

Pikes Peak Board of Cooperative Educational Services
Auditor's Report and Financial Statements
June 30, 2022

**Pikes Peak
Board of Cooperative Educational Services
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June 30, 2022**

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Independent Auditor's Report

Members of the Board
Pikes Peak Board of Cooperative Educational Services

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pikes Peak Board of Cooperative Educational Services ("BOCES"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise BOCES basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of BOCES as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of BOCES 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

BOCES 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 BOCES 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, 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 BOCES 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 BOCES 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, budgetary comparison information, and the schedules of BOCES proportionate share of net pension and OPEB liabilities and contributions and related ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because

the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has elected to omit the management's discussion and analysis. The omission of this information does not affect our opinion on the basic financial statements.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise BOCES basic financial statements. The supplemental information including the balance sheet, statement of revenues, expenditures, and changes in fund balance and budget to actual information, the auditors integrity report, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is 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 22, 2023, on our consideration of BOCES 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BOCES internal control over financial reporting and compliance.

rfarmer, llc

February 22, 2023

Basic Financial Statements

Pikes Peak Board of Cooperative Educational Services
Statement of Net Position
June 30, 2022

	Governmental Activities
ASSETS	
Cash and Equivalents	\$ 4,502,375
Receivables	447,984
Capital Assets:	
Land	967,719
Buildings	11,421,848
Less: Accumulated Depreciation	(2,752,098)
Total Capital Assets	9,637,469
 DEFERRED OUTFLOWS OF RESOURCES	
Pension	1,991,809
OPEB	38,763
Total Assets	16,618,400
 LIABILITIES	
Accounts payable and accrued expenses	307,998
Unearned Revenues	330,125
Long-term liabilities:	
Due within one year:	
Note payable-USDA	16,662
Due in more than one year:	
Note payable-USDA	58,768
Net Pension and OPEB Liability	8,827,919
Compensated absences	118,925
Total liabilities	9,660,397
 DEFERRED INFLOWS OF RESOURCES	
Pension	3,933,091
OPEB	162,695
 NET POSITION	
Net investment in capital assets	9,562,039
Unrestricted	(6,699,822)
Total net position	\$ 2,862,217

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

**Pikes Peak Board of Cooperative Educational Services
Statement of Activities
For the Year Ended June 30, 2022**

<u>Functions/Programs</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Position Primary Government</u>
<u>Primary government</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
Instructional:				
Instruction	\$ 7,367,252	\$ 7,024,682	\$ 2,057,130	\$ 1,714,560
Supporting services	6,182,668	1,716,809	2,123,835	(2,342,024)
Total Instructional	13,549,920	8,741,491	4,180,965	(627,464)
Interest on Long-term debt	7,540	-	-	(7,540)
Total governmental activities	13,557,460	8,741,491	4,180,965	(635,004)
General revenues:				
Unrestricted investment earnings				\$ 4,487
Other				695,671
Changes in PERA pension assumptions				14,744,992
Total general revenues, special items, and transfers				15,445,150
Change in net position				14,810,146
Net position - beginning				(11,947,929)
Net position - ending				\$ 2,862,217

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

**Pikes Peak Board of Cooperative Educational Services
Balance Sheet
Governmental Funds
June 30, 2022**

	<u>General</u>	<u>Designated Purpose Grants</u>	<u>NEED Foundation</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 3,368,624	\$ 78,510	\$ 112,894	\$ 196,379	\$ 745,968	\$ 4,502,375
Other receivables	407,839	40,145	-	-	-	447,984
Total assets	<u>3,776,463</u>	<u>118,655</u>	<u>112,894</u>	<u>196,379</u>	<u>745,968</u>	<u>4,950,359</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	3,409	-	-	-	14,684	18,093
Unearned revenue	223,312	106,813	-	-	-	330,125
Other accrued expenses	268,063	11,842	-	-	10,000	289,905
Total liabilities	<u>494,784</u>	<u>118,655</u>	<u>-</u>	<u>-</u>	<u>24,684</u>	<u>638,123</u>
Fund balances:						
Special revenue funds-committed	-	-	112,894	-	-	112,894
Committed capital projects funds	-	-	-	196,379	-	196,379
Assigned	75,001	-	-	-	-	75,001
Unassigned	3,206,678	-	-	-	-	3,206,678
Committed, reported in non-major:						
Special revenue funds	-	-	-	-	721,284	721,284
Total fund balances	<u>3,281,679</u>	<u>-</u>	<u>112,894</u>	<u>196,379</u>	<u>721,284</u>	<u>4,312,236</u>
Total liabilities and fund balances	<u>\$ 3,776,463</u>	<u>\$ 118,655</u>	<u>\$ 112,894</u>	<u>\$ 196,379</u>	<u>\$ 745,968</u>	<u>\$ 4,950,359</u>

