

SAN LUIS VALLEY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Financial Statements
Fiscal Year Ended June 30, 2022



Wall,
Smith,
Bateman Inc.
Certified Public Accountants

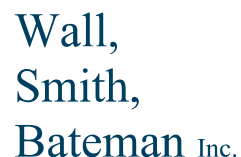
SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

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INDEPENDENT AUDITORS' REPORT



To the Board of Directors
San Luis Valley Board of
Cooperative Educational Services
Alamosa, 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 Luis Valley Board of Cooperative Educational Services (SLVBOCES), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the San Luis Valley Board of Cooperative Educational Services' basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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.

Certified Public Accountants

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 SLVBOCES' 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 SLVBOCES' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension, and other postemployment benefits 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 San Luis Valley Board of Cooperative Educational Services' basic financial statements. The accompanying Colorado School District 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 Colorado School District 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 April 19, 2023, on our consideration of the SLVBOCES' 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 SLVBOCES' 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 SLVBOCES' internal control over financial reporting and compliance.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

April 19, 2023

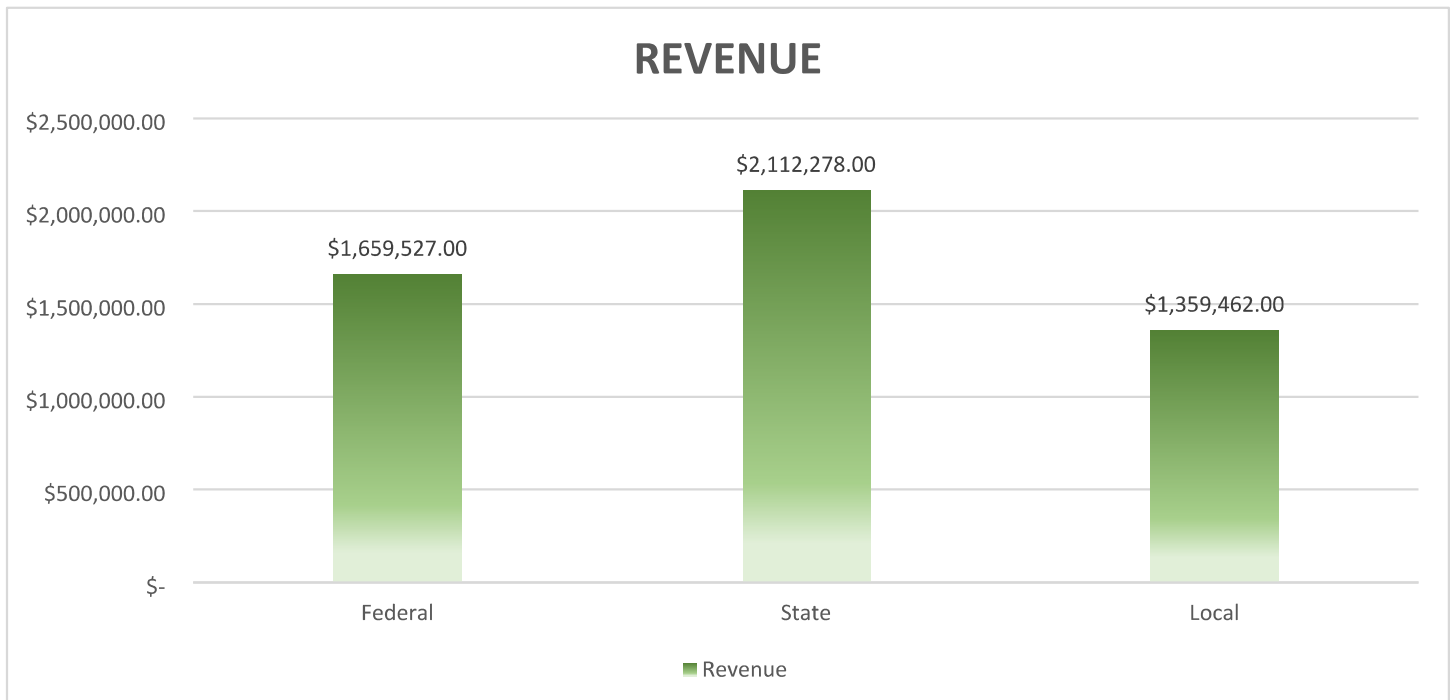
**SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
MANAGEMENT’S DISCUSSION AND ANYALYSIS (MD&A)
FISCAL YEAR ENDING JUNE 30, 2022**

As management of the San Luis Valley Board of Cooperative Educational Services (BOCES), we offer readers of the BOCES’ financial statements this narrative overview and analysis of the financial activities of the BOCES for the fiscal year ending June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit. While GASB 34 requires responses to eight items that are included herein, we will start this MD&A with a review of key financial highlights.

Financial Highlights

The BOCES financial status is quite stable. The beginning fund balance on July 1, 2021 was \$1,186,341 and ending fund balance on June 30, 2022 was \$1,138,272; which is a decrease of \$48,069.

The General Fund had total revenue of \$5,131,267. The sources of this revenue were \$1,659,527 (32%) from Federal sources; \$2,112,278 (41%) from State sources; and \$1,359,462 (27%) from local sources.



Analysis of Financial Position & Results of Operations

The BOCES is committed to the basic premise that the purpose of a public-school education is to help each child, including those with disabilities, develop to the limit of his/her own capacity. The BOCES goal is to provide full educational opportunities to all children with disabilities. Each child with a disability shall be offered an individual education program to meet his/her needs. The SLV BOCES provides a free and appropriate public education to all eligible students from 3 to 21 years of age.

During the 2021/2022 fiscal year, the world continued to experience the COVID-19 pandemic, which brought much instability to the budget, as well as how services were provided to students throughout the San Luis Valley. The economic impact of the pandemic will be felt for several years.

The financial position of the BOCES decreased for the second consecutive year causing a slight decrease to the beginning fund balance. Monthly, the Executive Director and finance staff reviewed financial reports to track expenditures within budget categories. Any problems noted were attended to immediately. Quarterly reports of the fiscal position of the BOCES are supplied to the Board of Directors as required by state law. The financial information is available online at www.slvboces.org.

The operations of the BOCES during the 2021/2022 fiscal year showed a wide variety of programs that were funded. The department of Exceptional Student Services remains the largest operation in the BOCES with approximately 50 staff members.

The Alternative Teacher Licensure Program remains a success with 12 candidates completing the program in 2021/2022. This program provides an alternative option for residents to earn a Colorado teacher's license while on the job. Member school districts utilize this option to find quality people who have knowledge and skills that can benefit students and their districts.

