

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES

Financial Statements

Fiscal Year Ended June 30, 2022



Wall,
Smith,
Bateman Inc.
Certified Public Accountants

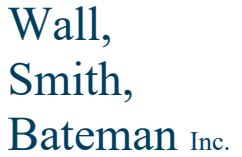
SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES

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INDEPENDENT AUDITORS' REPORT



To the Board of Directors
San Juan Board of Cooperative Educational Services
Durango, Colorado

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1- Summary of Significant Accounting Policies, in fiscal year 2022 the SJBOCES adopted the provisions of GASB Statement No. 87, *Leases*, that establishes a single model for lease accounting based on the foundational principal that leases are financings of the right to use an underlying assets. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the SJBOCES's 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.

Certified Public Accountants

3001 Adcock Circle PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the SJBOCES's basic financial statements. The accompanying Auditor's Integrity Report and 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Auditor's Integrity Report and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2022, on our consideration of the SJBOCES's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the SJBOCES's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SJBOCES's internal control over financial reporting and compliance.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

November 29, 2022

**San Juan Board of Cooperative Educational Services
Management's Discussion and Analysis
As of and for the fiscal year ended June 30, 2022**

As management of the San Juan Board of Cooperative Educational Services (SJBACES), Durango, Colorado we offer readers of the SJBACES' annual financial report this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2022.

Financial Highlights

- The net position (assets in excess of liabilities) of SJBACES at the close of the most recent fiscal year is (\$7,881,308) with (\$7,885,370) unrestricted and \$4,062 net investment in capital assets. In comparison, at June 30, 2021 the net position of SJBACES was (\$11,077,921) with \$11,094,537) unrestricted and \$16,436 invested in capital assets.
- SJBACES' total liabilities at June 30, 2022 were \$8,073,624 compared to \$10,948,753 at June 30, 2021. The most significant reason for this decrease is due to the changes in calculation methods for the net pension liability.
- At the close of the current fiscal year, SJBACES' governmental funds reported combined ending fund balances of \$1,078,645 compared to \$1,111,023 at the close of the prior fiscal year.
- At the end of the current fiscal year, the governmental funds reported a total unassigned fund balance of \$433,388 assigned balance of \$562,993 and an additional \$82,264 reserved for prepaid items compared to \$466,975 unassigned, \$562,993 assigned and \$81,055 reserved for prepaid items at the close of the prior fiscal year.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an *introduction to the SJBACES basic financial statements*. The basic financial statements presented on pages 4 - 31 are comprised of three components: 1) SJBACES Wide Financial Statements 2) Fund Financial Statements, and 3) Notes to the Basic Financial Statements.

SJBACES-Wide Financial Statements

The SJBACES-wide financial statements are designed to provide the reader of the SJBACES' financial statement a broad overview of the financial activities in a manner similar to a private sector business. The SJBACES-Wide financial statements include the statement of net position and the statement of activities.

The *statement of net position* presents information about all of the SJBACES' assets and liabilities. The difference between assets and liabilities is reported as net position. *Over time changes in net position may serve as a useful indicator whether the financial position of the SJBACES is improving or deteriorating.*

The *statement of activities* presents information showing how the net position of the SJBACES changed during the fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period.

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related legal requirements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific objectives. All of the funds of the SJBACES are categorized as governmental.

Governmental funds account for essentially the same information reported in the governmental activities of the SJBACES financial statements.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 10-29 of this report.

Financial Analysis of the SJBOCES

**San Juan BOCES decreased the General fund balance from \$1,111,023 at the fiscal year end 2021 to \$1,078,645 at the fiscal year end 2022.

At the end of the 2022 fiscal year, SJBOCES shows a negative balance in total net position in the amount of \$(7,881,308). The negative balance is the amount by which total liabilities exceed assets. The SJBOCES' long-term obligation at June 30, 2022 totals \$12,965 as compensated absences payable to current employees. Additional information on these obligations can be found in Note 5. The total net position increased \$3,196,613 from 2021.

The effect of the PERA pension and OPEB expense on the SJBOCES total net position for the Fiscal Year 2022 and 2021 is summarized below:

| | Fiscal Year 2022 | Fiscal Year 2021 |
|---|---------------------|---------------------|
| Net Position (GAAP Basis) | \$ (7,881,308) | \$ (11,077,921) |
| GASB 68 – Pension | 8,491,530 | 11,644,161 |
| GASB 75 – OPEB | 459,520 | 521,064 |
| Net Position Excluding Pension and OPEB | <u>\$ 1,069,742</u> | <u>\$ 1,107,304</u> |

The effect of the PERA pension and OPEB expense on the SJBOCES unrestricted net position is summarized below:

| | Fiscal Year 2022 | Fiscal Year 2021 |
|---|---------------------|---------------------|
| Net Position (GAAP Basis) | \$ (7,885,370) | \$ (11,094,357) |
| GASB 68 – Pension | 8,491,530 | 11,664,161 |
| GASB 75 – OPEB | 459,520 | 521,064 |
| Net Position Excluding Pension and OPEB | <u>\$ 1,065,680</u> | <u>\$ 1,090,868</u> |

The analysis below focuses on the Net Position (Table 1); Statements of Activities (Table 2)

TABLE 1

Condensed Statement of Net Position

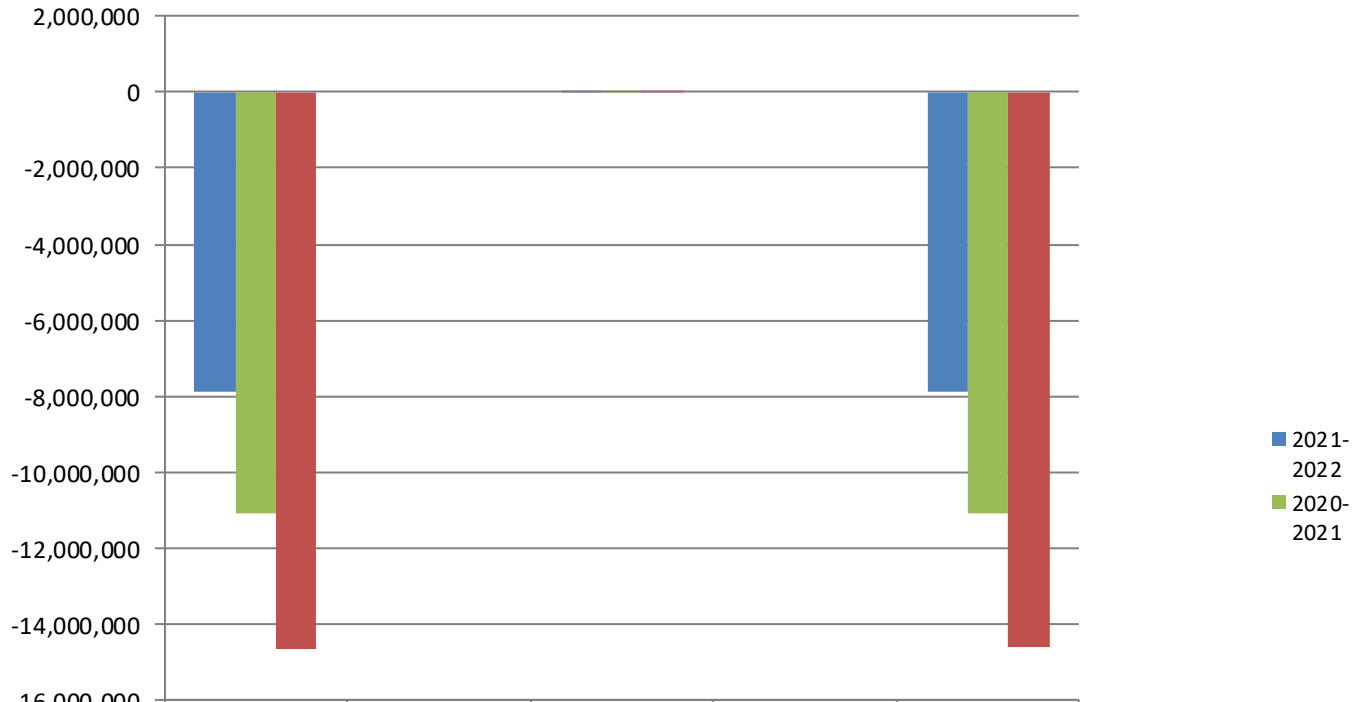
| | <u>2022</u> | <u>2021</u> |
|-------------------------------------|-----------------------------|------------------------------|
| Current and other assets | \$ 1,447,765 | \$1,520,525 |
| Capital Assets | 106,137 | 16,436 |
| Total Assets | <u>1,583,902</u> | <u>1,536,961</u> |
| Deferred Outflows of Resources | | |
| Pensions | 2,105,913 | 3,342,937 |
| OPEB | 55,758 | 33,349 |
| Total Deferred Outflow of Resources | <u>2,161,671</u> | <u>3,376,286</u> |
| Current Liabilities | 451,310 | 409,502 |
| Long-term Liabilities | 7,622,314 | 10,539,251 |
| Total Liabilities | <u>8,073,624</u> | <u>10,948,753</u> |
| Deferred Inflows of Resources | | |
| Pensions | 3,386,602 | 4,857,597 |
| OPEB | 166,655 | 184,818 |
| Total Deferred Inflow of Resources | <u>3,553,257</u> | <u>5,042,415</u> |
| Net Position: | | |
| Net Investment in Capital Assets | 4,062 | 16,436 |
| Unrestricted | (7,885,370) | (11,094,357) |
| Total Net Position | <u><u>\$(7,881,308)</u></u> | <u><u>(\$11,077,921)</u></u> |