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

**Pikes Peak Board of Cooperative Educational Services
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2022**

Total fund balance, governmental funds \$ 4,312,236

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 9,637,469

Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position: Pension Plan Deferred Outflow 2,030,572

Some liabilities, (such as Notes Payable, Long-term Compensated Absences, Net Pension Liability, Pension Differences-Deferred Outflow and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. (13,118,060)

Net Position of Governmental Activities in the Statement of Net Position \$ 2,862,217

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

Pikes Peak Board of Cooperative Educational Services
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	General	Designated Purpose Grants	NEED Foundation	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
Local sources	\$ 8,431,617	\$ 65	\$ 24,023	\$ 15,750	\$ -	\$ 8,471,455
State sources	-	1,272,117	-	-	-	1,272,117
Federal sources	1,344,606	1,863,231	-	-	-	3,207,837
Employee benefit premiums	-	-	-	-	671,204	671,204
Total revenues	<u>9,776,223</u>	<u>3,135,413</u>	<u>24,023</u>	<u>15,750</u>	<u>671,204</u>	<u>13,622,613</u>
EXPENDITURES						
Instructional	4,247,733	3,135,413	-	-	-	7,383,146
Supporting services	5,173,537	-	1,332	7,560	631,696	5,814,125
Total Instructional	<u>9,421,270</u>	<u>3,135,413</u>	<u>1,332</u>	<u>7,560</u>	<u>631,696</u>	<u>13,197,271</u>
Debt Service:						
Principal	-	-	116,040	-	-	116,040
Interest Expense	-	-	7,540	-	-	7,540
Total Expenditures	<u>9,421,270</u>	<u>3,135,413</u>	<u>124,912</u>	<u>7,560</u>	<u>631,696</u>	<u>13,320,851</u>
Excess (deficiency) of revenues over expenditures	<u>354,953</u>	<u>-</u>	<u>(100,889)</u>	<u>8,190</u>	<u>39,508</u>	<u>301,762</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	100,000	-	-	100,000
Transfers out	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
Total other financing sources and uses	<u>(100,000)</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
SPECIAL ITEM						
Net change in fund balances	254,953	-	(889)	8,190	39,508	301,762
Fund balances - beginning	3,026,726	-	113,783	188,189	681,776	4,010,474
Fund balances - ending	<u>\$ 3,281,679</u>	<u>\$ -</u>	<u>\$ 112,894</u>	<u>\$ 196,379</u>	<u>\$ 721,284</u>	<u>\$ 4,312,236</u>

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

**Pikes Peak Board of Cooperative Educational Services
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
For the Year Ended June 30, 2022**

Net change in fund balances - total governmental funds: \$ 301,762

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlay of \$0 is less than depreciation of \$352,649 in the current period. (352,649)

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds. 116,040

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Net difference between PERA pension and OPEB actual expense contributions 14,744,992

Rounding 1

Change in net position of governmental activities \$ 14,810,146

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

Pikes Peak Board of Cooperative Educational Services
Notes to Basic Financial Statements
June 30, 2022

Note 1 **Summary of Significant Accounting Policies**

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

Projects Fund, and the Need Foundation) are reported as separated columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

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

Governmental Funds

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

Major Governmental Funds:

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

Cash and Cash Equivalents

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Member and associate member receivables were \$374,057 and other receivables of \$33,331 at year-end.

Capital Assets

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

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

the governmental fund types are sold, the proceeds of the sale are recorded as revenues in the appropriate fund. The BOCES does not capitalize interest on the construction of capital assets in governmental funds.