Another great program offered through the BOCES is the Induction Program with 39 candidates in 2021/2022. This is a collaborative endeavor between the BOCES and member school districts. New teachers and/or principals, as well as administrators are enrolled in the program and work with mentors in their district. The induction program is designed to aid their transition into the district and enhance their professional capacity. Successfully completing the program allows the participants to be eligible to apply for a professional license from the Colorado Department of Education (CDE). Participation in an induction program is required by CDE in order to convert a three-year initial teaching, special services, or administrative license to a professional one with a five-year term.

The BOCES continued to receive IDEA Part B and Federal Preschool dollars for the 2021/2022 fiscal year. In addition, the BOCES continued to receive EARSS, SWAP, CO-MTSS, McKinney-Vento, Gifted & Talented, Universal Screening, Title III, and various other federal and state funds to support students in the San Luis Valley. The BOCES continued billing for Medicaid in 2021/2022. The BOCES supports the salaries of speech therapists, school psychologists, occupational therapists, physical therapists, an audiologist, special education teachers, paraprofessionals, records, administration, etc.

The board initiated no new construction projects during this fiscal year.

Overview of Basic Financial Statements

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the BOCES' finances in a manner like a private-sector business.

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

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

The government-wide financial statements outline functions of the BOCES that are principally supported by district assessments and governmental revenues.

The district is required to implement GASB 75 resulting in a net other post-employment benefit (OPEB) liability of \$205,137 in 2021/2022. Under GASB 75 the district's proportionate share of the OPEB liability of the Colorado state retirement system Health Care Trust Fund administered by the Public Employees Retirement Association, is recorded as a liability of the district. At implementation beginning equity is restated and deferred inflows, outflows and the net OPEB liability are reported. Beginning net position of governmental activities decreased because of this change.

The BOCES was required to implement GASB 68 resulting in a net pension liability of \$4,240,098. Under GASB 68 the BOCES's proportionate share of the net pension liability of the Colorado state retirement system, the Public Employees Retirement Association, is recorded as a liability of the BOCES. At implementation beginning equity is restated and deferred inflows, outflows and the net pension liability are reported. Beginning net position of governmental activities decreased because of this change.

Government –Wide Financial Analysis

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the BOCES, liabilities were less than assets by \$7,363,313. The largest portion of the BOCES' net position reflects its obligation for the BOCES portion of the net pension obligation for PERA. The BOCES' financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Table 1. Net Position for the Period Ending June 30, 2022 & June 30, 2021

This analysis will show a good comparison from the prior year assets, since the implementation of GASB Statement 34.

Table 1

ASSETS	<u>2022</u>	<u>2021</u>
Current Assets	\$3,769,082	\$3,451,294
Capital Assets Net of Depreciation	\$277,788	\$56,878
<u>TOTAL ASSETS</u>	<u>\$4,046,870</u>	<u>\$3,508,172</u>
 DEFERRED OUTFLOWS OF RESOURCES		
<u>TOTAL DEFERRED OUTFLOWS OF RESOURCES</u>	<u>\$894,349</u>	<u>\$1,889,744</u>
 LIABILITIES		
Current Liabilities	\$2,912,877	\$2,267,951
Long-Term Liabilities	\$4,450,436	\$6,657,494
<u>TOTAL LIABILITIES</u>	<u>\$7,363,313</u>	<u>\$8,925,445</u>
 DEFERRED INFLOWS OF RESOURCES		
<u>TOTAL DEFERRED INFLOWS OF RESOURCES</u>	<u>\$2,665,657</u>	<u>\$3,907,192</u>

NET POSITION - EQUITY		
Net Investment in Capital Assets	\$44,661	\$50,830
Restricted for Emergencies	\$0	\$0
Unrestricted	-\$5,084,701	-\$7,482,551
<u>TOTAL NET POSITION</u>	<u>-\$5,040,040</u>	<u>-\$7,431,721</u>

Table 2. Statement of Governmental Activities for the Fiscal Years Ended June 30, 2022 & June 30, 2021

Table 2

	<u>2022</u>	<u>2021</u>
Governmental Activity Revenues:		
Charges for Services	\$1,165,537	\$579,845
Operating Grants & Contributions	\$3,950,478	\$3,741,313
Direct Distribution Payment	\$0	\$0
General Revenues	\$29,552	\$335,892
Total Governmental Activity Revenues	<u>\$5,145,567</u>	<u>\$4,657,050</u>
Governmental Activities Expenses:		
Instructional	\$950,781	\$1,860,165
Students	\$589,378	\$1,269,412
Instructional Staff	\$319,347	\$641,777
General Administration	\$1,924	\$126,617
School Administration	\$45,656	\$328,134
Business Services	\$496,117	\$57,811
Operations and Maintenance	\$51,445	\$6,932
Student Transportation	\$2,877	\$145,973
Central Office Support	\$110,930	\$232,176
Debt Service		\$129
Benefit Expense	\$182,431	-\$2,192,470
Total Governmental Activities Expenses	<u>\$2,750,886</u>	<u>\$2,476,656</u>
Net Position, Beginning	-\$7,434,721	-\$9,615,115
Net Position, Ending	-\$5,040,040	-\$7,434,721
Change in Net Position	<u>\$2,394,681</u>	<u>\$2,180,394</u>

Analysis of Fund Balances & Transactions

The beginning fund balance on July 1, 2021 was \$1,186,341 and ending fund balance on June 30, 2022 was \$1,138,272. The BOCES continues to work toward maintaining a healthy fund balance.

Table 3. Schedule of Revenues, Expenditures & Change in Fund Balance for the Fiscal Years ended June 30, 2022 & June 30, 2021.

Table 3

	<u>2022</u>	<u>2021</u>
Revenues:		
Local Sources	\$1,359,462	\$908,716
State Sources	\$2,112,278	\$2,522,611
Federal Sources	\$1,659,527	\$1,218,702
Total Governmental Activity Revenues	<u>\$5,131,267</u>	<u>\$4,650,029</u>
Expenditures:		
Instructional	\$2,332,321	\$1,866,224
Students	\$1,160,966	\$1,269,412
Instructional Staff	\$520,103	\$641,777
School Administration	\$108,386	\$126,617
Business Services	\$640,165	\$327,651
Operations and Maintenance	\$47,511	\$52,572
Student Transportation	\$2,877	\$2,998
Central Office Support	\$141,027	\$145,973
Other Support	\$240,280	\$232,176
Principal	\$0	\$2,949
Interest	\$0	\$128
Total Governmental Activities Expenses	<u>\$5,193,636</u>	<u>\$2,802,252</u> *
Revenues Over (Under) Expenditures	-\$62,369	
Sale of Capital Assets	\$14,300	\$7,021
Net Change in Fund Balance	-\$48,069	-\$31,427
Fund Balances, Beginning of Year	<u>\$1,186,341</u>	<u>\$1,217,766</u>
Fund Balances, End of Year	<u><u>\$1,138,272</u></u>	<u><u>\$1,186,341</u></u>

Budget Variance Analysis

There were budget variances from the final budget that was approved at the January 20, 2022, board meeting, and what the actual audit numbers were. To begin with, revenues are received by three primary sources...state, local and federal. The approved budget anticipated a total of \$6,160,599 being received by

these three sources. Actual revenue received per audit was \$5,131,267. So, the difference in what was anticipated and what was received was \$-1,681,657.