TABLE 2

Condensed Statements of Activities

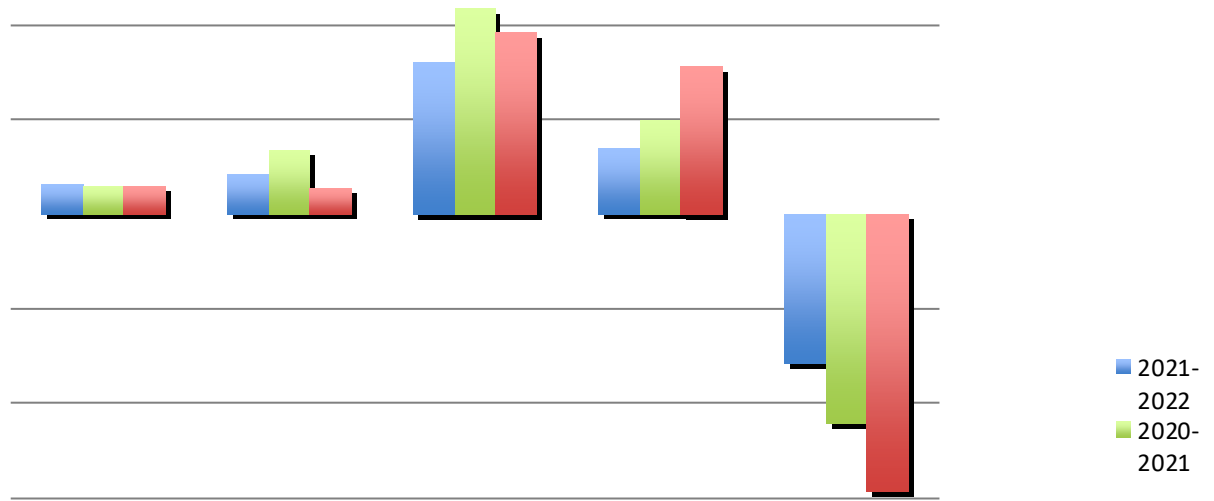
| | <u>2022</u> | <u>2021</u> |
|--|--------------------|--------------------|
| Revenues: | | |
| <u>Governmental Activities</u> | | |
| Charges for services | \$ 1,798,875 | \$ 1,752,121 |
| Operating and capital grants & contributions | 6,749,081 | 5,382,137 |
| Total revenues | \$ 8,547,956 | \$ 7,134,258 |
| Expenses: | | |
| <u>Governmental Activities</u> | | |
| Instruction | \$ 1,599,696 | \$ 1,486,832 |
| Pupil Activities | 1,666,441 | 1,136,417 |
| Instructional Support | 625,939 | 540,959 |
| Business Services | 166,110 | 118,040 |
| Operations and Maintenance | 64,040 | 67,042 |
| General Administration | 42,193 | 14,946 |
| Central Services | 1,195,893 | 244,454 |
| Total Expenses | \$ 5,360,312 | \$ 3,608,690 |
| Net (Expense) Revenue: | | |
| <u>Governmental Activities</u> | 3,187,644 | 3,525,568 |
| <u>General Revenues</u> | | |
| Miscellaneous | 8,969 | 151 |
| Change in net position | \$ 3,196,613 | \$ 3,525,719 |
| Net position, Beginning of Year | (11,077,921) | (14,603,640) |
| Net Position, Beginning of Year Restated | | |
| Ending net position | \$(7,881,308) | (\$11,077,921) |

Three Year Restricted vs Unrestricted



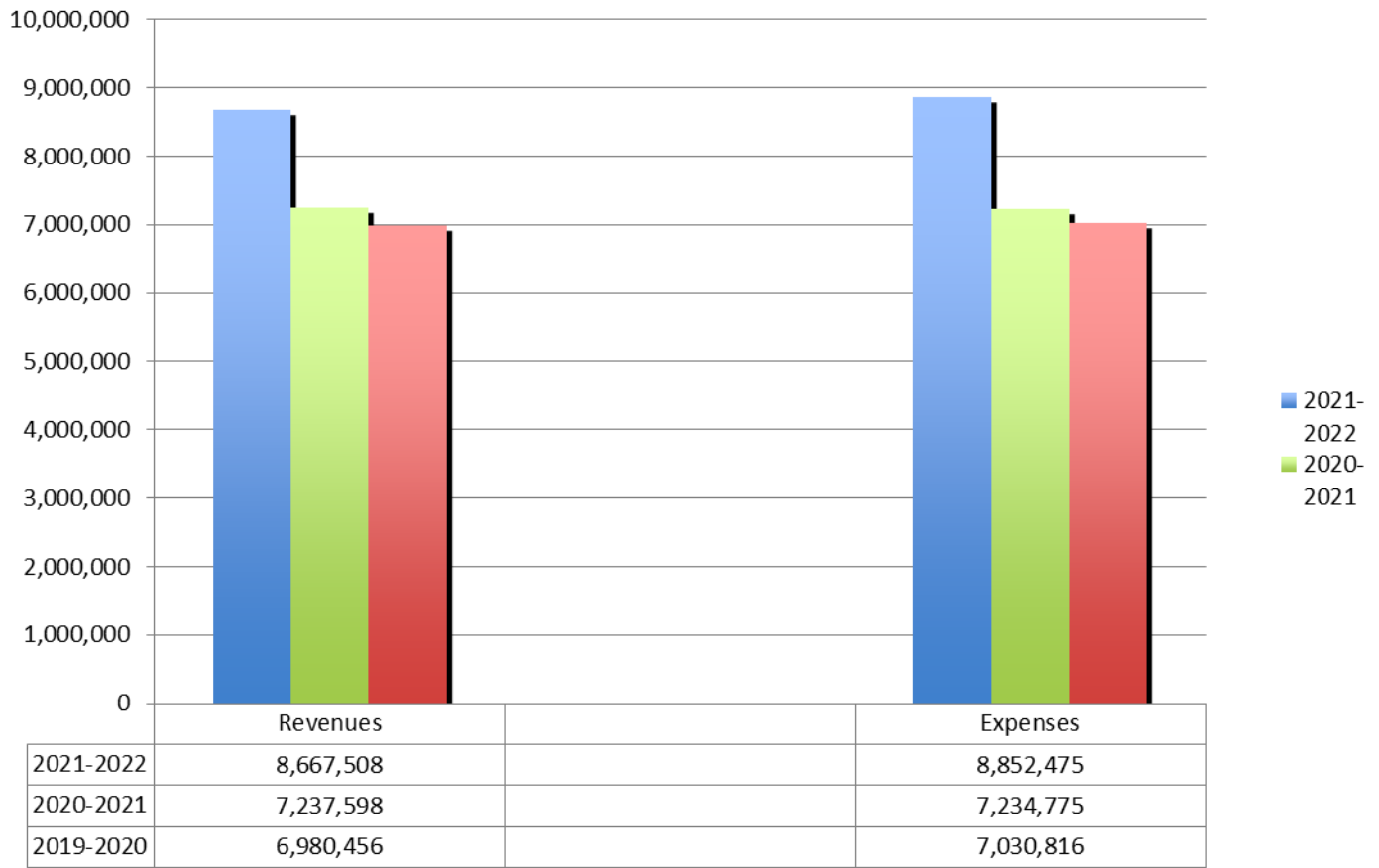
| | Unrestricted | | Restricted | | NET POSITION |
|-----------|--------------|--|------------|--|--------------|
| 2021-2022 | -7,885,370 | | 4,062 | | -7,881,308 |
| 2020-2021 | -11,094,357 | | 16,436 | | -11,077,921 |
| 2019-2020 | -14,633,054 | | 29,414 | | -14,603,640 |

