

cPa DIXON, WALLER & CO., INC.

SOUTH CENTRAL BOARD OF
COOPERATIVE EDUCATIONAL
SERVICES
PUEBLO WEST, COLORADO
FINANCIAL STATEMENTS
JUNE 30, 2023

DIXON, WALLER & CO., INC.

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SOUTH CENTRAL BOARD OF
COOPERATIVE EDUCATIONAL
SERVICES

FINANCIAL STATEMENTS

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
South Central Board of
Cooperative Educational Services
Pueblo West, Colorado 81007

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund, of the South Central Board of Cooperative Educational Services, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise South Central 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 South Central Board of Cooperative Educational Services, as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the South Central Board of Cooperative Educational Services, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 South Central Board of Cooperative Educational Services' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, 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 South Central Board of Cooperative Educational Services' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about South Central Board of Cooperative Educational Services' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and post employment benefits trend data 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 an opinion on the financial statements that collectively comprise South Central Board of Cooperative Educational Services' basic financial statements. The accompanying state required schedules, 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, state required schedules and 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 December 4, 2023, on our consideration of the South Central Board of Cooperative Educational Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the South Central Board of Cooperative Educational Services' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the South Central Board of Cooperative Educational Services' internal control over financial reporting and compliance.

Dixon, Waller & Co., Inc.

December 4, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

South Central BOCES
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2023

As management of the South Central 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 ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information furnished in the independent auditor's report and financial statements, which immediately follow this section.

Financial Highlights

Beginning in fiscal year ending June 30, 2015, under GASB 68 the BOCES' proportionate share of the net pension liability of the Colorado state retirement system, the Public Employees Retirement Association, was recorded as a liability of the BOCES. The June 30, 2023 Net Pension Liability was \$3,313,240.

The BOCES was required to implement GASB 75 in 2018 resulting in a net other post-employment benefit (OPEB) liability of \$112,688 at June 30, 2023. Under GASB 75 the BOCES' 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 BOCES.

Senate Bill 18-200 was passed in 2018 by Colorado General Assembly to help reduce PERA's unfunded actuarial accrued liability. A bill provision directed the State of Colorado to give a direct distribution payment to PERA to be allocated among its trust funds based on annual covered payroll. The related on-behalf payment meets the definition of special funding situation which occurs when a non-employer entity is required to make a contribution to another entity's pension plan. The BOCES' share of payments made in fiscal 2023 was \$82,333.

Key financial highlights for 2023 are as follows:

- The net pension liability increased by \$1,078,340 to \$3.313 million for year ended June 30, 2023.
- In total, BOCES net position decreased by \$906,968 to \$(1.664) million for the year ended June 30, 2023.
- Governmental activities have unrestricted net position of \$(1.673) million.
- Fund balance of the BOCES general fund increased by \$544 thousand resulting in an ending fund balance of \$1.593 million for the fiscal year 2023.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the BOCES basic financial statements. The South Central BOCES basic financial statements are comprised of three

South Central BOCES
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2023

components: 1) Government-wide financial statements, 2) Fund financials statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

- The first two statements are BOCES-wide financial statements that provide both short-term and long-term information about the BOCES overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the BOCES, reporting the BOCES operations in more detail than the BOCES-wide statements.
- The governmental funds statements tell how basic services such as instruction were financed in the short-term as well as what remains for future spending.
- Proprietary funds statements offer short and long-term financial information about the activities that operate like businesses, such as food services.
- Fiduciary funds statements provide information about the financial relationships in which a District/BOCES acts solely as a trustee or agent for the benefit of others such as, scholarship funds.

The financial statements also include notes that explain some of the information in the statements and provides more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the financial statements with a comparison of the BOCES budget for the year.

BOCES-wide Statements

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

The BOCES-wide statements report the BOCES *net position* and how they have changed. Net position – the difference between the BOCES assets, liabilities and deferred flows – is one way to measure the BOCES financial health or *position*.

- Over time, increases or decreases in the BOCES net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the BOCES overall health, you need to consider additional nonfinancial factors such as changes in the BOCES revenue, membership, and the condition of facilities.

South Central BOCES
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2023

Fund Financial Statements

The fund financial statements provide more detailed information about the BOCES funds. Funds are accounting devices Districts/BOCES use to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- A District/BOCES establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as food service, insurance funds).

The BOCES has one, *Governmental fund*, out of the three kinds of funds:

- *Governmental funds*: All of the BOCES basic services are included in governmental funds, which generally focus on (1) cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the BOCES programs. Because this information does not encompass the additional long-term focus of the BOCES-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- *Proprietary funds*: Services for which a District/BOCES charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District/BOCES-wide statements. The *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information such as cash flows. A district/BOCES can use *internal service funds* (the other kind of proprietary funds) to report activities that provide supplies and services for its other programs and activities. This fund is not applicable to the BOCES.
- *Fiduciary funds*: The District/BOCES is the agent, or *fiduciary*, for assets that belong to others, such as the education memorial and student activities funds. A District/BOCES is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. This fund is not applicable to the BOCES.

Financial Analysis of the BOCES as a Whole

The assets of the BOCES are classified as current assets and capital assets. Cash, investments, receivables, inventories and prepaid expenditures are current assets. These assets are available to provide resources for the near-term operations of the BOCES. The majority of current assets are the result of local, State and Federal grants and contributions. Capital assets are used in the operations of the BOCES. These assets include land, buildings, equipment and vehicles.

South Central BOCES
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2023

Current and long-term liabilities are classified based on anticipated liquidation either in the near term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, and grants or other payments received in advance of satisfying payer and grantor requirements.

The net position of the BOCES governmental activities increased by \$906,968.

Table 1 provides a summary of the BOCES net position and Table 2 provides a summary for the BOCES changes in net position for 2023:

Table 1

NET POSITION

	Governmental Activities	
	<u>2022</u>	<u>2023</u>
Assets:		
Cash & Investments	1,831,504	1,996,771
Accounts receivable	0	0
Accrued revenue	674,330	1,326,576
Prepaid assets	0	0
Capital assets	924,950	77,161
Accumulated Depreciation	(611,122)	(67,811)
Right to Use assets (net)	39,730	13,391
Total assets	2,859,392	3,346,088
Deferred Outflow of Resources		
Pensions	371,360	715,821
Other Post Employment Benefits	12,492	33,072
Total Deferred Outflows	383,852	748,893
Liabilities:		
Liabilities:		
Accounts payable	43,875	12,514
Accrued salaries and benefits	91,488	141,339
Unearned grants and payments	1,321,065	1,576,100
Other Liabilities	41,555	14,358
Net Pension liability	2,234,900	3,313,240
Net Other Post Employment Benefits Liability	108,125	112,688
Total Liabilities	3,841,008	5,170,239
Deferred Inflow of Resources		
Pensions	1,869,236	506,980
Other Post Employment Benefits	104,554	82,348
Total Deferred Inflows	1,973,790	589,328
Net Position:		
Invested in capital assets, net of related debt	312,003	8,383
Restricted	-	-
Unrestricted	(2,883,557)	(1,672,969)
Total Net Position	(2,571,554)	1,664,586

South Central BOCES
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2023

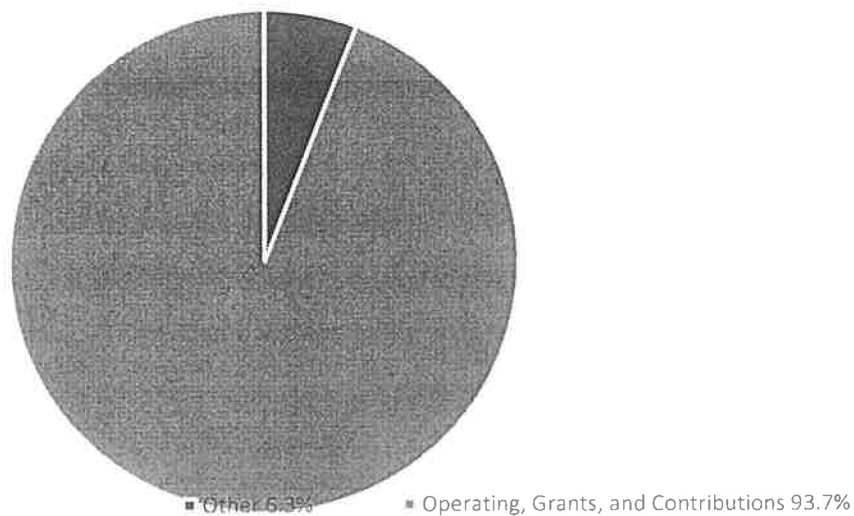
Table 2

Changes in Net Position

	Governmental Activities	
	<u>2022</u>	<u>2023</u>
Revenues		
Program Revenues		
Charges for services	0	-
Designated Purpose Grants	2,504,799	3,989,153
General Revenues		
Other	408,359	820,686
Changes – Pension and OPEB	2,155,791	666,600
Total Revenues	5,068,949	5,476,439
Expenses		
Instruction	848,151	1,202,906
Supporting Services	2,339,692	3,366,565
Community Services	0	0
Total Expenses	3,187,843	4,569,471
Increase (decrease) in net position	1,472,747	906,968
Net position, beginning	-4,397,436	-2,571,554
Prior Period Adjustment	-55,224	
Net position, ending	-2,924,689	-1,664,586

