to support needs that the School of Excellence brings to the Foundation Board.
- During 2020-2021 the BOCES received a total of \$1,489,028 in Federal Aid Funds. This is an increase of \$86,633 over the prior year and represents 10.8% of total revenues.
- The NEED foundation was funded with a transfer of \$100,000 from the General Fund's unassigned fund balance to pay down the note payable with the USDA. The Internal Service Fund increased by \$163,304 in net position.

**Overview of the Financial Statements**

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

**Government-Wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the BOCES' finances, in a manner similar to a private-sector business.

The *statement of net position (a.k.a., net assets)* presents information on all of 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.

It should be noted that the net position decreased by \$1,784,454 due to GASB 68 changes in the assumptions to the PERA pension. This is a significant increase in net position but is not necessarily an indicator that the BOCES financial position is deteriorating because the comparison between the 2014-2015-2016-2017-2018-2019-2020-2021 net position and prior years compares significantly different sets of numbers. Rather, this increase reflects a shift in what is now required to be included on government-wide financial statements.

The *statement of activities* presents information showing how the government's 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

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2021**

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change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will 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 of their costs through user fees and charges (*business-type activities*). The governmental activities of the BOCES include instruction, pupil activities, instructional support, general and administration, business, and transportation.

**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 BOCES, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirement. The funds of the BOCES are divided into three categories: general fund, designated purpose grants, NEED Foundation, and capital projects fund.

**Governmental Funds.** All of the BOCES' activities are reported in governmental funds, which focus on the determination of the financial position and change in financial position, not on income determination. Statements are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted into cash. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the BOCES' programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The BOCES adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the general fund, designated purpose grants fund, and NEED Foundation to demonstrate compliance with these budgets, and is reported elsewhere in this report as required supplementary information. GASB Statement No. 34 only requires a budgetary comparison for the general fund and for each major individual special revenue fund for which an annual budget is legally adopted.

#### **Special Revenue Funds**

**Designated Purpose Grants** – BOCES maintains a separate fund for special grant funds received from federal and state governments. These funds are designated for each school district within BOCES' service area for special use per contract or projects of mutual benefit to all members and associate districts.

**NEED Foundation** – Originally the NEED Foundation fund had been maintained for payment of debt and maintenance for the Pikes Peak BOCES School of Excellence building. This fund was used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that were restricted to expenditures for specified purposes. Since those COPs have now been paid off and the school is in a new location, the NEED Foundation will continue in its effort to support the needs of the School of Excellence. A "needs" list was brought to the NEED Foundation Board in 2015-2016 in order to determine how best to spend the current funds available as well as creating fundraising plans for future needs. In June of 2019, the Needs Foundation purchased a building in Calhan to provide services to outlying member districts, associate members and other districts in Colorado. The purchase price was \$465,330 which was the equivalent to the existing assumed note payable with the United States Department of Agriculture Rural Agency.

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

Other information in addition to the basic financial statements and accompanying notes is presented in the form of certain required supplementary information for budgetary comparison.

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2021**

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**Government-Wide Financial Analysis**

- In the case of the BOCES General Fund this year, assets were below liabilities by (\$12,629,705) at the close of the most recent fiscal year due to the implementation of the GASB 68, 71 and 75 requirements.
- Capital Outlay is reported in the governmental funds as expenditures. The BOCES has invested in capital assets net of accumulated depreciation \$9,990,118. These capital assets are used to provide services to students; consequently, these assets are not available for future spending.
- At the end of the current fiscal year, the BOCES reported an increase in fund balance of \$600,707 in the General Fund resulting in an ending fund balance of \$3,026,725.

PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
NET POSITION

	<u>Governmental Activities</u>	
	2021	2020
Total Assets	\$ 14,250,466	\$14,394,954
Deferred Outflows of Resources	<u>5,390,260</u>	<u>6,097,754</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 19,640,726</u>	<u>\$20,492,708</u>
Current Liabilities	\$ 931,651	\$ 1,468,523
Noncurrent Liabilities		
USDA payable & other	310,395	303,872
Net Pension and OPEB liabilities	<u>15,757,315</u>	<u>14,431,942</u>
Total Non Current Liabilities	\$ 16,999,361	\$14,735,814
Total Liabilities	\$ 16,999,361	\$ 16,204,337
Deferred Inflows of Resources	<u>15,271,100</u>	<u>18,702,530</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 32,270,461</u>	<u>\$34,922,309</u>
Net Position:		
Invested in Capital Assets	\$ 9,798,648	\$10,079,563
Unrestricted (deficit)	<u>(22,428,353)</u>	<u>(24,493,722)</u>
Total Net Position	<u>\$ (12,629,705)</u>	<u>\$ (14,414,159)</u>

- The GASB 68 and 78 requires that we book the net pension and OPEB liabilities on the government-wide financial statement back to fiscal year 2013-2014 through 2020-2021. Over the five year period this has resulted in a decrease of \$26,607,215 in net position. The above liabilities are requirements and are discussed further within notes 5 and 6 of the financial statements.
- Most of BOCES' governmental activities were financed by school districts within the BOCES' service area. The General Fund accounted for 80% of operating funding, and 20% came from Designated Purpose Grants.

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2021**

PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
 CHANGES IN NET ASSETS

	<u>Governmental Activities</u>	
	2021	2020
Program Revenues:		
Charges for Services	\$ 7,811,896	\$ 7,974,216
Operating Grants and Contributions	3,695,801	3,531,771
Capital Grants and Contributions	-	-
General Revenues:		
Unrestricted	2,020,115	1,154,059
Investment Earnings	4,162	25,232
Transfer to internal service fund	-	(511,507)
Total Revenues:	<u>\$13,531,974</u>	<u>\$ 12,173,771</u>
Expenses:		
Instruction	\$ 5,882,583	\$ 9,090,410
Supporting Services	5,856,919	7,655,005
Other (capital outlay)	-	11,127
Interest on Debt	8,018	15,162
Total Expenses:	<u>\$ 11,747,520</u>	<u>\$ 16,771,704</u>
Increase (decrease) in net position	1,784,454	(4,597,933)
Beginning Net Position, as restated	<u>(14,414,159)</u>	<u>(9,816,226)</u>
Ending Net Position	<u>\$ (12,629,705)</u>	<u>\$ (14,414,159)</u>

**Financial Analysis of BOCES Funds**

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

**Governmental Funds**

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

As of the end of the current fiscal year, BOCES' governmental funds reported combined ending fund balances of \$3,328,697. At year end, \$2,951,725 of fund balance is *unassigned - unrestricted fund balance*, which is available for spending at BOCES discretion.

**Capital Assets**

The BOCES added \$8,222 in capital additions for the year. This was a new telephone system for BOCES east.