Three Year Comparisons Net Position

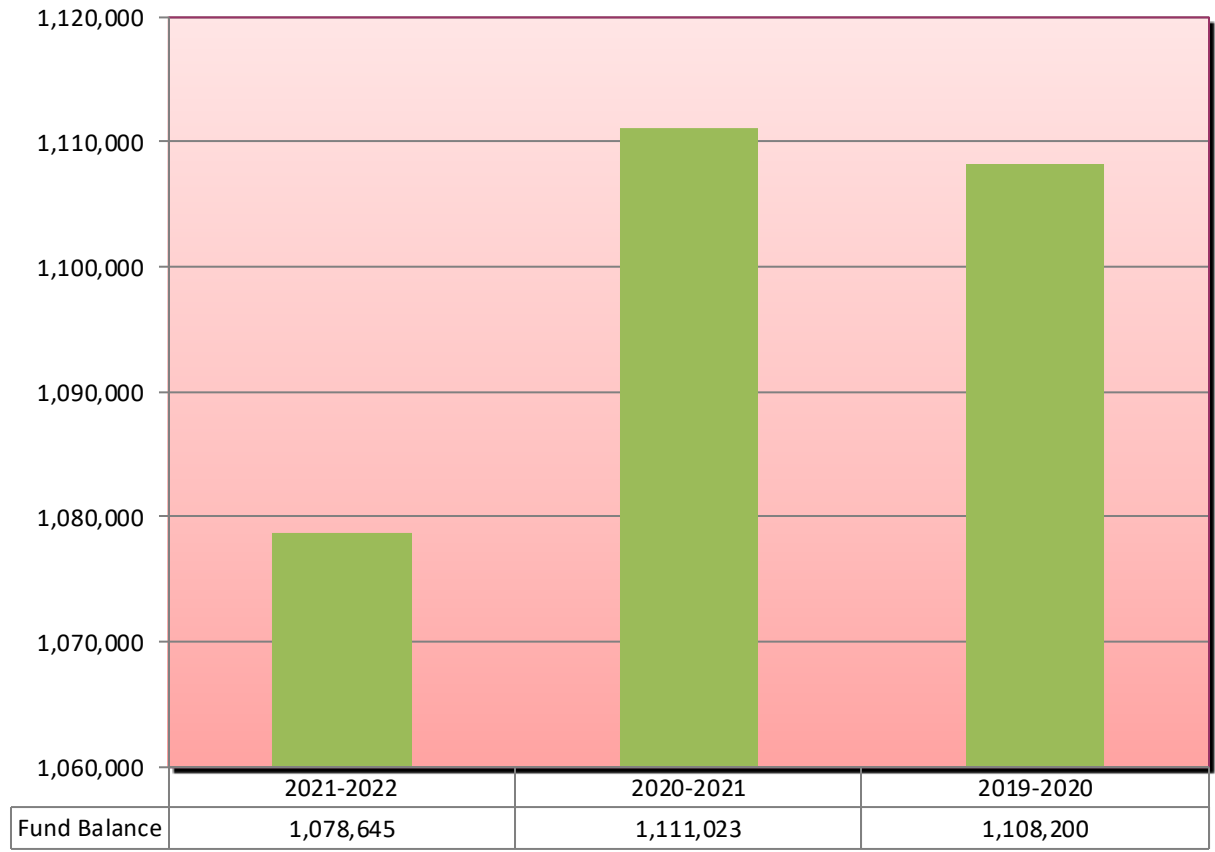


| | Assets | Deferred Outflows of Resources | Liabilites | Deferred Inflows of Resources | NET POSITION |
|-----------|-----------|--------------------------------|------------|-------------------------------|--------------|
| 2021-2022 | 1,583,902 | 2,161,671 | 8,073,624 | 3,553,257 | -7,881,308 |
| 2020-2021 | 1,536,961 | 3,376,286 | 10,948,753 | 5,042,415 | -11,077,921 |
| 2019-2020 | 1,516,619 | 1,369,421 | 9,669,267 | 7,820,413 | -14,603,640 |

Three Year Revenues and Expenses Governmental Funds



Three Year Comparison Fund Balance



Budgetary Highlights

The fiscal year 2021-2022 revised budget adopted by the San Juan BOCES Board was \$9,248,235 of which \$6,895,010 was allocated to the General Fund and \$2,353,225 from Federal Grant Funds. A Supplemental budget was passed on 5/11/22 for an additional \$1,011,451 of which \$39,505 was allocated to the General Fund and \$971,946 from State dollars. No changes were made to the special service provider salary schedules.

ECEA budgeted dollars from the state in the General Fund was \$2,061,672, local districts membership to ECEA added another \$605,000 for a total of \$2,666,672 not including the SWAP Local Resource Teacher Flow Through funds of \$235,107. Two member districts received a total of \$107,448 for high cost reimbursements, while the SJBOCES retained \$72,823 for SJBOCES provided Educational Interpreter High Cost reimbursement.

ECEA Gifted allocation was \$132,678 of which \$98,051 flowed through to the districts; the remaining dollars were used to support .50 FTE of the Gifted Ed Coordinator.

The SJBOCES Implementing State Education Priorities Grant (HB 1345) was awarded \$133,959

Additional Grants awarded in 2021-2022 were:

- Gifted Ed Screening and Personnel Grant in the amount of \$23,197 to provide funding for Gifted screening tests for 2nd and 6th Grades.
- EARSS – Expelled and at Risk Students Year Four \$122,829 plus \$35,000 for Year 1 Planning for Cohort grant.
- Human Services BETA – Gap funding for EARSS as well as continual social/emotional support. \$290,000
- El Pomar \$49,265 – Restorative Services

Total actual expenditures in the General Fund were \$6,861,307 with a net decrease of (\$32,378)

Economic Factors and Next Year's Budget

Economic factors of concern for the next year:

- COVID-19 Pandemic – Educator burnout with increase in IEP's and behavioral issues
- Continued increased numbers of preschoolers with severe disabilities being identified requiring increased need for 1:1 aides and the costs associated with staffing those positions and preschool placement related to their IEPs
- Competitive salary standards for recruitment and retention of specialized staff
- The continued annual increases to PERA employer's contributions
- The continued increase of healthcare costs
- Increased levels of identified children with significant needs
- Continuous impact from underfunding of state and federal monies in relation to exceptional students

Overall the San Juan BOCES' service levels remain in capacity to meet the needs of serving students in the eight member districts.

Request for Information

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

Mandi Birge, Director of Finance
San Juan Board of Cooperative Educational Services
701 Camino Del Rio, Ste 221
Durango, CO 81301

BASIC FINANCIAL STATEMENTS

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES

STATEMENT OF NET POSITION

June 30, 2022

| | PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES |
|---|---|
| ASSETS | |
| Cash and Cash Equivalents (Note 2) | \$ 574,748 |
| Accounts Receivable | 296,779 |
| Due from Other Governments | 523,973 |
| Prepaid and Other | 82,265 |
| Depreciable Capital Assets, Net (Note 4) | 4,270 |
| Lease Assets Being Amortized, Net (Note 4) | 101,867 |
| TOTAL ASSETS | 1,583,902 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Pensions (Note 8) | 2,105,913 |
| OPEB (Note 9) | 55,758 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 2,161,671 |
| LIABILITIES | |
| Accounts Payable | 254,099 |
| Unearned Grant Revenue | 145,021 |
| Long term liabilities, due within one year: | |
| Lease Liability (Note 5) | 52,190 |
| Due in more than one year: | |
| Lease Liability (Note 5) | 49,885 |
| Compensated Absences Payable (Note 5) | 12,965 |
| Net Pension Liability (Note 8) | 7,210,841 |
| Net OPEB Liability (Note 9) | 348,623 |
| TOTAL LIABILITIES | 8,073,624 |
| DEFERRED INFLOWS OF RESOURCES | |
| Pensions (Note 8) | 3,386,602 |
| OPEB (Note 9) | 166,655 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 3,553,257 |
| NET POSITION | |
| Net Investment in Capital Assets | 4,062 |
| Unrestricted | (7,885,370) |
| TOTAL NET POSITION | \$ (7,881,308) |

The accompanying notes are an integral part of this financial statement.