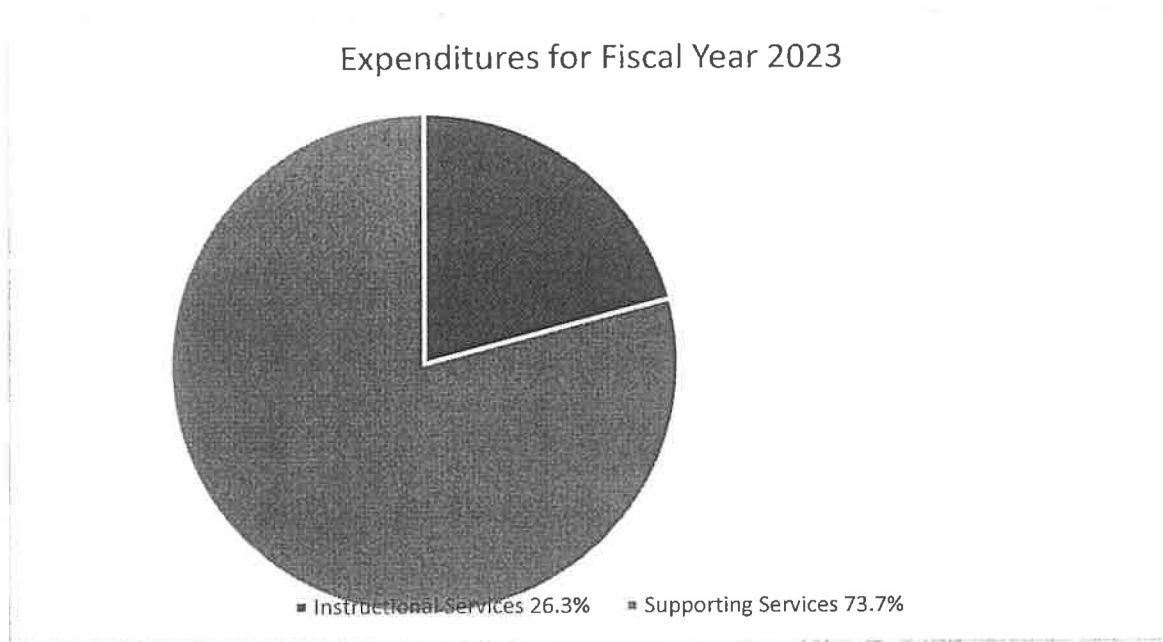
Table 3

SOURCES OF REVENUE FISCAL YEAR 2023



South Central BOCES
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2023

Table 4



Operating grants and contributions accounted for 93.7 percent of the BOCES governmental activities total revenue. (See Table 3.) The remaining 6.3 percent came from, fees charged for services, and miscellaneous sources.

The BOCES expenses are predominantly related to supporting services, 73.7 percent and 26.3 percent instruction. (See Table 4.)

Governmental Activities

The primary source of operating revenue for the BOCES comes from the local, State, and Federal Grants as well as membership fees.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 5 shows, for governmental activities, the total cost of services.

South Central BOCES
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2023

Table 5

Governmental Activities

	2022		2023	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instructional services	848,151	17,302	1,202,906	
Supporting services:				
Students	682,031	(14,919)	831,748	3,070
Instructional staff	913,107	(12,336)	1,548,988	16,490
BOCES administration	417,104	377,238	344,030	327,584
Business	147,361	147,361	241,077	105,351
Operation and maintenance of facilities	48,629	48,629	11,678	11,678
Interest on long-term debt	5,958	5,958	1,506	1,506
Adult Education	-	-	-	-
Community	-	-	-	-
Pension & OPEB Cost	-	-	-	-
Central	125,502	113,811	387,538	114,639
Total expenditures	3,187,843	683,044	4,569,471	580,318

The cost of all *governmental* activities this year was \$4,569 million, an increase of \$1,381,628.

- Some of the cost was financed by the users of the BOCES programs.
- The federal and state government subsidized certain programs with grants and contributions.

South Central BOCES
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2023

Financial Analysis of the BOCES Funds

The governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues of \$4.257 million and expenditures of \$4.569 million.

Budgetary Highlights

The BOCES budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The only fund budgeted for is the General Fund. No additional budget appropriation was made during the fiscal year to the general fund budget.

Capital Assets and Debt Administration

By the end of 2023, the BOCES had invested \$0 in land, buildings, equipment, and transportation vehicles. Table 6 shows fiscal 2022 and 2023:

Table 6
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	<u>2022</u>	<u>2023</u>
Land	106,191	0
Buildings and Site Improvements	191,517	0
Vehicles & Equipment	<u>16,120</u>	<u>9,350</u>
Total Capital Assets, Net	<u><u>313,828</u></u>	<u><u>9,350</u></u>

Additional information on the BOCES capital assets can be found in the Notes to the Financial Statements.

Long-Term Debt

The South Central BOCES has a long-term liability for multiple leases of automobiles. The balance at June 30, 2023, was \$14,358.

South Central BOCES
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2023

Factors Bearing on the BOCES Future

At the time these financial statements were prepared and audited, the BOCES was aware the following existing circumstances that could significantly affect its financial health in the future:

- Continuing loss of enrollment in member districts.
- Expected increase in Health Insurance premiums.
- Increase in Outsourced Provider expenses

Contacting the BOCES Financial Management

This financial report is designed to provide the BOCES citizens, parents, investors and creditors with a general overview of the BOCES finances and to demonstrate the BOCES accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

By mail:

South Central BOCES
Business Manager
PO BOX 9103
Pueblo, CO 81001

Or visit our website: www.sc-boces.org

BASIC FINANCIAL STATEMENTS

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
STATEMENT OF NET POSITION
June 30, 2023

	<u>Governmental Activities</u>	<u>Total</u>
<u>ASSETS</u>		
Cash	1,143,491	1,143,491
Investments	853,280	853,280
Accounts Receivable	-	-
Accrued Revenue	1,326,576	1,326,576
Prepaid Assets	-	-
Capital Assets	77,161	77,161
Accumulated Depreciation	(67,811)	(67,811)
Right to Use Assets	68,866	68,866
Accumulated Amortization	<u>(55,475)</u>	<u>(55,475)</u>
<u>Total Assets</u>	<u>3,346,088</u>	<u>3,346,088</u>
 <u>DEFERRED OUTFLOW OF RESOURCES</u>		
Pensions	715,821	715,821
Other Post Employment Benefits	<u>33,072</u>	<u>33,072</u>
<u>Total Deferred Outflows</u>	<u>748,893</u>	<u>748,893</u>
 <u>LIABILITIES</u>		
Accounts Payable	12,514	12,514
Accrued Salaries and Benefits	141,339	141,339
Unearned Grants and Payments	1,576,100	1,576,100
Long-Term Liabilities		
Due Within One Year	14,358	14,358
Due In More Than One Year	-	-
Net Pension Liability	3,313,240	3,313,240
Net Other Post Employment Benefits Liability	<u>112,688</u>	<u>112,688</u>
<u>Total Liabilities</u>	<u>5,170,239</u>	<u>5,170,239</u>
 <u>DEFERRED INFLOW OF RESOURCES</u>		
Pension	506,980	506,980
Other Post Employment Benefits	<u>82,348</u>	<u>82,348</u>
<u>Total Deferred Inflows</u>	<u>589,328</u>	<u>589,328</u>
 <u>NET POSITION</u>		
Net Investment in Capital Assets	8,383	8,383
Restricted	-	-
Unrestricted	<u>(1,672,969)</u>	<u>(1,672,969)</u>
<u>TOTAL NET POSITION</u>	<u>1,664,586</u>	<u>1,664,586</u>