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2021**

PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
 CHANGES IN FUND BALANCE

	General Fund	Special Revenue Funds	Capital Projects Funds	Total 2021	Total 2020
<b>Revenues:</b>					
Local Sources	\$ 9,764,946	\$ 24,919	\$ 46,308	\$ 9,836,173	\$ 9,153,507
State Sources	569,040	1,637,733	-	2,206,773	2,129,376
Federal Sources	457,765	1,031,263	-	1,489,028	1,402,395
Total Revenues	10,791,751	2,693,915	46,308	13,531,974	12,685,278
<b>Expenses:</b>					
Instruction	\$ 4,113,241	\$ 2,400,378	65,579	\$6,579,198	\$ 6,979,093
Supporting Services/Facilities	5,977,803	269,992	8,222	6,256,017	5,680,719
Other	-	-	-	-	-
Capital Outlay	-	-	-	-	55,043
<b>Debt Service:</b>					
Principal	-	15,442	-	15,442	258,418
Interest	-	8,018	-	8,018	15,162
Total Expenses	10,091,044	2,693,830	73,801	12,858,675	12,988,435
<b>Other Financing Sources (Uses):</b>					
Proceeds from note payable	-	-	-	-	-
Transfer In (Out)	(100,000)	100,000	-	-	(511,507)
Total Other:	(100,000)	100,000	-	-	(511,507)
Increase (Decrease) in Fund Balance	600,707	100,085	(27,493)	673,299	(814,664)
Beginning Fund Balance	2,426,018	13,698	215,682	2,655,398	\$ 3,470,062
Ending Fund Balance	\$ 3,026,725	\$ 113,783	\$ 188,189	\$ 3,328,697	\$ 2,655,398

**Major Funds Budgetary Highlights**

The PPBOCES Board approved the original budget prior to June 30, 2021, based on projected enrollment and services for the following fiscal year.

Colorado statutes permit transferring budgeting amounts from one object or purpose to another within the same fund. Board policy allows management to transfer budgets between objects or purposes without obtaining authorization from the PPBOCES Board, provided the transfers are not into or out of salary accounts.

The PPBOCES Board approves any Supplemental Appropriation Resolutions subsequent to July 01, 2021, giving budget approval allowing expenditure of additional funds received during the fiscal year.

The audit reflects both the amended (final) budget amount as well as the adopted (original) budget amount. The final budget request is brought to the PPBOCES board in January, as allowed by C.R.S., in order to more accurately reflect revenues and expenditures each fiscal year. At that point in time actual amounts are better known due to the facts that any open staff positions have been filled, students are in attendance, and the audit has been completed. Adopting an amended (final) budget affords tighter control over spending by requiring smaller cushions having to be built into the budget for any unknowns.

# PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES

## Management's Discussion and Analysis

Year Ended June 30, 2021

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### Economic Factors & Next Year's Budget

The economic impact of Covid

As we continue to operate under the conditions of the pandemic, more issues have impacted our school programs. Keeping a full staff has become challenging and the cost of living in the Colorado Springs and surrounding areas has skyrocketed. We have raised the pay baseline for some of the positions in the school programs to help with the need but have not been successful in filling all the positions so far. The state did award Boces with some of the state set aside ESSER II supplemental funds. Those allocations will help pay for the additional work load put on our employees during this pandemic. We are currently seeking approval of those funds through the application process. Boces has also received additional IDEA funds through the American Rescue Plan Act of 2021, also known as ARP. These allocations were used to add additional psychologists to our mental health team as well as add an additional Child find teacher that was much needed.

### Requests for Information

This financial report is designed to provide a general overview of BOCES' finances for all those with an interest in BOCES' finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Finance Department  
Pikes Peak Board of Cooperative Educational Services  
2883 South Circle Drive, Colorado Springs, CO 80906  
719-622-2091

**BASIC FINANCIAL  
STATEMENTS**

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

**Assets**

Current assets:

Cash and cash equivalents	\$ 3,815,048
Accounts receivable	445,300
Grants receivable	-
Total current assets	4,260,348

Capital assets:

Land	967,719
Depreciable assets	11,421,848
Accumulated depreciation	(2,399,449)
Capital assets, net of depreciation	9,990,118

**Total assets**

14,250,466

**Deferred outflows of resources - Pension: See note 5**

5,343,420

**Deferred outflows of resources - OPEB: See note 6**

46,870

**Liabilities**

Current liabilities:

Deficit cash	-
Accounts payable	11,529
Other current liabilities	3,113
Accrued salaries and benefits	382,324
Unearned revenue	534,685
Unearned grant revenue	-
Notes payable - USDA - current	16,040
Total current liabilities	947,691

Noncurrent liabilities:

Compensated absences	118,925
Notes payable - USDA	175,430
Net OPEB liability	552,897
Net pension liability	15,204,418
Total noncurrent liabilities	16,051,670

**Total liabilities**

16,999,361

**Deferred inflows of resources: See note 5**

14,921,656

**Deferred inflows of resources - OPEB: See note 6**

349,444

**Net position**

Invested in capital assets, net of related debt	9,798,648
Unrestricted (deficit)	(22,428,353)

**Total net position**

\$ (12,629,705)

See accompanying notes to basic financial statements

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**STATEMENT OF ACTIVITIES**  
**FISCAL YEAR END JUNE 30, 2021**

Primary Government Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 5,882,583	\$ 3,985,862	\$ 2,400,378	\$ -	\$ 503,657
Supporting services	5,856,919	3,826,034	1,295,423	-	(735,462)
Capital outlay	-	-	-	-	-
Interest on debt	8,018	-	-	-	(8,018)
Total governmental activities	<u>\$ 11,747,520</u>	<u>\$ 7,811,896</u>	<u>\$ 3,695,801</u>	<u>\$ -</u>	<u>\$ (239,823)</u>
<b>General revenues</b>					
					\$ 4,162
					\$ -
					2,020,115
					<u>2,024,277</u>
					1,784,454
					<u>(14,414,159)</u>
					<u>\$ (12,629,705)</u>

See accompanying notes to basic financial statements

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2021**

	<u>General Fund</u>	<u>Designated Purpose Grants Fund</u>	<u>Need Foundation Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 3,306,003	\$ 207,073	\$ 113,783	\$ 188,189	\$ 3,815,048
Accounts receivable	445,300	-	-	-	445,300
Grants receivable	-	-	-	-	-
<b>Total Assets</b>	<u>\$ 3,751,303</u>	<u>\$ 207,073</u>	<u>\$ 113,783</u>	<u>\$ 188,189</u>	<u>\$ 4,260,348</u>
<b>Liabilities</b>					
Liabilities:					
Deficit cash	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	11,529	-	-	-	11,529
Other current liabilities	3,113	-	-	-	3,113
Unearned revenue	327,612	207,073	-	-	534,685
Unearned grant revenue	-	-	-	-	-
Accrued salaries and benefits	382,324	-	-	-	382,324
<b>Total liabilities</b>	<u>724,578</u>	<u>207,073</u>	<u>-</u>	<u>-</u>	<u>931,651</u>
Fund balances					
Spendable:					
General fund-assigned	75,000	-	-	-	75,000
Special revenue funds-committed	-	-	113,783	-	113,783
Capital projects fund-committed	-	-	-	188,189	188,189
General fund-unassigned	2,951,725	-	-	-	2,951,725
<b>Total fund balances</b>	<u>3,026,725</u>	<u>-</u>	<u>113,783</u>	<u>188,189</u>	<u>3,328,697</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 3,751,303</u>	<u>\$ 207,073</u>	<u>\$ 113,783</u>	<u>\$ 188,189</u>	<u>\$ 4,260,348</u>