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expenses)</u> |
|--------------------------------------|---------------------|-------------------------|--|----------------------|-----------------------|
| | | <u>Charges for</u> | <u>Operating</u> | <u>Capital</u> | <u>Revenues and</u> |
| | | <u>Services</u> | <u>Grants &</u> | <u>Grants &</u> | <u>Changes in</u> |
| | | | <u>Contributions</u> | <u>Contributions</u> | <u>Net Position</u> |
| | | | | | <u>Primary</u> |
| | | | | | <u>Government</u> |
| Primary Government: | | | | | |
| Governmental Activities: | | | | | |
| Instructional | \$ 1,599,696 | \$ 670,872 | \$ 3,861,331 | \$ - | \$ 2,932,507 |
| Pupil Support Services | 1,666,441 | 886,113 | 1,717,082 | - | 936,754 |
| Instructional Staff Support | 625,939 | - | 220,527 | - | (405,412) |
| Business Services | 166,110 | - | 22,419 | - | (143,691) |
| Operations and Maintenance | 64,040 | - | - | - | (64,040) |
| General Administration | 42,193 | - | - | - | (42,193) |
| Central Supporting Services | 1,195,893 | 241,890 | 927,722 | - | (26,281) |
| Total Governmental Activities | <u>\$ 5,360,312</u> | <u>\$ 1,798,875</u> | <u>\$ 6,749,081</u> | <u>\$ -</u> | <u>3,187,644</u> |
| | | | General Revenues | | |
| | | | Other Revenues | | <u>8,969</u> |
| | | | Total General Revenues | | <u>8,969</u> |
| | | | Change in Net Position | | 3,196,613 |
| | | | Net Position, Beginning of Year | | <u>(11,077,921)</u> |
| | | | Net Position, End of Year | | <u>\$ (7,881,308)</u> |

The accompanying notes are an integral part of this financial statement.

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2022

| | <u>GENERAL FUND</u> | <u>GOVERNMENTAL DESIGNATED PURPOSE GRANTS FUND</u> | <u>TOTAL GOVERNMENTAL FUNDS</u> |
|---|---------------------|--|---|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 574,748 | \$ - | \$ 574,748 |
| Accounts Receivable | 296,779 | - | 296,779 |
| Due From Other Governments | 153,907 | 370,066 | 523,973 |
| Due From Other Funds (Note 3) | 370,066 | - | 370,066 |
| Prepaid and Other | 82,265 | - | 82,265 |
| TOTAL ASSETS | <u>\$ 1,477,765</u> | <u>\$ 370,066</u> | <u>\$ 1,847,831</u> |
| LIABILITIES AND FUND BALANCE | | | |
| LIABILITIES | | | |
| Accounts Payable | \$ 254,099 | \$ - | \$ 254,099 |
| Due to Other Funds (Note 3) | - | 370,066 | 370,066 |
| Unearned Grant Revenue | 145,021 | - | 145,021 |
| TOTAL LIABILITIES | <u>399,120</u> | <u>370,066</u> | <u>769,186</u> |
| FUND BALANCE | | | |
| Nonspendable - Prepaid Items | 82,264 | - | 82,264 |
| Assigned - Subsequent Year Expenditures | 562,993 | - | 562,993 |
| Unassigned | 433,388 | - | 433,388 |
| TOTAL FUND BALANCE | <u>1,078,645</u> | <u>-</u> | <u>1,078,645</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 1,477,765</u> | <u>\$ 370,066</u> | <u>\$ 1,847,831</u> |

The accompanying notes are an integral part of this financial statement.

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION
June 30, 2022

TOTAL GOVERNMENTAL FUND BALANCES \$ 1,078,645

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds.

| | | |
|---|------------------|---------|
| Capital assets | \$ 272,412 | |
| Less: Accumulated Depreciation and Amortization | <u>(166,275)</u> | |
| | | 106,137 |

Elimination of interfund receivables and payables between governmental funds.

| | | |
|--|------------------|---|
| Due from Governmental Designated Purpose Grants Fund | 370,066 | |
| Due to General Fund | <u>(370,066)</u> | |
| | | - |

Deferred results and contributions to pension and OPEB plans made after the measurement date are recorded as expenditures in the governmental funds but must be deferred in the statement of net position.

2,161,671

Long term liabilities are not due in the current period and therefore are not reported in the funds.

| | | |
|----------------------|------------------|-----------|
| Compensated Absences | (12,965) | |
| Lease Liability | <u>(102,075)</u> | |
| | | (115,040) |

Net pension and OPEB liabilities are not due and payable in the current period and are not reported in the funds.

(7,559,464)

Certain amounts related to the net pension and OPEB liabilities are deferred and amortized over time. These are not reported in the funds.

(3,553,257)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ (7,881,308)

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

| | <u>GENERAL FUND</u> | <u>GOVERNMENTAL DESIGNATED PURPOSE GRANTS FUND</u> | <u>TOTAL GOVERNMENTAL FUNDS</u> |
|---|---------------------|--|---|
| REVENUES | | | |
| Intergovernmental | | | |
| Local | \$ 2,322,577 | \$ - | \$ 2,322,577 |
| State | 4,345,724 | - | 4,345,724 |
| Federal | - | 1,991,168 | 1,991,168 |
| Other | 8,039 | - | 8,039 |
| TOTAL REVENUES | <u>6,676,340</u> | <u>1,991,168</u> | <u>8,667,508</u> |
| EXPENDITURES | | | |
| Instructional | 2,009,952 | 533,646 | 2,543,598 |
| Supporting Services | | | |
| Pupil Support Services | 2,384,495 | 1,028,073 | 3,412,568 |
| Instructional Staff Support | 636,647 | 429,449 | 1,066,096 |
| Business Services | 305,777 | - | 305,777 |
| Operations and Maintenance | 64,040 | - | 64,040 |
| General Administration | 37,009 | - | 37,009 |
| Central Supporting Services | 1,270,798 | - | 1,270,798 |
| Facilities Acquisition and Construction Services | 152,589 | - | 152,589 |
| TOTAL EXPENDITURES | <u>6,861,307</u> | <u>1,991,168</u> | <u>8,852,475</u> |
| Excess (deficiency) of revenues over expenditures | (184,967) | - | (184,967) |
| OTHER FINANCING SOURCES (USES) | | | |
| Lease Proceeds | 152,589 | - | 152,589 |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>152,589</u> | <u>-</u> | <u>152,589</u> |
| NET CHANGE IN FUND BALANCE | (32,378) | - | (32,378) |
| Fund Balances, Beginning of Year | <u>1,111,023</u> | <u>-</u> | <u>1,111,023</u> |
| Fund Balances, End of Year | <u>\$ 1,078,645</u> | <u>\$ -</u> | <u>\$ 1,078,645</u> |

The accompanying notes are an integral part of this financial statement.

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (32,378)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the capital asset activity recorded in the current period.

| | | |
|--|-----------------|--------|
| Capital Asset Deletion net of Accumulated Depreciation | \$ (6,909) | |
| Lease Asset Addition | 152,589 | |
| Depreciation and Amortization Expense | <u>(55,979)</u> | 89,701 |

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

| | | |
|--------------------------------------|---------------|-----------|
| Lease Proceeds | (152,589) | |
| Principal Payment on Lease Liability | <u>50,514</u> | (102,075) |

Governmental funds do not report compensated absences unless they are current and payable. The increase in compensated absences is recorded on the statement of activities. 7,190

Certain items reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. This item consists of the change in pension and OPEB expense. 3,234,175

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 3,196,613

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the San Juan Board of Cooperative Educational Services (SJBOCES) have been prepared in conformity with generally accepted accounting principles (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 more significant SJBOCES accounting policies are described below.

Reporting Entity

SJBOCES is a regional education service unit organized under the *Board of Cooperative Services Act of 1965* – Colorado Revised Statutes 22-5-101 through 117. The Colorado Department of Education approved the separation of Durango School District 9-R from the SJBOCES effective July 1, 2017. The eight member school districts are located in Southwestern Colorado. The SJBOCES Board of Directors (Board) is the basic level of government, which has financial accountability and control over all activities related to the SJBOCES operations. The SJBOCES receives funding from local, state, and federal government sources and must comply with the commitment requirements of these funding source entities. However, the SJBOCES is not included in any other governmental “reporting entity” as defined by the GASB pronouncement since Board members are appointed by each member school government and have decision-making authority, the power to designate management, the ability to significantly influence operations, and have primary accountability of fiscal matters. In addition, there are no component units, as defined in GASB Statements 14, 39, and 61, required to be included in the SJBOCES reporting entity.