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

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

	Program Revenues			Net (Expenses) Revenue and Changes in Net Position	
	Charges for Services	Operating Grants & Contributions	Capital Grants and Contributions	Governmental Activities	Total
FUNCTIONS					
Instructional Services	1,202,906	1,202,906	-	-	-
Supporting Services:					
Students	831,748	828,678	-	(3,070)	(3,070)
Instructional Staff	1,548,988	1,532,498	-	(16,490)	(16,490)
BOCES Administration	344,030	16,446	-	(327,584)	(327,584)
Business	241,077	135,726	-	(105,351)	(105,351)
Operation & Maintenance of Facilities	11,678	-	-	(11,678)	(11,678)
Central Community	387,538	272,899	-	(114,639)	(114,639)
Interest on Long-Term Debt	1,506	-	-	(1,506)	(1,506)
<u>Total Governmental Activities</u>	<u>4,569,471</u>	<u>3,989,153</u>	<u>-</u>	<u>(580,318)</u>	<u>(580,318)</u>
<u>Total School District</u>	<u>4,569,471</u>	<u>3,989,153</u>	<u>-</u>	<u>(580,318)</u>	<u>(580,318)</u>
General Revenues					
Interest, Administrative Assessment and Other Revenues				820,686	820,686
Changes in Pension, OPEB Liabilities and Related Deferrals				666,600	666,600
<u>Total General Revenues and Transfers</u>				<u>1,487,286</u>	<u>1,487,286</u>
<u>Change in Net Position</u>				906,968	906,968
<u>Net Position, Beginning</u>				<u>(2,571,554)</u>	<u>(2,571,554)</u>
<u>Net Position, Ending</u>				<u>(1,664,586)</u>	<u>(1,664,586)</u>

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

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	<u>General</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>		
Cash	1,143,491	1,143,491
Investments	853,280	853,280
Accounts Receivable	-	-
Accrued Revenue	1,326,576	1,326,576
Other Assets - Prepaids	-	-
<u>Total Assets</u>	<u>3,323,347</u>	<u>3,323,347</u>
 <u>LIABILITIES AND FUND BALANCES</u>		
<u>LIABILITIES:</u>		
Accounts Payable	12,514	12,514
Accrued Salaries and Benefits	141,339	141,339
Other Liabilities	-	-
Unearned Grants and Payments	<u>1,576,100</u>	<u>1,576,100</u>
<u>Total Liabilities</u>	<u>1,729,953</u>	<u>1,729,953</u>
 <u>FUND BALANCES:</u>		
Nonspendable:		
Prepaids	-	-
Unassigned:		
<u>Total Fund Balances</u>	<u>1,593,394</u>	<u>1,593,394</u>
 <u>TOTAL LIABILITIES AND FUND BALANCES</u>	 <u>3,323,347</u>	 <u>3,323,347</u>

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

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2023

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

<u>Total Fund Balance – Governmental Funds</u>	1,593,394
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$146,027 and the accumulated depreciation/amortization is \$123,286.	22,741
Long-term liabilities, including leases, are not recorded at the fund level.	
Lease Liabilities	(14,358)
Net pension and other post employment benefits liabilities, along with associated deferred flows, are not recorded at the fund level:	
Net Pension Liability	(3,313,240)
Net Other Post Employment Benefits Liability	(112,688)
Deferred Outflows	748,893
Deferred Inflows	<u>(589,328)</u>
<u>TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES</u>	<u>(1,664,586)</u>

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

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	<u>General</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>		
Local Sources	268,391	268,391
State Sources	2,177,876	2,177,876
Federal Sources	1,811,279	1,811,279
<u>Total Revenues</u>	<u>4,257,546</u>	<u>4,257,546</u>
<u>EXPENDITURES</u>		
Current:		
Instructional Services	1,202,906	1,202,906
Supporting Services:		
Students	828,678	828,678
Instructional Staff	1,548,988	1,548,988
BOCES Administration	313,990	313,990
Business	241,077	241,077
Operation & Maintenance of Facilities	11,678	11,678
Community	-	-
Central	387,538	387,538
Debt Service:		
Principal	27,197	27,197
Interest	1,506	1,506
<u>Total Expenditures</u>	<u>4,563,558</u>	<u>4,563,558</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	(306,012)	(306,012)
<u>OTHER FINANCING SOURCES (USES)</u>		
Sale of Capital Assets	850,000	850,000
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>	<u>850,000</u>	<u>850,000</u>
<u>NET CHANGE IN FUND BALANCES</u>	543,988	543,988
<u>FUND BALANCES – Beginning</u>	1,049,406	1,049,406
<u>FUND BALANCES – Ending</u>	<u>1,593,394</u>	<u>1,593,394</u>

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

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2023

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

Net Change in Fund Balances – Total Governmental Funds 543,988

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$2,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlays more than \$2,000	-	
Depreciation and Amortization Expense Adjustment	(33,110)	
Sales Price – Property	(850,000)	
Gain on Sale of Property	<u>552,293</u>	(330,817)

Payments for principal and interest are expensed at the fund level. The principal portion paid in the period is shown as a reduction in the entity-wide statements. 27,197

The increase in net pension and other post employment benefits liabilities, along with the changes and amortizations of deferred flows associated with those liabilities, are not recorded at the fund level.

Pension Cost	628,377	
Other Post Employment Benefits Cost	<u>38,223</u>	<u>666,600</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES 906,968

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

NOTES TO BASIC FINANCIAL STATEMENTS

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the South Central Board of Cooperative Educational Services (the BOCES) conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

The District operates under a Board of Directors with thirteen members. Each school district within the BOCES is represented.

The BOCES is the lowest level of government, which is considered to be financially accountable over all activities. The BOCES receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. The Board of Directors members are appointed by local school districts and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

A. Reporting Entity

Governmental Accounting Standards board (GASB) Statement No. 14 (as amended by Statements 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 BOCES 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 BOCES (the primary government) and its component units.

B. 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 BOCES. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds (General Fund) and individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

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

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

The proprietary fund types are accounted for on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The measurement focus in these funds is on the flow of economic resources and emphasizes the determination of net income. All assets and all liabilities associated with their activity are included on their statements of position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund’s ongoing operations. The principal operating revenues of the BOCES proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Fund Accounting

The accounts of the BOCES are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, deferred flows, 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 major funds presented in the accompanying basic financial statements are as follows:

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

• Major Governmental Funds

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

E. Cash and Investments

Cash represents amounts on deposit with financial institutions or held by the BOCES. The BOCES 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 BOCES 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.

F. Inventories

Materials and supplies inventories are stated at cost. Donated inventories, received at no cost, are recorded at their estimated fair value at the date of receipt.

The cost of all inventories is recorded as an asset when the individual inventory items are purchased, and as an expenditure or expense when consumed.

G. Capital Assets

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

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

The monetary threshold for capitalization of assets is \$2,000. The BOCES capital assets are depreciated using the straight-line method over the estimated useful lives of the fixed assets (5-40 years). Depreciation of all capital assets is charged as an expense against their operations. Depreciation is recorded in the year of acquisition.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

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

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

I. 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 statement of net position. The BOCES records long-term debt of governmental funds at the face value. Capital leases are serviced from other revenues of the General Fund.

J. Constitutional Amendment

In November 1992, Colorado voters approved Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations, which apply to the State of Colorado and local governments. It requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of an expiring tax, or tax policy change directly causing a net tax revenue gain to any entity.

The Cooperative 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 BOCES is not independently subject to the spending and revenue limits imposed by Amendment 1. BOCES revenues and spending may therefore fluctuate independent of the restrictions imposed by the Amendment. However, contributions by member districts and by the state will be subject to the spending limits imposed by the Amendment at the time the transfer is made to the BOCES account.
2. A BOCES 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 districts are permitted under Amendment 1 to enter into such financial obligations.
3. The BOCES need not maintain an emergency reserve as required by Amendment 1 for local government entities.
4. The BOCES is not a local government under Amendment 1 because its activities and authority are not confined to a specific geographical area 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 BOCES 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".