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

Vehicles	5 – 8 Years
Furniture, fixtures, and equipment	5 – 15 Years
Buildings and improvements	20 – 40 Years

Liabilities

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Unearned Grant Revenue

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

Compensated Absences

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

Budgets and Budgeting Accounting

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

1. Budgets are required by state law for all funds. Prior to June 1, the Executive Director submits to the Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is adopted by formal resolution of the Board. Budgets may be revised until January 31st of the budget year.
4. Expenditures may not legally exceed appropriations at the fund level. The BOCES is authorized to transfer budgeted amount between departments within any fund; however, the Board must approve any revisions that alter the total expenditures of any fund.
5. Formal budgetary interrogation is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Capital Project Fund.
6. Budgets for the General Funds, Special Revenue Funds, and Capital Project Fund are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP).

Fund Equity

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

For the governmental fund presentation, fund balances that are classified as “nonspendable” include amounts that cannot be spent because they are either (a) not in spendable forms or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example inventories and prepaid amounts.

Fund balance should be reported as “restricted” when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the Board and Education, should be reported as “committed” fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the

specified use by taking the same type of action (for example: legislation, resolution, or ordinance) it employed to previously commit those amounts.

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

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

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

Net Position

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

Accounting Estimates

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

Note 2

Cash Deposits and Investments

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

Cash	\$ 4,473,967
COLOTRUST	28,408
Total Cash & Investments	<u>\$ 4,502,375</u>

Cash also includes \$300 cash on hand.

Deposits

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

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

- Obligations for the U.S. government and certain government agencies securities.
- Certain international agency securities.
- General obligation and revenue bonds of governmental entities.
- Bankers' acceptances of certain banks.
- Commercial paper.
- Local government investment pools.
- Written repurchase agreements collateralized by authorized securities.
- Guaranteed investment contracts.
- Checking with interest savings accounts.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the BOCES deposits may not be returned to it. The BOCES does not have a deposit policy for custodial credit risk. At year-end, the BOCES bank balance was \$4,473,667. Of the bank balance, \$501,00 was covered by FDIC insurance and \$3,972,667 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging of financial institution through PDPA. The difference between the BOCES carrying balance and bank balance is outstanding checks.

Investments

The BOCES has invested \$28,408 (fair value) in the Colorado Government Liquid Assets 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 to value to \$1.00. The Colorado Division of Securities administers and enforces the requirements of creating and operating COLOTRUST. Investments of COLOTRUST consist of U.S. Treasury bills, notes, note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawals functions of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST.

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

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

Note 3 Capital Assets

A summary of the changes in capital assets follows:

	Governmental Activities			Balance 6/30/22
	Balance 7/1/21	Additions	Deletions	
Non-depreciable assets:				
Land	\$ 967,719	\$ -	\$ -	\$ 967,719
Total non-depreciable assets	<u>967,719</u>	<u>-</u>	<u>-</u>	<u>967,719</u>
Depreciable assets:				
Buildings	11,126,806	-	-	11,126,806
Equipment and furniture	161,281	-	-	161,281
Vehicles	133,761	-	-	133,761
Total depreciable assets	<u>11,421,848</u>	<u>-</u>	<u>-</u>	<u>11,421,848</u>
Less accumulated depreciation for:				
Buildings	(2,165,229)	(331,148)	-	(2,496,377)
Equipment and furniture	(143,592)	(4,419)	-	(148,011)
Vehicles	(90,628)	(17,082)	-	(107,710)
Total accumulated depreciation	<u>(2,399,449)</u>	<u>(352,649)</u>	<u>-</u>	<u>(2,752,098)</u>
Total Capital Assets, Net	<u>\$ 9,990,118</u>	<u>\$ (352,649)</u>	<u>\$ -</u>	<u>\$ 9,637,469</u>
Supporting Services				<u>\$ (352,649)</u>

Note 4 Long-Term Debt

The following is a summary of long-term debt:

	Balance 7/1/21	Additions	Deletions	Balance 6/30/22	Current Portion
Compensated Absences	\$ 118,925	\$ -	\$ -	\$ 118,925	\$ -
Notes Payable	191,470	-	(116,040)	75,430	16,662
Totals	\$ 310,395	\$ -	\$ (116,040)	\$ 194,355	\$ 16,662

In June of 2019, the BOCES entered into an agreement to purchase a building from the Calhan Charter Building Corporation by assuming the existing loan with the United States Department of Agriculture Rural Development Agency. The total amount of assumed loan was \$465,330 with monthly interest and principal payments of \$1,955. The assumed note began in July of 2019 with a final payment in June of 2031 at an interest rate of 3.50%. The debt is secured by the building. During 2021-22, the BOCES paid down the principal amount by an additional \$100,000.

