

**NORTHEAST COLORADO BOARD OF  
COOPERATIVE EDUCATIONAL SERVICES**

**HAXTUN, COLORADO**

**FINANCIAL STATEMENTS  
AND THE INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2024**

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

TABLE OF CONTENTS

June 30, 2024

**FINANCIAL SECTION**

**Independent Auditor’s Report**..... 1

**Management’s Discussion and Analysis** ..... i

**Basic Financial Statements**

*Government-wide Financial Statements*

Statement of Net Position..... 4

Statement of Activities ..... 5

*Governmental Funds Financial Statements*

Balance Sheet ..... 6

Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position ..... 7

Statement of Revenues, Expenditures and Changes in Fund Balances ..... 8

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities ..... 9

*Notes to the Financial Statements*..... 10

**Required Supplementary Information**

Budgetary Comparison Schedule – General Fund ..... 30

Schedule of Proportionate Share of the Net Pension Liability and Contributions ..... 31

Schedule of Proportionate Share of the Net OPEB Liability and Contributions..... 33

Notes to the Required Supplementary Information..... 35

**COMPLIANCE SECTION**

**Single Audit**

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* ..... 36

Independent Auditor’s Report on Compliance for Each Major Federal Program,  
Internal Control over Compliance, and the Schedule of Expenditures of Federal  
Awards Required by the Uniform Guidance ..... 38

Schedule of Findings and Questioned Costs ..... 41

Corrective Action Plan ..... 43

Summary Schedule of Prior Year Findings and Questioned Costs ..... 44

Schedule of Expenditures of Federal Awards ..... 45

Notes to the Schedule of Expenditures of Federal Awards ..... 46

**State Compliance**

Auditor’s Integrity Report ..... 47

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Northeast Colorado Board of Cooperative Educational Services  
Haxtun, Colorado

### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Northeast Colorado Board of Cooperative Educational Services (the BOCES) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Northeast Board of Cooperative Educational Services, 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 BOCES as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis of Opinions

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

### Responsibilities of Management for the Financial Statements

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 the BOCES' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### Emphasis of Matter

As described in Note 9 to the financial statements, as of and for the year ended June 30, 2023, have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

### **Auditor’s Responsibilities for the Audit of the Financial Statements**

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

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

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the BOCES' basic financial statements. The accompanying 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*, and the auditor's integrity report listed in the table of contents 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 the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the auditor's integrity report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2025, on our consideration of the BOCES' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the BOCES' 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 BOCES' internal control over financial reporting and compliance.

*DMC Auditing and Consulting, LLC*

February 21, 2025  
Bailey, Colorado

## NORTHEAST COLORADO BOCES

### MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Required Supplementary Information (RSI)

Year Ended June 30, 2024

The discussion and analysis of Northeast Board of Cooperative Educational Services' (the "BOCES") financial performance provides an overall review of the BOCES' financial activities for the fiscal year ended June 30, 2024. The intent of this discussion and analysis is to look at the BOCES' financial performance as a whole. Readers should also review the financial statements, financial statement footnotes, budgetary comparison schedules and additional supplementary information to broaden their understanding of the BOCES' financial performance.

#### **Financial Highlights**

The BOCES' annual budget was developed via discussions with the Superintendents' Advisory Committee (SAC) with input and approval by the BOCES Board. The process of developing a budget begins by identifying the priorities and needs of member school districts, along with establishing priorities and needs for the NE BOCES.

The BOCES Board adopted the 2023-24 Budget Appropriation Resolution on May 8, 2023. Over the course of the year, additional revenue and expenditures were added to the budget as a result of competitive grant awards allowing the BOCES to provide enhanced services to member school districts. The Appropriation Resolution for the Re-Adoption of the 2023-24 Budget was approved by the BOCES Board on January 22, 2024.

In preparing the budget, the BOCES anticipated approximate increases in revenue from the Exceptional Children's Educational Act (ECEA) allocation from the State as a result of the passage of SB22-127 and Title I increases due to funding and/or pupil changes. Unspent ESSER allocations, Covid-19 related, remained in the budget as one-time funds, along with competitive grant amounts. Local BOCES assessments were increased by 3.5%.

The BOCES has an adequate fund balance in the General Fund with enough cash on hand to meet BOCES spending obligations before reimbursement from federal programs. In planning for this budget, there was no plan to use fund balance as revenue. The focus was on using anticipated revenues to meet budgetary obligations of BOCES programs.

Salary and Benefits make up the greatest portion of the BOCES budget and are a top priority. The Salary Schedule for 2023-24 was approved with a 5% increase to the base of Lanes 2, 3, 4, and 8 along with a step increase. Employees not on the salary schedule received a 5% increase to salary. A priority for revenue was to increase salaries of existing personnel versus increasing the number of personnel at the BOCES. No increase in FTE was budgeted.

The health insurance benefit amount per full-time employee did not increase in 2023-2024. Colorado Public Education Health Plan, previously BEST Health, closed. After a bid process, NE BOCES selected CEPT Benefit by Trust as the employer health insurance provider. The employee benefit amount for full-time employees is full coverage of a single health insurance policy up to \$762 monthly.

The BOCES retained payment of employee's portion of PERA costs at 2%, a practice which started during the 2020-2021 budget year. A travel stipend of \$1,000 was budgeted for personnel assigned to 3 or more school districts. Personnel recruitment and retention continues to be a priority. Competitive wages and benefits are always a goal.

#### **Using the Basic Financial Statements**

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

The first two statements are government-wide financial statements - the Statement of Net position and the Statement of Activities. Both provide long and short-term information about the BOCES' overall financial status. The remaining statements are fund financial statements that focus on individual parts of the BOCES' operations in more detail. The governmental fund statements tell how general BOCES services were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

## NORTHEAST COLORADO BOCES

### MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Required Supplementary Information (RSI)

Year Ended June 30, 2024

#### Financial Analysis of the BOCES as a Whole

The BOCES' total net position was \$268,800 as of June 30, 2024.

The Governmental Activities has an overall net position of \$268,800 and an unrestricted net position deficit of (\$800,530), primarily due to adding the PERA net pension liability of (\$6,344,171), and net OPEB liability of (\$152,705) as further described in Note 6 and Note 7. As the BOCES has no control over pension benefits or contribution rates, the BOCES expects the unrestricted net position deficit to continue for the foreseeable future.

#### Government-Wide Financial Statements

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

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

In the Statement of Net position and the Statement of Activities, the BOCES is shown as one type of activity:

Governmental Activities - The BOCES' programs and services are reported here including instruction, support services, operations and maintenance and extracurricular activities.

A condensed summary of the BOCES' net position is as follows:

	<u>2024</u>	<u>2023</u>	<u>\$ Change</u>
<b>Assets:</b>			
Current Assets	5,007,289	4,599,160	408,129
Capital Assets, Net	<u>1,069,330</u>	<u>644,262</u>	<u>425,068</u>
Total Assets	<u>6,076,619</u>	<u>5,243,422</u>	<u>833,197</u>
Deferred Outflows of Resources	<u>1,446,941</u>	<u>2,415,199</u>	<u>(968,258)</u>
<b>Liabilities:</b>			
Current Liabilities	394,807	771,853	(377,046)
Noncurrent Liabilities	<u>6,496,876</u>	<u>5,987,216</u>	<u>509,660</u>
Total Liabilities	<u>6,891,683</u>	<u>6,759,069</u>	<u>132,614</u>
Deferred Inflows of Resources	<u>363,077</u>	<u>1,892,379</u>	<u>(1,529,302)</u>
<b>Net Position:</b>			
Net Investment in Capital Assets	1,069,330	668,037	401,293
Unrestricted	<u>(800,530)</u>	<u>(1,660,864)</u>	<u>860,334</u>
Total Net Position	<u>268,800</u>	<u>(992,827)</u>	<u>1,261,627</u>

A small portion of the BOCES' net position are invested in capital assets (equipment and buildings). The remaining unrestricted net position are available for future revenue shortfall and grant matching.