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Accumulated Staff Leave

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 South Central Board of Cooperative Educational Services that no monetary payments will be made for unused sick leave upon termination, only retirement as defined.

L. 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.

M. 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.

N. GASB Statement No. 54

The Government Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. Nonspendable such as fund balances associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
2. Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the BOCES Board of Directors (the BOCES' highest level of decision-making authority).
4. Assigned fund balance classification is intended to be used by the government for specific purposes that do not meet the criteria to be classified as restricted or committed.
5. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. GASB Statement No. 54 (Continued)

Fund Balance Classification Policies and Procedures

Committed Fund Balance Policy:

The BOCES' Committed Fund Balance is fund balance reporting required by the Board, either because of a Board Policy in the Board Policy Manual, or because of motions that passed at Board meetings.

Assigned Fund Balance Policy:

The BOCES' Assigned Fund Balance is fund balance reporting occurring by School Board Administration authority, under the direction of the Chief Business Officer.

Order of Fund Balance Spending Policy

The BOCES' policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries.

First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then unrestricted fund balances are determined following the order of committed, assigned, and unassigned.

Fund Balance Classification by Fund:

	<u>General Fund</u>
<u>Unassigned</u>	<u>1,593,394</u>
<u>Total Fund Balances</u>	<u>1,593,394</u>

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental funds balance sheet includes a reconciliation between *fund balances – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total government funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for governmental fund statements to the economic resources measurement and full accrual basis used for government-wide statements.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 3 BUDGETARY INFORMATION

Revenues and expenditures are controlled by budgetary accounting systems in accordance with various legal requirements. The budgeted revenues and expenditures represent 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 BOCES 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 a resolution.
4. The Business Manager 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. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

All appropriations lapse at the end of each fiscal year. Revisions and/or supplemental appropriations that alter the total expenditures of any fund 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 4 CASH AND INVESTMENTS

Deposits

The Colorado Public Deposit Protection Act (PDPA), requires that all units of local government deposit cash in eligible public depositories, eligibility is determined by state 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 aggregate uninsured deposits.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 4 CASH AND INVESTMENTS (Continued)

At June 30, 2023, the BOCES bank balance and corresponding carrying balance were as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Insured (FDIC)	250,000	250,000
Uninsured, Collateralized under the Public Deposit Protection Act of the State of Colorado	<u>893,491</u>	<u>1,037,191</u>
<u>Total Cash and Deposits</u>	<u>1,143,491</u>	<u>1,287,191</u>

As presented above, deposits with a bank balance of \$1,037,191 and a carrying balance of \$893,491 as of June 30, 2023 are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

Investments

At June 30, 2023, the BOCES had the following investments:

	<u>Investment</u>	<u>Maturity</u>	<u>Value</u>
COLOTRUST	State Pool	Under 60 Days	853,280

Interest Rate Risk – BOCES does not have a formal investment policy that limits investment maturities for managing possible fair value losses due to increasing interest rates.

Credit Risk – State Law limits the type of investments allowable. The investment of COLOTRUST is rated AAAM by Standard and Poor's.

Concentration of Credit Risk – the BOCES has no policy restricting the amount that can be invested in any issuer.

The BOCES categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The BOCES has no recurring fair value measurements as of June 30, 2023:

- COLOTRUST – Investments in this external investment pool are reported at \$1 net asset value per share and are not subject to fair value measurement. The investment is reported at cost.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 5 CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Governmental Activities

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance</u> <u>June 30, 2023</u>
<u>Non-Depreciable Assets:</u>					
Land	106,191	-	106,191	-	-
<u>Total Non-Depreciable Assets</u>	<u>106,191</u>	<u>-</u>	<u>106,191</u>	<u>-</u>	<u>-</u>
<u>Depreciable Assets:</u>					
Buildings & Site Improvements	606,185	-	606,185	-	-
Vehicles	12,620	-	-	-	12,620
Equipment	199,954	-	135,413	-	64,541
<u>Total Depreciable Assets</u>	<u>818,759</u>	<u>-</u>	<u>741,598</u>	<u>-</u>	<u>77,161</u>
<u>Less Accumulated</u> <u>Depreciation for:</u>					
Buildings & Site Improvements	414,668	-	414,668	-	-
Equipment & Vehicles	196,454	3,070	135,413	3,700	67,811
<u>Total Accumulated</u> <u>Depreciation</u>	<u>611,122</u>	<u>3,070</u>	<u>550,081</u>	<u>3,700</u>	<u>67,811</u>
<u>Total Depreciable Assets, Net</u>	<u>313,828</u>	<u>(3,070)</u>	<u>297,708</u>	<u>-</u>	<u>9,350</u>
Right to Use Assets	131,441	-	62,575	-	68,866
<u>Accumulated Amortization</u>	<u>91,711</u>	<u>26,339</u>	<u>62,575</u>	<u>-</u>	<u>55,475</u>
<u>Right to Use Assets, Net</u>	<u>39,730</u>	<u>(26,339)</u>	<u>-</u>	<u>-</u>	<u>13,391</u>
<u>Total Capital Assets, Net</u>	<u>353,558</u>	<u>(29,409)</u>	<u>297,708</u>	<u>3,700</u>	<u>22,741</u>

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

Governmental Activities:

Student Support	3,070
General Administration Support	26,339
<u>Total Depreciation Expense –Governmental Activities</u>	<u>29,409</u>

NOTE 6 ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from August to July, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, at June 30, 2023, are estimated to be \$141,339. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 7 PENSION PLAN

Defined Benefit Pension Plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

Plan description. Eligible employees of the South Central Board of Cooperative Educational Services 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, 2022. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 7 PENSION PLAN (Continued)

In all cases the service retirement benefit is limited to 100% of highest average salary and cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

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

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA’s Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

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

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

Contributions provisions as of June 30, 2023: Eligible employees of, South Central Board of Cooperative Educational Services and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 11.00% of their PERA-includable salary during the period of July 1, 2022 through June 30, 2023. Employer contribution requirements are summarized in the table below.

	July 1, 2022 Through June 30, 2023
Employer contribution rate	11.40%
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	10.38%
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	20.38%

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

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 7 PENSION PLAN (Continued)

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the South Central Board of Cooperative Educational Services is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from South Central Board of Cooperative Educational Services were \$348,036 for the year ended June 30, 2023.

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 a \$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 Schools Division Trust Fund. House Bill (HB) 22-1029, instructed the State treasurer to issue an additional direct distribution to PERA in the amount of \$380 million (actual dollars), upon enactment. The July 1, 2023, payment is reduced by \$190 million (actual dollars) to \$35 million (actual dollars). The July 1, 2024, payment will not be reduced due to PERA’s negative investment return in 2022. Senate Bill (SB) 23-056, enacted June 2, 2023, requires an additional direct distribution of approximately \$14.5 million (actual dollars), for a total of approximately \$49.5 million (actual dollars) to be contributed July 1, 2023.