One of the main reasons for having less revenue was due to timing. To receive federal money, a request for funds form (RFF) must be submitted to CDE. The BOCES does their best to submit the RFF by the deadline which is the 1st of each month and is based on the previous month’s expenditures. If this deadline is missed, then the RFF are not processed until the following month. After the RFF are processed, it can take several weeks for the money to be received. For example, RFF that were submitted in June and July for May and June may not be received until after June 30. In addition, July & August accrued salaries, benefits and accrued AP were not requested until after June 30, so were not received in the 2021/2022 fiscal year, but will show up in 2022/2023. In addition, revenues must equal expenditures for federal money, if there are less expenditures than anticipated then the revenues will be less than anticipated. This is since the request for funds is based on actual expenditure.

The difference of expenditures from the final budget approval and what actuals were with the audit. The approved budget for expenditures was \$6,875,293, and the final audited expense actual total was \$5,193,636. This is a good thing because it means that the BOCES spent \$1,681,657 less than anticipated. However, the BOCES must remain active in making smart budget decisions each year, as expenditures continue to increase, but revenue sources are decreasing.

Expenditures are broken down into several categories. All the categories show variance differences in what was anticipated with the final budget and what was spent. The categories consist of instruction, students, instructional staff, school administration, and central support. In addition, the BOCES adopts a “worst case scenario” when budgeting for expenditures. What this means is that the BOCES anticipates expenditure to be extremely high to make sure that there will always be enough revenue to cover them. There is also concern over what future budgets will look like due to the economic impact of the COVID-19 pandemic.

Capital Assets & Long-Term Debt Activity

Below is a summary of changes in capital assets for the fiscal year 2021-2022.

<u>Summary of 2021/2022 Capital Assets</u>	<u>Balance</u> <u>07/01/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/22</u>
<u>Depreciable Assets:</u>				
<i>Building</i>	87,034	0	0	87,034
<i>Equipment</i>	166,292	0	0	166,292
<i>Transportation</i>	<u>92,815</u>	<u>0</u>	<u>43,478</u>	<u>49,337</u>
<i>Total Depreciable Assets</i>	346,141	0	43,478	302,663
<u>Less Accumulated Depreciation For:</u>				
<i>Building</i>	53,474	3,934	0	57,408
<i>Transportation</i>	142,974	5,233	0	148,207
<i>Equipment</i>	<u>92,815</u>	<u>0</u>	<u>43,478</u>	<u>49,337</u>
<i>Total Accumulated Depreciation</i>	289,263	9,167	43,478	254,952
<u>Total Capital Assets, Net</u>	<u>56,878</u>	<u>(9,167)</u>	<u>0</u>	<u>47,711</u>

Modified Approach to Report Infrastructure Assets

This approach is not applicable to the BOCES.

Currently Known Facts Having Effect on Financial Position

Due to the lasting effects of COVID, parents of severe needs students were reluctant to send their children to school. These students are medically fragile and more susceptible to illness. This resulted in a lower student count among districts which, in turn, impacted funding.

The cost of health insurance, and the increase of PERA employer rates, as well as other employee benefits continues to be on the rise.

Questions regarding this report should be directed to Cindy Squires, HR/Payroll Manager at (719) 587-5408, csquires@slvboces.org or by mail at San Luis Valley BOCES, 2261 Enterprise Drive, Alamosa, CO 81101.

BASIC FINANCIAL STATEMENTS

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

STATEMENT OF NET POSITION

June 30, 2022

	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 3,769,082
Due from Other Governments	277,788
Total Current Assets	4,046,870
Noncurrent Assets	
Capital assets not being depreciated:	-
Capital assets, net of accumulated depreciation:	47,711
Total Noncurrent Assets	47,711
TOTAL ASSETS	4,094,581
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	877,070
OPEB	17,279
TOTAL DEFERRED OUTFLOWS OF RESOURCES	894,349
LIABILITIES	
Current Liabilities	
Accounts Payable	77,741
Accrued Salaries and Benefits	432,725
Unearned Grant Revenue	2,398,132
Financed Purchase Payable	3,050
Compensated Absences Payable	1,229
Total Current Assets	2,912,877
Noncurrent Liabilities	
Compensated Absences Payable	5,201
Net Pension Liability	4,240,098
Net OPEB Liability	205,137
Total Noncurrent Assets	4,450,436
TOTAL LIABILITIES	7,363,313
DEFERRED INFLOWS OF RESOURCES	
Pensions	2,538,680
OPEB	126,977
TOTAL DEFERRED INFLOWS OF RESOURCES	2,665,657
NET POSITION	
Net Investment in Capital Assets	44,661
Unrestricted	(5,084,701)
TOTAL NET POSITION	\$ (5,040,040)

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

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Primary
		Charges for	Operating	Capital Grants	Government
		Services	Grants &	&	Governmental
			Contributions	Contributions	Activities
Primary Government:					
Governmental Activities:					
Instructional	\$ 950,781	\$ 808,767	\$ 2,459,542	\$ -	\$ 2,317,528
Pupil Support Services	589,378	310,756	753,651	-	475,029
Instructional Staff Support	319,347	40,614	253,023	-	(25,710)
General Support Services	1,924	-	-	-	(1,924)
School Support Services	45,656	-	-	-	(45,656)
Business Services	496,117	5,400	227,875	-	(262,842)
Operations and Maintenance	51,445	-	-	-	(51,445)
Transportation Services	2,877	-	-	-	(2,877)
Central Supporting Services	110,930	-	16,107	-	(94,823)
Other Supporting Services	182,431	-	240,280	-	57,849
Total Primary Government and Governmental Activities	\$ 2,750,886	\$ 1,165,537	\$ 3,950,478	\$ -	2,365,129
			General Revenues		
			Gain on Sale of Property		14,300
			Earnings on Investments		11,288
			Miscellaneous		3,964
			Total General Revenues		29,552
			Change in Net Position		2,394,681
			Net Position, Beginning of Year		(7,434,721)
			Net Position, End of Year		\$ (5,040,040)

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

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2022

	GENERAL FUND
ASSETS	
Cash and Cash Equivalents	\$ 3,769,082
Due From Other Governments	277,788
TOTAL ASSETS	\$ 4,046,870
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 77,741
Accrued Salaries Payable	432,725
Unearned Grant Revenue	2,398,132
TOTAL LIABILITIES	2,908,598
FUND BALANCE	
Unassigned	1,138,272
TOTAL FUND BALANCE	1,138,272
TOTAL LIABILITIES AND FUND BALANCE	\$ 4,046,870

