

Northwest Colorado Board of
Cooperative Educational Services

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

June 30, 2022

C O N T E N T S

	Page
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	4
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	9
STATEMENT OF ACTIVITIES	10
BALANCE SHEET – GOVERNMENTAL FUNDS	11
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	12
NOTES TO FINANCIAL STATEMENTS	13
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GENERAL FUND – BUDGET AND ACTUAL	39
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GRANTS FUND – BUDGET AND ACTUAL.....	40
PENSION SCHEDULES	42
OPEB SCHEDULES.....	44
SUPPLEMENTARY INFORMATION	
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BY PROGRAM – DESIGNATED PURPOSE GRANTS FUND.....	46
AUDITOR’S INTEGRITY REPORT	



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northwest Colorado Board of Cooperative Educational Services
Steamboat Springs, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Northwest Colorado Board of Cooperative Educational Services as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Northwest Colorado Board of Cooperative Educational Services' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of Northwest Colorado Board of Cooperative Educational Services, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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



Board of Directors
Northwest Colorado Board of Cooperative Educational Services
Page Two

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the pension and other post-employment benefit schedules, and budgetary comparison information on pages 4–8 and 39–45 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for



Board of Directors
Northwest Colorado Board of Cooperative Educational Services
Page Three

consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northwest Colorado Board of Educational Services' basic financial statements. The accompanying combining grants schedule, and the Auditor's Integrity Report, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining grants schedule, and the Auditor's Integrity Report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2023, on our consideration of the Northwest Colorado Board of Cooperative Educational Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Northwest Colorado Board of Cooperative Educational Services' 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 Northwest Colorado Board of Cooperative Educational Services' internal control over financial reporting and compliance.

Chadwick, Steinkirchner, Davis & Co., P.C.

Chadwick, Steinkirchner, Davis & Co., P.C.
February 17, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
June 30, 2022

The discussion and analysis of the Northwest Colorado Board of Cooperative Educational Services (the "BOCES") financial performance provides an overall review of the BOCES' financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the BOCES' financial performance as a whole. Readers should also review the financial statements, financial statement footnotes, and budgetary comparison schedules to broaden their understanding of the BOCES' financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

The BOCES had a net position of \$(3,835,128) as of June 30, 2022 mostly due to the impact of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*. Under this accounting method the BOCES accrues a "Net Pension Liability" (NPL) related to its participation in Colorado PERA, a multiple-employer cost-sharing retirement plan that is underfunded. The NPL is unlike other liabilities reported on the Statement of Net Position, in that it is not due to be paid at a certain time nor can it be paid off under any accelerated schedule. Employer and employee contribution rates to PERA are not directly impacted by GASB's new reporting requirements. Employer contributions are set by the Colorado legislature through statutes that govern PERA.

For 2021-2022, the BOCES' net position increased \$1,987,709 over the prior fiscal year, mostly due to a reduction in the NPL related to Colorado PERA.

The BOCES maintained a fund balance in the General Fund of \$813,371, an increase of \$72,641 over the prior fiscal year. The Designated Purpose Grants Fund has a fund balance of \$0, as in the prior year.

Federal and State grant revenues accounted for 84% of the total governmental fund revenue for the year ending June 30, 2022. Local assessments were the next largest revenue source accounting for 13% of total revenues. Instruction costs represented 40% of total governmental fund expenditures and other pupil support services (student and instructional staff support) were another 37%.

Using the Basic Financial Statements

The basic financial statements consist of the Management's Discussion and Analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can first understand the BOCES as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The first two statements are government-wide financial statements - the Statement of Net Position and the Statement of Activities. Both provide long and short-term information about the BOCES' overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the BOCES' operations in more detail. The governmental fund statements tell how general BOCES services were financed in the short term as well as what remains for future spending. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Financial Analysis of the BOCES as a Whole

At the end of the current fiscal year the liabilities and deferred inflows of the BOCES exceeded the assets and deferred outflows by \$3,835,128 compared to \$5,822,837 for the previous fiscal year, an increase of \$1,987,709 in total net position mostly due to the ongoing impact of GASB Statement No. 68.

Government-Wide Financial Statements

The government-wide statements report information about the BOCES as a whole using accounting methods similar to those used by private businesses. The statement of net position includes all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the BOCES' net position and how it has changed. The change in net position is important because it tells the reader whether for the BOCES as a whole, the financial position of the BOCES has improved or diminished. The causes of this change may be the result of various factors, some financial, some not. Non-financial factors include facility conditions and required educational programs.

In the Statement of Net Position and the Statement of Activities, the BOCES has one type of activity:

Governmental Activities - The majority of the BOCES' programs and services are reported here including general operations support services, instruction and support of consortia programs, and instruction and support of special education programs, plant operations and maintenance and pupil transportation.

A condensed summary of the BOCES' Statement of Net Position is as follows:

	Governmental Activities	
	2022	2021
ASSETS AND DEFERRED OUTFLOWS		
Current and Other Assets	\$ 1,421,663	\$ 1,125,070
Capital Assets	-	-
Total Assets	1,421,663	1,125,070
Deferred Outflows of Resources	575,323	988,609
Total Assets and Deferred Outflows	1,996,986	2,113,679
LIABILITIES		
Current Liabilities	608,290	384,341
Noncurrent Liabilities	3,198,057	4,985,264
Total Liabilities	3,806,347	5,369,605
Deferred Inflows of Resources	2,025,767	2,566,912
NET POSITION		
Net Investment in Capital Assets	-	-
Restricted	-	-
Unrestricted	(3,835,128)	(5,822,837)
Total Net Position	\$(3,835,128)	\$(5,822,837)