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, 2022, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TPL to December 31, 2022. The South Central Board of Cooperative Educational Services proportion of the net pension liability was based on South Central Board of Cooperative Educational Services contributions to the SCHDTF for the calendar year 2022 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2023, the South Central Board of Cooperative Educational Services reported a liability of \$3,313,240 for its proportionate share of the net pension liability that reflected an increase for support from the State as a nonemployer contributing entity. The amount recognized by the South Central Board of Cooperative Educational Services 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 South Central Board of Cooperative Educational Services were as follows:

South Central Board of Cooperative Educational Services proportionate share of the net pension liability	\$ 3,313,240
The State’s proportionate share of the net pension liability as a nonemployer contributing entity associated with the South Central Board of Cooperative Educational Services	\$ 965,511
Total	\$ 4,278,751

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 7 PENSION PLAN (Continued)

At December 31, 2022, the South Central Board of Cooperative Educational Services proportion was 0.0182%, which was a decrease of 0.001% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the South Central Board of Cooperative Educational Services recognized pension income of \$1,073,467 and revenue of \$82,333 for support from the State as a nonemployer contributing entity. At June 30, 2023, the South Central Board of Cooperative Educational Services 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	31,356	-
Changes of assumptions or other inputs	58,688	-
Net difference between projected and actual earnings on pension plan investments	445,090	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	(506,980)
Contributions subsequent to the measurement date	180,687	N/A
Total	715,821	(506,980)

\$180,687 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, 2024. 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	
2024	(320,202)
2025	(58,215)
2026	147,682
2027	258,889
2028	-
Thereafter	-

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 7 PENSION PLAN (Continued)

Actuarial assumptions. The TPL in the December 31, 2021, actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

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

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

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

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

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

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

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

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

The actuarial assumptions used in the December 31, 2021, 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.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 7 **PENSION PLAN (Continued)**

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared at least every five years for PERA. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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

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

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 and required adjustments resulting from the 2018 and 2020 AAP assessments. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 7 PENSION PLAN (Continued)

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and required adjustments resulting from the 2018 and 2020 AAP assessments. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- HB 22-1029, effective upon enactment in 2022, required the State treasurer to issue, in addition to the regularly scheduled \$225 million (actual dollars) direct distribution, a warrant to PERA in the amount of \$380 million (actual dollars). The July 1, 2023, direct distribution is reduced by \$190 million (actual dollars) to \$35 million (actual dollars). The July 1, 2024, direct distribution will not be reduced from \$225 million (actual dollars) due to PERA's negative investment return in 2022.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

Sensitivity of the South Central Board of Cooperative Educational Services 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:

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 7 PENSION PLAN (Continued)

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension	4,335,891	3,313,240	2,459,221

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

Defined Contribution Pension Plans

Voluntary Investment Program (PERAPlus 401(k) Plan)

Plan Description – Employees of the South Central Board of Cooperative Educational Services that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program (PERAPlus 401(k) Plan, 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 PERAPlus 401(k) Plan. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The PERAPlus 401(k) Plan 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 and investment earnings. For the year ended June 30, 2023, program members contributed \$3,300.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 8 OTHER POST EMPLOYMENT BENEFITS

Defined Benefit Other Post Employment Benefit (OPEB) Plan

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

Plan description. Eligible employees of the South Central Board of Cooperative Educational Services are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended, and sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 8 OTHER POST EMPLOYMENT BENEFITS (Continued)

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

PERA Benefit Structure

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

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

DPS Benefit Structure

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

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

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

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 8 OTHER POST EMPLOYMENT BENEFITS (Continued)

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the South Central Board of Cooperative Educational Services is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from South Central Board of Cooperative Educational Services were \$17,422 for the year ended June 30, 2023.

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

At June 30, 2023, the South Central Board of Cooperative Educational Services reported a liability of \$112,688 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2022, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TOL to December 31, 2022. The South Central Board of Cooperative Educational Services proportion of the net OPEB liability was based on South Central Board of Cooperative Educational Services contributions to the HCTF for the calendar year 2022 relative to the total contributions of participating employers to the HCTF.

At December 31, 2022, the South Central Board of Cooperative Educational Services proportion was 0.0138%, which was an increase of 0.001% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the South Central Board of Cooperative Educational Services recognized OPEB income of \$38,223. At June 30, 2023, the South Central Board of Cooperative Educational Services 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	15	(27,252)
Changes of assumptions or other inputs	1,811	(12,437)
Net difference between projected and actual earnings on OPEB plan investments	6,883	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	15,320	(42,659)
Contributions subsequent to the measurement date	9,043	N/A
Total	33,072	(82,348)

\$9,043 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30, 2023	
2024	(29,500)
2025	(21,745)
2026	(4,898)
2027	(994)
2028	(1,074)
Thereafter	(108)

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 8 OTHER POST EMPLOYMENT BENEFITS (Continued)

Actuarial assumptions. The TOL in the December 31, 2021 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

	State Division	School Division	Local Government Division	Judicial Division
Actuarial cost method			Entry age	
Price inflation			2.30%	
Real wage growth			0.70%	
Wage inflation			3.00%	
Salary increases, including wage inflation				
Members other than State Troopers	3.30%-10.90%	3.40% -11.00%	3.20%-11.30%	2.80%-5.30%
State Troopers	3.20%-12.40%	N/A	3.20%-12.40%	N/A
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation			7.25%	
Discount rate			7.25%	
Health care cost trend rates				
PERA benefit structure:				
Service-based premium subsidy			0.00%	
PERACare Medicare plans			6.50% in 2022, gradually decreasing to 4.50% in 2030	
Medicare Part A premiums			3.75% in 2022, gradually increasing to 4.50% in 2029	
DPS benefit structure:				
Service-based premium subsidy			0.00 %	
PERACare Medicare plans			N/A	
Medicare Part A premiums			N/A	

The TOL for the HCTF, as of the December 31, 2022, measurement date, was adjusted to reflect the disaffiliation, allowable under C.R.S. § 24-51-313, of Tri-County Health Department (TriCounty Health), effective December 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the FNP as of the December 31, 2022, measurement date.

Beginning January 1, 2022, the per capita health care costs are developed by plan option; based on 2022 premium rates for the UnitedHealthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the UnitedHealthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors are then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies for all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 8 **OTHER POST EMPLOYMENT BENEFITS (Continued)**

Age-Related Morbidity Assumptions		
Participant	Annual Increase	Annual Increase
Age	(Male)	(Female)
65-69	3.0%	1.5%
70	2.9%	1.6%
71	1.6%	1.4%
72	1.4%	1.5%
73	1.5%	1.6%
74	1.5%	1.5%
75	1.5%	1.4%
76	1.5%	1.5%
77	1.5%	1.5%
78	1.5%	1.6%
79	1.5%	1.5%
80	1.4%	1.5%
81 and older	0.0%	0.0%

Sample	MAPD PPO #1 with Medicare Part A		MAPD PPO #2 with Medicare Part A		MAPD HMO(Kaiser) with Medicare Part A	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
Age	Male	Female	Male	Female	Male	Female
65	\$1,704	\$1,450	\$583	\$496	\$1,923	\$1,634
70	\$1,976	\$1,561	\$676	\$534	\$2,229	\$1,761
75	\$2,128	\$1,681	\$728	\$575	\$2,401	\$1,896

Sample	MAPD PPO #1 without Medicare Part A		MAPD PPO #2 without Medicare Part A		MAPD HMO(Kaiser) without Medicare Part A	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
Age	Male	Female	Male	Female	Male	Female
65	\$6,514	\$5,542	\$4,227	\$3,596	\$6,752	\$5,739
70	\$7,553	\$5,966	\$4,901	\$3,872	\$7,826	\$6,185
75	\$8,134	\$6,425	\$5,278	\$4,169	\$8,433	\$6,657

The 2022 Medicare Part A premium is \$499 (actual dollars) per month.

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2021, 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.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 8 OTHER POST EMPLOYMENT BENEFITS (Continued)

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2022	6.50%	3.75%
2023	6.25%	4.00%
2024	6.00%	4.00%
2025	5.75%	4.00%
2026	5.50%	4.25%
2027	5.25%	4.25%
2028	5.00%	4.25%
2029	4.75%	4.50%
2030+	4.50%	4.50%

Mortality assumptions used in the December 31, 2021, 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 on a headcount-weighted basis. Affiliated employers of the State, School, Local Government and Judicial Divisions participate in the HCTF.

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

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

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

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

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

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

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

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 8 OTHER POST EMPLOYMENT BENEFITS (Continued)

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

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

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

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

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

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

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

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

- Per capita health care costs in effect as of the December 31, 2021, valuation date for those PERACare enrollees under the PERA benefit structure who are expected to be age 65 and older and are not eligible for premium-free Medicare Part A benefits have been updated to reflect costs for the 2022 plan year.
- The December 31, 2021, valuation utilizes premium information as of January 1, 2022, as the initial per capita health care cost. As of that date, PERACare health benefits administration is performed by UnitedHealthcare. In that transition, the costs for the Medicare Advantage Option #2 decreased to a level that is lower than the maximum possible service-related subsidy as described in the plan provisions.
- The health care cost trend rates applicable to health care premiums were revised to reflect the then current expectation of future increases in those premiums. Medicare Part A premiums continued with the prior valuation trend pattern.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 8 **OTHER POST EMPLOYMENT BENEFITS (Continued)**

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.