See accompanying notes to basic financial statements

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
STATEMENT OF NET POSITION  
JUNE 30, 2021**

Governmental funds total fund balances	\$	3,328,697
Add:		
Capital assets used in governmental activities are not considered current financial resources and, therefore, not reported in the governmental funds		12,389,567
Deferred outflows from pension and OPEB liability		5,390,290
Deduct:		
Accumulated depreciation is not recognized in the governmental funds because capital assets are expensed at the time of acquisition		(2,399,449)
Note payable - USDA		(191,470)
Net pension liability		(15,204,418)
Net OPEB liability		(552,897)
Compensated absences		(118,925)
Deferred inflows from pension and OPEB liability		(15,271,100)
Governmental activities net position	<u>\$</u>	<u>(12,629,705)</u>

See accompanying notes to basic financial statements

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2021**

	<u>General Fund</u>	<u>Designated Purpose Grants Fund</u>	<u>Need Foundation Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues					
Local sources	\$ 9,764,946	\$ -	\$ 24,919	\$ 46,308	\$ 9,836,173
State sources	569,040	1,637,733	-	-	2,206,773
Federal sources	457,765	1,031,263	-	-	1,489,028
<b>Total revenues</b>	<u>10,791,751</u>	<u>2,668,996</u>	<u>24,919</u>	<u>46,308</u>	<u>13,531,974</u>
Expenditures					
Current:					
Instruction	4,113,241	2,400,378	-	-	6,513,619
Supporting services	5,977,803	268,618	1,374	65,579	6,313,374
Capital outlay	-	-	-	8,222	8,222
Debt service	-	-	23,460	-	23,460
<b>Total expenditures</b>	<u>10,091,044</u>	<u>2,668,996</u>	<u>24,834</u>	<u>73,801</u>	<u>12,858,675</u>
Excess(deficiency) of revenues over(under)					
Expenditures	700,707	-	85	(27,493)	673,299
Other financing sources (uses)					
Transfer - in	-	-	100,000	-	100,000
Transfer - (out)	(100,000)	-	-	-	(100,000)
<b>Total other financing sources (uses)</b>	<u>(100,000)</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>600,707</u>	<u>-</u>	<u>100,085</u>	<u>(27,493)</u>	<u>673,299</u>
Fund balances at beginning of year	2,426,018	-	13,698	215,682	2,655,398
<b>Fund balances at end of year</b>	<u><u>\$ 3,026,725</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 113,783</u></u>	<u><u>\$ 188,189</u></u>	<u><u>\$ 3,328,697</u></u>

See accompanying notes to basic financial statements

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
RECONCILIATION OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2021**

Governmental funds changes in fund balances	\$	673,299
Add:		
Government 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. This is the amount of capital outlay reported as an expenditure in the governmental funds functions.		8,222
State share of the non-employer share - direct distribution payment		-
Deduct:		
Change in compensated absences		(6,523)
Government funds report pension and OPEB expenses as expenditures when paid. Pension and OPEB obligations in the statement of activities is allocated and expensed or credited for future pension costs. Change in net pension and OPEB liability and deferred inflows/outflows		1,398,593
Payments of notes payable with the USDA is recognized in the fund statement but included as liabilities in the government-wide of \$191,470.		15,442
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.		(304,579)
Governmental activities change in net position	<u>\$</u>	<u>1,784,454</u>

See accompanying notes to basic financial statements

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**JUNE 30, 2021**

	<u>Governmental Activities - Internal Service Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 706,460
Other assets	-
Total current assets	<u>706,460</u>
Total assets	<u><u>\$ 706,460</u></u>
Liabilities	
Current liabilities:	
Estimated liability for premiums and claims	\$ 10,000
Accounts payable	14,684
Total current liabilities	<u>24,684</u>
Net position	
Restricted for:	
Unrestricted (deficit)	<u>681,776</u>
Total liabilities and net position	<u><u>\$ 706,460</u></u>

See accompanying notes to basic financial statements

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**JUNE 30, 2021**

	Governmental Activities - Internal Service Fund
Operating Revenues:	
Employee benefit premiums	\$ 574,966
Other income	-
Total operating revenues	574,966
Operating Expenses:	
Claims	157,075
Administrative	4,217
Insurance premiums	250,370
Total operating expenses	411,662
Income (loss) from operations before transfers	163,304
Non-operating revenues (expenses):	
Interest income	-
Transfer in from general fund	-
Change in net position	163,304
Total net position July 1, 2020	518,472
Total net position June 30, 2021	\$ 681,776

See accompanying notes to basic financial statements

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**JUNE 30, 2021**

	<u>Governmental Activities - Internal Service Fund</u>
Cash flows from operating activities:	
Receipts from employees	\$ 574,966
Payments to vendors	(386,978)
Net cash provided by (used for) operating activities	<u>187,988</u>
Cash flows from noncapital financing activities:	
Transfer received - general fund	-
Net cash provided (used) by noncapital financing activities	<u>-</u>
Cash flows from investing activities:	
Interest received	-
Net cash provided by investing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	187,988
Cash and cash equivalents - July 1, 2020	518,472
Cash and cash equivalents - June 30, 2021	<u>\$ 706,460</u>
Reconciliation of cash flows from operating activities:	
Operating income (loss)	\$ 163,304
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	-
(Decrease) increase in estimated liability for premiums and claims	24,684
Net cash provided by (used for) operating activities	<u>\$ 187,988</u>

See accompanying notes to basic financial statements

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

Note 1 -

**Summary of Significant Accounting Policies**

The financial statements of Pikes Peak Board of Cooperative Educational Services (the BOCES) have been prepared to conform with Accounting Principles Generally Accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

**Reporting Entity**

For financial reporting purposes, the accompanying financial statements include all of the operations over which the BOCES is financially accountable. The BOCES is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, "The Financial Reporting Entity", as amended by GASB 39 and 61, "Determining Whether Certain Organizations Are Component Units", the criteria for inclusion in the reporting entity involve those cases where the BOCES or its officials appoint a majority of an organization's governing body, and is either able to impose its will on the organization and there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the BOCES or the nature and significance of the relationship between the BOCES and the organization is such that exclusion would cause the BOCES financial statements to be incomplete. Applying this definition, BOCES management has determined that the Need Foundation is reportable within the accompanying financial statements. The Foundation financial activities have been blended (reported as if part of the BOCES) with those of the BOCES. The Foundation does not publish individual component unit financial statements.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the BOCES. The effect of inter-fund activity has been removed from these financial statements. Governmental activities normally are supported by intergovernmental revenues, state and federal grants.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues from the State of Colorado and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds. Major individual governmental funds (General Fund, Designated Purpose Grants Fund, Capital Projects Fund, and the Need Foundation) are reported as separated columns in the fund financial statements.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, operating statements present increases and decreases net current assets and unreserved fund balance as measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the BOCES governmental and business-type activities and component units. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The Governmental Funds are accounted for on the "flow of current financial resources" measurement focus. This measurement focus is based on the concept of accountability, which includes measuring interperiod equity whether current year revenues were sufficient to pay for current year services. Governmental funds use the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 60 days after year-end.