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 primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental Activities* are supported by intergovernmental revenues.

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 or segment. The policy of SJBOCES is to not allocate indirect expenses to functions in the Statement of Activities. *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 or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Basis of Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

enough thereafter (i.e., within 60 days) to pay liabilities in the current period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

All revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

General Fund – This is the SJBOCES’ primary operating fund. It accounts for all financial resources of SJBOCES, except those required to be accounted for in another fund.

Governmental Designated Purpose Grants Fund - This fund is used to account for revenues and expenditures associated with Federal grants.

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

Deposits and Investments

SJBOCES considers all highly liquid investment purchases with an original maturity of three months or less to be cash equivalents. The SJBOCES pools all cash on an entity-wide basis for management and investment purposes. Each fund has an interest in the pool, which is available upon demand.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “interfund receivables/payables” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”. Interfund receivables/payables within governmental activities are eliminated in the statement of net position.

All other interfund transactions are operating transfers.

Capital Assets and Lease Assets Being Amortized

Capital assets, which include land, building, and equipment, are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value at the date of donation.

The capitalization level for capital assets is \$5,000 in all funds. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Buildings, improvements, and equipment are depreciated and amortized using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|---------------|--------------|
| Building | 3-50 |
| Equipment | 5-10 |

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (as either an expense or expenditure) until that period.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that period.

Certain amounts related to pensions must be deferred.

Compensated Absences

Each employee of SJBOCES may accumulate a total of 18 days of vacation leave, depending upon position. However, employees are paid for the accumulated vacation leave upon retirement. SJBOCES accrues a liability for compensated absences, which meet the following criteria:

- SJBOCES' obligation relating to employee rights to receive compensation for future absences is attributable to employee services already rendered.
- The obligation relates to rights that vest or accumulate.
- Payment of the compensation is probable.
- The amount can be reasonably estimated.

SJBOCES budgets the available financial resources for that year's anticipated payments for compensated absences. The entire unpaid liability for these compensated absences for the governmental funds is recorded at the government-wide level.

Accrued Salaries

Salaries and benefits to teachers and certain other employees are paid over a twelve-month period from August 1 to July 31, but are earned over a school year of approximately nine months. All salaries were paid before year-end, therefore, there were no accrued liabilities at June 30, 2022.

Unearned Revenue

Revenues on grants, which are restricted by the grant document 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 revenues.

Pensions

The SJBOCES 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.

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

Other Postemployment Benefits (OPEB)

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

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is displayed in the following three components:

- *Net investment in capital assets* – consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets consist of assets that have limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- *Unrestricted* – consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Fund Balance

Fund balances are reported by classification based on the extent to which SJBOCES is bound to honor constraints for the specific purposes on which amounts in the fund can be spent. Fund balances are classified in one of the following five categories:

- *Nonspendable Fund Balance* – amounts that cannot be spent because they are not in spendable form – such as inventory and prepaid items.
- *Restricted Fund Balance* – amounts restricted due to constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance* – amounts that can only be used for specific purposes as a result of constraints imposed through adopted resolution of the Board of Directors. Committed amounts cannot be used for any other purpose unless the Board removes those constraints by taking the same type of action. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
- *Assigned Fund Balance* – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- *Unassigned Fund Balance* – amounts that are available for any purpose; positive amounts are reported only in the General Fund.

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

When an expenditure is incurred for purposes for which both restricted and unrestricted net position/fund balance is available, SJBOCES considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, SJBOCES considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Directors has provided otherwise in its commitment or assignment actions.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from these estimates. SJBOCES believes the techniques and assumptions used in establishing these estimates are appropriate.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. All annual appropriations lapse at fiscal year-end. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year.

Budgets are required by Colorado State Statute for all funds. During April, the Executive Director submits to the Board a proposed budget for all funds for the fiscal year commencing the following July 1. Public hearings are conducted by the Board to obtain comments. Prior to June 30, a preliminary budget is adopted by formal resolution. Prior to January 31 of the following year, a final budget is adopted by formal resolution.

Formal budgetary integration is employed as a management control device during the year for the governmental funds. The appropriated budget is prepared by fund. The SJBOCES department heads may not make transfers of appropriations. The legal level of control is the fund level.

Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances and reserves as established by the Board. Variances between budget and actual result from the non-expenditure of reserves, nonoccurrence of anticipated events, scheduling of capital projects, and normal operating variances.

New Accounting Pronouncements

During fiscal year 2022, the SJBOCES adopted the provisions of GASB Statement No. 87, *Leases*, that establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. The changes were incorporated in the SJBOCES' fiscal year 2022 financial statements and had no effect on the beginning net position or fund balance.

Reclassifications

Certain amounts from FY 2021 have been reclassified to conform to the FY 2022 financial statement presentation.

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 2 CASH AND CASH EQUIVALENTS

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral, as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102 percent of the uninsured deposits.

At June 30, 2022, SJBOCES cash deposits had a carrying balance and bank balance as follows:

| | Carrying Balance | Bank Balance |
|---------------------------|---------------------|-----------------|
| Cash on Hand and in Banks | \$ 574,748 | \$ 696,747 |
| Total Deposits | \$ 574,748 | \$ 696,747 |

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the SJBOCES' deposits may not be returned to it. At June 30, 2022, \$196,747 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through PDPA.

SJBOCES does not have a policy relating to interest rate risk.

Investments

The SJBOCES has no investments as of June 30, 2022, and has disclosed custodial credit risk. The investment policy states that the Executive Director has the ability to invest funds not immediately needed in accordance with Colorado School Law.

NOTE 3 INTERFUND RECEIVABLES/PAYABLES

Due to/from other funds are recorded at the fund level and are eliminated, where possible. Amounts are a result of pooled cash transactions. At the fund level at June 30, 2022, interfund receivables/payables are as follows:

| Receivable Fund | Payable Fund | Amount |
|-----------------|--|------------|
| General Fund | Governmental Designated Purpose Grants Fund | \$ 370,066 |

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in the governmental capital assets for the year ended June 30, 2022:

Governmental Activities

| | Balance 06/30/2021 | Additions | Deletions | Balance 06/30/2022 |
|---|-----------------------|-----------|-------------|-----------------------|
| Capital Assets being Depreciated: | | | | |
| Equipment | \$ 139,563 | \$ - | \$ (19,740) | \$ 119,823 |
| Accumulated Depreciation | (123,127) | (5,257) | 12,831 | (115,553) |
| Total Capital Assets being Depreciated, Net | 16,436 | (5,257) | (6,909) | 4,270 |
| Lease Assets being Amortized: | | | | |
| Buildings | - | 152,589 | - | 152,589 |
| Accumulated Amortization | - | (50,722) | - | (50,722) |
| Total Lease Assets being Amortized, Net | - | 101,867 | - | 101,867 |
| Total Governmental Activities, Net | \$ 16,436 | \$ 96,610 | \$ (6,909) | \$ 106,137 |

Depreciation and amortization are allocated to the General Administration function on the Statement of Activities.

NOTE 5 LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the SJBOCES for the year ended June 30, 2022:

| | Beginning Balance | Additions | Deletions | Ending Balance | Due within One Year |
|---------------------------------|----------------------|------------|-----------|-------------------|------------------------|
| <i>Governmental Activities:</i> | | | | | |
| Lease Liability | \$ - | \$ 152,589 | \$ 50,514 | \$ 102,075 | \$ 52,190 |
| Compensated Absences | 20,155 | - | 7,190 | 12,965 | - |
| | \$ 20,155 | \$ 152,589 | \$ 57,704 | \$ 115,040 | \$ 52,190 |

Lease Liability

The SJBOCES entered into a lease agreement for office space on July 1, 2021, in the amount of \$152,589 with an estimated borrowing rate of 4.38%. The lease requires monthly payments of \$4,635 for three years. Final payment is due in May 2024.

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

Annual requirements to amortize long-term obligations and related interest are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|----------------------------|-------------------|-----------------|-------------------|
| 2023 | \$ 52,190 | \$ 3,428 | \$ 55,618 |
| 2024 | 49,885 | 1,098 | 50,983 |
| | <u>\$ 102,075</u> | <u>\$ 4,526</u> | <u>\$ 106,601</u> |

NOTE 6 TAX, SPENDING, AND DEBT LIMITATION

In November of 1992, Colorado voters approved a State Constitutional Amendment, referred to as the Taxpayer’s Bill of Rights (TABOR), containing tax, spending, and debt limitations on state and local governments. The amendment is complex and subject to judicial interpretation.