Effective for the December 31, 2022, measurement date, the timing of the retirement decrement was adjusted to middle-of-year within the valuation programming used to determine the TOL, reflecting a recommendation from the 2022 actuarial audit report, dated October 14, 2022, summarizing the results of the actuarial audit performed on the December 31, 2021, actuarial valuation.

The actuarial assumptions used in the December 31, 2021, 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 at least every five years for PERA. 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:

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

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

Sensitivity of the South Central Board of Cooperative Educational Services 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:

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 8

OTHER POST EMPLOYMENT BENEFITS (Continued)

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate*	5.25%	6.25%	7.25%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	3.00%	4.00%	5.00%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$109,498	\$112,688	\$116,158

*For the January 1, 2023, plan year.

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, 2022, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$130,638	\$112,688	\$97,334

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

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 9 LONG-TERM LIABILITIES

The BOCES has multiple leases for automobiles. In accordance with generally accepted accounting principles, the leases have been capitalized at the present value of future minimum lease payments and the assets are reflected in the government-wide financial statements as right to use assets at June 30, 2023.

Annual debt service requirements to maturity for those leases follow:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2024	14,358	234	<u>14,592</u>
Total Minimum Lease Payments			14,592
Less Interest			<u>234</u>
Present Value of Future Minimum Lease Payments			<u>14,358</u>

Change for the liabilities are below:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Added</u>	<u>Paid</u>	<u>Balance</u> <u>June 30, 2023</u>
Various Auto Leases	<u>41,555</u>	<u>-</u>	<u>27,197</u>	<u>14,358</u>

NOTE 10 LEASES

Lessee

The South Central Board of Cooperative Educational Services implemented GASB No. 87 beginning July 1, 2021, and recognized a lease liability for right to use capital assets.

At the fund level, the lease expenditures recognized during the fiscal year ending June 30, 2023 included no other payments than principal and interest and are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Right to Use Assets	<u>27,197</u>	<u>1,506</u>	<u>28,703</u>

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 11 INTERGOVERNMENTAL AGREEMENTS

Not reflected in the accompanying financial statements is the various Districts' participation in the South Central Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost per district.

The Districts have one member on the Board. This Board has full authority for all budgeting and financing of the Cooperative.

The BOCES 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 BOCES and the Districts are not accountable for fiscal matters of the BOCES.

NOTE 12 SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Claims and Judgments - The BOCES participates in a number of federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the BOCES may be required to reimburse the grantor government. As of June 30, 2023, significant amounts of grant expenditures have not been audited, but the BOCES believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the individual government fund or the overall financial position of the BOCES.

NOTE 13 COLORADO SCHOOL DISTRICTS SELF-INSURANCE POOL

The BOCES belongs to the Colorado School Districts' 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 Crime, Worker's Compensation and other coverages. 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 BOCES did not exercise oversight responsibility nor have sufficient control over Pool activities, the Pool is not a component unit of the Cooperative and only the Cooperative's share of contributions to the Pool is recorded as expenditures in the General Fund.

The BOCES' share in the Pool is not determinable from current information, but is estimated to be less than 1%. The Cooperative's share, if calculated, would not be material to the Pool's financial information at June 30, 2023.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 13 COLORADO SCHOOL DISTRICTS SELF-INSURANCE POOL (Continued)

An audited summary of the Colorado School Districts' Pool financial information at June 30, 2022, and for the year then ended, (latest information available) follows:

Total Assets	<u>77,006,177</u>
Total Liabilities	<u>41,993,151</u>
Total Surplus	<u>35,013,026</u>
Revenue	32,943,304
Underwriting Expenses	<u>36,961,713</u>
Underwriting Gain (Loss)	(4,018,409)
Net Investment Income	568,666
Other Income	<u>19,428</u>
Net Income (Loss) Before Dividend	(3,430,315)
Dividend	<u>-</u>
Net Income (Loss)	(3,430,315)
Transfer of Capital Contributions	-
Change in Non Admitted Assets	<u>-</u>
Return of Capital Contributions to Members	<u>-</u>
Unassigned Surplus	<u>35,013,026</u>

NOTE 14 RISK MANAGEMENT

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

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISONS

PENSION TREND DATA

OTHER POST EMPLOYMENT BENEFITS TREND DATA

MAJOR GOVERNMENTAL FUNDS

General Fund

The General Fund accounts for all transactions of the BOCES. This fund represents an accounting for the BOCES ordinary operations financed from grants, fees and other general revenues.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
<u>Local Sources</u>				
Local District Assessments, Interest and Fees for Services	1,101,953	1,101,953	268,391	(833,562)
<u>State Sources</u>				
Designated Purpose Grants, Fees for Services	3,233,678	3,233,678	2,177,876	(1,055,802)
<u>Federal Sources</u>				
Designated Purpose Grants	2,279,654	2,279,654	1,811,279	(468,375)
<u>TOTAL REVENUES</u>	<u>6,615,285</u>	<u>6,615,285</u>	<u>4,257,546</u>	<u>(2,357,739)</u>
<u>EXPENDITURES</u>				
<u>INSTRUCTION</u>				
<u>Regular Programs</u>				
Salaries	564,801	564,801	584,471	(19,670)
Employee Benefits	185,692	185,692	188,276	(2,584)
Purchased Services-Professional	362,600	362,600	242,729	119,871
Purchased Services-Property	-	-	6,109	(6,109)
Purchased Services-Other	-	-	149,473	(149,473)
Supplies and Materials	45,000	45,000	31,848	13,152
Property	-	-	-	-
Other Objects	-	-	-	-
<u>Total Instruction</u>	<u>1,158,093</u>	<u>1,158,093</u>	<u>1,202,906</u>	<u>(44,813)</u>
<u>SUPPORTING SERVICES</u>				
<u>Student Supporting Services</u>				
Salaries	399,080	399,080	453,084	(54,004)
Employee Benefits	153,137	153,137	179,320	(26,183)
Purchased Services-Professional	212,400	212,400	156,068	56,332
Purchased Services-Property	-	-	-	-
Purchased Services-Other	-	-	1,345	(1,345)
Supplies and Materials	33,900	33,900	38,461	(4,561)
Property	-	-	-	-
Other Objects	12,400	12,400	400	12,000
<u>Total Student Services</u>	<u>810,917</u>	<u>810,917</u>	<u>828,678</u>	<u>(17,761)</u>

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

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Instructional Staff</u>				
Salaries	571,658	571,658	551,932	19,726
Employee Benefits	135,425	135,425	191,941	(56,516)
Purchased Services-Professional	1,205,696	1,205,696	416,578	789,118
Purchased Services-Property	40,000	40,000	22,421	17,579
Purchased Services-Other	218,456	218,456	176,512	41,944
Supplies and Materials	218,811	218,811	188,994	29,817
Property	23,483	23,483	-	23,483
Other Objects	500	500	610	(110)
<u>Total Instructional Staff</u>	<u>2,414,029</u>	<u>2,414,029</u>	<u>1,548,988</u>	<u>865,041</u>
<u>General Administration</u>				
Salaries	142,712	142,712	134,428	8,284
Employee Benefits	37,210	37,210	36,954	256
Purchased Services-Professional	18,000	18,000	70,343	(52,343)
Purchased Services-Property	-	-	-	-
Purchased Services-Other	116,700	116,700	58,750	57,950
Supplies and Materials	2,550	2,550	9,715	(7,165)
Property	17,167	17,167	-	17,167
Other Objects	3,000	3,000	3,800	(800)
<u>Total General Administration</u>	<u>337,339</u>	<u>337,339</u>	<u>313,990</u>	<u>23,349</u>
<u>Business Services</u>				
Salaries	78,925	78,925	97,500	(18,575)
Employee Benefits	24,357	24,357	60,804	(36,447)
Purchased Services-Professional	113,500	113,500	45,900	67,600
Purchased Services-Property	-	-	1,008	(1,008)
Purchased Services-Other	19,580	19,580	5,052	14,528
Supplies and Materials	25,000	25,000	28,734	(3,734)
Property	-	-	-	-
Other Objects	96,301	96,301	2,079	94,222
<u>Total Business Services</u>	<u>357,663</u>	<u>357,663</u>	<u>241,077</u>	<u>116,586</u>
<u>Operations and Maintenance</u>				
Salaries	8,000	8,000	938	7,062
Employee Benefits	1,868	1,868	217	1,651
Purchased Services-Professional	91,337	91,337	3,937	87,400
Purchased Services-Property	14,700	14,700	4,893	9,807
Purchased Services-Other	-	-	-	-
Supplies and Materials	23,500	23,500	1,693	21,807
Property	-	-	-	-
Other Objects	-	-	-	-
<u>Total Operations and Maintenance</u>	<u>139,405</u>	<u>139,405</u>	<u>11,678</u>	<u>127,727</u>