Grants and entitlement revenues are recognized when compliance with matching requirements are met. A receivable is established when the related expenditures exceed revenue receipts.

Expenditures are recorded when the related fund liability is incurred with the exceptions of general long-term debt which is recognized when due and certain accrued sick and personal pay which are accounted for as expenditures when expected to be liquidated with expendable available financial resources.

The proprietary fund types are accounted for on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The measurement focus in these funds is on the flow of economic resources and emphasizes the determination of net income. All assets and all liabilities associated

with their activity are included on their statements of net position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

### **Governmental Funds**

The accounts of the BOCES are organized on the basis of fund, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and means by which spending activities are controlled. The major funds presented in the accompanying basic financial statements are as follows:

### **Major Governmental Funds**

1. General Fund – the general operating fund of the BOCES; used to account for all resources that are not required legally or by sound financial management to be accounted for in another fund.
2. Designated Purpose Grants Fund (Special Revenue Fund) – this fund accounts for state and federal grants.
3. Need Foundation Fund (Special Revenue Fund) – the Need Foundation Fund is used to account for the proceeds of specific revenue sources, like donations, (other than debt service or capital projects) that are restricted or committed to expenditures for a specified purpose of special needs to students.
4. Capital Projects Fund-is used to account for revenues and expenditures related to the BOCES construction and capital improvement.

**Internal Service Fund** – This fund accounts for the self-insurance of employee health benefits. Unpaid insurance claim reserve at June 30, 2021 is \$10,000.

### **Cash and Cash Equivalents**

Cash of some funds are pooled into common pooled accounts in order to maximize investment opportunities. An individual fund's pooled Cash and Cash Investments are available upon demand and are considered to be "cash equivalents". Negative balances incurred in pooled cash at year-end are treated as a liability of that fund.

### **Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Member and associate member receivables were \$433,156 and other receivables of \$12,144 at year-end.

### **Capital Assets**

Capital assets, which include property, vehicles and equipment, are utilized for general BOCES operations and are capitalized at actual or estimated cost. Donations of such assets are recorded at estimated fair value at the time of donation. Capital assets are reported in the applicable government columns in the government-wide financial statements.

Maintenance, repairs, and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized. When assets used in the operation of the government fund types are sold, the proceeds of the sale are recorded

as revenues in the appropriate fund. The BOCES does not capitalize interest on the construction of capital assets.

The monetary threshold for capitalization of assets is \$5,000. The BOCES capital assets are depreciated using the straight-line method over the estimated useful lives of the fixed assets. Estimate useful lives are:

Vehicles	5-8 years
Furniture, fixtures and equipment	5 to 15 years
Buildings and improvements	20 to 40 years

### **Liabilities**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net position. The BOCES records long-term debt of governmental funds at the face value. The BOCES's general obligation bonds are serviced from property taxes and other revenues of the Debt Service Fund.

### **Deferred Outflows/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 future period and so will not be recognized as an outflow of the resources (expenditure) until that time. In addition to liabilities, the statement of financial position reports a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenues) until that time.

### **Unearned Grant Revenue**

Revenues on grants, which are restricted by the grant agreement for specific purposes, are recognized as revenue only after eligible grant costs have been incurred. Grant funds received in excess of grant expenditures are recorded as unearned grant revenues.

### **Compensated Absences**

Compensated absences are payments to employees for accumulated vacation. BOCES employees may accumulate unused vacation up to a specified amount. Vacation is payable to employees upon termination or retirement at the current rate of pay on the date of termination or retirement. The entire compensated absences liability is reported in the government-wide financial statements.

### **Budgets and Budgeting Accounting**

The BOCES follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Budgets are required by state law for all funds. Prior to May 31, the Executive Director submits to the Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is adopted by formal resolution of the Board. Budgets may be revised until January 31<sup>st</sup> of the budget year.
4. Expenditures may not legally exceed appropriations at the fund level. The BOCES is authorized to transfer budgeted amounts between departments within any fund; however, the Board must approve any revisions that alter the total expenditures of any fund.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds and Capital Projects Fund.
6. Budgets for the General Fund, Special Revenue Funds and Capital Projects Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

### **Fund Equity**

Net Position/Fund Balances - In the government-wide financial statements, net position are either shown as invested in capital assets net of related debt, with these assets essentially being nonexpendable; restricted when constraints placed on the net position are externally imposed; or unrestricted.

For the governmental fund presentation, fund balances that are classified as "nonspendable" include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example inventories and prepaid amounts. Fund balance should be reported as "restricted" when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of BOCES, should be reported as "committed" fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as "assigned" fund balance. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

For the classification of fund and net position balances, the BOCES considers an expenditure to be made from the most restrictive classification first, when more than one classification is available.

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements in those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

**Accounting Estimates**

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

Note 2 -

**Cash Deposits and Investments**

A reconciliation of the cash and investment components on the balance sheet to the cash and investment categories in this footnote are as follows:

Cash	\$ 3,786,709
Colostrust	<u>28,339</u>
Total Cash and Investments	<u>\$ 3,815,048</u>

**Deposits**

The BOCES investment policies are approved by the Board of Education and governed by Colorado statute. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories; state regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds. The pool is to be maintained by another financial institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The BOCES is authorized by Colorado State statutes to invest in the following:

- Obligations of the United States government and certain government agencies securities
- Certain international agency securities
- General obligation and revenue bonds of governmental entities

- Bankers acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Guaranteed investment contracts
- Checking with interest savings accounts

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the BOCES deposits may not be returned to it. The BOCES does not have a deposit policy for custodial credit risk. At year-end the BOCES bank balance was \$4,828,418. Of the bank balance, \$501,000 was covered by FDIC insurance, and \$4,327,418 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA. The difference between bank balance and carrying balance is outstanding checks.

### **Investments**

The BOCES had invested \$28,339 (fair value) in the Colorado Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. The Colorado Division of Securities administrates and enforces the requirements of creating and operating Colotrust. Investments of Colotrust consist of U.S. Treasury bills, notes, note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services to Colotrust in connection with the direct investment and withdrawals functions of Colotrust. Substantially all securities owned by Colotrust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by Colotrust.