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

SAN LUIS VALLEY 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		\$ 1,138,272
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		47,711
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.		894,349
Long term liabilities, including compensated absences, are not due in the current period and therefore are not reported in the funds.		
Financed Purchase Payable	\$ (3,050)	
Compensated Absences	<u>(6,430)</u>	
		(9,480)
Net pension and OPEB liabilities are not due and payable in the current period and are not reported in the funds.		(4,445,235)
Certain amounts related to the net pension and OPEB liabilities are deferred and amortized over time. These are not reported in the funds.		<u>(2,665,657)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u><u>\$ (5,040,040)</u></u>

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

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

	GENERAL FUND
REVENUES	
Local Sources	\$ 1,359,462
State Sources	2,112,278
Federal Sources	1,659,527
	5,131,267
TOTAL REVENUES	5,131,267
EXPENDITURES	
Instructional	2,332,321
Supporting Services:	
Pupil	1,160,966
Instructional Staff	520,103
General	1,924
School	106,462
Business	640,165
Operation & Maintenance	47,511
Transportation	2,877
Central Support	141,027
Other Support	240,280
Debt Service	-
	5,193,636
TOTAL EXPENDITURES	5,193,636
Revenues Over (Under) Expenditures	(62,369)
OTHER FINANCING SOURCES (USES)	
Sale of Capital Assets	14,300
	14,300
TOTAL OTHER FINANCING SOURCES (USES)	14,300
NET CHANGE IN FUND BALANCE	(48,069)
Fund Balances, Beginning of Year	1,186,341
Fund Balances, End of Year	\$ 1,138,272

The accompanying notes are integral part of this financial statement.

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (48,069)

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.

Depreciation Expense (9,167)

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.

Financed purchase principal payments 2,998

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

8,022

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.

2,440,897

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 2,394,681

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of San Luis Valley Board of Cooperative Educational Services (SLVBOCES) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the SLVBOCES accounting policies are described below.

REPORTING ENTITY

Governmental Accounting Standards Board (GASB) Statement No. 14 (as amended by Statement No. 34, No. 39 and No. 61), *“The Financial Reporting Entity”* (GASB No. 14) describes the financial reporting entity as it relates to governmental accounting. According to this statement, the financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations whose exclusion from the reporting entity’s financial statements would cause those statements to be misleading or incomplete. Any organizations that can be described by these last two items are included with the primary government in the financial statements as component units.

This SLVBOCES is not included in any other governmental “reporting entity” as defined in GASB No. 14 and does not include any other component unit as part of its “reporting entity”. As required by accounting principles generally accepted in the USA, these basic financial statements present the SLVBOCES (the primary government) and its component units.

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 nonfiduciary activities of the SLVBOCES. For the most part, the SLVBOCES is 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 revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, operating statements present increases and

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

decreases in net current assets and unreserved fund balances as a measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

Governmental funds use the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of transactions can be determined and "available" means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 60 days after year-end.

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

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

When both restricted and unrestricted resources are available for use, it is the SLVBOCES policy to use restricted resources first, then unrestricted resources, as they are needed.

Fund Accounting

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

- General Fund - the general operating fund of the SLVBOCES; used to account for all resources that are not required legally or by sound financial management to be accounted for in another fund.

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

Cash and Investments

Cash represents amounts on deposit with financial institutions held by the SLVBOCES. The SLVBOCES is allowed to invest in the following types of investments: short-term certificates of deposit, repurchase agreements, money market deposit accounts, mutual funds, government pools, and U.S. Treasury Obligations. The SLVBOCES considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments are recorded at fair value in accordance with GASB Statement No. 72 *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Receivables

Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

Capital Assets

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

Maintenance, repairs, and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized. When assets used in the operation of the governmental fund types are sold, the proceeds of the sale are recorded as revenues in the fund. The SLVBOCES does not capitalize interest on the construction of capital assets in governmental funds.

The monetary threshold for capitalization of assets is \$2,500. The SLVBOCES capital assets are depreciated using the straight-line method over the estimated useful lives of the fixed assets (5-30 years). Depreciation of all capital assets is charged as an expense against their operations. Depreciation is recorded in the year of acquisition.

Deferred Outflows/Inflows of Resources

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

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

Certain amounts related to pensions and other post-employment benefits must be deferred.

Accrued Salaries

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, at June 30, 2022, are estimated to be \$432,725. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts

Accumulated unpaid vacation and sick pay are not accrued in governmental funds (using the modified accrual basis of accounting). These amounts do not exceed normal year's accumulations. It is the policy of the SLVBOCES that no monetary payments will be made for unused sick leave upon termination.

Accrued vacation payable as of June 30, 2022, was \$6,430.

Restricted Grants

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

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

Long-Term Obligations

In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities in the applicable government activities. The SLVBOCES records long-term debt of governmental funds at the face value.

Pensions

The SLVBOCES 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.

Other Postemployment Benefits (OPEB)

The SLVBOCES 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 should be 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 the SLVBOCES 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:

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

- *Nonspendable Fund Balance* – amounts that cannot be spent because they are not in spendable form – such as inventory and prepaid expenditures.
- *Restricted Fund Balance* – amounts restricted when 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 by the Board of Directors, the highest level of decision making authority. 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 is expressed by the Board of Directors.
- *Unassigned Fund Balance* – amounts that are available for any purpose; these amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted net position/fund balance is available, the SLVBOCES considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the SLVBOCES 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.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the various funds. Encumbrances lapse at the end of the year.

Use of Estimates

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

New Accounting Pronouncements

During fiscal year 2022, the SLVBOCES 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. This standard does not have a material effect on the financial statements of the SLVBOCES.

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 2 BUDGETARY INFORMATION

Revenues and expenditures are controlled by budgetary accounting systems in accordance with various legal requirements. The budgeted revenues and expenditures represented the original adopted budget as subsequently adjusted by the Board of Directors in accordance with Colorado School Laws. Budgets are generally prepared on the same basis as that used for accounting purposes.

The SLVBOCES has set procedures to be followed in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Executive Director submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public notices are released to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of resolution.
4. The Executive Director is authorized to transfer budgeted amounts between categories within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
5. Formal budgetary integration should be employed as a management control device during the year for the General Fund.
6. The Budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

All appropriations lapse at the end of each fiscal year. Authorization to transfer budgeted amounts between programs and/or departments and the reallocation of budget line items within any program and/or department rests with management of the SLVBOCES. Revisions and/or supplemental appropriations that alter the total expenditures must be approved by the Board of Directors.

Budgetary amounts reported in the accompanying basic financial statements are as originally adopted and amended by the Board of Directors throughout the year.