	Principal	Interest	Total
2023	\$ 16,662	\$ 6,798	\$ 23,460
2024	17,308	6,152	23,460
2025	17,978	5,482	23,460
2026	18,675	4,785	23,460
2027	4,807	130	4,937
Total	\$ 75,430	\$ 23,347	\$ 98,777

Note 5 Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pensions. The BOCES participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees’ Retirement Association of Colorado (“PERA”). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position (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.

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

General Information About the Pension Plan

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

Benefits provided as of December 31, 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 base 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 exhaust 10% of PERA’s Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

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

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

Contributions provisions as of June 30, 2022: Eligible employees 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:

	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)

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. § 24-52-413, the State is required to contribute \$225 million direct distribution each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Trust Fund. In addition to the \$225 million 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, upon enactment, with reductions to future direct distributions scheduled to occur July 1, 2023, and July 1, 2024.

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 \$996,607 for the year ended December 31, 2021

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

The net pension liability for the SCHDTF was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the total pension liability to December 31, 2021. 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 \$8,374,728 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 proportion of the net pension liability that was associated with the BOCES were as follows:

The BOCES proportionate share of the net pension liability	\$ 8,374,728
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the BOCES	960,056
Total	<u>\$ 9,334,784</u>

At December 31, 2021, the BOCES proportion was .08021%, which is approximately the same as its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the BOCES recognized pension expense of \$114,248 and revenue of \$114,248 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 357,373	\$ -
Changes of assumptions and other inputs	712,641	-
Net difference between projected and actual earnings on pension plan investments	423,491	3,933,091
Contributions subsequent to the measurement date.	498,304	N/A
Total	<u>\$ 1,991,809</u>	<u>\$ 3,933,091</u>

\$498,304 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, 2023. 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 June 30,	
2023	(206,761)
2024	(968,274)
2025	(838,559)
2026	(425,990)
2027	-
Thereafter	-

Actuarial Assumptions. The total pension liability (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 on the PubT-2010 Employee Tables 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.
- 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 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 analysis 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 assets 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:

- 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 the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions 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.

Based on the above assumptions and methods, the projection test indicates 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 total pension liability. The discount rate determination does not use the municipal bend 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 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% increase (8.25%)
Proportionate share of the net pension liability	\$12,326,916	\$8,374,728	\$5,076,776

Pension Plan FNP. 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 6 Voluntary Investment Program

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

Funding Policy. The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings.

HB 22-1029: *Compensatory Direct Distribution to Public Employee's Retirement Association*, enacted June 7, 2022, and effective immediately, is intended to recompense PERA for the \$225 million direct distribution originally scheduled for receipt July 1, 2020 but suspended due to the enactment of HB 20-1379. Pursuant to HB 22-1029, the State treasurer is to issue a warrant to PERA in the amount of \$380 million, upon enactment, with reductions to future direct distributions scheduled to occur July 1, 2023, and July 1, 2024. Based on this legislation and the known total fund investment return for 2021 of 16.1%, the July 1, 2023, direct distribution will be reduced by \$190 million, resulting in a payment of \$35 million, and the July 1, 2024, direct distribution will be reduced by an amount yet to be determined, but not greater than \$27.55 million, resulting in a payment of not less than \$197.45 million.

Governmental accounting standards require the net pension liabilities for financial reporting purposes be measured using the plan provisions in effect as of the pension plan's

year end. The passage of HB 22-1029 into law is considered a nonrecognized subsequent event as these statutory changes to plan provisions did not exist as of the December 31, 2021, measurement date.