Interest Rate Risk – The BOCES does not have a formal investment policy that limit investment maturities as a means of managing its exposure to fair value loss resulting from increasing interest rates. The Colorado revised statute 24-75-601 limit investment maturities to five years or less without governing board approval.

Credit Risk – State law limits investments for BOCES to U.S. treasury issues, other federally backed notes and credits, and other agency offerings (not based on derivatives) without limitation. Other investment instruments including bank obligations, general obligation bonds, and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agency. State law further limits investments in money market funds that are organized according to the Federal Investment Company Act of 1940, as specified in rule 2a-7, as amended, as long as such rule does not increase remaining maturities beyond a maximum of three years. Investments in these funds require that the institution have assets in excess of \$1 billion or the highest credit rating from one or more of a nationally recognized rating agency. Standards and Poors rate COLOTRUST AAAM.

Note 3 -

**Capital Assets**

A summary of changes in capital assets follows:

**Governmental Activities**

	<u>Balance</u> <u>July 1,2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,2021</u>
Non-depreciable assets:				
Land	\$ 967,719	\$ -	\$ -	\$ 967,719
Const. in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Non-depreciable	<u>\$ 967,719</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 967,719</u>
	<u>Balance</u> <u>July 1,2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,2021</u>
Depreciable Assets:				
Buildings & Sites	\$ 11,126,806	\$ -	\$ -	\$ 11,126,806
Equipment Furniture And Fixtures	153,059	8,222	-	161,281
Vehicles	<u>133,761</u>	<u>-</u>	<u>-</u>	<u>133,761</u>
Total Depreciable Assets	<u>\$ 11,413,626</u>	<u>\$ 8,222</u>	<u>\$ -</u>	<u>\$ 11,421,848</u>
Less accumulated depreciation for:				
Buildings & Sites	\$ 1,885,019	\$ 280,210	\$ -	\$ 2,165,229
Equipment Furniture And Fixtures	136,299	7,293	-	143,592
Vehicles	<u>73,552</u>	<u>17,076</u>	<u>-</u>	<u>90,628</u>
Total Accumulated Depreciation	<u>\$ 2,094,870</u>	<u>\$ 304,579</u>	<u>\$ -</u>	<u>\$ 2,399,449</u>
Total Capital Assets, Net	<u>\$ 10,286,475</u>	<u>\$ 296,357</u>	<u>\$ -</u>	<u>\$ 9,990,118</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental activities:**

Regular supporting services \$ 304,579

Note 4 -

**Long-Term Debt**

The following is a summary of long-term debt:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>
Compensated Absences	\$ 112,402	\$ 6,523	\$ -	\$ 118,925
Notes Payable	<u>206,912</u>	<u>-</u>	<u>15,442</u>	<u>191,470</u>
Totals	<u>\$ 319,314</u>	<u>\$ 6,523</u>	<u>\$ 15,442</u>	<u>\$ 310,395</u>

Total amount of notes payable due within one year is \$16,040

In June of 2019, the BOCES entered into an agreement to purchase a building from the Calhan Charter Building Corporation by assuming the existing loan with the United States Department of Agriculture Rural Development Agency. The total amount of assumed loan was \$465,330 with monthly interest and principal payments of \$1,955. The assumed note begins in July of 2019 with a final payment in June of

2031 at an interest rate of 3.50%. The debt is secured by the building. During 2020, the BOCES paid down the principal by \$250,000.

Fiscal Year			
<u>Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 16,040	\$ 7,420	\$ 23,460
2023	16,662	6,798	23,460
2024	17,308	6,152	23,460
2025	17,978	5,482	23,460
2026	18,675	4,785	23,460
2027	19,399	4,061	23,460
2028-2031	<u>85,408</u>	<u>8,432</u>	<u>93,840</u>
Total	<u>\$ 191,470</u>	<u>\$ 43,130</u>	<u>\$ 234,600</u>

Note 5 -

**Defined Benefit Pension Plan**

**Summary of Significant Accounting Policies**

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

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

**General Information about the Pension Plan**

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

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

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

- Highest average salary multiplied by 2.5 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, 2020, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00 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.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The

disability benefit amount is based on the lifetime retirement benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

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

*Contributions provisions as of June 30, 2021:* Eligible employees of 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 8.75 percent of their PERA-includable salary during the period of July 1, 2020 through June 30, 2021. Employer contribution requirements are summarized in the table below:

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

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

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million 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.

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 \$1,030,363 for the year ended June 30, 2021.

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

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

At June 30, 2021, the BOCES reported a liability of \$15,204,418 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	\$15,204,418
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the BOCES	\$0
Total	\$15,204,418

At December 31, 2020, the BOCES proportion was .1005717333 percent, which was an increase of .0084976584 from its proportion measured as of December 31, 2020.

For the year ended June 30, 2021, the BOCES recognized pension expense (credit) of \$(1,425,869) and revenue of \$0 for support from the State as a nonemployer contributing entity. At June 30, 2021, the BOCES reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,412,467	\$8,656,430
Changes of assumptions or other inputs	\$ 2,054,057	-
Net difference between projected and actual earnings on pension plan investments	\$ 451,421	\$4,932,530
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$ 913,921	\$1,332,696
Contributions subsequent to the measurement date	\$ 511,554	N/A
Total	\$5,343,420	\$14,921,656

\$511,420 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30, 2021:</b>	
2022	\$ (6,170,671)
2023	\$ (1,893,002)
2024	\$ (1,189,409)
2025	\$ (836,708)
2026	\$ -
Thereafter	\$ -

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

Actuarial cost method	Entry age
Price inflation	2.40 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
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic) <sup>1</sup>	1.25 percent annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic) <sup>1</sup>	Financed by the

<sup>1</sup> For 2019, the annual increase was 0.00 percent.

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.

Post-retirement non-disabled mortality assumptions 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 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

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

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

Actuarial cost method	Entry age
Price inflation	2.3 %
Real wage growth	.70%
Wage inflation	3.0 %
Salary increases, including inflation	3.4%-11.0%
Long-term investment rate of return, net of	
Pension plan investment expenses	7.25%
PERA benefit structure hired prior to 1/1/07	1.25%
PERA benefit structure hired after 12/31/06	financed by the AIR

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, 2020. As a result the following economic assumptions were changed, effective December 31, 2020:

Price inflation assumptions decreased from 2.4 percent to 2.30 percent per year.

Real rate of investment return assumption increased from 4.85 percent to 4.95 percent.

Wage inflation assumptions decreased from 3.5 percent to 3.0 percent per year.

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

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>30 Year Expected Geometric Real Rate of Return</b>
Global Equity	54.0%	5.60%
Fixed income	23.0%	1.30%
Provide Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives	6.00%	4.70%
<b>Total</b>	<b>100.00%</b>	

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 percent.