NOTE 3 DEPOSITS

The SLVBOCES carrying value of bank deposits was \$3,769,082, at June 30, 2022.

PDPA requires that all units of local government deposit cash in eligible public depositories, eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. 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 the aggregated uninsured deposits.

Custodial credit risk is the risk that in the event of a bank failure, the SLVBOCES deposits may not be returned to it. As of year-end, \$3,505,271 of the SLVBOCES bank balance of \$3,924,471 are uninsured, exposed to custodial risk, and collateralized with securities held by the pledging financial institution.

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 4 CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Governmental Activities				
Depreciable assets:				
Buildings	\$ 87,034	\$ -	\$ -	\$ 87,034
Equipment	166,292	-	-	166,292
Transportation	92,815	-	43,478	49,337
Total depreciable assets	<u>346,141</u>	<u>-</u>	<u>43,478</u>	<u>302,663</u>
Less accumulated depreciation for:				
Buildings	53,474	3,934	-	57,408
Equipment	142,974	5,233	-	148,207
Transportation	92,815	-	43,478	49,337
Total accumulated depreciation	<u>289,263</u>	<u>9,167</u>	<u>43,478</u>	<u>254,952</u>
Total Governmental Activities				
Capital Assets, Net	<u>\$ 56,878</u>	<u>\$ (9,167)</u>	<u>\$ -</u>	<u>\$ 47,711</u>

Governmental Activities	
Business	\$ 5,233
Operation and Maintenance	3,934
Total	<u>\$ 9,167</u>

NOTE 5 LEASES PAYABLE

Changes in long-term debt:

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022	Current Portion
Governmental Activities					
Financed Purchase	\$ 6,048	\$ -	\$ 2,998	\$ 3,050	\$ 3,050
Total	<u>\$ 6,048</u>	<u>\$ -</u>	<u>\$ 2,998</u>	<u>\$ 3,050</u>	<u>\$ 3,050</u>

On June 11, 2018, the SLVBOCES entered into a lease purchase to acquire a copier. The lease term is for 60 months with interest at 1.674% per annum. Payments began July 10, 2018.

Annual debt service requirements to maturity is as follows:

Fiscal Year	Total	Principal	Interest
2023	\$ 3,077	\$ 3,050	\$ 27
	<u>\$ 3,077</u>	<u>\$ 3,050</u>	<u>\$ 27</u>

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 6 PENSION PLANS

Defined Benefit Pension Plan

General Information about the Pension Plan

Plan description. Eligible employees of the SLVBOCES 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:

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

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.

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

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 SLVBOCES are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 10.50% of their PERA-includable salary during the period of July 1, 2021 through June 30, 2022. Employer contribution requirements are summarized in the table below:

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the SLVBOCES is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the SLVBOCES were \$477,785 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 SLVBOCES proportion of the net pension liability was based on the SLVBOCES 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.

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

At June 30, 2022, the SLVBOCES reported a liability of \$4,240,098 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 SLVBOCES 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 SLVBOCES were as follows:

The Cooperative proportionate share of net pension liability	\$ 4,240,098
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the Cooperative	<u>486,073</u>
Total	<u><u>\$ 4,726,171</u></u>

At December 31, 2021, the SLVBOCES proportion was 0.036%, which was a decrease of 0.006% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the SLVBOCES recognized pension expense of (\$2,399,643) and revenue of \$51,895 for support from the State as a nonemployer contributing entity. At June 30, 2022, the SLVBOCES 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	\$ 162,328	\$ -
Changes of assumptions or other inputs	323,700	-
Net difference between projected and actual earnings on pension plan investments	-	1,594,150
Changes in proportion and difference between contributions recognized and proportionate share of contributions	143,152	944,530
Contributions subsequent to the measurement date	<u>247,890</u>	<u>-</u>
Total	<u><u>\$ 877,070</u></u>	<u><u>\$ 2,538,680</u></u>

\$247,890 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	\$ (505,335)
2024	(722,640)
2025	(488,030)
2026	(193,496)
2027	-
Thereafter	-

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

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%
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.

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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 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:

<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%.

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.

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- 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 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 SLVBOCES 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	\$ 6,241,078	\$ 4,240,098	\$ 2,570,355

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.

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Defined Contribution Plan

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

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions, and investment earnings. The SLVBOCES does not make matching contributions to this plan.

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS

General Information about the OPEB Plan

Plan description. Eligible employees of the SLVBOCES 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.

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-

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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 SLVBOCES is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the SLVBOCES were \$24,515 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 SLVBOCES reported a liability of \$205,137 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 SLVBOCES proportion of the net OPEB liability was based on the SLVBOCES contributions to the HCTF for the calendar year 2021 relative to the total contributions of participating employers to the HCTF.

At December 31, 2021, the SLVBOCES proportion was 0.024%, which was an increase of 0.0007% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022 the SLVBOCES recognized OPEB expense of (\$41,254). At June 30, 2022, SLVBOCES 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	\$ 313	\$ 48,641
Changes of assumptions or other inputs	4,247	11,128
Net difference between projected and actual earnings on OPEB plan investments	-	12,698
Changes in proportion and difference between contributions recognized and proportionate share of contributions	-	54,510
Contributions subsequent to the measurement date	12,719	-
Total	\$ 17,279	\$ 126,977

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\$12,719 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:

<u>Year ended June 30,</u>	
2023	\$ (35,623)
2024	(34,752)
2025	(32,131)
2026	(15,758)
2027	(3,629)
Thereafter	(523)

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
Medicare Part A premiums	3.75% in 2021, gradually increasing to 4.50% in 2029

Note: 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.

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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%

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.

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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) 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>	

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	7.10%	8.10%	9.10%
Ultimate PERACare Medicare Part A trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 199,246	\$ 205,137	\$ 211,962

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.
- 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 SLVBOCES 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:

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	1% Decrease	Current Discount Rate	1% Increase
	(6.25%)	(7.25%)	(8.25%)
Proportionate share of the net OPEB liability	\$ 238,246	\$ 205,137	\$ 176,857

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 8 INTERGOVERNMENTAL AGREEMENTS

Not reflected in the accompanying financial statements are the various Districts’ participation in the San Luis Valley Board of Cooperative Educational Services (SLVBOCES). The SLVBOCES is an organization that provides member districts educational services at a shared lower cost per district. The districts have one member on the board, and the board has full authority for all budgeting and financing of the SLVBOCES.

The SLVBOCES is not a component unit of the participating districts as the oversight responsibility is minimal, there is no financial interdependency, the districts do not have the ability to significantly influence the operations of the SLVBOCES and the districts are not accountable for fiscal matters of the SLVBOCES.