NORTHEAST COLORADO BOCES

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Required Supplementary Information (RSI)

Year Ended June 30, 2024

A condensed Statement of Activities and Changes in Net position is as follows:

	<u>2024</u>	<u>2023</u>	<u>\$ Change</u>
<b>Revenues:</b>			
Charges for Services	2,030,231	2,749,463	(719,232)
Operating Grants and Contributions	7,238,671	6,451,648	787,023
Capital Grants and Contributions	433,260	854,882	(421,622)
Unrestricted Grants and Contributions	21,923	32,699	(10,776)
Investment Income	77,798	135,204	(57,406)
Total Revenues	<u>9,801,883</u>	<u>10,223,896</u>	<u>(422,013)</u>
<b>Expenses:</b>			
Instruction	3,228,156	3,663,016	(434,860)
Supporting Services	5,458,030	6,047,448	(589,418)
Total Expenses	<u>8,686,186</u>	<u>9,710,464</u>	<u>(1,024,278)</u>
Change in Net Position	<u>1,115,697</u>	<u>513,432</u>	<u>602,265</u>
Net Position, Beginning, as Originally Stated	(992,827)	(1,506,259)	513,432
Restatement - Correction of an Error (Note 9)	145,930	-	145,930
Net Position, Beginning, as Restated	<u>(846,897)</u>	<u>(1,506,259)</u>	<u>659,362</u>
Net Position, Ending	<u>268,800</u>	<u>(992,827)</u>	<u>1,261,627</u>

The BOCES total net position increased by \$1,115,697 as a result of current operations, districts contributing larger amounts and PERA liability.

**Reporting the BOCES' Most Significant Fund**

The BOCES' major fund is the general fund. The BOCES records all activity in this fund. This fund uses an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statement provides a detailed short-term view of the BOCES' general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is reconciled in the financial statements of the Governmental Funds

NORTHEAST COLORADO BOCES

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
 Required Supplementary Information (RSI)  
 Year Ended June 30, 2024

**Fund Financial Statements**

As of June 30, 2024, the BOCES’ governmental general fund reported a fund balance of \$4,612,482.

The following is additional information by programmatic area:

Local revenues were \$2,454,612, State support was \$3,992,528, and federal revenues were \$3,354,743.

**Capital Assets**

The BOCES recorded depreciation of \$55,692 during the fiscal year.

	Balance 6/30/2023	Additions	Deletions	Balance 6/30/2024
<b>Governmental Activities:</b>				
<b>Capital Assets, Being Depreciated / Amortized:</b>				
Buildings and Improvements	\$ 535,862	\$ 84,236	\$ -	\$ 620,098
Furniture and Equipment	466,420	411,260	-	877,680
Right-to-Use Lease Asset	19,390	-	19,390	-
<b>Total Capital Assets, Being Depreciated / Amortized</b>	<b>1,021,672</b>	<b>495,496</b>	<b>19,390</b>	<b>1,497,778</b>
<b>Less Accumulated Depreciation / Amortization:</b>				
Buildings and Improvements	(197,666)	(13,408)	-	(211,074)
Furniture and Equipment	(175,280)	(42,094)	-	(217,374)
Right-to-Use Lease Asset	(4,464)	(190)	(4,654)	-
<b>Total Accumulated Depreciation / Amortization</b>	<b>(377,410)</b>	<b>(55,692)</b>	<b>(4,654)</b>	<b>(428,448)</b>
<b>Capital Assets, Being Depreciated / Amortized, Net</b>	<b>644,262</b>	<b>439,804</b>	<b>14,736</b>	<b>1,069,330</b>
<b>Capital Assets, Governmental Activities, Net</b>	<b>\$ 644,262</b>	<b>\$ 439,804</b>	<b>\$ 14,736</b>	<b>\$ 1,069,330</b>

**Debt Administration**

At June 30, 2024, NEBOCES maintains a ground lease that is a non-exchange or exchange-like transaction, and, as a result, not required to be reported as a lease under GASB Statement No. 87, *Leases*.

**General Fund Budget**

The Board adopts the BOCES’ budget in May of each year. The adoption of supplemental budgets is allowed throughout the year when unanticipated additional revenues are received. The majority of changes to the General Fund budget are due to revisions in grant allocations that occur subsequent to the original adoption of the budget.

NORTHEAST COLORADO BOCES

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
Year Ended June 30, 2024

**Economic Factors and Next Year’s Budget**

A BOCES exists when any two school districts come together with a shared purpose. BOCES exist to bring value to each member district, offering cost-savings, and the opportunity to pool smaller allocations to access vast resources. District money goes further when it is pooled through cooperative efforts. Our BOCES value relies on strong leadership, high quality personnel who serve students and schools, consistent and reliable support to school districts, and responsible fiscal management of resources.

The Northeast Colorado BOCES adjusts services to meet the needs of the districts and to meet federal and state requirements. Superintendents have expressed the continued need for high-quality personnel, professional development, alternative teacher licensure, teacher recruitment/retention, federal program implementation, mental health support, gifted/talented facilitation and a wide range of special education services. There is interest in continued pursuit of revenue via competitive grants to enhance services and supports, specifically the Career Connected Learning (CCL) initiatives.

BOCES provides these through five sources of revenue.

District Assessments	23%
State Funding	36%
Federal Funding	29%
Grants	0%
Other Sources of Revenue	12%

The BOCES anticipates that the core programs and services will remain consistent into next year. Inflation projections of 8% will present challenges as costs of services are rising. Fiscal management of resources will be especially important to mitigate these increases, using available revenues. Our small rural school districts have been hit hardest by the State’s Budget Stabilization Factor and the added costs related to mitigation of COVID-19. Despite these challenges, the BOCES will maintain quality programming for our students and for member school district staff.

We are continually adjusting programs accordingly with the budget and grants received. All programs, services and related costs are approved by the Board of Directors through the recommendations of the Superintendents Advisory Committee, or Executive Director. Northeast Colorado BOCES will continue to fund, deliver and support educational and instructional programs to enable member districts to meet the needs of students and staff. Northeast Colorado BOCES will also continue to apply for any and all eligible funds as applicable.

**Requests for information**

This financial report is designed to provide a general overview of the BOCES’ finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance and Operations, 301 West Powell, Haxtun, CO 80731.

## **BASIC FINANCIAL STATEMENTS**

**NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

STATEMENT OF NET POSITION

June 30, 2024

PRIMARY  
GOVERNMENT  
GOVERNMENTAL  
ACTIVITIES

ASSETS	
Cash and Investments	\$ 3,603,691
Accounts Receivable	148,604
Grants Receivable	1,254,994
Capital Assets, <i>Net of Accumulated Depreciation</i>	<u>1,069,330</u>
 TOTAL ASSETS	 <u>6,076,619</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Pensions, <i>Net of Accumulated Amortization</i>	1,414,257
OPEB, <i>Net of Accumulated Amortization</i>	<u>32,684</u>
 TOTAL DEFERRED OUTFLOWS OF RESOURCES	 <u>1,446,941</u>
 LIABILITIES	
Accounts Payable	9,271
Accrued Salaries and Benefits	375,187
Unearned Revenue	10,349
Noncurrent Liabilities	
Net Pension Liability	6,344,171
Net OPEB Liability	<u>152,705</u>
 TOTAL LIABILITIES	 <u>6,891,683</u>
 DEFERRED INFLOWS OF RESOURCES	
Pensions, <i>Net of Accumulated Amortization</i>	284,944
OPEB, <i>Net of Accumulated Amortization</i>	<u>78,133</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>363,077</u>
 NET POSITION	
Net Investment in Capital Assets	1,069,330
Unrestricted	<u>(800,530)</u>
 TOTAL NET POSITION	 <u>\$ 268,800</u>

**NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

STATEMENT OF ACTIVITIES

Year Ended June 30, 2024

FUNCTIONS / PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND IN NET POSITION
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities</b>				
Instruction	\$ 3,228,156	\$ 1,580,846	\$ -	\$ 2,700,936
Supporting Services	<u>5,458,030</u>	<u>449,385</u>	<u>433,260</u>	<u>(1,684,960)</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>\$ 8,686,186</u>	<u>\$ 2,030,231</u>	<u>\$ 433,260</u>	<u>\$ 1,015,976</u>
<b>GENERAL REVENUES</b>				
Grants and Contributions not Restricted to Specific Programs				21,923
Investment Income				<u>77,798</u>
<b>TOTAL GENERAL REVENUES</b>				<u>99,721</u>
<b>CHANGE IN NET POSITION</b>				1,115,697
<b>NET POSITION, Beginning, as Originally Stated</b>				(992,827)
Restatement - Correction of an Error				<u>145,930</u>
<b>NET POSITION, Beginning, as Restated</b>				<u>(846,897)</u>
<b>NET POSITION, Ending</b>				<u>\$ 268,800</u>

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

BALANCE SHEET

GOVERNMENTAL FUND

June 30, 2024

	<u>GENERAL</u>
ASSETS	
Cash and Investments	\$ 3,603,691
Accounts Receivable	148,604
Grants Receivable	<u>1,254,994</u>
 TOTAL ASSETS	 \$ <u><u>5,007,289</u></u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 9,271
Accrued Salaries and Benefits	375,187
Unearned Revenue	<u>10,349</u>
 TOTAL LIABILITIES	 <u>394,807</u>
 FUND BALANCE	
Unassigned	<u>4,612,482</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	 \$ <u><u>5,007,289</u></u>

**NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUND**  
**TO THE STATEMENT OF NET POSITION**  
June 30, 2024

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:

Total Fund Balances of the Governmental Fund	\$	4,612,482
Capital assets and right-to-use leased assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.		1,069,330
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in the governmental fund:		
Net Pension Liability		(6,344,171)
Pension-Related Deferred Outflows of Resources		1,414,257
Pension-Related Deferred Inflows of Resources		(284,944)
Net OPEB Liability		(152,705)
OPEB-Related Deferred Outflows of Resources		32,684
OPEB-Related Deferred Inflows of Resources		(78,133)
		(6,312,317)
Total Net Position of Governmental Activities	\$	268,800

**NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUND**  
Year Ended June 30, 2024

	<u>GENERAL</u>
REVENUES	
Local Sources	\$ 2,454,612
State Sources	3,992,528
Federal Sources	3,354,743
 TOTAL REVENUES	 9,801,883
 EXPENDITURES	
Current	
Instruction	3,189,196
Supporting Services	5,827,512
 TOTAL EXPENDITURES	 9,016,708
 CHANGE IN FUND BALANCE	 785,175
 FUND BALANCE, Beginning	 3,827,307
 FUND BALANCE, Ending	 \$ 4,612,482

**NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGE IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2024

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

Net Change in Fund Balances of the Governmental Fund	\$	785,175
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The governmental fund report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as:

Depreciation Expense		(55,692)
Lease Right-to-Use Asset Adjustment		(14,736)
Capital Outlay		495,496

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

This includes the changes in the following:

Lease Liability Adjustment		(24,075)
Net Pension Liability		(530,344)
Pension-Related Deferred Outflows of Resources		120,040
Pension-Related Deferred Inflows of Resources		305,460
Net OPEB Liability		44,759
OPEB-Related Deferred Outflows of Resources		(22,230)
OPEB-Related Deferred Inflows of Resources		11,844

Change in Net Position of Governmental Activities	\$	<u>1,115,697</u>
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# NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2024

### **NOTE 1: Summary of Significant Accounting Policies**

Northeast Colorado Board of Cooperative Educational Services (BOCES) operates under Colorado Revised Statutes providing educational and educational support services for its twelve member BOCES districts, as well as other surrounding districts in northeast Colorado. The Board members are appointed by the Boards of the twelve member districts, with one from each school district Board, which consist of Akron, Frenchmen, Haxtun, Holyoke, Julesburg, Lone Star, Buffalo, Otis, Plateau, Revere, Wray, and Yuma school districts.

The accounting policies of the BOCES conform to generally accepted accounting principles applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the BOCES' more significant policies.

#### **Reporting Entity**

The financial reporting entity consists of the BOCES, organizations for which the BOCES is financially accountable, and organizations that raise and hold economic resources for the direct benefit of BOCES. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are part of BOCES. Legally separate organizations for which BOCES is financially accountable are considered part of the reporting entity. Financial accountability exists if BOCES appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization has the potential to provide benefits to, or impose financial burdens on, the BOCES.

The financial statements of the BOCES do not include any separately administered organizations.

#### **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 nonfiduciary activities of the BOCES. For the most part, the effect of interfund activity has been removed from these financial statements. *Governmental activities*, which are supported by taxes and intergovernmental revenues, are reported in a single column.

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

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

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

In the fund financial statements, the BOCES reports the following major governmental funds:

The *General Fund* is the BOCES' primary operating fund. It accounts for all financial resources of the BOCES, except those accounted for in the grant fund.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2024

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the BOCES considers revenues to be available if they are collected within 60 days of the end of the current year.

Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the BOCES.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

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

**Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources, and Fund Balances / Net Position**

*Cash and Investments* – The BOCES uses separate bank accounts for each fund and for individual programs within the General Fund. Investments are reported at fair value.

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

*Capital Assets* – Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Buildings and Improvements	15 - 50 years
Furniture and Equipment	5 - 10 years

**NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources, and Fund Balances / Net Position (Continued)**

*Deferred Outflows of Resources* - This separate financial statement element represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources until then.

*Accrued Salaries and Benefits* - Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from September to August but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, are reported as a liability in the financial statements.

*Deferred Inflows of Resources* - This separate financial statement element represents a consumption of net assets that applies to future periods and so will not be recognized as an inflow of resources until then. Deferred inflows of resources in the governmental fund financial statements include property taxes earned but not available as current financial resources.

*Long-Term Debt* - In the government-wide financial statements, long-term debt, financed purchase agreements, and other long-term obligations are reported as liabilities. Debt premiums, discounts and accounting losses resulting from debt refundings are deferred and amortized over the life of the debt using the effective interest method. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Debt issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

*Compensated Absences* – Vacation leave may be carried over at maximum days based on years of service at a rate at the employee’s regular daily rate. A long-term liability for accrued vacation benefits at June 30, 2024, has been recorded in the governmental-wide financial statements, representing the BOCES’ commitment to fund such costs from the General fund. Payment for any of the accrued benefits will occur in subsequent years and be made from future resources.

*Pensions* – The BOCES participates in the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees’ Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to and deductions from the SDTF’s fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the SDTF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees. Investments are reported at fair value.

*Postemployment Benefits Other Than Pensions (OPEB)* – The BOCES participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan 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, and additions to and deductions from the HCTF’s fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with the benefit terms.

**NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources, and Fund Balances / Net Position (Continued)**

Employer contributions are recognized when the compensation is payable to the employees. Investments are reported at fair value.

*Net Position/Fund Balances* - In the government-wide and fund financial statements, net position and fund balances are restricted when constraints placed on the use of resources are externally imposed. In the fund financial statements, governmental funds report committed fund balances when the BOCES' Board of Directors formally commits resources for a specific purpose through passage of a resolution.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications, the BOCES policy requires restricted fund balance to be used first, followed by committed, assigned, and unassigned balances.

**NOTE 2: Cash and Investments**

At June 30, 2024, the BOCES had the following cash and investments:

Deposits	\$ 2,238,199
Investments	1,365,492
Total	<u>\$ 3,603,691</u>

**Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2024, the BOCES had bank deposits of \$2,415,016 collateralized with securities held by the financial institution's agent but not in the BOCES' name.