A condensed Statement of Activities is as follows:

	Governmental Activities	
	2022	2021
REVENUES		
Program Revenues		
Charges for Services	\$ 569,161	\$ 517,148
Operating Grants and Contributions	2,993,476	2,727,483
Total Program Revenues	3,562,637	3,224,631
General Revenues		
Gain on Asset Disposal	-	-
Investment Earnings	720	475
Total Revenues	3,563,357	3,245,106
EXPENSES		
Instruction	953,104	973,658
Supporting Services	622,544	574,528
Total Expenses	1,575,648	1,548,186
CHANGE IN NET POSITION	1,987,709	1,696,920
NET POSITION, Beginning	(5,822,837)	(7,519,757)
Change in accounting principle	-	-
NET POSITION, Ending	\$(3,835,128)	\$(5,822,837)

Total revenues increased by \$318,251, mostly due to an increase in State ECEA (Special Education) funding.

Reporting the BOCES' Most Significant Funds

The analysis of the BOCES' major funds begins on page 10. Fund financial reports provide detailed information about the BOCES' major funds. The BOCES' funds are the General and Designated Purpose Grants funds. Both of the funds are considered major.

Governmental Funds. Most of BOCES' activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the BOCES' general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements of the Governmental Funds. The BOCES' governmental funds are the General and Designated Purpose Grants funds. The General Fund accounts for all of BOCES' administrative operations while the Grants Fund accounts for program related activities.

Fund Financial Statements

As of June 30, 2022, the BOCES' governmental funds reported fund balances in the General Fund of \$813,371, which is an increase of \$72,641 from the June 30, 2021 balances. Total revenues increased by \$318,250 mostly due to an increase in State ECEA (Special Education) funding.

Capital Assets

As of June 30, 2022 the BOCES had \$0 invested in vehicles and equipment due to assets being fully depreciated. This amount represents no change from the prior fiscal year. See Note C to the financial statements for more information.

Debt Administration

As of June 30, 2022 the BOCES' only long-term obligations were for vacation benefits.

Budget Process

The Board of Directors adopts the BOCES' original budget in June of each year. Changes are made on an ongoing basis for example when grant allocations are announced and staff changes are made for the new school year. A revised budget is adopted in November or January to incorporate changes made prior to that time. The adoption of supplemental budgets is allowed subsequently when unanticipated additional revenues are received. In the General Fund, revenues were under budget \$68,186, while expenditures were \$745,185 under budget. In the Designated Purpose Grants Fund, revenues and expenditures were under budget \$274,472 primarily due to the BOCES not being awarded ECEA high cost reimbursement for the year ended June 30, 2022 and less local grant funds received compared to budget.

Economic Factors and Next Year's Budget

An important factor in budget considerations for the NW BOCES is the special education student count as this drives funding formulas from the State for ECEA and IDEA Federal special education grants. The total administrative unit special education pupil count remained fairly static from December 1, 2020 to 2021 and we have budgeted income accordingly for fiscal year 2022-2023. An increase in special education student count of 5-10% is expected for December 2022.

The revised budget for 2022-2023 reflects a significant increase in funding due to a significant increase in the ECEA Tier B pupil amount from \$2,679 to \$4,318 (the BOCES had 116 higher needs/Tier B special education students per the December, 2021 special education student count). Employee pay was increased for the 2022-2023 school year to catch up from the previous years pay freeze, and to grant cost of living increases in particular for special service providers working with students. The original budget for 2022-2023 was adopted by the Board in June.

A major recent development is that Steamboat Springs School District(SSSD) has negotiated a change in the special education operating agreement between BOCES and its member districts. This change allows SSSD to employ their own special service providers effective for the 2022-2023 school year, with BOCES flowing through special education funds to reimburse the district for these employees. As a result, the BOCES will discontinue employment for approximately half of its employees working in schools at the end of the 2021-2022 school year. Steamboat Springs School district will apply with the Colorado Department of Education to become their own Administrative Unit for special education funding in the fall of school year 2023-2024, if approved the district will totally pull out of the Northwest BOCES beginning with the school year 2024-2025.

Requests for Information

This financial report is designed to provide a general overview of the BOCES' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Northwest Colorado BOCES, PO Box 773390, Steamboat Springs, CO 80477.

Northwest Colorado Board of Cooperative Educational Services

STATEMENT OF NET POSITION

June 30, 2022

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Assets	
Cash and investments	\$ 410,434
Receivables	1,011,229
	Total assets 1,421,663
Deferred outflows of resources	
Deferred outflows related to other post employment benefits	33,135
Deferred outflows related to pensions	542,188
	Total deferred outflows of resources 575,323
	Total assets and deferred outflows of resources \$ 1,996,986
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
Liabilities	
Accounts payable	\$ 308,579
Accrued salaries and benefits	226,156
Unearned revenue	73,555
Noncurrent liabilities	
Net pension liability	3,036,883
Other post employment benefits liability	146,925
Accrued compensated absences	14,249
	Total liabilities 3,806,347
Deferred inflows of resources	
Deferred inflows related to other post employment benefits	73,436
Deferred inflows related to pensions	1,952,331
	Total deferred inflows of resources 2,025,767
Net position	
Unrestricted	(3,835,128)
	Total net position (3,835,128)
	Total liabilities, deferred inflows of resources, and net position \$ 1,996,986

The accompanying notes are an integral part of this statement.

Northwest Colorado Board of Cooperative Educational Services

STATEMENT OF ACTIVITIES

Year ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 1,157,123	\$ -	\$ 1,712,231	\$ 555,108
Support services	418,525	569,161	1,281,245	1,431,881
Total governmental activities	<u>\$ 1,575,648</u>	<u>\$ 569,161</u>	<u>\$ 2,993,476</u>	1,986,989
General revenues:				
				720
				<u>720</u>
				1,987,709
				<u>(5,822,837)</u>
				<u>\$ (3,835,128)</u>

The accompanying notes are an integral part of this statement.