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

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Central Support</u>				
Salaries	130,485	130,485	131,129	(644)
Employee Benefits	46,539	46,539	57,533	(10,994)
Purchased Services-Professional	172,850	172,850	119,838	53,012
Purchased Services-Property	-	-	-	-
Purchased Services-Other	54,000	54,000	2,768	51,232
Supplies and Materials	170,500	170,500	76,270	94,230
Property	-	-	-	-
Other Objects	-	-	-	-
<u>Total Central Support</u>	<u>574,374</u>	<u>574,374</u>	<u>387,538</u>	<u>186,836</u>
<u>Facilities Acquisition, Construction</u>				
Property	-	-	-	-
<u>Total Facilities Acquisition, Construction</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 <u>TOTAL SUPPORTING SERVICES</u>	 <u>4,633,727</u>	 <u>4,633,727</u>	 <u>3,331,949</u>	 <u>1,301,778</u>
 <u>DEBT SERVICE</u>	 <u>-</u>	 <u>-</u>	 <u>28,703</u>	 <u>(28,703)</u>
 <u>APPROPRIATED RESERVES</u>	 <u>823,465</u>	 <u>823,465</u>	 <u>-</u>	 <u>823,465</u>
 <u>TOTAL EXPENDITURES</u>	 <u>6,615,285</u>	 <u>6,615,285</u>	 <u>4,563,558</u>	 <u>2,051,727</u>
 <u>REVENUES OVER (UNDER) EXPENDITURES</u>	 <u>-</u>	 <u>-</u>	 <u>(306,012)</u>	
 <u>OTHER FINANCING SOURCES (USES)</u>				
Sale of Property	-	-	850,000	850,000
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>	<u>-</u>	<u>-</u>	<u>850,000</u>	<u>850,000</u>
 <u>REVENUES AND SOURCES OVER UNDER EXPENDITURES</u>	 <u>-</u>	 <u>-</u>	 <u>543,988</u>	
 <u>FUND BALANCE, July 1</u>	 <u>-</u>	 <u>-</u>	 <u>1,049,406</u>	
 <u>FUND BALANCE, June 30</u>	 <u>-</u>	 <u>-</u>	 <u>1,593,394</u>	

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

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 For The Last 10 Fiscal Years (As Available)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
BOCES proportion of the net pension liability (asset)	0.0182%	0.0192%	0.0240%	0.0254%	0.0336%	0.0442%	0.0461%	0.0359%	0.0440%	0.0532%
BOCES proportionate share of the net pension liability (asset)	\$3,313,240	\$2,234,900	\$3,618,227	\$3,791,900	\$5,944,104	\$14,286,553	\$13,711,298	\$5,485,063	\$5,967,537	\$6,796,465
State's proportionate share of the net pension liability associated with the BOCES**	\$965,511	\$256,203	-	\$480,954	\$812,774	-	-	-	-	-
BOCES covered payroll	\$1,707,750	\$1,160,019	\$1,253,231	\$1,370,998	\$1,636,079	\$1,995,908	\$2,126,621	\$1,783,596	\$1,474,366	\$2,182,946
BOCES proportionate share of the net pension liability (asset) as a percentage of its covered payroll	194%	193%	289%	277%	363%	716%	645%	307%	405%	311%
Plan fiduciary net position as a percentage of the total pension liability	61.79%	74.86%	66.99%	64.52%	57.01%	43.96%	43.13%	59.16%	62.80%	64.06%

** A direct distribution provision to allocate funds from the State of Colorado budget to Colorado PERA on an annual basis began in July 2018 based on Senate Bill 18-200.

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

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 SCHEDULE OF COOPERATIVE CONTRIBUTIONS - PENSION
 For The Last 10 Fiscal Years (As Available)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	\$ 348,036	\$ 230,611	\$ 249,139	\$ 265,700	\$ 312,982	\$ 376,816	\$ 390,746	\$ 316,902	\$ 249,033	\$ 349,299
Contributions in relation to the contractually required contributions	<u>\$ (348,036)</u>	<u>\$ (230,611)</u>	<u>\$ (249,139)</u>	<u>\$ (265,700)</u>	<u>\$ (312,982)</u>	<u>\$ (376,816)</u>	<u>\$ (390,746)</u>	<u>\$ (316,902)</u>	<u>\$ (249,033)</u>	<u>\$ (349,299)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BOCES covered payroll	\$1,707,750	\$1,160,019	\$1,253,231	\$1,370,998	\$1,636,079	\$1,995,908	\$2,104,930	\$1,783,596	\$1,474,366	\$2,182,946
Contributions as a percentage of covered payroll	20.38%	19.88%	19.88%	19.38%	19.13%	18.88%	18.56%	17.77%	16.89%	16.00%

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

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 SCHEDULE OF PROPORTIONATE SHARE OF NET OTHER POST EMPLOYMENT BENEFITS (OPEB) LIABILITY
 For The Last 10 Fiscal Years (As Available)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
BOCES proportion of the net OPEB liability (asset)	0.0138%	0.0125%	0.0139%	0.0165%	0.0218%	0.0251%	0.0262%	-	-	-
BOCES proportionate share of the net OPEB liability (asset)	\$112,688	\$108,125	\$131,653	\$186,241	\$296,872	\$326,243	\$339,383	-	-	-
BOCES covered payroll	\$1,707,750	\$1,160,019	\$1,253,231	\$1,370,998	\$1,636,079	\$1,995,908	\$2,126,621	-	-	-
BOCES proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	6.56%	9.32%	10.51%	13.58%	18.14%	16.35%	15.96%	-	-	-
Plan fiduciary net position as a percentage of the total OPEB liability	38.57%	39.40%	32.78%	24.49%	17.03%	17.53%	16.71%	-	-	-

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

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 SCHEDULE OF COOPERATIVE CONTRIBUTIONS - OPEB
 For The Last 10 Fiscal Years (As Available)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	\$ 17,422	\$ 11,833	\$ 12,786	\$ 13,984	\$ 16,688	\$ 20,358	\$ 21,691	-	-	-
Contributions in relation to the contractually required contributions	<u>\$(17,422)</u>	<u>\$(11,833)</u>	<u>\$(12,786)</u>	<u>\$(13,984)</u>	<u>\$(16,688)</u>	<u>\$(20,358)</u>	<u>\$(21,691)</u>	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-
BOCES covered payroll	\$1,707,750	\$1,160,019	\$1,253,231	\$1,370,998	\$1,636,079	\$1,995,908	\$2,126,621	-	-	-
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	-	-	-

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

STATE REQUIRED SCHEDULES

Auditor's Integrity Report (Revenues, Expenditures, and Fund Balance by Fund)

Bolded Balance Sheet



Colorado Department of Education
Auditors Integrity Report
 District: 9060 - South Central BOCES
 Fiscal Year 2022-23
 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	1,049,406		5,194,668		4,650,680		1,593,395
18 Risk Mgmt Sub-Fund of General Fund	0		0		0		0
19 Colorado Preschool Program Fund	0		0		0		0
Sub-Total	1,049,406		5,194,668		4,650,680		1,593,395
11 Charter School Fund	0		0		0		0
24, 26, 23 Special Revenue Fund	0		0		0		0
06 Supplemental Cap Const. Tech. Main Fund	0		0		0		0
07 Total Program Revenue Fund	0		0		0		0
21 Food Service Spec Revenue Fund	0		0		0		0
22 Govr. 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
11 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
Proprietary							
50 Other Enterprise Funds	0		0		0		0
64 (63) Risk-Related Activity Fund	0		0		0		0
60 65-69 Other Internal Service Funds	0		0		0		0
Totals	0	+	0	-	0	=	0
Fiduciary							
70 Other Trust and Agency Funds	0		0		0		0
72 Private Purpose Trust Fund	0		0		0		0
73 Agency Fund	0		0		0		0
74 Pupil Activity Agency Fund	0		0		0		0
79 GASB 34/Permanent Fund	0		0		0		0
85 Foundations	0		0		0		0
Totals	0	+	0	-	0	=	0