NOTE 9 TAX, SPENDING AND DEBT LIMITATIONS

The SLVBOCES has determined that it is not subject to Amendment 1, commonly known as the Taxpayers Bill of Rights (TABOR) based on the following:

1. A Cooperative is not independently subject to the spending and revenue limits imposed by Amendment 1. Cooperative revenues and spending may therefore fluctuate independent of the restrictions imposed by the Amendment. However, contributions by member Cooperatives and by the state will be subject to the spending limits imposed by the Amendment at the time the transfer is made to the Cooperative account.
2. A Cooperative may enter into multiple-year financial obligations, as those obligations are defined in Amendment 1, only to the extent and in the manner to which its member school Cooperative are permitted under Amendment 1 to enter into such financial obligations.
3. The Cooperative need not maintain an emergency reserve as required by Amendment 1 for local government entities.
4. The Cooperative is not a local government under Amendment 1 because its activities and authority are not confined to a specific geographical are within the state, it addresses matters of statewide concern, and it was created by a statewide vote of the electorate. The board is decidedly not a private entity. Nor is it as presently constituted an “enterprise” under Amendment 1. While the board is not an “agency” of the state, the Cooperative conclude that the best reading of Amendment 1 is to exclude from state fiscal year spending limits only those entities that are nongovernmental, and the board is essentially governmental in nature. This interpretation of Amendment 1 is the interpretation that “reasonably restrains most of the growth of government”.

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NOTE 10 RISK MANAGEMENT

The SLVBOCES is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The SLVBOCES maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Colorado School District Self Insurance Pool

The SLVBOCES belongs to the Colorado School District's Self-Insurance Pool. The Pool was established by the Colorado Association of School Boards (CASB) to provide insurance coverage to participants in the areas of General Liability, Errors and Omissions, Automobile Liability, Auto Physical Damage, Auto Personal Injury Protection, Real and Personal Property, Crime, Workers' Compensation and other coverage. The Board of Directors is composed of eight persons; seven of whom are appointed by the Board of Directors of CASB and the Executive Director of CASB. The Pool is managed by an independent manager chosen by the Board of Directors. Each member's initial contribution and subsequent contributions are determined by the Pool based on factors including, but not limited to, the Aggregate Pool claims, the cost of Administrative and other operating expenses, the number of participants, the adequacy of both Operating and Reserve Funds and other factors touching on the status of the Pool or an individual participant, and as approved by the Colorado Insurance Commissioner.

As the SLVBOCES did not exercise oversight responsibility nor have sufficient control over Pool activities, the Pool is not a component unit of the SLVBOCES and only the SLVBOCES share of contributions to the Pool is recorded as Expenditures in the General Fund.

The SLVBOCES share in the Pool is not determinable from current information, but is estimated to be less than 1%. The SLVBOCES share, if calculated, would not be material to the Pool's financial information at June 30, 2022.

NOTE 11 SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Claims and Judgments – The SLVBOCES participates in a number of federal, state and Cooperative programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the SLVBOCES may be required to reimburse the grantor government. As of June 30, 2022, significant amounts of grant expenditures have not been audited by the grantor but the SLVBOCES believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the individual government fund or the overall financial position of the SLVBOCES.

REQUIRED SUPPLEMENTARY INFORMATION

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

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2022

	BUDGETED AMOUNTS		Actual	Variance with Final Budget Favorable (Unfavorable)
	ORIGINAL	FINAL		
REVENUES				
Local Sources	\$ 1,150,200	\$ 1,120,650	\$ 1,359,462	\$ 238,812
State Sources	2,364,297	2,603,996	2,112,278	(491,718)
Federal Sources	2,268,364	2,435,953	1,659,527	(776,426)
TOTAL REVENUES	5,782,861	6,160,599	5,131,267	(1,029,332)
EXPENDITURES				
Instructional	3,027,466	2,773,038	2,332,321	440,717
Supporting Services:				
Pupil	1,464,532	1,689,091	1,160,966	528,125
Instructional Staff	788,801	934,995	520,103	414,892
General	2,500	-	1,924	(1,924)
School	119,818	113,294	106,462	6,832
Business	571,653	659,942	640,165	19,777
Operation & Maintenance	107,720	104,220	47,511	56,709
Transportation	-	10,000	2,877	7,123
Central Support	236,900	310,005	141,027	168,978
Other Support	310,308	278,381	240,280	38,101
Community Service	2,249	2,327	-	2,327
Debt Service	-	-	-	-
TOTAL EXPENDITURES	6,631,947	6,875,293	5,193,636	1,681,657
Revenues Over (Under) Expenditures	(849,086)	(714,694)	(62,369)	652,325
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	-	14,250	14,300	50
TOTAL OTHER FINANCING SOURCES (USES)	-	14,250	14,300	50
NET CHANGE IN FUND BALANCE	(849,086)	(700,444)	(48,069)	652,375
Fund Balances, Beginning of Year	2,076,769	1,186,341	1,186,341	-
Fund Balances, End of Year	\$ 1,227,683	\$ 485,897	\$ 1,138,272	\$ 652,375

Notes to Required Supplementary Information:

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

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF THE SLVBOCES PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
PERA SCDTIF PENSION PLAN
For the Years Ended June 30,

	2022	2021	2020	2019	2018	2017	2016	2015	2014
SLVBOCES proportion of the net pension liability	0.0364352%	0.0423805%	0.0409189%	0.0460226%	0.0536365%	0.0556901%	0.5784469%	0.0583000%	0.0640000%
SLVBOCES proportionate share of the net pension	\$ 4,240,098	\$ 6,407,081	\$ 6,113,191	\$ 8,149,245	\$ 17,344,127	\$ 16,581,096	\$ 8,846,937	\$ 7,905,008	\$ 8,158,167
State's proportionate share of the net pension liability (asset) associated with the SLVBOCES	486,073	-	775,380	1,114,296	-	-	-	-	-
Total	\$ 4,726,171	\$ 6,407,081	\$ 6,888,571	\$ 9,263,541	\$ 17,344,127	\$ 16,581,096	\$ 8,846,937	\$ 7,905,008	\$ 8,158,167
SLVBOCES covered payroll	\$ 2,278,320	\$ 2,266,661	\$ 2,403,835	\$ 2,529,910	\$ 2,678,102	\$ 2,425,018	\$ 2,656,275	\$ 2,434,682	\$ 2,499,725
SLVBOCES proportionate share of the net pension liability (asset) as a percentage of its covered payroll	186%	283%	254%	322%	648%	684%	333%	325%	326%
Plan fiduciary net position as a percentage of the total pension liability	74.86%	66.99%	64.52%	57.01%	43.96%	43.13%	59.20%	62.80%	64.06%

*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.