**Investments**

The BOCES is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

**NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 2: Cash and Investments (Continued)**

*Fair Value Measurements* - At June 30, 2024, the BOCES' investments in the local government investment pool reported at the net asset value per share.

*Interest Rate Risk* - State statutes generally limit investments to an original maturity of five years from the date of purchase unless the governing board authorizes the investment for a period in excess of five years.

*Credit Risk* - State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with the Securities and Exchange Commission's Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by one or more nationally recognized statistical rating organizations (NRSROs).

*Concentration of Credit Risk* - State statutes do not limit the amount the BOCES may invest in a single issuer of investment securities, except for corporate securities.

*Local Government Investment Pools* - At June 30, 2024, the BOCES had \$1,365,492 invested in the Colorado Local Government Liquid Asset Trust (ColoTrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the Pool. The Pool operates in conformity with the Securities and Exchange Commission's Rule 2a-7. The Pool is reported at the net asset value per share, with each share valued at \$1. The Pool is rated AAAM by Standard and Poor's. Investments of the Pool are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

**NOTE 3: Capital Assets**

Capital asset activity for the year ended June 30, 2024, is summarized below.

	Balance 6/30/2023	Additions	Deletions	Balance 6/30/2024
<b>Governmental Activities:</b>				
Capital Assets, Being Depreciated / Amortized:				
Buildings and Improvements	\$ 535,862	\$ 84,236	\$ -	\$ 620,098
Furniture and Equipment	466,420	411,260	-	877,680
Right-to-Use Lease Asset	19,390	-	19,390	-
Total Capital Assets, Being Depreciated / Amortized	<u>1,021,672</u>	<u>495,496</u>	<u>19,390</u>	<u>1,497,778</u>
Less Accumulated Depreciation / Amortization:				
Buildings and Improvements	(197,666)	(13,408)	-	(211,074)
Furniture and Equipment	(175,280)	(42,094)	-	(217,374)
Right-to-Use Lease Asset	(4,464)	(190)	(4,654)	-
Total Accumulated Depreciation / Amortization	<u>(377,410)</u>	<u>(55,692)</u>	<u>(4,654)</u>	<u>(428,448)</u>
Capital Assets, Being Depreciated / Amortized, Net	<u>644,262</u>	<u>439,804</u>	<u>14,736</u>	<u>1,069,330</u>
Capital Assets, Governmental Activities, Net	<u>\$ 644,262</u>	<u>\$ 439,804</u>	<u>\$ 14,736</u>	<u>\$ 1,069,330</u>

**NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 3: Capital Assets (Continued)**

Depreciation expense of the governmental activities was charged to programs of the BOCES as follows:

Instruction	\$ 19,750
Supporting Services	35,942
Total	<u>\$ 55,692</u>

**NOTE 4: Intergovernmental Agreements**

**Ground Lease**

In July 2000, the BOCES entered into a ground lease agreement with Haxtun School District RE-2J (the District). The property shall be used only for educational and school purposes, including use as administrative offices for the BOCES. Annual payments from \$100 to \$1,000 are due from June 2000 through June 2099. In the event of default, the lessor may terminate the lease or pursue other remedies permitted by this lease or by law. The lease does not meet the requirements of GASB Statement No. 87, *Leases*, because the lease was not considered an exchange or exchange-like transaction. For the fiscal year ended June 30, 2024, the BOCES paid \$300.

**NOTE 5: Risk Management**

The BOCES is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The BOCES participates in the Colorado School Districts Self Insurance Pool for all risks of loss except workers compensation, for which it utilizes a commercial insurance carrier.

The Colorado School Districts Self Insurance Pool (CSDSIP) operates as a self-insurance pool comprised of various school districts and other related public educational entities within the State of Colorado. The CSDSIP is administered by a governing board. The BOCES pays an annual premium to the CSDSIP for various types of property and liability insurance coverage. The CSDSIP's agreement provides that the CSDSIP will be self-sustaining through member premiums and will reinsure through a duly authorized insurer. The reinsurance covers claims against the CSDSIP in excess of specific claim amounts and in the aggregate in an amount and at limits determined by the CSDSIP to be adequate to protect the solvency of the CSDSIP.

**NOTE 6: Defined Benefit Pension Plan**

**General Information**

*Plan Description* – The BOCES contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). All employees of the BOCES participate in the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), administrative rules set at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code assign the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available annual comprehensive financial report, that includes information on the SDTF, which may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 6: Defined Benefit Pension Plan (Continued)**

**General Information (Continued)**

*Benefits Provided as of December 31, 2023* - The SDTF provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement. The retirement benefit is the greater of the a) highest average salary over five years multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the participant's contribution account plus an equal match on the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors. In no case can the benefit amount exceed the highest average salary, or the amount allowed by applicable federal regulations.

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 CRS Subject to the automatic adjustment provision (AAP) under CRS § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, will receive the maximum annual increase (AI) or AI cap of 1% 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% 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). The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in CRS § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and meet the definition of a disability. The disability benefit amount is based on the retirement benefit formula described previously, considering a minimum of 20 years of service credit.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure in place, and the qualified survivor receiving the benefits.

*Contributions provisions as of June 30, 2024* - The BOCES, the State, and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees was 11% for the period from July 1, 2023, through June 30, 2024. The BOCES' contribution rate for the fiscal year was 21.40% of covered salaries. However, a portion of the BOCES' contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (Note 7). The BOCES' contributions to the SDTF for the year ended June 30, 2024, were \$475,257 equal to the required contributions.

For the purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SDTF and is considered to meet the definition of a special funding situation. As specified in CRS § 24-51-414, the State of Colorado is required to contribute a \$225 million direct distribution each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF. Direct distribution from the State was suspended in 2020. To compensate PERA for the suspension, CRS § 24-51-414(6-8) required restorative payment by providing an accelerated payment in 2022. In 2022, the State Treasurer issued payment for the direct distribution of \$225 million plus an additional amount of \$380 million. Due to the advanced payment made in 2022, the State reduced the distribution in 2023 to \$35 million. Additionally, the newly added CRS § 24-51-414(9) provides compensatory payment of \$14.561 million for 2023 only.

**NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE 6: Defined Benefit Pension Plan (Continued)**

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

The net pension liability was measured at December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. Standard update procedures were used to roll forward the total pension liability to December 31, 2023.

The BOCES' proportion of the net pension liability was based on the BOCES' contributions to the SDTF for the calendar year ended December 31, 2023, relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At December 31, 2023, the BOCES' proportion was 0.0358763772%, which was an increase of 0.0039488757% from its proportion measured at December 31, 2023.

At June 30, 2024, the BOCES reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the BOCES. The amount recognized by the BOCES as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the BOCES were as follows:

BOCES's proportionate share of the net pension liability	\$ 6,344,171
State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the BOCES	139,109
Total	\$ 6,483,280

For the year ended June 30, 2024, the BOCES recognized pension expense of \$588,944 and a revenue of (\$13,021) for support from the State as a nonemployer contributing entity. At June 30, 2024, the BOCES 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
Differences between expected and actual experience	\$ 300,834	\$ -
Net difference between projected and actual earnings on plan investments	454,779	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	421,869	284,944
Contributions subsequent to the measurement date	236,775	-
Total	\$ 1,414,257	\$ 284,944

The BOCES contributions subsequent to the measurement date of \$236,775 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

**NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE 6: Defined Benefit Pension Plan (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

<u>Year Ended June 30,</u>	
2025	\$ 97,947
2026	436,891
2027	484,505
2028	<u>(126,805)</u>
Total	<u>\$ 892,538</u>

*Actuarial Assumptions* - The actuarial valuation as of December 31, 2022, determined the total pension liability using the following actuarial assumptions and other inputs.

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

Post-retirement benefit increases are provided by the annual increase reserve, accounted for separately in SDTF, and subject to resources being available. Therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

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: 1) 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 and 2) 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: 1) males: 97% of the rates for all ages, with generational projection using scale MP-2019 and 2) 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.

**NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE 6: Defined Benefit Pension Plan (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

The actuarial assumptions used in the December 31, 2022, 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 and asset/liability studies performed every three to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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

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

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

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 total pension liability was 7.25%. The projection of cash flows used to determine the discount rate applied to 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%.

**NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE 6: Defined Benefit Pension Plan (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in Senate Bill (SB) 18-200, required adjustments resulting from the 2018 and 2020 AAP assessments. Employee contributions for future plan participants were used to reduce the estimated amount of total service costs for future plan members.
- The BOCES contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200, required adjustments resulting from the 2018 and 2020 AAP assessments. The BOCES 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 the BOCES contributions reflect reductions for the funding of the annual increase reserve and retiree health care benefits. For future plan members, the BOCES 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, commencing July 1, 2018, that is proportioned between the PERA Division Trust Funds, including SDTF, based upon the covered payroll. The annual direct distribution ceases when all PERA Division Trust Funds are fully funded.
- The BOCES contributions and the amount of total service costs for future plan participants were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The annual increase reserve balance was excluded from the initial fund net position, as, per statute, annual increase reserve amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. Annual increase reserve transfers to the fiduciary net position and the subsequent annual increase reserve benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.
- Beginning with the December 31, 2023, measurement date and thereafter, the fiduciary net position as of the current measurement date is used as a starting point for the GASB 67 projection test.

Based on the above assumptions and methods, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current participants. Therefore, the long-term expected rate of return of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal 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 BOCES' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*  
The following presents the BOCES' proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as the BOCES' proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, as follows:

**NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 6: Defined Benefit Pension Plan (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

	1% Decrease <u>(6.25%)</u>	Current Discount Rate (7.25%)	1% Increase <u>(8.25%)</u>
Proportionate share of the net pension liability	<u>\$ 8,483,212</u>	<u>\$ 6,344,171</u>	<u>\$ 4,560,470</u>

*Pension Plan Fiduciary Net Position* - Detailed information about the SDTF’s fiduciary net position is available in PERA’s separately issued annual comprehensive financial report, which may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**NOTE 7: Postemployment Healthcare Benefits**

**General Information**

*Plan Description* - All employees of the BOCES are eligible to receive postemployment benefits other than pensions (OPEB) through the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees’ Retirement Association of Colorado (PERA). Title 24, Article 51, Part 12 of the Colorado Revised Statutes (CRS), 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 administration of the premium subsidies. CRS provisions may be amended by the Colorado General Assembly. PERA issues a publicly available financial report, that includes information on the HCTF, which may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits Provided* - The HCTF provides a healthcare premium subsidy to eligible participating 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). Eligibility to enroll is voluntary and includes benefit recipients, their eligible dependents, and surviving spouses, among others. Eligible benefit recipients may enroll in the HCTF upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period. The health care premium subsidy is based on the benefit structure under which the member retires and the member’s years of service credit.

CRS § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient’s eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contributions account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

*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, and \$115 per month for benefit recipients who are over 65 years of age or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on 20 or more years of service. The subsidy is reduced by 5% for each year of service less than 20 years. The benefit recipient pays the remaining portion of the premium not covered by the subsidy.

**NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 7: Postemployment Healthcare Benefits (Continued)**

**General Information (Continued)**

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, CRS § 24-51-12-6(4) provides an additional subsidy. According to the State statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF on behalf of recipients not covered by Medicare Part A.

*Contributions* - As established by Title 24, Article 51, Section 208(1)(f) of the CRS, as amended, 1.02% of the BOCES' contributions to the School Division Trust Fund (SDTF) (Note 7) are apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. The BOCES' apportionment to the HCTF for the year ended June 30, 2024, was \$23,786, equal to the required amount.

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

At June 30, 2024, the BOCES reported a net OPEB liability of \$152,705, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2023.

The BOCES' proportion of the net OPEB liability was based on the BOCES' contributions to the HCTF for the calendar year ended December 31, 2023, relative to the contributions of all participating employers. At December 31, 2023, the BOCES' proportion was 0.0213954937%, which was a decrease of 0.0027893665% from its proportion measured at December 31, 2022.

For the year ended June 30, 2024, the BOCES recognized OPEB expense of (\$8,604). At June 30, 2024, the BOCES reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>          </u>	<u>          </u>
Differences between expected and actual experience	\$ -	\$ 31,299
Changes of assumptions and other inputs	1,794	16,190
Net difference between projected and actual earnings on plan investments	4,724	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	14,316	30,644
Contributions subsequent to the measurement date	<u>11,850</u>	<u>-</u>
Total	<u>\$ 32,684</u>	<u>\$ 78,133</u>

**NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 7: Postemployment Healthcare Benefits (Continued)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

The BOCES contributions subsequent to the measurement date of \$11,850 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Year Ended June 30,</u>	
2025	\$ (23,266)
2026	(11,932)
2027	(3,894)
2028	(9,438)
2029	(6,085)
2030	<u>(2,684)</u>
Total	<u>\$ (57,299)</u>

*Actuarial Assumptions* - The actuarial valuation as of December 31, 2022, determined the total OPEB liability using the following actuarial cost method, actuarial assumptions, and other inputs, applied to all periods included in the measurement.

Actuarial Cost Method	Entry Age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.40% - 11.00%
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
Service-based premium subsidy	0.0%
PERACare Medicare plans	
7% in 2023, gradually decreasing to 4.5% in 2033	
Medicare Part A premiums:	
3.5% in 2023, gradually increasing to 4.5% in 2035	

The total OPEB liability for the HCTF, as of the December 31, 2022, measurement date, was adjusted to reflect the disaffiliation, allowable under CRS § 24-51-313, of Tri-County Health Department (Tri-County 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 fiduciary net position as of the December 31, 2022, measurement date.

**NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 7: Postemployment Healthcare Benefits (Continued)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

Annually, the per capita health care costs are developed by plan option. At December 31, 2023, the plan options include 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 to all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

Age-Related Morbidity Assumptions

Participant Age	Annual Increase (Male)	Annual Increase (Female)
65-68	2.2%	2.3%
69	2.8%	2.2%
70	2.7%	1.6%
71	3.1%	0.5%
72	2.3%	0.7%
73	1.2%	0.8%
74	0.9%	1.5%
75-85	0.9%	1.3%
86 and Older	0.0%	0.0%

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2023, valuation, the following monthly costs/premium are assumed for 2023 for the PERA Benefit Structure:

Sample Age	MAPD PPO #1 with Medicare		MAPD PPO #2 with Medicare		MAPD HMO (Kaiser) with Medicare	
	Part A for Retiree / Spouse		Part A for Retiree / Spouse		Part A for Retiree / Spouse	
	Male	Female	Male	Female	Male	Female
65	\$ 1,692	\$ 1,406	\$ 579	\$ 481	\$ 1,913	\$ 1,589
70	\$ 1,901	\$ 1,573	\$ 650	\$ 538	\$ 2,149	\$ 1,778
75	\$ 2,100	\$ 1,653	\$ 718	\$ 566	\$ 2,374	\$ 1,869

  

Sample Age	MAPD PPO #1 without Medicare		MAPD PPO #2 without Medicare		MAPD HMO (Kaiser) without Medicare	
	Part A for Retiree / Spouse		Part A for Retiree / Spouse		Part A for Retiree / Spouse	
	Male	Female	Male	Female	Male	Female
65	\$ 6,469	\$ 5,373	\$ 4,198	\$ 3,487	\$ 6,719	\$ 5,581
70	\$ 7,266	\$ 6,011	\$ 4,715	\$ 3,900	\$ 7,546	\$ 6,243
75	\$ 8,026	\$ 6,319	\$ 5,208	\$ 4,101	\$ 8,336	\$ 6,563

The 2022 Medicare Part A premium is \$506 per month. All costs are subject to the health care cost trend rates.