Northwest Colorado Board of Cooperative Educational Services

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2022

With Comparative Totals for June 30, 2021

	General	Designated Purpose Grants	Total	
			2022	2021
ASSETS				
Cash and investments	\$ 819,836	\$ (409,402)	\$ 410,434	\$ 584,660
Due from other fund	-	-	-	156,070
Grants receivable	27,175	984,054	1,011,229	540,410
Total assets	<u>\$ 847,011</u>	<u>\$ 574,652</u>	<u>\$ 1,421,663</u>	<u>\$ 1,281,140</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 19,713	\$ 288,866	\$ 308,579	\$ 70,889
Due to other fund	-	-	-	156,070
Accrued salaries and benefits	465	225,691	226,156	245,905
Unearned revenue	13,462	60,093	73,555	67,546
Total liabilities	<u>33,640</u>	<u>574,650</u>	<u>608,290</u>	<u>540,410</u>
Fund equity				
Assigned for vehicles	40,000	-	40,000	40,000
Unassigned	773,371	-	773,371	700,730
Total fund balance	<u>813,371</u>	<u>-</u>	<u>813,371</u>	<u>740,730</u>
Total liabilities and fund balance	<u>\$ 847,011</u>	<u>\$ 574,650</u>	<u>\$ 1,421,661</u>	<u>\$ 1,281,140</u>

Amounts reported for governmental activities in the
Statement of Net Position are different because:

Fund equity (as reported above)	\$ 813,371
Net other post employee benefits and related deferred inflows and outflows of resources are not recorded in the funds.	(187,226)
Net pension liability and related deferred inflows and outflows of resources are not recorded in the funds.	(4,447,024)
Compensated absences are not due and payable in the current period; and therefore, are not reported in the funds	(14,249)
Net position of governmental activities	<u>\$ (3,835,128)</u>

The accompanying notes are an integral part of this statement.

Northwest Colorado Board of Cooperative Educational Services
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended June 30, 2022
With Comparative Totals for the Year Ended June 30, 2021

	General	Designated	Total	
		Purpose Grants	2022	2021
Revenues				
Local sources	\$ 552,085	\$ 18,090	\$ 570,175	\$ 520,623
State sources	54,268	1,623,264	1,677,532	1,476,766
Federal sources	10,075	1,305,575	1,315,650	1,247,718
Total revenues	<u>616,428</u>	<u>2,946,929</u>	<u>3,563,357</u>	<u>3,245,107</u>
Expenditures				
Current				
Instruction	-	1,396,235	1,396,235	1,156,954
Student support	-	1,230,441	1,230,441	1,188,800
Instructional staff support	46,201	320,253	366,454	422,676
General administration	211,334	-	211,334	172,036
Business services	283,682	-	283,682	264,482
Central services	2,570	-	2,570	22,345
Total expenditures	<u>543,787</u>	<u>2,946,929</u>	<u>3,490,716</u>	<u>3,227,293</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	72,641	-	72,641	17,814
Fund balance at beginning of year	<u>740,730</u>	-	<u>813,371</u>	<u>722,916</u>
Fund balance at end of year	<u>\$ 813,371</u>	<u>\$ -</u>	<u>\$ 813,371</u>	<u>\$ 813,371</u>

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 72,641
In the governmental funds, expenditures related to pension and OPEB obligations are measured by the amount of financial resources used, whereas in the statement of activities, they are measured on the accrual basis. This is the amount by which pension and OPEB expenses and revenues in the statement of activities is more than that in the governmental funds.	1,922,299
In the governmental funds, expenditures for compensated absences are measured by the amount of financial resources used, whereas in the statement of activities, they are measured as the benefits are earned. This is the amount the liability increased this year.	<u>(7,231)</u>
Change in net position of governmental activities	<u>\$ 1,987,709</u>

The accompanying notes are an integral part of this statement.

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Northwest Colorado Board of Cooperative Educational Services (BOCES) operates under Colorado Revised Statutes providing educational and educational support services for its six member BOCES districts, as well as other surrounding districts in northwestern Colorado. The Board members are appointed by the Boards of the six member districts, with one from each BOCES district Board, which consist of Steamboat Springs, Hayden, South Routt, East Grand, West Grand, and North Park BOCES districts.

The accounting policies of the BOCES conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies consistently applied in the preparation of the financial statements:

1. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, the BOCES' management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards. Based upon the application of these criteria, no governmental organizations are includable with the BOCES' reporting entity.

2. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information of the BOCES as a whole. The reporting information includes all of the activities of the BOCES. These statements are used to distinguish between the governmental and business-type activities of the BOCES. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The BOCES does not have any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the BOCES' governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include fees and charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues that are not classified as program revenues are presented as general revenues. The effects of interfund activity have been eliminated from the government-wide financial statements.

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Fund Financial Statements

The fund financial statements provide information about BOCES' funds. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds would be aggregated and reported as non-major funds. The BOCES presently does not treat any of its funds as non-major.

3. Fund Accounting

The BOCES reports the following major governmental funds:

General Fund – This fund is the general operating fund of the BOCES and is used to account for all financial transactions not accounted for elsewhere. Major revenue sources include member assessments and limited grant funding.

Special Revenue Fund – Designated Purpose Grants Fund – This fund accounts for the majority of the grant activity of the BOCES.

4. Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows. Non-exchange transactions in which the BOCES gives (or receives) value without directly receiving (or giving) equal value in exchange, includes grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The BOCES considers all revenues reported in the governmental funds to be available if they can be used to satisfy current obligations as of year-end. These revenues could include federal, state, and local grants, and some charges for services. Grants are only recognized to the extent allowable expenditures have been incurred. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Under the terms of grant agreements, the BOCES funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted fund balance available to finance the programs. It is the BOCES' policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

5. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all funds. All annual appropriations lapse at fiscal year-end. The BOCES adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by state law for all funds. By May 31, the Executive Director submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year end.
- Prior to June 30, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level.
- Revisions that alter the total expenditures of any fund must be approved by the Board.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted or amended by the Board. Although both an original budget and final budget are presented for both funds, the final budget is not the result of a supplemental appropriation but is the result of a budget re-adoption as allowed by State statutes.

6. Assets, Liabilities and Fund Equity

Cash and Investments - The BOCES pools cash and investment resources of its various funds in order to facilitate the management of cash and investments. Cash and investments are pooled in interest bearing accounts, which are comprised of savings accounts, money market accounts, and external pools that are legally authorized. Cash and investments applicable to a particular fund are readily identifiable. The balance in the pooled cash and investment accounts is available to meet current operating requirements.

Receivables - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital Assets – Capital assets used in governmental activities operations are shown on the government-wide financial statements. These assets are not shown in the governmental funds and are therefore listed as a reconciling item between the two presentations. Property and equipment acquired

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

or constructed for governmental fund operations are recorded as expenditures in the fund making the expenditure and capitalized at cost in the government-wide presentation. No depreciation has been provided on capital assets in the governmental funds.

Property and equipment is stated at cost. Where cost could not be determined from available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their estimated fair market value at the date of transfer.

Depreciation has been provided over the estimated useful lives of the asset in the government-wide presentation. Depreciation is calculated using the straight-line method over the following useful lives:

Vehicles	3 years
Other Equipment	5 years

Unearned Revenues – The unearned revenues include governmental grants and other donations which have not yet been earned as service has not been provided or the terms have not been met.

Fund Equity – The fund balances for governmental funds are reported in five categories: nonspendable, restricted, committed, assigned, and unassigned. The BOCES does not currently have any funds that are committed. The Board has not established a policy regarding the authorization to assign amounts to specific purposes; however, the Board, as a matter of practice, has authorized itself to assign amounts to specific purposes. Also, as a matter of practice, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first. When an expenditure is incurred for which amounts in any unrestricted fund balance classification could be used, assigned fund balances are spent first.

Operating Reserve – Maintaining a fiscal year-end fund balance as an operating reserve in the general fund is a beneficial and sound financial management practice. The Board assigns to the executive director the responsibility of accumulating and maintaining a general fund balance amounting to two months of the BOCES' current fiscal year expenditures for all funds, excluding flow-through and grants with a limited time frame, per the adopted budget, as an operating reserve. This does not include fund balance assigned for vehicle replacement or other purposes than working capital.

The operating reserve is intended to serve as a “rainy day” fund and will be used only for an unexpected loss of revenue or extraordinary expenditure. Expenditures from this reserve shall be reported to the Board. If any part of the operating reserve defined above is used in any fiscal year to cover an unexpected loss of revenue or an extraordinary expenditure, funds will be reallocated to restore the year-end fund balance in the operating reserve before any other budget allocations in the subsequent fiscal year, unless the Board approves otherwise. The Board appropriates this reserve to meet cash flow requirements.

7. Compensated Absences

Vacation, Sick Leave, and Other Compensated Absences – Certain BOCES' employees are entitled to vacation based on their length of employment. Unused vacation on June 30 may be used by

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

December 31. These compensated absences are recognized as current salary costs when paid by governmental funds. A long-term liability has been recorded in the government-wide financial statements for the accrued compensated absences. Compensated absences are expected to be liquidated with revenues of the General Fund. Unused vacation will be paid upon termination. No payment is made for unused sick leave upon termination; therefore, no liability has been recorded.

8. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

9. Interfund Balances

Due To and Due from Other Funds. During the course of its operations, the BOCES has transactions between funds to provide cash flow until receivables are received. To the extent that certain transactions between funds had not been paid or received as of June 30, 2021, balances of interfund amounts receivable or payable have been recorded.

10. 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.

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

The BOCES participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP 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.

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE B – CASH AND INVESTMENTS

Deposits

The BOCES' deposit policy is in accordance with CRS 11-10.5-101, The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA.

The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At June 30, 2022, all of the BOCES' deposits as shown below were either insured by federal depository insurance or collateralized under PDPA; and, are therefore not deemed to be exposed to custodial credit risk.

	<u>Bank Balance</u>	<u>Carrying Balance</u>
FDIC Insured	\$ 169,277	\$ (32,043)
PDPA Collateralized	<u>—</u>	<u>—</u>
Total Cash Deposits	<u>\$ 169,277</u>	<u>\$ (32,043)</u>

Investments

Colorado state statutes authorize the BOCES to invest in U.S. Treasury bills, obligations of any other U.S. agency, obligations of the World Bank, general obligation bonds of any state or any of their subdivisions, revenue bonds of any state or any of their subdivisions, bankers' acceptance notes, commercial paper, repurchase agreements, money market funds and guaranteed investment contracts. All investments must be held by the BOCES, in its name, or in custody of a third party on behalf of the local government.

As of June 30, 2022, the BOCES had \$442,477 invested in the Colorado Local 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. A designated custodial bank provides safekeeping and depository services to Colotrust in connection with the direct investment and withdrawal 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. Colotrust funds carry a Standard & Poor's AAAM rating. There is no custodial, interest rate or foreign currency risk exposure. Colotrust operates like a 2a-7 external investment pool and investments in the pool are valued at \$1 net asset value (NAV) per share. The underlying investments held by Colotrust are valued at fair value.