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF SLVBOCES CONTRIBUTIONS
PERA SCHDTF PENSION PLAN
For the Years Ended June 30,

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 477,785	\$ 447,623	\$ 444,482	\$ 479,637	\$ 474,110	\$ 445,809	\$ 471,295	\$ 411,120	\$ 399,388	\$ 397,824
Contributions in relation to the contractually required contribution	(477,785)	(447,623)	(444,482)	(479,637)	(474,110)	(445,809)	(471,295)	(411,120)	(399,388)	(397,824)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SLVBOCES covered payroll	\$ 2,403,388	\$ 2,251,624	\$ 2,293,510	\$ 2,507,194	\$ 2,510,253	\$ 2,425,018	\$ 2,656,275	\$ 2,434,682	\$ 2,499,725	\$ 2,637,941
Contributions as a percentage of covered payroll	19.88%	19.88%	19.38%	19.13%	18.89%	18.38%	17.74%	16.89%	15.98%	15.08%

See notes to the required supplementary information.

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF THE SLVBOCES PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
COLORADO PERA HEALTHCARE TRUST FUND

For the Years Ended June 30,

	2022	2021	2020	2019	2018	2017
SLVBOCES proportion of the net pension liability	0.0237894%	0.0245112%	0.0267500%	0.2991490%	0.0304760%	0.0316411%
SLVBOCES proportionate share of the net pension liability (asset)	\$ 205,137	\$ 232,911	\$ 300,670	\$ 407,005	\$ 396,066	\$ 410,237
SLVBOCES covered payroll	\$ 2,278,320	\$ 2,266,661	\$ 2,403,835	\$ 2,529,910	\$ 2,678,102	\$ 2,425,018
SLVBOCES proportionate share of the net pension liability (asset) as a percentage of its covered payroll	9%	10%	13%	16%	15%	17%
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.

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF SLVBOCES CONTRIBUTIONS
COLORADO PERA HEALTHCARE TRUST FUND

For the Years Ended June 30,

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 24,515	\$ 22,967	\$ 23,394	\$ 25,573	\$ 25,605	\$ 24,735	\$ 27,094	\$ 24,834	\$ 25,497	\$ 26,907
Contributions in relation to the contractually required contribution	\$ (24,515)	\$ (22,967)	\$ (23,394)	\$ (25,573)	\$ (25,605)	\$ (24,735)	\$ (27,094)	\$ (24,834)	\$ (25,497)	\$ (26,907)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SLVBOCES covered payroll	\$ 2,403,388	\$ 2,251,624	\$ 2,293,510	\$ 2,507,194	\$ 2,510,253	\$ 2,425,018	\$ 2,656,275	\$ 2,434,682	\$ 2,499,725	\$ 2,637,941
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 LUIS VALLEY BOCES
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 LUIS VALLEY BOCES
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.

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.

SAN LUIS VALLEY BOCES
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
CHANGES IN BENEFIT TERMS AND ACTUARIAL ASSUMPTIONS
For the Year Ended June 30, 2022

- 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.

SINGLE AUDIT SECTION

SAN LUIS VALLEY 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	\$ 1,119,627
COVID-19 Special Education Grants to States	84.027	Colorado Department of Education, 6027	253,337
Special Education Preschool Grants	84.173	Colorado Department of Education, 4173	38,132
COVID-19 Special Education Preschool Grants	84.173	Colorado Department of Education, 6173	<u>21,323</u>
<i>Total Special Education Cluster (IDEA)</i>			1,432,419
<i>Other Programs</i>			
U.S. Department of Education			
English Language Acquisition State Grants	84.365	Colorado Department of Education, 4365	8,429
Education for Homeless Children and Youth	84.196	Colorado Department of Education, 5196	45,019
Special Education - State Personnel Development	84.323	Colorado Department of Education, 5323	14,470
COVID-19 Education Stabilization Fund	84.425D	Colorado Department of Education, 4419	82,143
COVID 19 Education Stabilization Fund	84.425W	Colorado Department of Education, 8425/8426	<u>27,845</u>
<i>Total Other Programs</i>			<u>177,906</u>
<i>Total Expenditures of Federal Awards</i>			<u><u>\$ 1,610,325</u></u>

The accompanying notes are an integral part of this schedule.

SAN LUIS VALLEY 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 Luis Valley 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 Luis Valley 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 Luis Valley Board of Cooperative Educational Services, it is not intended to and does not present the financial position or changes in net position of San Luis Valley 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 Luis Valley Board of
Cooperative Educational Services
Alamosa, 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 Luis Valley Board of Cooperative Educational Services (SLVBOCES), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the SLVBOCES' basic financial statements, and have issued our report thereon dated April 19, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the SLVBOCES' 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 SLVBOCES' internal control. Accordingly, we do not express an opinion on the effectiveness of the SLVBOCES' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2022-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the SLVBOCES' 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

Certified Public Accountants

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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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding 2022-001.

The San Luis Valley Board of Cooperative Education Services' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the SLVBOCES' response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The SLVBOCES' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

April 19, 2023

**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 Luis Valley Board of
Cooperative Educational Services
Alamosa, Colorado

Report on Compliance for Each Major Federal Program

Qualified Opinion

We have audited the San Luis Valley Board of Cooperative Educational Services' (SLVBOCES) 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 SLVBOCES' major federal programs for the year ended June 30, 2022. The SLVBOCES' major federal programs are identified in the summary of Auditors' results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on the Special Education Cluster (IDEA)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, the SLVBOCES' complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Qualified 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the SLVBOCES 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 SLVBOCES' compliance with the compliance requirements referred to above.

Certified Public Accountants

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Matter(s) Giving Rise to Qualified Opinion on the Special Education Cluster (IDEA)

As described in the accompanying schedule of findings and questioned costs, the SLVBOCES did not comply with requirements regarding the Special Education Cluster as described in finding number 2022-002 for Reporting.

Compliance with such requirements is necessary, in our opinion, for the SLVBOCES to comply with requirement applicable to that program.

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 SLVBOCES' federal programs.

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 SLVBOCES' 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 SLVBOCES' 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 SLVBOCES' 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 SLVBOCES' 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 SLVBOCES' 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Finding 2022-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the SLVBOCES' response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The SLVBOCES' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness.

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 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. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2022-002 to be a material weakness.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the SLVBOCES's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The SLVBOCES's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

April 19, 2023

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

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ X _____ yes 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: Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? _____ X _____ yes no

Identification of major programs:

<u>Federal Assistance Listing</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

Finding 2022-001: Internal Control over Financial Close and Reporting

Type of finding: Internal Control (material weakness) and noncompliance (material noncompliance)

Criteria: A system of internal control includes the design, documentation, and monitoring of control activities over the application of accounting principles, anti-fraud programs, non-routine transactions, financial statement preparation, safeguarding of assets, and compliance with laws and regulations.

Condition: The San Luis Valley Board of Cooperative Education Services (SLV BOCES) financial close and reporting was not performed timely or accurately for the fiscal year ended June 30, 2022. Accounting records were initially presented for audit on February 28, 2023. At that time, year-end accruals were not accurately recorded for revenues and expenditures.