The management of SJBOCES believes it does not meet the definition of a governmental entity under the guidelines of TABOR and, therefore, is not subject to the provisions of this amendment. However, the SJBOCES has made certain interpretations of the amendment’s language in order to reach this conclusion.

NOTE 7 COMMITMENTS AND CONTINGENCIES

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the SJBOCES expects such amounts, if any, to be immaterial.

NOTE 8 DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

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

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

- 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.

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 SJBOCES 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:

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the SJBOCES is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the SJBOCES were \$821,755, for the year ended June 30, 2022.

For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation. As specified in C.R.S. §24-51-414, the State is required to contribute \$225 million (actual dollars) direct distribution each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount 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 School Division Trust Fund. In addition to the \$225 million (actual dollars) direct distribution due July 1, 2022, House Bill (HB) 22-1029, instructs the State treasurer to issue a warrant to PERA in the amount of \$380 million (actual dollars), upon enactment, with reductions to future direct distributions scheduled to occur July 1, 2023, and July 1, 2024.

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

The net pension liability for the SCHDTF was measured as of December 31, 2021, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll forward the TPL to December 31, 2021. The SJBOCES proportion of the net pension liability was based on the SJBOCES 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 SJBOCES reported a liability of \$7,210,841 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 SJBOCES as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the SJBOCES were as follows:

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| | |
|---|--------------|
| SJBOCES proportionate share of the net position liability | \$ 7,210,841 |
| The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the SJBOCES | 826,631 |
| Total | \$ 8,037,472 |

At December 31, 2021, the SJBOCES proportion was 0.062%, which was a decrease of 0.005% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the SJBOCES recognized pension expense of (\$3,172,631) and revenue of \$88,253 for support from the State as a nonemployer contributing entity. At June 30, 2022, the SJBOCES reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ 276,060 | \$ - |
| Changes of assumptions or other inputs | 550,494 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 2,711,061 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 821,460 | 675,541 |
| Contributions subsequent to the measurement date | 457,899 | - |
| Total | \$ 2,105,913 | \$ 3,386,602 |

\$457,899 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 | \$ | 86,679 |
| 2024 | | (755,262) |
| 2025 | | (740,940) |
| 2026 | | (329,065) |
| 2027 | | - |
| Thereafter | | - |

Actuarial assumptions. The TPL in the December 31, 2020 actuarial valuation was determined using the following 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% |

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| | |
|---|---------------------|
| 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.

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

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

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

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

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

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

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

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or 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

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return by weighting the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

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

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

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%.

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 current 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), which commenced July 1, 2018, that is proportioned between

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the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.

- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered 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 TPL. The discount rate determination does not use the municipal bond 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 SJBOCES proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.25%) or one-percentage-point higher (8.25%) than the current rate:

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|--|------------------------|-------------------------------------|------------------------|
| Proportionate share of the net pension liability | \$ 10,613,768 | \$ 7,210,841 | \$ 4,371,225 |

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

NOTE 9 OTHER POST-EMPLOYMENT BENEFITS

General Information about the OPEB Plan

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

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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.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare.

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

PERA Benefit Structure

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

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

Contributions. Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the SJBOCES is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the SJBOCES were \$42,036 for the year ended June 30, 2022.

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

At June 30, 2022, the SJBOCES reported a liability of \$348,623 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 SJBOCES proportion of the net OPEB liability was based on the SJBOCES contributions to the HCTF for the calendar year 2021 relative to the total contributions of participating employers to the HCTF.

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At December 31, 2021, the SJBOCES proportion was 0.040%, which was an increase of 0.002% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022 the SJBOCES recognized OPEB expense of (\$61,544). At June 30, 2022, SJBOCES 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 | \$ 531 | \$ 82,663 |
| Changes of assumptions or other inputs | 7,218 | 18,911 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 21,580 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 24,621 | 43,501 |
| Contributions subsequent to the measurement date | 23,388 | - |
| Total | <u>\$ 55,758</u> | <u>\$ 166,655</u> |

\$23,388 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 | \$ (50,159) |
| 2024 | (45,939) |
| 2025 | (26,762) |
| 2026 | (11,557) |
| 2027 | 17 |
| Thereafter | 114 |

Actuarial assumptions. The TOL 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 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 |

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Medicare Part A premiums

3.75% in 2021, gradually increasing to 4.50% in 2029

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

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

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

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

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2020, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

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Mortality assumptions used in the December 31, 2020 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the determination of the TOL for the HCTF, but developed using a headcount-weighted basis. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF. The pre-retirement mortality assumptions for the School Division were based upon the PubT-2010 Employee 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 percent 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 percent 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 for members 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 following health care costs assumptions were updated and used in the roll forward calculation for the Trust Fund.

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

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

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

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

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation)

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were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

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

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

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

| | <u>1% Decrease in Trend Rates</u> | <u>Current Trend Rates</u> | <u>1% Increase in Trend Rates</u> |
|--|---------------------------------------|--------------------------------|---------------------------------------|
| Initial PERACare Medicare trend rate | 3.50% | 4.50% | 5.50% |
| Ultimate PERACare Medicare Part A 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 | \$ 338,611 | \$ 348,623 | \$ 360,220 |

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

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

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- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

Sensitivity of the SJBOCES proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.25%) or one-percentage-point higher (8.25%) than the current rate:

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|------------------------|-------------------------------------|------------------------|
| Proportionate share of the net OPEB liability | \$ 404,889 | \$ 348,623 | \$ 300,562 |

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

NOTE 10 RISK OF LOSS

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Board carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

A budgetary comparison schedule is required for the General Fund and, if applicable, each of the SJBOCES' major special revenue funds. In addition, pension plan and OPEB contributions and the District's proportionate share of the net pension and OPEB liability are required to supplement the basic financial statements.

General Fund

The General Fund is used to account for resources traditionally associated with the government, which are not required legally or by sound financial management to be accounted for in another fund.

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COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2022

| | 2022 | | | 2021 | |
|--|------------------|------------------|---------------------|---|---------------------|
| | BUDGETED AMOUNTS | | Actual | Variance with Final Budget Favorable (Unfavorable) | Actual |
| | ORIGINAL | FINAL | | | |
| REVENUES | | | | | |
| Local | \$ 2,261,152 | \$ 2,692,431 | \$ 2,322,577 | \$ (369,854) | \$ 2,257,081 |
| Intermediate | - | - | - | - | - |
| State | 3,175,162 | 4,186,613 | 4,345,724 | 159,111 | 3,014,403 |
| Other | 15,966 | 15,966 | 8,039 | (7,927) | 151 |
| TOTAL REVENUES | 5,452,280 | 6,895,010 | 6,676,340 | (218,670) | 5,271,635 |
| EXPENDITURES | | | | | |
| Instructional Services | 2,085,793 | 2,085,793 | 2,009,952 | 75,841 | 1,835,363 |
| Supporting Services: | | | | | |
| Pupil Support Services | 1,974,004 | 2,405,283 | 2,384,495 | 20,788 | 2,146,580 |
| Instructional Staff Support | 566,101 | 566,101 | 636,647 | (70,546) | 646,849 |
| Business Services | 356,688 | 356,688 | 305,777 | 50,911 | 226,905 |
| Operations and Maintenance | 69,000 | 69,000 | 64,040 | 4,960 | 67,042 |
| General Administration | 32,128 | 32,128 | 37,009 | (4,881) | 1,553 |
| Central Supporting Services | 368,566 | 1,380,017 | 1,270,798 | 109,219 | 344,520 |
| Facilities Acquisition and Const. Services | - | - | 152,589 | (152,589) | - |
| TOTAL EXPENDITURES | 5,452,280 | 6,895,010 | 6,861,307 | 33,703 | 5,268,812 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | - | - | (184,967) | (184,967) | 2,823 |
| OTHER FINANCING SOURCES | | | | | |
| Lease Proceeds | - | - | 152,589 | 152,589 | - |
| TOTAL OTHER FINANCING SOURCES | - | - | 152,589 | 152,589 | - |
| NET CHANGE IN FUND BALANCE | - | - | (32,378) | (32,378) | 2,823 |
| Fund Balance, Beginning of year | - | - | 1,111,023 | 1,111,023 | 1,108,200 |
| Fund Balance, End of year | \$ - | \$ - | \$ 1,078,645 | \$ 1,078,645 | \$ 1,111,023 |

Notes to Required Supplementary Information:

The basis of budgeting is the same as GAAP.
The schedule is presented on the GAAP basis.