Note 7

Defined Benefit Other Post Employment Benefit (OPEB) Plan

Summary of Significant Accounting Policies

OPEB. The BOCES participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the 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. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available Annual Report that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

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

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

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

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 services-based subsidy is \$115 per month for retirees who are 65 years of age of older or who are under 65 years of age and entitled to Medicare. The maximum subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5% 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 \$51,133 for the year ended December 31, 2021.

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

At June 30, 2021, the BOCES reported a liability of \$453,191 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 .05237%, which is approximately the same as its proportion measured as of December 31, 2020.

For the year ended December 31, 2021, the BOCES recognized OPEB expense of \$51,134. At June 30, 2022, the BOCES reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 688	\$ 107,084
Changes of assumptions and other inputs	9,350	24,497
Net difference between projected and actual earnings on pension plan investments	3,158	31,114
Contributions subsequent to the measurement date.	25,567	N/A
Total	\$ 38,763	\$ 162,695

\$25,567 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, 2023. 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 June 30,	
2023	\$ (40,085)
2024	(43,821)
2025	(41,221)
2026	(19,797)
2027	(4,004)
Thereafter	(568)

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	

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 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 \$458 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, 2019, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
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%

Mortality assumptions used in 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 Division (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.

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 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 the Board’s actuary, as discussed above.

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.

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 assets class are summarized in the table as follows:

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

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

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	\$438,650	\$451,619	\$466,643

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

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

Based on the above assumptions and methods, the projection test indicates the HCTF's FNP was projected 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 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% increase (8.25%)
Proportionate share of the net OPEB liability	\$570,086	\$453,191	\$435,789

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

Note 8 Auditor's Integrity Report

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

Note 9 Risk Management

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

Note 10 Inter-Fund Transactions

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

Note 11 Accrued Teachers' Salaries and Employee Benefits

Teachers' contracts are for a nine or ten-month period; but are paid in twelve equal payments. At the end of the fiscal year, an accrual exists for the difference between the amounts due on the contract and the amounts paid.

Note 12 Commitments, Contingencies and Compliance

TABOR Amendment – In November 1992, the voters of Colorado approved Amendment I, commonly known as the Taxpayer's Bill of Rights (TABOR), which add a new Article 10 Section 20 to the Colorado Constitution. TABOR contains tax, spending, revenue, and debt limitations, which apply to the State of Colorado and all local governments. The amendment does not specifically address the BOCES. However, several legal opinions have been issued stating that the BOCES itself is not subject to the requirements and restrictions of the TABOR amendment. There have been several recent court cases with organizations similar to the BOCES, where the court has found that these organizations are not subject to TABOR since they are not a municipality and do not exercise independent "Government" power. The BOCES does not need to maintain emergency reserve required by TABOR as expenditures can fluctuate independently of TABOR.

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

If expenditures are disallowed due to noncompliance with grant program regulations, the BOCES may be required to reimburse the grantor government. As of June 30, 2022, significant amounts of grant expenditures have not been audited but the BOCES believes those disallowed expenditures, if any based on subsequent audits, will not have a material effect on any of the individual governmental funds or the overall financial position of the BOCES.

Note 13 Operating Leases

The BOCES has entered into operating leases for several copiers and printers. The lease expires September of 2024 and monthly rentals are \$1,901. Lease expense as of June 30, 2022 was \$22,812. The minimum annual rental commitment under these leases are as follows:

Year Ended June 30:	
2023	\$ 22,812
2024	<u>17,109</u>
Total	<u>\$ 39,921</u>

Note 14 Evaluation of Subsequent Events

The BOCES management has evaluated subsequent events through the date the financial statements were available to be issued and concluded that no subsequent events that would require recognition in the financial statements or disclosure in the notes to the financial statements have occurred.