*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 3.00 percent.
- 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 and the

additional 0.50 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2020, and effective July 1, 2020. 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 and the additional 0.50 percent, resulting from the 2019 AAP assessment, statutorily recognized July 1, 2020, and effective July 1, 2021. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State provides an annual direct distribution of \$225 million, which commenced July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded. HB 20-1379 suspended the \$225 million direct distribution payable July 1, 2020, for the State's 2020-2021 fiscal year.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- 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.

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 rate determination does not use the municipal bond rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

*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%)
Proportionate share of the net pension liability	\$20,678,008	\$15,204,418	\$10,643,093

*Pension plan fiduciary net position.* Detailed information about the SCHDTF’s fiduciary net position is available in PERA’s CAFR which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**Defined Contribution Pension Plan**  
**Voluntary Investment Program**

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

*Funding Policy* – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2021, program members contributed \$56,668 the Voluntary Investment Program.

Note 6 -

**Defined Benefit Other Post Employment (OPEB) Plan**  
**Summary of Significant Accounting Policies**

*OPEB* 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.

### **General Information about the OPEB Plan**

*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](http://www.copera.org/investments/pera-financial-reports).

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

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid. Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

#### *PERA Benefit Structure*

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

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

#### *DPS Benefit Structure*

The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The 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.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the BOCES is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the BOCES were \$54,230 for the year ended June 30, 2021.

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

At June 30, 2021, the BOCES reported a liability of \$552,897 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2020. The BOCES proportion of the net OPEB liability was based on the BOCES contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF .

At December 31, 2020, the BOCES proportion was 0.0581858607 percent, which was a decrease of 0.0019810656 from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the BOCES recognized OPEB expense/(credit) of \$27,276. At June 30, 2021, the BOCES reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 6,731	\$ 213,499
Changes of assumptions or other inputs	\$ 10,836	\$ 33,903
Net difference between projected and actual earnings on OPEB plan investments	\$ 2,379	\$ 34,595
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$ -	\$ 67,447
Contributions subsequent to the measurement date	\$26,924	N/A
Total	\$46,870	\$349,444

\$26,924 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ended June 30, 2021:</b>	
2022	\$ (80,632)
2023	\$ (77,093)
2024	\$ (72,668)
2025	\$ (62,188)
2026	\$ (44,590)
Thereafter	\$ (2,327)

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

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation aggregate	3.50 percent in
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

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

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2020 for the PERA Benefit Structure:

<b>Medicare Plan</b>	<b>Cost for Members Without Medicare Part A</b>	<b>Premiums for Members Without Medicare Part A</b>
Medicare Advantage/Self-Insured Prescription	\$588	\$227
Kaiser Permanente Medicare	821	232

The 2019 Medicare Part A premium is \$458 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:

<b>Medicare Plan</b>	<b>Cost for Members Without Medicare Part A</b>
Medicare Advantage/Self-Insured Prescription	\$560
Kaiser Permanente Medicare Advantage HMO	586

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

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

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

Mortality assumptions 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.

Post-retirement non-disabled 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.

Post-retirement non-disabled 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.

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>30 Year Expected Geometric Real Rate of Return</b>
Global Equity	54.0%	5.60%
Fixed Income	23.0%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives	6.0%	4.70%
Private Equity	8.50%	6.60%
<b>Total</b>	<b>100.00%</b>	

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 percent.

*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:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	7.10%	8.10%	9.10%
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%
Net OPEB Liability	\$536,310	\$552,897	\$569,484

*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, 2020, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00 percent.
- 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 Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$635,832	\$552,897	\$486,549

*OPEB plan fiduciary net position.* Detailed information about the HCTF's fiduciary net position is available in PERA's CAFR which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

Note 7 - **Auditor's Integrity Report**

The Colorado Department of Education requires the inclusion of the Auditor's Integrity Report as a supplemental schedule to the audited financial statements. The Report is based on a prescribed basis of accounting that demonstrates compliance with the financial policies and procedures of the Colorado Department of Education.

Note 8 - **Risk Management**

The BOCES carries commercial insurance for all risks of loss, including errors and omissions and property. Settled claims resulting from these risks have not exceeded commercial or BOCES coverage in any of the past three years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

Note 9 - **Inter-fund Transactions**

Due to/Due from other funds, if any, are recorded at the fund level and are eliminated at the government-wide level. During the year BOCES General Fund transferred \$100,000 to the Need Foundation Fund.

Note 10 - **Accrued Teachers' Salaries and Employee Benefits**  
 Teachers' contracts are for a ten-month period; but are paid in twelve equal payments. At the end of the fiscal year an accrual exists for the difference between the amounts due on the contract and the amounts paid.

Note 11 - **Commitments, Contingencies and Compliance**  
*Tabor amendment* - In November 1992, the voters of Colorado approved Amendment I, commonly known as the Taxpayer's Bill of Rights (TABOR), which adds a new Article 10 Section 20 to the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations, which apply to the State of Colorado and all local governments. The amendment does not specifically address BOCES. However, several legal opinions have been issued stating that 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. A BOCES does not need to maintain emergency reserves required by TABOR as expenditures can fluctuate independently of TABOR.

*Claims and Judgements* – The BOCES participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government.

If expenditures are disallowed due to noncompliance with grant program regulations, the BOCES may be required to reimburse the grantor government. As of June 30, 2021, significant amounts of grant expenditures have not been audited but the BOCES believes those disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the BOCES.

Note 12 - **Operating Leases**

The BOCES has entered into operating leases for several copiers and printers. Lease expires September of 2024. Monthly rentals are \$1,901. Lease expense as of June 30, 2021 was \$22,812. The minimum annual rental commitments under these leases are as follows:

Year ended June 30:	
2022	22,812
2023	22,812
2024	17,109
Total	<u>\$ 62,733</u>

Note 13 - **Evaluation of Subsequent Events**  
 The BOCES management has evaluated subsequent events through November 30, 2021 (the date of the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources				
District payments	\$ 3,770,145	\$ 3,707,131	\$ 3,826,034	\$ 118,903
Tuition	4,018,565	4,005,620	3,985,862	(19,758)
Interest on investments	13,000	13,000	4,125	(8,875)
Technology sales	224,918	224,918	150,562	(74,356)
Other	501,918	1,565,776	1,798,363	232,587
Total local sources	<u>8,528,546</u>	<u>9,516,445</u>	<u>9,764,946</u>	<u>248,501</u>
State sources				
Gifted and talented	91,065	107,144	107,144	-
School to work alliance program	443,231	443,232	461,895	18,663
Total state sources	<u>534,296</u>	<u>550,376</u>	<u>569,039</u>	<u>18,663</u>
Federal sources				
Medicaid	318,000	318,000	457,766	139,766
Total federal sources	<u>318,000</u>	<u>318,000</u>	<u>457,766</u>	<u>139,766</u>
Total revenues	<u>9,380,842</u>	<u>10,384,821</u>	<u>10,791,751</u>	<u>406,930</u>
Expenditures				
Instruction:				
Salaries	2,548,121	2,511,977	2,428,878	83,099
Employee benefits	1,074,946	1,059,042	864,542	194,500
Purchase services	793,380	787,925	782,042	5,883
Supplies and materials	42,227	38,058	36,984	1,074
Capital outlay	6,300	6,300	-	6,300
Other	650	650	795	(145)
Total instruction	<u>4,465,624</u>	<u>4,403,952</u>	<u>4,113,241</u>	<u>290,711</u>
Support services:				
Salaries	2,859,570	2,933,131	2,954,349	(21,218)
Employee benefits	1,034,973	1,055,588	897,956	157,632
Purchase services	982,656	1,981,705	1,788,956	192,749
Supplies and materials	249,099	248,467	264,196	(15,729)
Capital outlay	37,790	34,370	14,846	19,524
Other	57,273	45,560	57,500	(11,940)
Total support services	<u>5,221,361</u>	<u>6,298,821</u>	<u>5,977,803</u>	<u>321,018</u>
Contingency	<u>1,891,105</u>	<u>2,008,066</u>	<u>-</u>	<u>2,008,066</u>
Total expenditures	11,578,090	12,710,839	10,091,044	2,619,795
Excess(deficiency) of revenues over (under) expenditures	<u>(2,197,248)</u>	<u>(2,326,018)</u>	<u>700,707</u>	<u>3,026,725</u>
Other financing sources (uses)				
Transfers (out)	(100,000)	(100,000)	(100,000)	-
Total other financing sources	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net change in fund balance	<u>(2,297,248)</u>	<u>(2,426,018)</u>	<u>600,707</u>	<u>3,026,725</u>
Fund balances at beginning of year	2,297,248	2,426,018	2,426,018	-
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,026,725</u>	<u>\$ 3,026,725</u>

See accompanying independent auditors' report

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
DESIGNATED PURPOSE GRANTS FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FISCAL YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
State sources	\$ 2,033,306	\$ 2,033,306	\$ 1,637,733	\$ (395,573)
Federal sources	1,135,595	1,135,595	1,031,263	(104,332)
Total revenues	3,168,901	3,168,901	2,668,996	(499,905)
Expenditures				
Instruction:				
Salaries	15,515	15,515	15,515	-
Employee benefits	3,775	3,775	3,535	240
Purchase services	2,470,752	2,470,752	2,372,578	98,174
Supplies and materials	8,750	8,750	8,750	-
Capital outlay	-	-	-	-
Total instruction	2,498,792	2,498,792	2,400,378	98,414
Support services:				
Salaries	54,615	54,615	39,723	14,892
Employee benefits	27,336	27,336	10,971	16,365
Purchase services	271,069	271,069	125,685	145,384
Supplies and materials	137,089	137,089	92,239	44,850
Capital outlay	5,000	5,000	-	5,000
Total support services	495,109	495,109	268,618	226,491
Contingency	175,000	175,000	-	175,000
Total expenditures	3,168,901	3,168,901	2,668,996	499,905
Excess(deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balances at beginning of year	-	-	-	-
Fund balances at end of year	\$ -	\$ -	\$ -	\$ -

See the accompanying independent auditors' report

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
NEED FOUNDATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources				
Other income	\$ -	\$ -	\$ 24,882	\$ 24,882
Interest on investments	40	40	37	(3)
Total revenues	<u>40</u>	<u>40</u>	<u>24,919</u>	<u>24,879</u>
Expenditures				
Supporting services	7,000	7,000	1,374	5,626
Interest on debt	-	-	8,018	
Principal on debt	100,000	100,000	15,442	84,558
Contingency	6,738	6,738	-	6,738
Total expenditures	<u>113,738</u>	<u>113,738</u>	<u>24,834</u>	<u>96,922</u>
Excess(deficiency) of revenues over (under) expenditures	<u>(113,698)</u>	<u>(113,698)</u>	<u>85</u>	<u>121,801</u>
Other financing sources (uses)				
Proceeds from notes payable	-	-	-	-
Transfers - in (out)	100,000	100,000	100,000	-
Total other financing sources (uses)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Net change in fund balance	<u>(13,698)</u>	<u>(13,698)</u>	<u>100,085</u>	<u>121,801</u>
Fund balances at beginning of year	<u>13,698</u>	<u>13,698</u>	<u>13,698</u>	<u>-</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,783</u>	<u>\$ 113,783</u>

See the accompanying independent auditors' report

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
SCHEDULE OF THE BOCES PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
LAST 10 FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
BOCES proportion (percentage) of the collective net pension liability	0.1005717333%	0.0920740749%	0.0935445740%	0.1145203283%	0.1202263397%	0.1220389688%	0.1200564435%
BOCES proportionate share of the collective pension liability	15,204,418	13,755,667	16,863,988	37,031,804	35,796,030	18,664,999	16,271,681
Covered payroll	5,380,712	5,409,959	5,142,646	5,282,687	5,395,984	5,318,429	5,029,499
BOCES proportionate share of the net pension liability as a percentage of its covered payroll	35.39%	39.33%	30.49%	14.27%	15.07%	28.49%	30.91%
Plan fiduciary net pension as a percentage of the total pension liability	66.99%	64.52%	57.01%	43.96%	43.10%	59.20%	62.80%

The amounts presented for each fiscal year were determined as of December 31.

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
SCHEDULE OF CONTRIBUTIONS AND RELATED RATIOS - PENSION  
LAST 10 FISCAL YEARS**

As of June 30,	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 1,030,363	\$ 1,072,616	\$ 992,091	\$ 980,563	\$ 996,927	\$ 947,361	\$ 869,228
Contributions in relation to the statutorily required contributions	<u>1,030,363</u>	<u>1,072,616</u>	<u>992,091</u>	<u>980,563</u>	<u>996,927</u>	<u>947,361</u>	<u>869,228</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	5,189,464	5,534,867	5,188,123	5,195,252	5,421,632	5,344,160	5,152,507
Contribution as a percentage of covered payroll	19.85%	19.38%	19.12%	18.87%	18.39%	17.73%	16.87%

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
SCHEDULE OF THE BOCES PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY  
LAST 10 FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
BOCES proportion (percentage) of the collective net pension liability	0.0581858607%	0.0601669263%	0.0608044655%	0.0650700001%
BOCES proportionate share of the collective pension liability	552,897	676,275	827,270	845,650
Covered payroll	5,380,712	5,409,959	5,142,646	5,282,687
BOCES proportionate share of the net pension liability as a percentage of its covered payroll	973.19%	799.96%	621.64%	624.69%
Plan fiduciary net pension as a percentage of the total pension liability	24.49%	24.49%	17.03%	17.53%

The amounts presented for each fiscal year were determined as of December 31.