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.

**NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 7: Postemployment Healthcare Benefits (Continued)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

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, 2022, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Measurement Year	PERACare Medicare Plans	Medicare Part A Premiums
2023	7.00%	3.50%
2024	6.75%	3.50%
2025	6.50%	3.75%
2026	6.25%	3.75%
2027	6.00%	4.00%
2028	5.75%	4.00%
2029	5.50%	4.00%
2030	5.25%	4.25%
2031	5.00%	4.25%
2032	4.75%	4.25%
2033	4.50%	4.25%
2034	4.50%	4.25%
2035+	4.50%	4.50%

Mortality assumptions used in the December 31, 2022, valuation for the determination of the total pension liability, reflect generational mortality and were applied, as applicable, in the determination of the total OPEB liability for the HCTF, but developed using a headcount-weighted basis. SDTF participates in the HCTF (Note 7).

The pre-retirement mortality assumptions for the SDTF were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019. Post-retirement non-disabled mortality assumptions for the SDTF were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows: 1) 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 and 2) 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: 1) males: 97% of the rates for all ages, with generational projection using scale MP-2019 and 2) females: 105% of the rates for all ages, with generational projection using scale MP-2019. Disabled mortality assumptions for SDTF members were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

**NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 7: Postemployment Healthcare Benefits (Continued)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

The health care costs assumptions were updated and used in the roll-forward calculation for the HCTF. Per capita health care costs as of the December 31, 2022, valuation date for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the costs for the 2023 plan year. The morbidity rates used to estimate individual retiree and spouse costs by age and by gender were updated effective for the December 31, 2022, actuarial valuation. The revised morbidity rate factors are based on a review of historical claims experience by age, gender, and status from actuary's claims data warehouse. The healthcare cost trend rates applicable to health care premiums were revised to reflect the then-current expectation of future increases in those premiums. Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by PERA's actuary.

The actuarial assumptions used in the December 31, 2022, valuations were based on the results of the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, 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 performed at least every five years, and asset/liability studies, performed every three to 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 weighing the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

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

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

**NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE 7: Postemployment Healthcare Benefits (Continued)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

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 total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions. 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, 2023, 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%.
- 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.
- Beginning with the December 31, 2023, measurement date and thereafter, the fiduciary net position as of the current measurement date is used as a starting point for the GASB 74 projection test.
- As of December 31, 2023, measurement date, the fiduciary net position and related disclosure components for the HCTF reflect payments related to disaffiliation of Tri-County Health Department as a PERA-affiliated employer, effective December 31, 2022. As of December 31, 2023, PERA recognized two additions for accounting and financial reporting purposes: a \$24 million payment received on December 4, 2023, and a \$2 million receivable. The employer disaffiliation payment and receivable allocations to the HCTF and Local Government Division Trust Fund were \$1.033 million and \$24.967 million, respectively.

Based on the above assumptions and methods, the HCTF's fiduciary net position 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 total OPEB liability. 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.

**NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 7: Postemployment Healthcare Benefits (Continued)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

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

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates (7.25%)</u>	<u>1% Increase in Trend Rates</u>
Initial PERACare Medicare trend rate	5.75%	6.75%	7.75%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	<u>\$ 148,322</u>	<u>\$ 152,705</u>	<u>\$ 157,473</u>

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

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Proportionate share of the net OPEB liability	<u>\$ 180,364</u>	<u>\$ 152,705</u>	<u>\$ 129,043</u>

*OPEB Plan Fiduciary Net Position* - Detailed information about the HCTF's fiduciary net position is available in PERA's separately issued annual comprehensive financial report, which may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**NOTE 8: Commitments and Contingencies**

**Tabor Amendment**

In November 1992, Colorado voters passed Article X, Section 20 (the Amendment) to the State Constitution which limits state and local government taxing powers and imposes spending limits. The Amendment is complex and subject to judicial interpretation. The Amendment is subject to many interpretations, but the BOCES believes it is in substantial compliance with the Amendment. The BOCES believes it is exempt from the TABOR amendment because it receives no direct taxes and is a joint venture of district members.

**Litigation**

The BOCES from time to time is involved in various legal matters. In the opinion of the BOCES' counsel, there are no pending legal issues that would have a material adverse effect on the financial condition of the BOCES.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2024

**NOTE 9: Correction of an Error**

At June 30, 2023, the BOCES had a correction of an error related to the PERA-related deferred outflows of resources and deferred inflows of resources as a restatement of prior year balances.

	<u>Governmental Activities</u>
Net Position, Beginning, As Previously Reported	\$ (992,827)
Correction of an Error	
Deferred Outflows of Resources - Pensions, <i>Net of Accumulated Amortization</i>	(1,066,068)
Deferred Inflows of Resources - Pensions, <i>Net of Accumulated Amortization</i>	<u>1,211,998</u>
Net Position, Beginning, as Restated	<u>\$ (846,897)</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

Year Ended June 30, 2024

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		Positive (Negative)
<b>REVENUES</b>				
Local Sources	\$ 2,143,311	\$ 2,496,906	\$ 2,454,612	\$ (42,294)
State Grants	3,231,496	3,828,309	3,992,528	164,219
Federal Grants	2,801,604	3,403,782	3,354,743	(49,039)
<b>TOTAL REVENUES</b>	<b>8,176,411</b>	<b>9,728,997</b>	<b>9,801,883</b>	<b>72,886</b>
<b>EXPENDITURES</b>				
Current				
Instruction	3,231,619	3,308,764	3,189,196	119,568
Supporting Services				
Student Support	1,829,049	2,106,542	1,755,423	351,119
Instructional Support	1,823,245	2,204,882	2,182,901	21,981
General Administration	186,210	186,210	183,534	2,676
School Administration	127,008	127,008	124,757	2,251
Business Services	545,766	729,824	645,014	84,810
Transportation	62,510	682,920	597,571	85,349
Central Support	100,818	103,816	121,559	(17,743)
Community Services	66,301	74,331	53,823	20,508
Other Support Services	196,285	217,692	162,930	54,762
<b>Total Supporting Services</b>	<b>4,937,192</b>	<b>6,433,225</b>	<b>5,827,512</b>	<b>605,713</b>
Debt Service				
Principal	6,400	-	-	-
Interest	1,200	-	-	-
<b>Total Debt Service</b>	<b>7,600</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL EXPENDITURES</b>	<b>8,176,411</b>	<b>9,741,989</b>	<b>9,016,708</b>	<b>725,281</b>
<b>CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>(12,992)</b>	<b>785,175</b>	<b>798,167</b>
<b>FUND BALANCE, Beginning</b>	<b>3,343,980</b>	<b>3,343,980</b>	<b>3,827,307</b>	<b>483,327</b>
<b>FUND BALANCE, Ending</b>	<b>\$ 3,343,980</b>	<b>\$ 3,330,988</b>	<b>\$ 4,612,482</b>	<b>\$ 1,281,494</b>

**NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS**  
**PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO SCHOOL DIVISION TRUST FUND**  
June 30, 2024

<b>MEASUREMENT YEAR</b>	<u>12/31/23</u>	<u>12/31/22</u>	<u>12/31/21</u>	<u>12/31/20</u>
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY				
BOCES's Proportion of the Net Pension Liability	0.0358763772%	0.0319275015%	0.0360750000%	0.0382720000%
BOCES's Proportionate Share of the Net Pension Liability	\$ 6,344,171	\$ 5,813,827	\$ 4,198,215	\$ 5,785,881
State's Proportionate Share of the Net Pension Liability Associated with the BOCES	<u>139,109</u>	<u>1,311,905</u>	<u>431,774</u>	<u>-</u>
Total Proportionate Share of the Net Pension Liability	<u>\$ 6,483,280</u>	<u>\$ 7,125,732</u>	<u>\$ 4,629,989</u>	<u>\$ 5,785,881</u>
BOCES's Covered Payroll	\$ 2,364,304	\$ 2,560,930	\$ 2,254,593	\$ 1,067,926
BOCES's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	268%	227%	186%	542%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62%	62%	75%	67%
<b>FISCAL YEAR</b>	<u>6/30/24</u>	<u>6/30/23</u>	<u>6/30/22</u>	<u>6/30/21</u>
BOCES CONTRIBUTIONS				
Statutorily Required Contribution	\$ 475,257	\$ 495,796	\$ 448,213	\$ 206,964
Contributions in Relation to the Statutorily Required Contribution	<u>(475,257)</u>	<u>(495,796)</u>	<u>(448,213)</u>	<u>(206,964)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BOCES's Covered Payroll	\$ 2,331,974	\$ 2,560,930	\$ 2,254,593	\$ 1,067,926
Contributions as a Percentage of Covered Payroll	20%	19%	20%	19%