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

The BOCES' investment policy limits its investments to those allowed by Colorado Revised Statute 24-75-601.1 as described above.

Concentration of Credit Risk

The BOCES places no limit on the amount that may be invested in any one issuer.

Interest Rate Risk

Colorado Statutes require that no investment may have a maturity in excess of five years from the date of purchase unless authorized by the local board. The BOCES does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, other than those contained in state statutes.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the BOCES will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

NOTE C – CAPITAL ASSETS

Activity for the BOCES' capital assets is summarized below:

	Balance <u>June 30, 2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2022</u>
Governmental Activities:				
Capital assets being depreciated				
Vehicles	\$ 60,889	\$ –	\$ –	\$ 60,889
Equipment	<u>17,081</u>	<u>–</u>	<u>–</u>	<u>17,081</u>
Total capital assets	77,970	–	–	77,970
Accumulated depreciation				
Vehicles	60,889	–	–	60,889
Equipment	<u>17,081</u>	<u>–</u>	<u>–</u>	<u>17,081</u>
Total accumulated depreciation	<u>77,970</u>	<u>–</u>	<u>–</u>	<u>77,970</u>
Capital assets, net	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>

The BOCES' policy is to capitalize and inventory annually all capital assets with a unit value of or greater than \$5,000 and an estimated useful life of greater than one year.

NOTE D – ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a BOCES year of approximately nine to ten months. The accrued compensation is reflected as a liability in the financial statements of the appropriate funds. The salaries and benefits earned, but unpaid, as of June 30, 2022, were allocated as follows:

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

ECEA	\$ 65,425
IDEA Part B	150,674
Workforce Education	5,416
Gifted	4,177
General administration	464
Total Grants Funds	<u>\$ 226,156</u>

NOTE E – NONCURRENT OBLIGATIONS

The BOCES noncurrent obligations consist of the following:

	<u>Balance</u> <u>June 30, 2021</u>	<u>Net Change</u>	<u>Balance</u> <u>June 30, 2022</u>
Net OPEB obligation	\$ 210,059	\$ (7,627)	\$ 202,432
Net pension liability	4,768,185	(1,731,302)	3,036,883
Accrued compensated absences	<u>7,020</u>	<u>7,229</u>	<u>14,249</u>
	<u>\$ 4,985,264</u>	<u>\$ (1,731,700)</u>	<u>\$ 3,253,564</u>

NOTE F – DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions. Northwest Colorado Board of Cooperative Educational Services (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 (FNP) and additions to/deductions from the FNP of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

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

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Benefits provided as of December 31, 2021. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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% 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% of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

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

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

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

exhaust 10% of PERA’s Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

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

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

Contributions provisions as of 6/30/2022: 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 10.50% of their PERA-includable salary during the period of July 1, 2021 through June 30, 2022. Employer contribution requirements are summarized in the table below: E

	July 1, 2021 Through June 30, 2022
Employer contribution rate	10.90%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02%)
Amount apportioned to the SCHDTF	9.88%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
Total employer contribution rate to the SCHDTF	19.88%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the BOCES is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the BOCES were \$316,467 for the year ended 6/30/2022.

For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation. As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (actual dollars) direct distribution each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. In addition to the \$225 million (actual dollars) direct distribution due July 1, 2022, House Bill (HB) 22-1029, instructs the State treasurer to issue a warrant to PERA in the amount of \$380 million (actual dollars), upon enactment, with reductions to future direct distributions scheduled to occur July 1, 2023, and July 1, 2024.

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

The net pension liability for the SCHDTF was measured as of December 31, 2021, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the TPL to December 31, 2021. The BOCES proportion of the net pension liability was based on the BOCES contributions to the SCHDTF for the calendar year 2021 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2022, the BOCES reported a liability of \$3,036,883 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:

BOCES's proportionate share of the net pension liability	\$3,036,883
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the BOCES	314,526
Total	\$3,351,409

At December 31, 2021, the BOCES proportion was 0.026096%, which was a decrease of 0.005444% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the BOCES recognized pension expense of \$(1,596,367) and revenue of \$83,223 for support from the State as a nonemployer contributing entity. At June 30, 2022, the BOCES reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$116,264	\$-
Changes of assumptions or other inputs	231,843	-
Net difference between projected and actual earnings on pension plan investments	-	1,141,777
Changes in proportion and differences between contributions recognized and proportionate share of contributions	44,115	810,554
Contributions subsequent to the measurement date	149,966	N/A
Total	\$542,188	\$1,952,331

\$149,966 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:

Year ended 6/30/2022	
2023	(\$444,929)
2024	(605,652)
2025	(370,941)
2026	(138,587)
2027	-
Thereafter	-

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation:	3.40%- 11.00%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (compounded annually)	1.00%
PERA benefit structure hired after 12/31/06 ¹	Financed by the AIR

¹ Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

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

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

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

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

- **Males:** 112% of the rates prior to age 80 and 94% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 83% of the rates prior to age 80 and 106% of the rates for ages 80 and older, with generational projection using scale MP-2019.

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

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

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

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

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

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

Several factors are considered in evaluating the long-term rate of return assumption, 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 percentages and then adding expected inflation.