Note 15 Restated Net Position

The board voted to reclassify the Health Insurance Internal Service Fund as a Special Revenue Fund. As a result, the beginning net position was restated as follows:

Beginning Net Position	\$ (12,629,705)
Fund Balance	<u>681,776</u>
Restated Net Position, Beginning	<u>\$ (11,947,929)</u>

Required Supplementary Information

Pikes Peak Board of Cooperative Educational Services
Budget and Actual
General
For the year ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Local sources	\$ 8,160,701	\$ 7,928,557	\$ 8,431,617
Federal sources	1,028,078	1,028,078	1,344,606
Total revenues	<u>9,188,779</u>	<u>8,956,635</u>	<u>9,776,223</u>
EXPENDITURES			
Instructional	6,759,846	6,649,513	4,247,733
Supporting services	4,653,769	5,233,847	5,173,537
Total Expenditures	<u>11,413,615</u>	<u>11,883,360</u>	<u>9,421,270</u>
Excess (deficiency) of revenues over expenditures	<u>(2,224,836)</u>	<u>(2,926,725)</u>	<u>354,953</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	-	(100,000)	(100,000)
Total other financing sources and uses	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>
Net change in fund balances	(2,224,836)	(3,026,725)	254,953
Fund balances - beginning	2,224,836	3,026,725	3,026,726
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,281,679</u>

**Pikes Peak Board of Cooperative Educational Services
Budget and Actual
Designated Purpose Grants
For the year ended June 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Local revenues	\$ -	\$ -	\$ 65
State sources	1,304,327	1,516,820	1,272,117
Federal sources	1,670,942	1,670,942	1,863,231
Total revenues	<u>2,975,269</u>	<u>3,187,762</u>	<u>3,135,413</u>
EXPENDITURES			
Instructional:	<u>2,975,269</u>	<u>3,187,762</u>	<u>3,135,413</u>
Total Expenditures	<u>2,975,269</u>	<u>3,187,762</u>	<u>3,135,413</u>
Net change in fund balances	-	-	-
Fund balances - beginning	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Pikes Peak Board of Cooperative Educational Services
Budget and Actual
NEED Foundation
For the year ended June 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Local sources	\$ 40	\$ 40	\$ 24,023
Total revenues	<u>40</u>	<u>40</u>	<u>24,023</u>
EXPENDITURES			
Supporting services	13,778	113,783	1,332
Debt Service:			
Principal	-	-	116,040
Interest and other charges	-	-	7,540
Total Expenditures	<u>13,778</u>	<u>113,783</u>	<u>124,912</u>
Excess (deficiency) of revenues over expenditures	<u>(13,738)</u>	<u>(113,743)</u>	<u>(100,889)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	100,000
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>100,000</u>
Net change in fund balances	(13,738)	(113,743)	(889)
Fund balances - beginning	13,738	113,783	113,783
Fund balances - ending	<u>\$ -</u>	<u>\$ 40</u>	<u>\$ 112,894</u>

**Pikes Peak Board of Cooperative Educational Services
Schedule of BOCES Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2022**

	for the years ended December 31,							
	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion (percentage) of the collective net pension liability	0.0802145	0.100571	0.092074	0.093354	0.114520	0.120226	0.122038	0.120056
District's proportionate share of the collective pension liability	\$ 8,374,728	\$15,204,418	\$13,775,667	\$16,863,988	\$37,031,804	\$35,796,030	\$ 18,664,999	\$16,271,681
Payroll	\$ 5,013,137	\$ 5,380,712	\$ 5,409,959	\$ 5,142,646	\$ 5,282,687	\$ 5,395,984	\$ 5,318,429	\$5,029,499
District's proportionate share of the net pension liability as a percentage of its payroll	167%	35%	39%	30%	14%	15%	28%	31%
Plan fiduciary net pension as a percentage of the total pension liability	74.86%	66.99%	60.01%	62.23%	62.23%	62.87%	55.02%	58.40%

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, BOCES will present information for those years for which information is available.

**Pikes Peaks Board of Cooperative Educational Services
Schedule of Contributions and Related Ratios - Pension
For the Year Ended June 30, 2022**

	for the years ended December 31,							
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutory required contributions	\$ 996,607	\$ 1,030,363	\$ 1,072,616	\$ 992,091	\$ 980,563	\$ 996,927	\$ 947,361	\$ 869,228
Contributions in relation to the statutorily required contribution	<u>996,607</u>	<u>1,030,363</u>	<u>1,072,616</u>	<u>992,091</u>	<u>980,563</u>	<u>996,927</u>	<u>947,361</u>	<u>869,228</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Payroll	\$ 5,013,137	\$ 5,189,464	\$ 5,534,867	\$ 5,188,123	\$ 5,195,252	\$ 5,421,632	\$ 5,344,160	\$ 5,152,507
Contribution as a percentage of payroll	19.88%	19.85%	19.38%	19.12%	18.87%	18.39%	17.73%	16.87%

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, BOCES will present information for those years for which information is available.