<u>12/31/19</u>	<u>12/31/18</u>	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>
0.0349070000%	0.0368980000%	0.0452710000%	0.0461980000%	0.0483560000%	0.0494240000%
\$ 5,215,057	\$ 6,533,585	\$ 14,638,917	\$ 13,754,903	\$ 7,395,593	\$ 6,898,632
<u>587,009</u>	<u>785,914</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 5,802,066</u>	<u>\$ 7,319,499</u>	<u>\$ 14,638,917</u>	<u>\$ 13,754,903</u>	<u>\$ 7,395,593</u>	<u>\$ 6,898,632</u>
\$ 2,038,137	\$ 2,028,495	\$ 2,088,282	\$ 2,050,821	\$ 2,107,312	\$ 2,070,518
256%	322%	701%	671%	351%	333%
65%	57%	44%	43%	59%	63%
<u>06/30/20</u>	<u>06/30/19</u>	<u>06/30/18</u>	<u>06/30/17</u>	<u>06/30/16</u>	<u>06/30/15</u>
\$ 394,991	\$ 388,051	\$ 389,047	\$ 371,814	\$ 365,197	\$ 340,186
<u>\$ (394,991)</u>	<u>\$ (388,051)</u>	<u>\$ (389,047)</u>	<u>\$ (371,814)</u>	<u>\$ (365,197)</u>	<u>\$ (340,186)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,038,137	\$ 2,028,495	\$ 2,088,282	\$ 2,050,821	\$ 2,107,312	\$ 2,070,518
19%	19%	19%	18%	17%	16%

**NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND CONTRIBUTIONS**  
**PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO HEALTH CARE TRUST FUND**  
June 30, 2024

<b>MEASUREMENT YEAR</b>	<u>12/31/23</u>	<u>12/31/22</u>	<u>12/31/21</u>
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY			
BOCES's Proportion of the Net OPEB Liability	0.0213954937%	0.0241848602%	0.0234760000%
 BOCES's Proportionate Share of the Net OPEB Liability	 \$ 152,705	 \$ 197,464	 \$ 202,432
BOCES's Covered Payroll	\$ 2,364,304	\$ 2,560,930	\$ 2,254,593
 BOCES's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	 6%	 8%	 9%
 Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	 46%	 39%	 39%
 <b>FISCAL YEAR</b>	<u>6/30/24</u>	<u>6/30/23</u>	<u>6/30/22</u>
Statutorily Required Contributions	\$ 23,786	\$ 26,121	\$ 22,997
Contributions in Relation to the Statutorily Required Contribution	<u>(23,786)</u>	<u>(26,121)</u>	<u>(22,997)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 BOCES's Covered Payroll	 \$ 2,331,974	 \$ 2,560,930	 \$ 2,254,593
 Contributions as a Percentage of Covered Payroll	 1.02%	 1.02%	 1.02%

This schedule is presented to show information for 10 years.  
Information will be presented for the years it is available.

<u>12/31/20</u>	<u>12/31/19</u>	<u>12/31/18</u>	<u>12/31/17</u>	<u>12/31/16</u>
0.0221060000%	0.0228140000%	0.0239840000%	0.0257230000%	0.0260730000%
\$ 210,059	\$ 256,424	\$ 326,313	\$ 334,291	\$ 338,042
\$ 1,067,926	\$ 2,038,137	\$ 2,028,495	\$ 2,088,282	\$ 2,050,821
20%	13%	16%	16%	16%
33%	24%	17%	18%	17%
<u>6/30/21</u>	<u>6/30/20</u>	<u>6/30/19</u>	<u>6/30/18</u>	<u>6/30/17</u>
\$ 10,893	\$ 20,789	\$ 20,691	\$ 21,300	\$ 20,918
<u>(10,893)</u>	<u>(20,789)</u>	<u>(20,691)</u>	<u>(21,300)</u>	<u>(20,918)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,067,926	\$ 2,038,137	\$ 2,028,495	\$ 2,088,282	\$ 2,050,821
1.02%	1.02%	1.02%	1.02%	1.02%

**NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2024

**NOTE 1: Stewardship, Compliance, and Accountability**

**Budgetary Information**

Budgets are adopted for all funds on a basis consistent with generally accepted accounting principles. The BOCES adheres to the following procedures to establish the budgetary information reflected in the financial statements.

- Management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted by the Board of Directors to obtain taxpayer comments.
- Prior to June 30, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budget amounts between programs and/or departments within any fund and the reallocation of budget line items within any program and/or department rests with the Executive Director. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- All budget appropriations lapse at fiscal year-end.

**NOTE 2: Significant Changes in Plan Provisions Affecting Trends in Actuarial Information**

*STDF Plan* - Senate Bill (SB) 23-056, enacted and effective June 2, 2023, intended to recompense PERA for the remaining portion of the \$225 million direct distribution originally scheduled for receipt July 1, 2020, suspended due to the enactment of House Bill (HB) 20-1379, but not fully repaid through the provisions within HB 22-1029. Pursuant to SB 23-056, the State Treasurer issued a warrant consisting of the balance of the PERA Payment Cash Fund, created in §24-51-416, plus \$10 million from the General Fund, totaling \$14.561 million.

As of the December 31, 2023, measurement date, the total pension liability (TPL) recognizes the change in the default method applied for granting service accruals for certain members, from a "12-pay" method to a "non-12-pay" method. The default service accrual method for positions with an employment pattern of at least eight months but fewer than 12 months (including, but not limited to positions in the School and DPS Divisions) receive a higher ratio of service credit for each month worked, up to a maximum of 12 months of service credit per year.

*HCTF Plan* - As of the December 31, 2023, measurement date, the fiduciary net position (FNP) and related disclosure components for the Health Care Trust Fund (HCTF) reflect payments related to the disaffiliation of Tri-County Health Department (Tri-County Health) as a PERA-affiliated employer, effective December 31, 2022. As of the December 31, 2023, year-end, PERA recognized two additions for accounting and financial reporting purposes: a \$24 million payment received on December 4, 2023, and a \$2 million receivable. The employer disaffiliation payment and receivable allocations to the HCTF and Local Government Division Trust Fund were \$1.033 million and \$24.967 million, respectively.

**NOTE 3: Changes in Assumptions and Other Inputs**

No changes made to the actuarial methods or assumptions.

## **COMPLIANCE SECTION**

## **SINGLE AUDIT**

**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  
Northeast Colorado Board of Cooperative Educational Services  
Haxtun, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Northeast Colorado Board of Cooperative Educational Services (the BOCES) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the basic financial statements of the BOCES’ and have issued our report thereon dated February 21, 2025.

**Report on Internal Control Over Financial Reporting**

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

*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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the BOCES’ financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or 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 the 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a material weakness.