Governmental Designated Purpose Grants Fund

The Governmental Designated Purpose Grants Fund is used to account for revenues and expenditures associated with Federal and State grants.

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
GOVERNMENTAL DESIGNATED PURPOSE GRANTS FUND
For the Year Ended June 30, 2022

| | <u>2022</u> | | | <u>2021</u> | |
|--|-------------------------|------------------|------------------|----------------------|------------------|
| | <u>BUDGETED AMOUNTS</u> | | <u>Actual</u> | <u>Variance with</u> | <u>Actual</u> |
| | <u>ORIGINAL</u> | <u>FINAL</u> | | <u>Final Budget</u> | |
| REVENUES | | | | | |
| Intergovernmental | | | | | |
| Federal Sources | \$ 1,825,337 | \$ 2,353,225 | \$ 1,991,168 | \$ (362,057) | \$ 1,965,963 |
| TOTAL REVENUES | <u>1,825,337</u> | <u>2,353,225</u> | <u>1,991,168</u> | <u>(362,057)</u> | <u>1,965,963</u> |
| EXPENDITURES | | | | | |
| Instructional | 691,961 | 691,961 | 533,646 | 158,315 | 706,714 |
| Supporting Services: | | | | | |
| Pupil Support Services | 384,690 | 912,578 | 1,028,073 | (115,495) | 919,272 |
| Instructional Staff Support | 748,686 | 748,686 | 429,449 | 319,237 | 338,477 |
| Business Services | - | - | - | - | 1,500 |
| Central Supporting Services | - | - | - | - | - |
| TOTAL EXPENDITURES | <u>1,825,337</u> | <u>2,353,225</u> | <u>1,991,168</u> | <u>362,057</u> | <u>1,965,963</u> |
| NET CHANGE IN FUND BALANCE | - | - | - | - | - |
| Fund Balance, Beginning of year | - | - | - | - | - |
| Fund Balance, End of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Notes to Required Supplementary Information:

The basis of budgeting is the same as GAAP.
The schedule is presented on the GAAP basis.

Pensions & Other Post-Employment Benefits

These schedules are presented to illustrate the requirements to show information for ten years. However, until a full 10-year trend is compiled, the SJBOCES will present information for those years for which information is available.

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
PERA SCHDTF PENSION PLAN
For the Years Ended June 30,

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|---------------------|----------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| District's proportion of the net pension liability | 0.0619628% | 0.0671353% | 0.0591452% | 0.0579467% | 0.0801385% | 0.0865588% | 0.0845938% | 0.0875694% | 0.0941855% |
| District's proportionate share of the net pension liability (asset) \$ | 7,210,841 | \$ 10,149,501 | \$ 8,836,158 | \$ 10,260,651 | \$ 25,913,934 | \$ 25,771,902 | \$ 12,938,025 | \$ 11,868,602 | \$ 12,013,329 |
| State's proportionate share of the net pension liability (asset) associated with the District | 826,631 | - | 1,120,754 | 1,403,002 | - | - | - | - | - |
| Total | \$ 8,037,472 | \$ 10,149,501 | \$ 9,956,912 | \$ 11,663,653 | \$ 25,913,934 | \$ 25,771,902 | \$ 12,938,025 | \$ 11,868,602 | \$ 12,013,329 |
| District's covered payroll \$ | 3,875,646 | \$ 3,585,124 | \$ 3,474,760 | \$ 3,187,708 | \$ 3,696,692 | \$ 3,884,912 | \$ 3,686,579 | \$ 3,661,445 | \$ 3,796,913 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 186% | 283% | 254% | 322% | 701% | 663% | 351% | 324% | 316% |
| Plan fiduciary net position as a percentage of the total pension liability | 74.86% | 66.99% | 64.52% | 57.01% | 43.96% | 43.1% | 59.2% | 62.8% | 64.1% |

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled the District presents information for those years for which information is available.

See Notes to the Required Supplementary Information

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF DISTRICT CONTRIBUTIONS
PERA SCHDTF PENSION PLAN
For the Years Ended June 30,

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 821,755 | \$ 712,493 | \$ 706,760 | \$ 634,877 | \$ 600,109 | \$ 744,734 | \$ 672,103 | \$ 606,027 | \$ 606,750 | \$ 571,743 |
| Contributions in relation to the contractually required contribution | <u>(821,755)</u> | <u>(712,493)</u> | <u>(706,760)</u> | <u>(634,877)</u> | <u>(600,109)</u> | <u>(744,734)</u> | <u>(672,103)</u> | <u>(606,027)</u> | <u>(606,750)</u> | <u>(571,743)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 4,121,134 | \$ 3,584,358 | \$ 3,646,850 | \$ 3,318,750 | \$ 3,174,359 | \$ 4,045,222 | \$ 3,780,991 | \$ 3,578,282 | \$ 3,777,069 | \$ 3,544,552 |
| Contributions as a percentage of covered payroll | 19.94% | 19.88% | 19.38% | 19.13% | 18.90% | 18.41% | 17.78% | 16.94% | 16.06% | 16.13% |

See Notes to the Required Supplementary Information

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
COLORADO PERA HEALTHCARE TRUST FUND
For the Years Ended June 30,

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| District's proportion of the net pension liability | 0.0404291540% | 0.0388955535% | 0.0386445857% | 0.0376650091% | 0.0455343639% | 0.0492010303% |
| District's proportionate share of the net pension liability (asset) | \$ 348,623 | \$ 369,595 | \$ 434,364 | \$ 512,448 | \$ 591,931 | \$ 637,908 |
| District's covered payroll | \$ 3,875,646 | \$ 3,585,124 | \$ 3,474,760 | \$ 3,187,708 | \$ 3,696,692 | \$ 3,884,912 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 9% | 10% | 13% | 16% | 16% | 16% |
| Plan fiduciary net position as a percentage of the total pension liability | 39.40% | 32.78% | 24.49% | 17.03% | 17.53% | 20.07% |

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled the District presents information for those years for which information is available.

See Notes to the Required Supplementary Information

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF DISTRICT CONTRIBUTIONS
COLORADO PERA HEALTHCARE TRUST FUND
For the Years Ended June 30,

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Contractually required contribution | \$ 42,036 | \$ 36,560 | \$ 37,198 | \$ 33,851 | \$ 32,378 | \$ 41,261 | \$ 38,566 | \$ 36,498 | \$ 38,526 | \$ 36,154 |
| Contributions in relation to the contractually required contribution | <u>(42,036)</u> | <u>(36,560)</u> | <u>(37,198)</u> | <u>(33,851)</u> | <u>(32,378)</u> | <u>(41,261)</u> | <u>(38,566)</u> | <u>(36,498)</u> | <u>(38,526)</u> | <u>(36,154)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 4,121,134 | \$ 3,584,358 | \$ 3,646,850 | \$ 3,318,750 | \$ 3,174,359 | \$ 4,045,222 | \$ 3,780,991 | \$ 3,578,282 | \$ 3,777,069 | \$ 3,544,552 |
| Contributions as a percentage of covered payroll | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% |

See Notes to the Required Supplementary Information

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
CHANGES IN BENEFIT TERMS AND ACTUARIAL ASSUMPTIONS
For the Year Ended June 30, 2022

NOTE 1 NET PENSION LIABILITY

Changes in assumptions or other inputs effective for the December 31st measurement period for the following years ended:

2021

- Required contribution increased from 10.00% to 10.50% for eligible employees.
- AI cap decreased from 1.25% to 1.00%

2020

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.
- Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumptions were changed to the PubT-2010 Employee Table with generational projection using scale MP-2019.
- Post-retirement non-disabled mortality assumptions were changed to the PubT-2010 Healthy Retiree Table, adjusted as follows:
 - Males: 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
 - Females: 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Post-retirement non-disabled beneficiary mortality assumptions were changed to the Pub-2010 Contingent Survivor Table, adjusted as follows:
 - Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.
 - Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.
- Disabled mortality assumptions were changed to the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.
- The mortality tables described above are generational mortality tables on a benefit-weighted basis.

2019 The post-retirement benefit increases to the PERA benefit structure for those hired prior to 1/1/07 was changed from 0% through 2019 and 1.5% compounded annually thereafter, to 1.25%.