Pikes Peak Board of Cooperative Educational Services
Schedule of the District's Proportionate Share of the Net OPEB Liability
For the Year Ended June 30, 2022

	for the year ended December 31,				
	2021	2020	2019	2018	2017
District's proportion (percentage) of the collective net pension liability	0.052374	0.058185	0.060166	0.060804	0.065070
District's proportionate share of the collective OPEB liability	\$ 453,191	\$ 552,897	\$ 676,275	\$ 827,270	\$ 845,650
Payroll	\$ 5,013,137	\$ 5,380,712	\$ 5,409,959	\$ 5,142,646	\$ 5,282,687
District's proportionate share of the net pension liability as a percentage of its payroll	1106%	973%	800%	622%	625%
Plan fiduciary net pension as a percentage of the total pension liability	39.40%	24.49%	24.48%	23.00%	14.94%

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, BOCES will present information for those years for which information is available.

**Pikes Peak Board of Cooperative Educational Services
Schedule of Contributions and Related Ratios - OPEB
For the Year Ended June 30, 2022**

	for the years ended December 31,				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutory required contributions	\$ 51,134	\$ 52,933	\$ 55,181	\$ 52,455	\$ 53,237
Contributions in relation to the statutorily required contribution	<u>51,134</u>	<u>52,933</u>	<u>55,181</u>	<u>52,455</u>	<u>53,237</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Payroll	\$ 5,013,137	\$ 5,189,464	\$ 5,409,959	\$ 5,142,646	\$ 5,195,252
Contribution as a percentage of payroll	1.02%	1.02%	1.02%	1.02%	1.02%

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, BOCES will present information for those years for which information is available.

**Pikes Peak Board of Cooperative Educational Services
Balance Sheet
Other Governmental Funds
June 30, 2022**

	<u>Employee Benefits</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$ 745,968	\$ 745,968
Total assets	<u>745,968</u>	<u>745,968</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	14,684	14,684
Other accrued expenses	10,000	10,000
Total liabilities	<u>24,684</u>	<u>24,684</u>
 Fund balances:		
Assigned	721,284	721,284
Total fund balances	<u>721,284</u>	<u>721,284</u>
Total liabilities and fund balances	<u>\$ 745,968</u>	<u>\$ 745,968</u>

Pikes Peak Board of Cooperative Educational Services
Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For the Year Ended June 30, 2022

	Employee Benefits	Total-Other Governmental Funds
REVENUES		
Employee benefit premiums	\$ 671,204	\$ 671,204
Total revenues	671,204	671,204
EXPENDITURES		
Supporting services	631,696	631,696
Total Expenditures	631,696	631,696
Excess (deficiency) of revenues over expenditures	39,508	39,508
Net change in fund balances	39,508	39,508
Fund balances - beginning	681,776	681,776
Fund balances - ending	\$ 721,284	\$ 721,284

**Pikes Peak Board of Cooperative Educational Services
Budget and Actual
Capital Projects
For the year ended June 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Local sources	\$ 9,000	\$ 18,250	\$ 15,750
Total revenues	<u>9,000</u>	<u>18,250</u>	<u>15,750</u>
EXPENDITURES			
Support Services:			
Public Safety	224,683	78,189	7,560
Capital Outlay	-	110,000	-
Total Expenditures	<u>224,683</u>	<u>188,189</u>	<u>7,560</u>
Excess (deficiency) of revenues over expenditures	<u>(215,683)</u>	<u>(169,939)</u>	<u>8,190</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	100,000	-
Total other financing sources and uses	<u>-</u>	<u>100,000</u>	<u>-</u>
Net change in fund balances	(215,683)	(69,939)	8,190
Fund balances - beginning	215,683	188,189	188,189
Fund balances - ending	<u>\$ -</u>	<u>\$ 118,250</u>	<u>\$ 196,379</u>