Cause: The SLV BOCES internal controls over the financial close and reporting process, specifically grant reconciliations were not completed timely due to turnover in key management positions. In addition, the general

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

ledger chart of accounts for grants is cumbersome as it includes a separate account structure for each fiscal year. This creates additional burden and complexity for grant accounting throughout the year and grant reconciliation at year-end.

Effect: As a result of this condition, the following areas were effected:

1. Audit adjustments were proposed to accurately reconcile grant activity to the general ledger accounting records.
2. Audit procedures identified \$36,000 of unspent Improving Education Stability for Foster Youth grant funds that are required to be returned to the Colorado Department of Education.
3. The June 30, 2022 audit report was not submitted to the Colorado Office of the State Auditor by the extended deadline of March 1, 2023 in accordance with Local Government Audit Law. (Section 29-1-601, et seq., C.R.S.)
4. The June 30, 2022 single audit reporting package and data collection form was not submitted to the Federal Audit Clearinghouse within nine months after the end of the audit period in accordance with Uniform Guidance (CFR 200.512(a))

Recommendation: The SLV BOCES should evaluate the duties and responsibilities for financial close and reporting and adopt policies and procedures that include segregation of duties to ensure financial close and reporting is performed timely and accurately. In addition, we recommend management consider the consolidation of the chart of accounts by grant to reduce the accounting and reconciliation burden.

Management's Response: See corrective action plan.

Section III – Federal Award Findings and Questioned Costs

Finding 2022-002: Special Education Cluster (IDEA), CFDA 84.027 and 84.173
U.S. Department of Education

Passed through the Colorado Department of Education

Compliance Requirements: Reporting

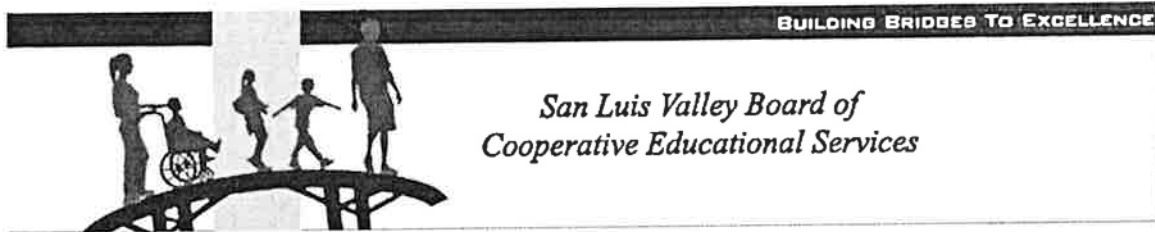
Grant No.: 4027, 6027, 4173, and 6173

Type of finding: Internal Control (material weakness) and noncompliance (material noncompliance)

Material Weakness: The material weakness at Finding 2022-001 also applies to this grant.

Section IV- Prior Year Audit Findings

None



CORRECTIVE ACTION PLAN

Oversight Agency - U.S. Department of Education

San Luis Valley Board of Cooperative Educational Services respectfully submits the following corrective action plan for the year ended June 30, 2022.

Independent Accountants: Wall, Smith, Bateman Inc.
Certified Public Accountants
3001 Adcock Circle
Alamosa, Colorado 81101

Audit period: Year ended June 30, 2022

The finding from the June 30, 2022 schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the numbers assigned in the schedule. Section I of the schedule, Summary of Auditors' Results, does not include findings and is not addressed.

Section II – Financial Statement Findings

Finding 2022-001: Internal Control over Financial Close and Reporting

Type of finding: Internal Control (material weakness) and noncompliance (material noncompliance)

Recommendation: The SLV BOCES should evaluate the duties and responsibilities for financial close and reporting and adopt policies and procedures that include segregation of duties to ensure financial close and reporting is performed timely and accurately. In addition, we recommend management consider the consolidation of the chart of accounts by grant to reduce the accounting and reconciliation burden.

Action Taken: The SLV BOCES will continue to evaluate duties and responsibilities of staff responsible for financial close and grant reconciliation. As of September 2022, Special Education Coordinators have been given grant oversight responsibilities and will monitor grants closely to assure that expenditures are made in a timely manner. Although the BOCES does not currently have a Budget Manager, we are working closely with an accounting agency to perform budgeting and accounting tasks with the assistance of the SLV BOCES HR/Payroll Manager.

Section III – Federal Award Findings and Questioned Costs

**Finding 2022-002: Special Education Cluster (IDEA), CFDA 84.027 and 84.173
U.S. Department of Education**

Passed through the Colorado Department of Education

Compliance Requirements: Reporting

Grant No.: 4027, 6027, 4173, and 6173

Type of finding: Internal Control (material weakness) and noncompliance (material noncompliance)

Material Weakness: The material weakness at Finding 2022-001 also applies to this grant.

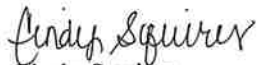
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If the U.S. Department of Education have questions regarding this plan, please call the responsible party listed below.

Sincerely yours,



Stacy Holland
Interim Executive Director
San Luis Valley Board of Cooperative Educational Services



Cindy Squires
Human Resources/Payroll Manager
San Luis Valley Board of Cooperative Educational Services

CDE COMPLIANCE SECTION



Colorado Department of Education
Auditors Integrity Report
 District: 9055 - San Luis Valley 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	1,186,341		5,145,568	5,193,637		1,138,272
18 Risk Mgmt-Sub-Fund of General Fund	0		0	0		0
19 Colorado Preschool Program Fund	0		0	0		0
Sub-Total	1,186,341		5,145,568	5,193,637		1,138,272
11 Charter School Fund	0		0	0		0
20.26-29 Special Revenue Fund	0		0	0		0
06 Supplemental Cap Const, Tech, Main, Fund	0		0	0		0
07 Total Program Reserve Fund	0		0	0		0
21 Food Service Spec Revenue Fund	0		0	0		0
22 Govt Designated-Purpose Grants Fund	0		0	0		0
23 Pupil Activity Special Revenue Fund	0		0	0		0
25 Transportation Fund	0		0	0		0
31 Bond Redemption Fund	0		0	0		0
39 Certificate of Participation (COP) Debt Service Fund	0		0	0		0
41 Building Fund	0		0	0		0
42 Special Building Fund	0		0	0		0
43 Capital Reserve Capital Projects Fund	0		0	0		0
46 Supplemental Cap Const, Tech, Main Fund	0		0	0		0
Totals	0	0	0	0	0	0
Proprietary						
50 Other Enterprise Funds	0		0	0		0
64 (63) Risk-Related Activity Fund	0		0	0		0
60.65-69 Other Internal Service Funds	0		0	0		0
Totals	0	0	0	0	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	0	0

FINAL