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

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

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

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

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in Senate Bill (SB) 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. 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, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, 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 FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered AI cap, from 1.25% to 1.00%, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Based on the above assumptions and methods, the SCHDTF’s FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

Sensitivity of the 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%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension	\$4,470,043	\$3,036,883	\$1,840,964

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

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Summary of Significant Accounting Policies

OPEB Northwest Colorado Board of Cooperative Educational Services (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 (FNP) and additions to/deductions from the FNP 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, and 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 by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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 health benefits program 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 maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5% reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

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

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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 maximum service-based subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5% reduction in the subsidy for each year less than 20. The 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% 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 \$15,511 for the year ended June 30, 2022.

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

At June 30, 2022 the BOCES reported a liability of \$146,925 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2021, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the TOL to December 31, 2021. The BOCES proportion of the net OPEB liability was based on the BOCES contributions to the HCTF for the calendar year 2021 relative to the total contributions of participating employers to the HCTF.

At December 31, 2021, the BOCES proportion was 0.0170386%, which was a decrease of 0.005067% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022 the BOCES recognized OPEB expense of \$(77,683). At June 30, 2022, the BOCES reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$224	\$34,838
Changes of assumptions or other inputs	3,042	9,095
Net difference between projected and actual earnings on OPEB plan investments	-	7,970
Changes in proportion and differences between contributions recognized and proportionate share of contributions	22,175	21,533
Contributions subsequent to the measurement date	7,694	N/A
Total	\$33,135	\$73,436

\$7,694 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:

Year ended 6/30/2022	
2023	(\$17,368)
2024	(16,871)
2025	(12,593)
2026	(1,636)
2027	398
Thereafter	75

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

	State Division	School Division	Local Government Division	Judicial Division
Actuarial cost method			Entry age	
Price inflation			2.30%	
Real wage growth			0.70%	
Wage inflation			3.00%	
Salary increases, including wage inflation				
Members other than State Troopers	3.30%- 10.90%	3.40%- 11.00%	3.20%- 11.30%	2.80%- 5.30%
State Troopers	3.20%- 12.40%	N/A	3.20%- 12.40%	N/A
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation			7.25%	
Discount rate			7.25%	
Health care cost trend rates				
PERA benefit structure:				
Service-based premium subsidy			0.00%	
PERACare Medicare plans			4.50% in 2021, 6.00% in 2022 gradually decreasing to 4.50% in 2029	
Medicare Part A premiums			3.75% in 2021, gradually increasing to 4.50% in 2029	
DPS benefit structure:				
Service-based premium subsidy			0.00%	
PERACare Medicare plans			N/A	
Medicare Part A premiums			N/A	

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

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

Medicare Plan	Initial Costs for Members without Medicare Part A		
	Monthly Cost	Monthly Premium	Monthly Cost Adjusted to Age 65
Medicare Advantage/Self-Insured Rx	\$633	\$230	\$591
Kaiser Permanente Medicare Advantage HMO	596	199	562

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

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

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

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

The PERA benefit structure health care cost trend rates used to measure the TOL are summarized in the table below:

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

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Mortality assumptions used in the December 31, 2020, valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the determination of the TOL for the HCTF, but developed using a headcount-weighted basis. Affiliated employers of the State, School, Local Government and Judicial Divisions participate in the HCTF.

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

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

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

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

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

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

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

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

- **Males:** 112% of the rates prior to age 80 and 94% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 83% of the rates prior to age 80 and 106% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

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

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

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

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

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

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

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

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

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

Several factors are considered in evaluating the long-term rate of return assumption, 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

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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 percentages and then adding expected inflation.

As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

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

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

Sensitivity of the BOCES proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	3.50%	4.50%	5.50%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.75%	3.75%	4.75%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$142,706	\$146,925	\$151,813

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2021, measurement date.

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

Based on the above assumptions and methods, the HCTF's FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

Sensitivity of the 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%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.25%) or one-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$170,638	\$146,925	\$126,670

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

NOTE H – 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

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Plan. That report can be obtained at www.copera.org/investment/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 contributions and investment earnings. The BOCES did not make any contributions to the 401(k) Plan for the year ended June 30, 2022.

NOTE I – COMMITMENTS AND CONTINGENCIES

Claim and Judgments – 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, 2022, significant amounts of grant expenditures have not been audited but the BOCES believes that 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.

Tabor Amendment – In November 1992, Colorado voters passed the Tabor Amendment (Amendment 1) to the State Constitution which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded unless the BOCES' member districts decide to retain the revenue. The BOCES believes it is exempt from the Tabor Amendment because it receives no direct taxes and is a joint venture of district members.

NOTE J – RISK MANAGEMENT

The BOCES is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The BOCES carries commercial coverage for these risks.

Settled claims resulting from these risks have not exceeded 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.

REQUIRED

SUPPLEMENTARY INFORMATION

Northwest Colorado Board of Cooperative Educational Services
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 GENERAL FUND - BUDGET AND ACTUAL