**Pikes Peak Board of Cooperative Educational Services
Budget and Actual
Employee Benefits
For the year ended June 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Licenses and permits	229,528	229,528	671,204
Total revenues	<u>229,528</u>	<u>229,528</u>	<u>671,204</u>
EXPENDITURES			
Support Services:			
Public Safety	745,000	706,460	631,696
Total Expenditures	<u>745,000</u>	<u>706,460</u>	<u>631,696</u>
Excess (deficiency) of revenues over expenditures	<u>(515,472)</u>	<u>(476,932)</u>	<u>39,508</u>
Net change in fund balances	(515,472)	(476,932)	39,508
Fund balances - beginning	515,472	681,776	681,776
Fund balances - ending	<u>\$ -</u>	<u>\$ 204,844</u>	<u>\$ 721,284</u>



Colorado Department of Education
Auditors Integrity Report
 District: 9045 - Pikes Peak 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	3,011,002	9,440,725	9,170,050	3,281,678
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub-Total	3,011,002	9,440,725	9,170,050	3,281,678
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	113,783	124,023	124,912	112,893
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	3,135,349	3,135,348	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	188,189	15,750	7,560	196,379
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	3,312,974	12,715,847	12,437,869	3,590,952
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	681,776	0	-39,508	721,284
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	681,776	0	-39,508	721,284
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

Single Audit

**Pikes Peak Board of Cooperative Educational Services
Schedule of Expenditure of Federal Awards
For the Year Ended June 30, 2022**

<u>GRANT TITLE</u>	<u>GRANT CODE</u>	<u>FEDERAL ALN</u>	<u>AMOUNT OF AWARD EXPENDED</u>	
DEPARTMENT OF EDUCATION/ COLORADO DEPARTMENT OF EDUCATION:				
IDEA Part B	4027	84.027	943,652	
IDEA Preschool Cluster	4173	84.173	<u>35,361</u>	979,013
ESSER I	5425	84.425U	1,511	
ARP Part B	6027	84.425U	196,605	
ARP Preschool	6173	84.425U	13,631	
ESSER II	4419	84.425U	<u>41,276</u>	<u>253,023</u>
TOTAL FEDERAL FINANCIAL AWARDS				<u><u>\$1,232,036</u></u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Pikes Peak BOCES and is presented on the modified accrual basis of accounting.

Pikes Peak BOCES does not use the 10% de minimis cost rate.

Pikes Peak BOCES did not have any sub-recipients for 2021-22.

Independent Auditor's Report

Member of the Board
Pikes Peak Board of Cooperative Educational Services

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pikes Peak Board of Cooperative Educational Services ("BOCES") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise BOCES's basic financial statements, and have issued our report thereon dated February 22, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered BOCES internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BOCES internal control. Accordingly, we do not express an opinion on the effectiveness of BOCES internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

rfarmer, llc

February 22, 2023

Independent Auditor's Report

Members of the Board
Pikes Peak Board of Cooperative Educational Services

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Pikes Peak Board of Cooperative Educational Services (“BOCES”) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of BOCES major federal programs for the year ended June 30, 2022. BOCES major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, BOCES complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of BOCES and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of BOCES compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to BOCES federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on BOCES compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about BOCES compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 BOCES compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of BOCES internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of BOCES internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not

identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

rfarmer, llc

February 22, 2023

**Pikes Peak Board of Cooperative Educational Services
Schedule of Findings and Questioned Costs
For the year ended June 30, 2022**

Section I: Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:		
• Material weakness(es) identified?	___ Yes	_X_ No
• Significant deficiency(ies) identified?	___ Yes	_X_ None Reported
Noncompliance material to financial statements noted?	___ Yes	_X_ No

Federal Awards

Internal control over major federal programs:		
• Material weakness(es) identified?	___ Yes	_X_ No
• Significant deficiency(ies) identified?	___ Yes	_X_ None Reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ Yes	_X_ No
Identification of major federal programs:		
Assistance Listing Number(s) (ALN):	84.027	Name of Federal Program or Cluster: IDEA Part B
Dollar threshold used to distinguish between type A and type B programs:	\$ <u>750,000</u>	
Auditee qualified as a low-risk auditee?	_X_ Yes	___ No

Section II: Financial Statement Findings

There are no findings to report.

Section III: Federal Awards Findings

There are no findings to report.