FINAL



Colorado Department of Education
Bolded Balance Sheet Report
 District: 9060 - South Central BOCES
 Fiscal Year 2022-23
 Colorado School District/BOCES

ASSETS	Governmental						Proprietary						Fiduciary			
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Total Program Reserve Fund 07	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45,47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 53-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Cash and Investments (8100-8104,8111)	1,996,771	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,996,771
Intergovernmental/Accounts Rec (8141)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Grants Accounts Receivable (8142)	1,326,576	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,326,576
Other Receivables (8151-8154,8161)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prepaid Expenses 8181,8182)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Assets	3,323,347	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,323,347

	Governmental						Proprietary					Fiduciary			
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Total Program Reserve Fund 07	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85
LIABILITIES & FUND EQUITY															
LIABILITIES															
Other Payables (7421-7423)	77,026	0	0	0	0	0	0	0	0	0	0	0	0	0	77,026
Accrued Expenses (7461)	76,430	0	0	0	0	0	0	0	0	0	0	0	0	0	76,430
Unearned Revenue (7481)	39,636	0	0	0	0	0	0	0	0	0	0	0	0	0	39,636
Grants Deferred Revenue (7482)	1,536,464	0	0	0	0	0	0	0	0	0	0	0	0	0	1,536,464
Other Current Liabilities (7491,7492,7499)	397	0	0	0	0	0	0	0	0	0	0	0	0	0	397
Total Liabilities	1,729,953	0	0	0	0	0	0	0	0	0	0	0	0	0	1,729,953

Governmental

Proprietary

Fiduciary

FUND EQUITY	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Total Program Reserve Fund 07	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Non-spendable Fund Balance 6710	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restricted Fund Balance 6720	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TABOR % Emergency Reserve 6721	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TABOR Multi-Year 6722	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
District Emergency Reserve (letter of credit or real estate) 6723	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
College Preschool Program (CPP) Reserve 6724	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Full Day Kindergarten Reserve 6725	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Risk-Related / Restricted Capital Reserve 6726	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BEST Capital Reserve 6727	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Program Reserve 6728	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Committed Fund Balance 6730	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Assigned Fund Balance 6760	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unassigned Fund Balance 6770	1,593,395	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,593,395
Invested in Capital Assets, Net of Related Debt 6790	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restricted Net Assets 6791	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unrestricted Net Assets 6792	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prior Period Adjustment 6880	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Fund Equity	1,593,395	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,593,395

General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Total Program Reserve Fund 07	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
3,323,347	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,323,347
Total Liabilities & Fund Equity															

General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Total Program Reserve Fund 07	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

For Each Fund Type:
Do Assets=Liability+Fund Equity

SINGLE AUDIT SECTION

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

Board of Directors
South Central Board of
Cooperative Educational Services
Pueblo West, Colorado 81007

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 South Central Board of Cooperative Educational Services as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise South Central Board of Cooperative Educational Services' basic financial statements, and have issued our report thereon dated December 4, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Central Board of Cooperative Educational Services' internal control over financial reporting (internal control) to determine the 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 South Central Board of Cooperative Educational Services' internal control. Accordingly, we do not express an opinion on the effectiveness of the South Central Board of Cooperative Educational Services' internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Sizemore, Waller & Co., Inc.

December 4, 2023

164 E. MAIN
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

Board of Directors
South Central Board of
Cooperative Educational Services
Pueblo West, Colorado 81007

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited South Central Board of Cooperative Educational Services' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of South Central Board of Cooperative Educational Services' major federal programs for the year ended June 30, 2023. South Central Board of Cooperative Educational Services' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the South Central Board of Cooperative Educational Services complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the South Central Board of Cooperative Educational Services 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 South Central Board of Cooperative Educational Services' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the South Central Board of Cooperative Educational Services' 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 South Central Board of Cooperative Educational Services' 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 South Central Board of Cooperative Educational Services' 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 South Central Board of Cooperative Educational Services' 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 South Central Board of Cooperative Educational Services' internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Dixon, Waller & Co., Inc.

December 4, 2023

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS:

FINANCIAL STATEMENTS

Auditor's Report

An unmodified opinion has been issued on the financial statements of South Central Board of Cooperative Educational Services.

Internal Control Over Financial Reporting

No significant deficiencies were disclosed by the audit; there were no material weaknesses identified.

Noncompliance Material to Financial Statements

No instances of noncompliance in amounts material to the financial statements of South Central Board of Cooperative Educational Services were disclosed by the audit.

FEDERAL AWARDS

Internal Control Over Major Programs

No significant deficiencies or material weaknesses were identified.

Auditor's Report on Compliance for Major Programs

An unmodified opinion has been issued on South Central Board of Cooperative Educational Services compliance for major programs.

Audit Findings

No findings requiring disclosure in accordance with 2 CFR Section 200.516(a) were disclosed by the audit.

Major Programs

Special Education Cluster:

Title VI B	84.027
Preschool	84.173

Dollar Threshold to Distinguish Type A and Type B Programs

\$ 750,000.

Qualification as low-risk auditee

The BOCES qualified as a low-risk auditee for fiscal year ended June 30, 2023.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

(Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS

None.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2023

There are no prior audit findings requiring disclosure.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

<u>Federal Grantor/Program or Cluster Title</u>	<u>ALN Number</u>	<u>Pass-through Grantor</u>	<u>Grant ID Number</u>	<u>Federal Expenditures</u>
<u>Special Education Cluster (IDEA)-Cluster</u>				
<u>Department of Education</u>				
Special Education – Grants to States	84.027	Colorado Dept. of Education	4027	916,861
<u>Total Special Education – Grants to States</u>				<u>916,861</u>
Special Education – Preschool Grants	84.173	Colorado Dept. of Education	4173	33,946
<u>Total Special Education – Preschool Grants</u>				<u>33,946</u>
<u>Total Special Education Cluster (IDEA) - Cluster</u>				<u>950,807</u>
<u>Other Programs</u>				
<u>Department of Education</u>				
Education Stabilization Fund - COVID-19	84.425 D	Colorado Dept. of Education	5425	1,388
Education Stabilization Fund – COVID-19	84.425 D	Colorado Dept. of Education	4419	27,096
Education Stabilization Fund - COVID-19	84.425 C	Colorado Governor’s Office	6426	339,871
Education Stabilization Fund – COVID-19	84.425 D	Colorado Dept. of Education	4432	3,000
Education Stabilization Fund - COVID-19	84.425 U	Colorado Dept. of Education	4418	38,026
Education Stabilization Fund – COVID-19	84.425 U	Colorado Dept. of Education	4429	414,286
Technical Ed – 21 st Century	84.048	East Central BOCES	5048	28,500
<u>Total Department of Education</u>				<u>852,167</u>
<u>Department of Health and Human Services</u>				
ESSA/Preschool Development Grants	93.434	Colorado Dept. of Education	7434	8,305
<u>Total Department of Health and Human Services</u>				<u>8,305</u>
<u>Total Other Programs</u>				<u>860,472</u>
<u>TOTAL EXPENDITURES OF FEDERAL AWARDS</u>				<u>1,811,279</u>

The accompanying notes are an integral part of this schedule

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the South Central Board of Cooperative Educational Services and is presented on the modified accrual basis of accounting. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

NOTE 2 INDIRECT COST RATES

All grants have been received from the Colorado Department of Education. The Department calculates an allowable indirect cost rate for individual sub-recipients and mandates that the rate be used as the maximum for the recovery of indirect cost. The BOCES has recovered indirect cost from grant funds at an amount no greater than that allowed by the Colorado Department of Education and has not elected to use the 10% de minimis indirect cost rate allowed by Uniform Guidance.

NOTE 3 SUBRECIPIENT PAYMENTS

No amounts of federal financial assistance were passed through to subrecipients in the year ended June 30, 2023.