Year Ended June 30, 2022
 With Comparative Totals for the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	2021 Actual
Revenues					
Local sources					
Interest	\$ 253	\$ 250	\$ 720	\$ 470	\$ 475
Local assessments	470,063	371,226	457,547	86,321	389,332
Other	64,000	79,800	93,818	14,018	93,710
	<u>534,316</u>	<u>451,276</u>	<u>552,085</u>	<u>100,809</u>	<u>483,517</u>
State sources - grants	59,798	59,798	54,268	(5,530)	11,811
	<u>59,798</u>	<u>59,798</u>	<u>54,268</u>	<u>(5,530)</u>	<u>11,811</u>
Federal sources - grants	-	-	10,075	10,075	3,487
	<u>-</u>	<u>-</u>	<u>10,075</u>	<u>10,075</u>	<u>3,487</u>
Total revenues	<u>594,114</u>	<u>511,074</u>	<u>616,428</u>	<u>105,354</u>	<u>498,815</u>
Expenditures					
Support services - Instructional staff					
PS - Professional	25,000	30,100	13,791	16,309	10,345
PS - Other	2,529	2,273	2,387	(114)	2,273
Other	-	-	17,100	(17,100)	-
Supplies	13,723	13,723	12,923	800	12,923
	<u>41,252</u>	<u>46,096</u>	<u>46,201</u>	<u>(105)</u>	<u>25,541</u>
Support services - General administration					
Salaries	127,500	126,250	126,250	-	125,000
Benefits	84,697	84,418	73,788	10,630	38,518
PS - Other	8,000	9,000	8,861	139	5,220
Other	3,000	3,300	2,435	865	3,298
	<u>223,197</u>	<u>222,968</u>	<u>211,334</u>	<u>11,634</u>	<u>172,036</u>
Support services - Business services					
Salaries	139,005	139,005	138,444	561	190,690
Benefits	51,174	36,549	38,377	(1,828)	70,440
PS - Professional	72,178	68,304	65,601	2,703	32,644
Supplies	11,500	11,500	10,872	628	9,410
PS - Property	4,000	6,000	2,912	3,088	5,340
PS - Other	45,862	46,612	48,809	(2,197)	38,027
Capital outlay	5,000	6,000	4,125	1,875	9,704
Other	(22,412)	(52,838)	(25,458)	(27,380)	(95,176)
	<u>306,307</u>	<u>261,132</u>	<u>283,682</u>	<u>(22,550)</u>	<u>261,079</u>
Support services - Central services					
PS - Other	23,925	23,944	2,570	21,374	22,345
	<u>23,925</u>	<u>23,944</u>	<u>2,570</u>	<u>21,374</u>	<u>22,345</u>
Contingency	701,917	697,664	-	697,664	-
Total expenditures	<u>1,296,598</u>	<u>1,251,804</u>	<u>543,787</u>	<u>708,017</u>	<u>481,001</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(702,484)	(740,730)	72,641	813,371	17,814
Other financing sources (uses)					
Transfers in (out)	-	-	-	-	-
Excess of revenues and other financing sources over (under) expenditures and other uses	(702,484)	(740,730)	72,641	813,371	17,814
Fund balance at beginning of year, budget basis	702,484	740,730	740,730	-	722,916
Fund balance at end of year, budget basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 813,371</u>	<u>\$ 813,371</u>	<u>\$ 740,730</u>

Northwest Colorado Board of Cooperative Educational Services

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DESIGNATED PURPOSE GRANTS FUND - BUDGET AND ACTUAL

Year Ended June 30, 2022

With Comparative Totals for the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	2021 Actual
Revenues					
Local sources					
Other	\$ 62,312	\$ 161,149	\$ 18,090	\$ (143,059)	\$ 37,106
	62,312	161,149	18,090	(143,059)	37,106
State sources					
ECEA	1,374,509	1,476,713	1,376,390	(100,323)	1,186,702
Gifted and Talented	118,505	113,715	113,715	-	118,505
Other	150,794	154,644	133,159	(21,485)	159,748
	1,643,808	1,745,072	1,623,264	(121,808)	1,464,955
Federal sources					
Title programs	14,604	14,604	14,038	(566)	16,607
ESSER II	-	-	-	-	96,577
i3 SEED	-	-	-	-	21,382
IDEA Part B	980,046	1,200,123	1,186,940	(13,183)	1,006,421
Carl Perkins Vocational Ed	66,709	66,709	70,855	4,146	71,453
IDEA Preschool	31,791	33,744	33,742	(2)	31,791
	1,093,150	1,315,180	1,305,575	(9,605)	1,244,231
Total revenues	2,799,270	3,221,401	2,946,929	(274,472)	2,746,292
Expenditures					
Instruction					
Salaries	403,979	312,739	330,219	(17,480)	509,155
Benefits	147,027	114,693	114,195	498	184,863
PS - Professional	217,424	330,556	277,888	52,668	40,194
PS - Other	627,437	831,547	673,933	157,614	422,742
	1,395,867	1,589,535	1,396,235	193,300	1,156,954
Student support					
Salaries	672,472	747,754	749,136	(1,382)	668,156
Benefits	245,735	259,091	255,110	3,981	243,224
PS - Professional	134,844	206,714	159,716	46,998	189,048
PS - Property	5,000	5,000	20,198	(15,198)	4,729
PS - Other	31,604	30,699	33,282	(2,583)	55,477
Supplies	17,100	30,100	12,999	17,101	28,166
	1,106,755	1,279,358	1,230,441	48,917	1,188,800

Northwest Colorado Board of Cooperative Educational Services
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 DESIGNATED PURPOSE GRANTS FUND - BUDGET AND ACTUAL

Year Ended June 30, 2022
 With Comparative Totals for the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	2021 Actual
Instructional staff support					
Salaries	175,901	195,285	193,322	1,963	182,806
Benefits	56,038	59,588	58,119	1,469	54,587
PS - Other	7,500	10,000	8,909	1,091	58,282
Professional services	29,825	29,825	29,937	(112)	-
Other	22,412	52,838	25,458	27,380	94,623
Supplies	4,972	4,972	4,508	464	6,837
	<u>296,648</u>	<u>352,508</u>	<u>320,253</u>	<u>32,255</u>	<u>397,135</u>
Business services	-	-	-	-	3,403
Total expenditures	<u>2,799,270</u>	<u>3,221,401</u>	<u>2,946,929</u>	<u>274,472</u>	<u>2,746,292</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-	-
Other financing sources (uses)					
Transfers in (out)	-	-	-	-	-
Excess of revenues and other financing sources over (under) expenditures and other uses	-	-	-	-	-
Fund balance at beginning of year	-	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Northwest Colorado Board of Cooperative Educational Services