2018 The assumed investment rate of return of 7.25% was used as the discount rate, rather than using the blended rate of 4.78%

2017 The discount rate was lowered from 5.26% to 4.78%.

2016

- The price inflation assumption was lowered from 2.80% to 2.40%.
- The long-term expected rate of return assumption was lowered from 7.50% to 7.25% per year.
- The wage inflation assumption was lowered from 3.90% to 3.50%.
- The mortality tables were changed from RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection scale of Scale AA to 2020 to RP-2014 White Collar Employee Mortality for actively working people, RP-2014 Healthy Annuitant

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
CHANGES IN BENEFIT TERMS AND ACTUARIAL ASSUMPTIONS
For the Year Ended June 30, 2022

Mortality Table projected to 2020 using the MP-2015 projection scale for retirees, or RP-2014 Disabled Retiree Mortality Table for disabled retirees.

- The discount rate was lowered from 7.50% to 5.26%.

2015 There were no changes in assumptions or other inputs this measurement period compared to the prior year.

NOTE 2 OTHER POSTEMPLOYMENT BENEFITS LIABILITY

Changes in assumptions or other inputs effective for the December 31st measurement period for the following years ended:

2021

- The Medicare Part A premium increased from \$458 to \$471 per month.
- The health care cost trend rates from 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.

2020

- 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 2020 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.
- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real wage growth assumption decreased from 1.10 percent per year to 0.70 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.
- Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumptions for the School Division were changed to the PubT-2010 Employee Table with generational projection using scale MP-2019.
- Post-retirement non-disabled mortality assumptions for the School Division were changed to the PubT-2010 Healthy Retiree Table, adjusted as follows:
 - Males: 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
 - Females: 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Post-retirement non-disabled beneficiary mortality assumptions were changed to the Pub-2010 Contingent Survivor Table, adjusted as follows:
 - Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.
 - Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.
- Disabled mortality assumptions were changed to the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.
- The mortality tables described above are generational mortality tables on a benefit-weighted basis.

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
CHANGES IN BENEFIT TERMS AND ACTUARIAL ASSUMPTIONS
For the Year Ended June 30, 2022

2019

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

2018 There were no changes in assumptions or other inputs effective this measurement period compared to the prior year.

2017 The Medicare Part A premiums were raised from 3.00% to 3.25%, as well as the gradual percentage rose from 4.25% in 2023 to 5.00% in 2025.

SUPPLEMENTARY INFORMATION

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

| <i>Federal Grantor/Program or Cluster Title</i> | <i>Federal Assistance Listing</i> | <i>Pass-through Grantor and Number</i> | <i>Federal Expenditures(\$)</i> |
|---|-----------------------------------|---|-----------------------------------|
| <i>Special Education Cluster (IDEA)</i> | | | |
| U.S. Department of Education | | | |
| Special Education Grants to States | 84.027 | Colorado Department of Education, 4027 | \$ 1,467,987 |
| COVID-19 Special Education Grants to States | 84.027 | Colorado Department of Education, 6027 | 206,233 |
| COVID-19 Special Education Preschool Grants | 84.173 | Colorado Department of Education, 6173 | 24,190 |
| Special Education Preschool Grants | 84.173 | Colorado Department of Education, 4173 | 40,509 |
| <i>Total Special Education Cluster (IDEA)</i> | | | <u>1,738,919</u> |
| <i>Other Programs</i> | | | |
| U.S. Department of Education | | | |
| Career and Technical Education - Basic Grants to States | 84.048 | State Board of Community Colleges, 4048 | 65,847 |
| Special Education - State Personnel Development | 84.323 | Colorado Department of Education, 5323 | 39,488 |
| COVID-19 Education Stabilization Fund | 84.425D | Colorado Department of Education, 5425/4419 | 146,914 |
| <i>Total Other Programs</i> | | | <u>252,249</u> |
| <i>Total Expenditures of Federal Awards</i> | | | <u><u>\$ 1,991,168</u></u> |

The accompanying notes are an integral part of this schedule.

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available, however no federal funds were passed through to other entities during fiscal year 2022. San Juan Board of Cooperative Educational Services did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance for the year ended June 30, 2022.

NOTE 2: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of San Juan Board of Cooperative Educational Services under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of San Juan Board of Cooperative Educational Services, it is not intended to and does not present the financial position or changes in net position of San Juan Board of Cooperative Educational Services.

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



Wall,
Smith,
Bateman Inc.

To the Board of Directors
San Juan Board of Cooperative Educational Services
Durango, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the San Juan Board of Cooperative Educational Services (SJBOCES), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the SJBOCES' basic financial statements and have issued our report thereon dated November 29, 2022.

Report on Internal Control Over Financial Reporting

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

Certified Public Accountants

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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.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

November 29, 2022

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**



Wall,
Smith,
Bateman Inc.

To the Board of Directors
San Juan Board of Cooperative Educational Services
Durango, Colorado

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the San Juan Board of Cooperative Educational Services' 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 the SJBOCES' major federal programs for the year ended June 30, 2022. The SJBOCES' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the SJBOCES' complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each 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, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 the SJBOCES 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 the SJBOCES' 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 the SJBOCES' federal programs.

Certified Public Accountants

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Auditors' 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 the SJBOCES' 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 generally accepted auditing standards, *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 the SJBOCES' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 the SJBOCES' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's 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 the SJBOCES' 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 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.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

November 29, 2022

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported

Type of auditors’ report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

_____ yes X no

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 84.027 and 84.173 | Special Education Cluster (IDEA) |

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee? _____ yes X no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

**SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2022**

Section II – Financial Statement Findings

Finding 2021-001: Internal Control Over Financial Reporting

Type of finding: Internal Control (material weakness)

Condition: Internal controls over monthly and year-end reconciliation procedures were not sufficient to prevent and detect financial statements.

Cause: The Finance Manager's responsibilities do not allow her sufficient time or resources to properly monitor all areas.

Status: Implemented.



Colorado Department of Education

Auditors Integrity Report

District: 9050 - San Juan 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 | 1,111,021 | 6,828,927 | 6,861,302 | 1,078,646 |
| 18 Risk Mgmt Sub-Fund of General Fund | 0 | 0 | 0 | 0 |
| 19 Colorado Preschool Program Fund | 0 | 0 | 0 | 0 |
| Sub- Total | 1,111,021 | 6,828,927 | 6,861,302 | 1,078,646 |
| 11 Charter School Fund | 0 | 0 | 0 | 0 |
| 20,26-29 Special Revenue Fund | 0 | 0 | 0 | 0 |
| 06 Supplemental Cap Const, Tech, Main. Fund | 0 | 0 | 0 | 0 |
| 07 Total Program Reserve Fund | 0 | 0 | 0 | 0 |
| 21 Food Service Spec Revenue Fund | 0 | 0 | 0 | 0 |
| 22 Govt Designated-Purpose Grants Fund | 0 | 1,991,170 | 1,991,170 | 0 |
| 23 Pupil Activity Special Revenue Fund | 0 | 0 | 0 | 0 |
| 25 Transportation Fund | 0 | 0 | 0 | 0 |
| 31 Bond Redemption Fund | 0 | 0 | 0 | 0 |
| 39 Certificate of Participation (COP) Debt Service Fund | 0 | 0 | 0 | 0 |
| 41 Building Fund | 0 | 0 | 0 | 0 |
| 42 Special Building Fund | 0 | 0 | 0 | 0 |
| 43 Capital Reserve Capital Projects Fund | 0 | 0 | 0 | 0 |
| 46 Supplemental Cap Const, Tech, Main Fund | 0 | 0 | 0 | 0 |
| Totals | 1,111,021 | 8,820,097 | 8,852,472 | 1,078,646 |
| Proprietary | | | | |
| 50 Other Enterprise Funds | 0 | 0 | 0 | 0 |
| 64 (63) Risk-Related Activity Fund | 0 | 0 | 0 | 0 |
| 60,65-69 Other Internal Service Funds | 0 | 0 | 0 | 0 |
| Totals | 0 | 0 | 0 | 0 |
| Fiduciary | | | | |
| 70 Other Trust and Agency Funds | 0 | 0 | 0 | 0 |
| 72 Private Purpose Trust Fund | 0 | 0 | 0 | 0 |
| 73 Agency Fund | 0 | 0 | 0 | 0 |
| 74 Pupil Activity Agency Fund | 0 | 0 | 0 | 0 |
| 79 GASB 34:Permanent Fund | 0 | 0 | 0 | 0 |
| 85 Foundations | 0 | 0 | 0 | 0 |
| Totals | 0 | 0 | 0 | 0 |

FINAL