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
SCHEDULE OF CONTRIBUTIONS AND RELATED RATIOS - OPEB  
LAST 10 FISCAL YEARS**

As of June 30,	<u>2020</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 52,933	\$ 55,181	\$ 52,455	\$ 53,237
Contributions in relation to the statutorily required contributions	<u>52,933</u>	<u>55,181</u>	<u>52,455</u>	<u>53,237</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	5,189,464	5,409,959	5,142,646	5,195,252
Contribution as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%

## **SUPPLEMENTARY INFORMATION**

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
CAPITAL PROJECTS FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources				
Other income	\$ -	\$ -	\$ 39,308	\$ 39,308
Rent revenue	6,000	6,000	7,000	1,000
Total revenues	<u>6,000</u>	<u>6,000</u>	<u>46,308</u>	<u>40,308</u>
Expenditures				
Supporting services	100,000	100,000	65,579	34,421
Capital outlay	56,000	56,000	8,222	47,778
Contingency	65,682	65,682	-	65,682
Total expenditures	<u>221,682</u>	<u>221,682</u>	<u>73,801</u>	<u>147,881</u>
Excess(deficiency) of revenues over (under) expenditures	<u>(215,682)</u>	<u>(215,682)</u>	<u>(27,493)</u>	<u>188,189</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(215,682)</u>	<u>(215,682)</u>	<u>(27,493)</u>	<u>188,189</u>
Fund balances at beginning of year	<u>215,682</u>	<u>215,682</u>	<u>215,682</u>	<u>-</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188,189</u>	<u>\$ 188,189</u>

See the accompanying independent auditors' report

**COLORADO DEPARTMENT OF EDUCATION**  
**AUDITOR'S INTEGRITY REPORT**



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 9045 - Pikes Peak BOCES  
 Fiscal Year 2020-21  
 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
<b>Governmental</b>							
10 General Fund	2,426,018		10,709,883		10,108,176		3,026,725
18 Risk Mgmt Sub-Fund of General Fund	0		0		0		0
19 Colorado Preschool Program Fund	0		0		0		0
<b>Sub-Total</b>	<b>2,426,018</b>		<b>10,709,883</b>		<b>10,108,176</b>		<b>3,026,725</b>
11 Charter School Fund	0		0		0		0
20,26-29 Special Revenue Fund	13,698		124,919		24,834		113,783
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		2,668,996		2,668,996		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 (COPP) 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	215,693		46,308		73,801		188,189
46 Supplemental Cap Const, Tech, Main Fund	0		0		0		0
<b>Totals</b>	<b>2,655,996</b>		<b>13,549,106</b>		<b>14,975,906</b>		<b>3,228,697</b>
<b>Proprietary</b>							
50 Other Enterprise Funds	0		0		0		0
64 (63) Risk-Related Activity Fund	518,472		0		-163,304		681,776
60,65-69 Other Internal Service Funds	0		0		0		0
<b>Totals</b>	<b>518,472</b>		<b>0</b>		<b>-163,304</b>		<b>681,776</b>
<b>Fiduciary</b>							
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	0		0		0		0
79 GASB 34/Permanent Fund	0		0		0		0
85 Foundations	0		0		0		0
<b>Totals</b>	<b>0</b>		<b>0</b>		<b>0</b>		<b>0</b>

FINAL

**SINGLE AUDIT**  
**UNIFORM GUIDANCE REPORTS**

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2021**

<b>Federal Grantor/ Pass Through Grantor/Program Title</b>	<b>Assistance Listing Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. Department of Education</b>			
<b>Passed through Colorado Department of Education:</b>			
<b>Clusters:</b>			
IDEA - Part B	84.027	4027	\$ 983,570
Preschool Handicap	84.173	4173	33,795
Subtotal of Clustered Programs			<u>1,017,365</u>
<b>U.S. Department of the Treasury</b>			
Corona Virus Relief Fund	21.019	4012	<u>13,898</u>
<b>Total Federal Awards</b>			<u><u>\$ 1,031,263</u></u>

Basis of Presentation: The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the BOCES under programs of the federal government for the year ended June 30, 2021. 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 (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the BOCES, it is not intended to and does not present the financial position or changes in net position of the BOCES. The BOCES has elected not to use the 10 percent de minimis indirect cost rate as allowed by the Uniform Guidance. This schedule is presented on the modified accrual basis of accounting.

No sub recipient amounts were funded.

Summary of Significant Accounting Policies: Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**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***

Board Members  
Pikes Peak Board of Cooperative Educational Services  
Colorado Springs, Colorado

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities and each major fund of the Pikes Peak Board of Cooperative Educational Services (BOCES) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the BOCES basic financial statements, and have issued my report thereon dated November 30, 2021.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the BOCES internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BOCES internal control. Accordingly, I do not express an opinion on 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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 from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

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

Colorado Springs, Colorado  
November 30, 2021

A handwritten signature in black ink, appearing to read "M. H. O'Connell" or similar, written in a cursive style.

**Independent Auditor's Report On Compliance For Each Major  
Program And Report on Internal Control over Compliance Required  
by the Uniform Guidance**

Board Members  
Pikes Peak Board of Cooperative Educational Services  
Colorado Springs, Colorado

**Report on Compliance for Each Major Federal Program**

I have audited the Pikes Peak Board of Cooperative Educational Services (BOCES) compliance 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, 2021. 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 Responsibility**

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

**Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of the Pikes Peak Board of Cooperative Educational Services (BOCES) major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I 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 I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the BOCES compliance.

**Opinion on Each Major Federal Program**

In my opinion, the Pikes Peak Board of Cooperative Educational Services 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, 2021.

## Report on Internal Control over Compliance

Management of the Pikes Peak Board of Cooperative Educational Services is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I 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 the 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Colorado Springs, Colorado  
November 30, 2021



**Pikes Peak Board of Cooperative Educational Services  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2021**

**Section I – Summary of Auditor’s Results**

***Financial Statements***

1. The independent auditors’ report on the financial statements expressed an unmodified opinion on whether the financial statements of BOCES were prepared in accordance with GAAP.
2. Internal controls over financial reporting:
  - Material weaknesses identified: NO
  - Significant deficiencies identified that are not considered to be material weaknesses: NO
3. Noncompliance considered material to the financial statements: NO

***Federal Awards***

1. Internal control over major programs:
  - No material weaknesses identified
  - Significant deficiencies identified that are not considered to be material weaknesses. None reported.
2. The independent auditors’ report on compliance for the major federal programs expresses an unmodified opinion on all major federal programs.
3. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
4. The BOCES major programs were:

<u>Name of Federal Program:</u>	<u>CFDA Number</u>
<b>CLUSTERS:</b>	
IDEA - Part B	84.027
Preschool Handicap	84.173

5. A threshold of \$750,000 was used to distinguish between Type A and Type B programs as those terms are defined in the Uniform Guidance.
6. The BOCES was determined to be a low-risk auditee.

**Section II – Findings Related to Financial Statements**

None

**Section III – Federal Award Findings and Questioned Costs**

There were no findings required to be reported under generally accepted government auditing standards.

**Section IV – Prior Year Findings**

**Significant Deficiencies**

None