SCHEDULE OF ACTIVITY - NET PENSION LIABILITY

June 30, 2022

	Employer proportion of NPL	Employer proportionat e share of NPL	Nonemployer contributing entity's proportionate share of NPL associated with employer	Total proportionat e share of NPL	Covered payroll	Employer proportionate share of NPL as a percentage of covered payroll	Pension plan's fiduciary net position as a percentage of total pension liability
<u>Measurement date:</u>							
December 31, 2014	0.044772%	\$ 6,068,055	\$ -	\$ 6,068,055	\$ 1,875,609	324%	63%
December 31, 2015	0.046376%	7,092,952	-	7,092,952	2,021,075	351%	59%
December 31, 2016	0.042313%	12,598,337	-	12,598,337	1,876,604	671%	43%
December 31, 2017	0.040772%	13,184,140	-	13,184,140	1,866,404	706%	44%
December 31, 2018	0.033239%	5,885,579	707,967	6,593,546	1,827,306	322%	57%
December 31, 2019	0.030226%	4,515,677	508,287	5,023,964	1,752,847	258%	65%
December 31, 2020	0.031540%	4,768,185	-	4,768,185	1,656,558	288%	67%
December 31, 2021	0.026096%	3,036,883	314,526	3,351,409	1,571,221	193%	75%

Northwest Colorado Board of Cooperative Educational Services

SCHEDULE OF ACTIVITY - EMPLOYER PENSION CONTRIBUTIONS

June 30, 2022

	Required employer contribution	Employer contributions recognized by the plan	Difference	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2015	\$ 332,589	\$ 332,589	\$ -	\$ 1,968,051	16.90%
June 30, 2016	341,991	341,991	-	1,930,215	17.72%
June 30, 2017	343,403	343,403	-	1,868,537	18.38%
June 30, 2018	348,295	348,295	-	1,857,047	18.76%
June 30, 2019	340,288	340,288	-	1,780,075	19.12%
June 30, 2020	334,779	334,779	-	1,721,991	19.44%
June 30, 2021	329,086	329,086	-	1,655,348	19.88%
June 30, 2022	302,305	302,305	-	1,520,649	19.88%

Northwestern CO Board of Cooperative Educational Services

SCHEDULE OF ACTIVITY - NET OPEB LIABILITY

June 30, 2022

<u>Measurement date:</u>	<u>Employer proportion of NOPEBL</u>	<u>Employer proportionate share of NOPEBL</u>	<u>Covered payroll</u>	<u>Employer proportionate share of NOPEBL as a percentage of covered payroll</u>	<u>OPEB plan's fiduciary net position as a percentage of total OPEB liability</u>
December 31, 2017	0.02317%	\$ 301,070	\$ 1,866,404	16%	18%
December 31, 2018	0.02161%	293,949	1,827,306	16%	17%
December 31, 2019	0.01975%	222,015	1,752,847	13%	24%
December 31, 2020	0.02211%	210,059	1,656,558	13%	33%
December 31, 2021	0.01704%	146,925	1,571,221	9%	39%

Northwestern CO Board of Cooperative Educational Services

SCHEDULE OF ACTIVITY - EMPLOYER OPEB CONTRIBUTIONS

June 30, 2022

	Required employer contribution	Employer contributions recognized by the plan	Difference	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2018	\$ 18,942	\$ 18,942	\$ -	\$ 1,857,047	1.02%
June 30, 2019	18,157	18,157	-	1,780,075	1.02%
June 30, 2020	17,564	17,564	-	1,721,991	1.02%
June 30, 2021	16,885	16,885	-	1,655,348	1.02%
June 30, 2022	15,511	15,511	-	1,520,649	1.02%

SUPPLEMENTARY INFORMATION

Northwest Colorado Board of Cooperative Educational Services

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BY DESIGNATED PURPOSE GRANTS FUND

Year ended June 30, 2022

	ECEA	Gifted and Talented	IDEA Part B	Carl Perkins	Implement State Ed Priorities	Title Funds	Total
Revenues							
Local sources	\$ 18,090	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,090
State sources	1,376,390	113,715	-	-	133,159	-	1,623,264
Federal sources	-	-	1,220,682	70,855	-	14,038	1,305,575
Total revenues	1,394,480	113,715	1,220,682	70,855	133,159	14,038	2,946,929
Expenditures							
Current							
Instruction	743,709	113,715	454,314	70,855	-	-	1,382,593
Support services							
Students	476,482	-	753,563	-	-	14,038	1,244,083
Instructional staff	174,289	-	12,805	-	133,159	-	320,253
Business services	-	-	-	-	-	-	-
Total expenditures	1,394,480	113,715	1,220,682	70,855	133,159	14,038	2,946,929
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES							
	-	-	-	-	-	-	-
Beginning fund balance	-	-	-	-	-	-	-
Ending fund balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



Colorado Department of Education
Auditors Integrity Report
 District: 9095 - Northwest Colo BOCES
 Fiscal Year 2021-22
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	740,730	616,428	543,787	813,371
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	740,730	616,428	543,787	813,371
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
07 Total Program Reserve Fund	0	0	0	0
21 Food Service Spec Revenue Fund	0	0	0	0
22 Govt Designated-Purpose Grants Fund	0	2,946,929	2,946,928	1
23 Pupil Activity Special Revenue Fund	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	0	0	0	0
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	740,730	3,563,358	3,490,716	813,372
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	0	0	0	0

FINAL

*If you have a prior period adjustment in any fund (Balance Sheet 6880), the amount of your priorperiod adjustment is added into both your ending and beginning fund balances on this report.