**Report on Compliance and Other Matters**

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

Board of Directors  
Northeast Colorado Board of Cooperative Educational Services

### **BOCES' Response to Findings**

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

### **Purpose of this Report**

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

*DMC Auditing and Consulting, LLC*

February 21, 2025  
Bailey, Colorado

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM, INTERNAL CONTROL OVER COMPLIANCE,  
AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Northeast Colorado Board of Cooperative Educational Services  
Haxtun, Colorado

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited Northeast Colorado Board of Cooperative Educational Services’ (the BOCES) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the BOCES’ major federal programs for the year ended June 30, 2024. The BOCES’ major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the BOCES complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

**Basis for Opinion on Each Major Federal Program**

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

We are required to be independent of the BOCES and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the BOCES’ compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

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

### **Auditor's Responsibilities for the Audit of Compliance**

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

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

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

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

### **Report on Internal Control over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

Board of Directors  
Northeast Colorado Board of Cooperative Educational Services

Our consideration of the BOCES' 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.

#### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities and each major fund of the BOCES as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the basic financial statements of the BOCES'. We issued our report thereon dated February 21, 2025, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the BOCES' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*DMC Auditing and Consulting, LLC*

February 21, 2025  
Bailey, Colorado

**NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2024

**SECTION I: SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP): Unmodified

Internal control over financial reporting:

- Material weaknesses identified?  Yes  No
- Significant deficiencies identified?  Yes  None Reported

Noncompliance material to the financial statements noted?

- Yes  No

**Federal Awards**

Internal control over major federal programs:

- Material weaknesses identified?  Yes  No
- Significant deficiencies identified?  Yes  None Reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

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

- Yes  No

Identification of major federal programs:

**Federal Assistance**

<u>Listing Number</u>	<u>Name of Federal Cluster/Program</u>
84.027, 84.173	Special Education Cluster
84.010	Title I

Dollar threshold used to distinguish Between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?

- Yes  No

**NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2024

**SECTION II: FINANCIAL STATEMENT FINDINGS**

**2024-001: Material Audit Adjusting Journal Entries with a Restatement of Prior Year Financial Statements**

**Criteria:** AU-C Section 265, A.11 in part states that indicators of material weaknesses in internal control include a restatement of previously issued financial statements to reflect the correction of a material misstatement due to fraud or error.

**Condition:** We have identified a material correction of an error to pension-related deferred outflows of resources and deferred inflows of resources in the prior year financial statements. In addition, we identified a material adjustment to cash and investments related to SWAP local revenue.

**Cause:** The internal controls related to the bank reconciliation process were not properly designed or effective to identify such errors in prior years.

**Effect:** The beginning net position of the government-wide financial statements and beginning fund balances of the governmental funds increased by \$145,930 to correct the pension-related deferred outflows of resources and deferred inflows of resources balances at June 30, 2023. In addition, the BOCES had a material adjustment to cash and investments related to SWAP local revenue. The impact of these errors required a correction of the beginning net position and material adjustments. Lack of internal controls over bank reconciliations may cause significant accounting errors and potential fraud for the BOCES. Our understanding is that the BOCES already implemented improved processes prior to the audit but not for the entire fiscal year ended June 30, 2024.

**Repeat Finding:** No.

**Recommendation:** We recommend that the BOCES perform monthly bank reconciliations and review outstanding items to identify errors. In addition, we recommend that the BOCES design and implement a secondary review process over the monthly bank reconciliations to provide additional oversight over the bank reconciliation process. Pension-related balances need to be reviewed prior to completion of the annual audited financial statements by management.

**Corrective Action Plan:** Reported on page 43.

**SECTION III: FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

No current year findings or questioned costs were reported.



FY24 Audit finding correction action

The BOCES acknowledges the material correction of an error to the BOCES' financial statements. This situation occurred due to an incorrect interpretation of the requirement(s). Current management has improved internal control procedures. Pension related balances will be reviewed and entries will be made by a BOCES employee prior to the completion of the annual audited financial statements by management. BOCES will perform monthly bank reconciliation and review outstanding items to identify errors and will design and develop a secondary review process over the monthly bank reconciliations to provide additional oversight.

**NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2024

**2023-001: Cash Management Activities**

*Condition* – The BOCES submitted three reimbursement requests for its Colorado Department of Education ESSER III ARP 9.5%, RURAL COACTION grant that were not properly supported by the underlying expenses. It appears in two of the instances the draws for the August through October 2023 expenditures and the draw for the November 2023 expenditures included a \$1,667 payment that was subsequently charged to a different program. In the third instance, the amount requested differed from the June and 2023 accrued expenditures by \$313. We were not able to isolate the cause of the difference. In total there was \$3,647 of expenditures that had been reimbursed that were not charged to the grant. The BOCES did recognize that these amounts had been requested in error by year end and recorded an unearned revenue of \$3,647 at year end and accordingly are not considered a questioned cost. This was not considered a material non-compliance with the grant requirements. In addition, the BOCES requested a reimbursement of \$48,962 for the 23-24 fiscal year from the Colorado Department of Education. When this payment was received by the BOCES from the Department, it was noted as being for the 22-23 fiscal year and was recorded by the BOCES as a receivable and unearned revenue at year end.

*Status* – Prior audit finding has been resolved as of June 30, 2024.

**NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures	Passed Through To Subrecipients
<b>U.S. DEPARTMENT OF THE TREASURY</b>				
Coronavirus State and Local Fiscal Recovery Funds	21.027	7130	\$ 168,318	\$ -
<b>TOTAL U.S. DEPARTMENT OF THE TREASURY</b>			<u>168,318</u>	<u>-</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Passed Through Colorado Department of Education				
Title I	84.010	4010	459,658	416,689
Title I Part C: Education of Migrant Children	84.011	4011	78,261	-
English Language Acquisition	84.365	4365	25,975	25,465
Improving Teacher Quality	84.367	4367	42,589	38,542
Student Support and Academic Enrichment Program	84.424	4424	65,991	38,294
<i>Special Education Cluster (IDEA)</i>				
Special Education - IDEA Part B	84.027A	4027	1,108,099	-
Special Education - IDEA Preschool	84.173A	4173	47,433	-
<i>Special Education Cluster (IDEA) Subtotal</i>			<u>1,155,532</u>	<u>-</u>
Education Stabilization Fund (COVID-19 Education Stabilization Fund)				
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425U	4418, 4429, 4436, 4438, 4439	1,276,823	709,335
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425W	8425, 8426	23,998	10,398
Education Stabilization Fund Total			<u>1,300,821</u>	<u>719,733</u>
Passed Through Colorado Community College System				
Career and Technical Education	84.048	4048	57,598	52,673
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>3,186,425</u>	<u>1,291,396</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 3,354,743</u>	<u>\$ 1,291,396</u>

**NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2024

**NOTE 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, using the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in the financial statements. The BOCES does not charge a de minimis indirect cost rate. Because the schedule presents only a selected portion of the operations of the BOCES, it is not intended to and does not present the financial position, changes in net position or fund balance, or cash flows of the BOCES.

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting.

**NOTE 2: Summary of Significant Accounting Policies**

Governmental fund types account for the majority of the BOCES' federal grant activity. Expenditures reported in the schedule of expenditures of federal awards are recognized on a modified basis of accounting. Subrecipient expenditures are recorded on a cash basis. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. Non-cash expenditures are included in the schedule.

**NOTE 3: Indirect Cost Rate**

The BOCES has not elected to use the 10.5% de minimis cost rate.

## **STATE COMPLIANCE**



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 9040 - Northeast BOCES  
 Fiscal Year 2023-24  
 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
<b>Governmental</b>						
10 General Fund	3,827,307		9,801,882	9,016,707		4,612,482
18 Risk Mgmt Sub-Fund of General Fund	0		0	0		0
19 Colorado Preschool Program Fund	0		0	0		0
<b>Sub-Total</b>	<b>3,827,307</b>		<b>9,801,882</b>	<b>9,016,707</b>		<b>4,612,482</b>
11 Charter School Fund	0		0	0		0
20.26-29 Special Revenue Fund	0		0	0		0
06 Supplemental Cap Const, Tech, Main, Fund	0		0	0		0
07 Total Program Reserve Fund	0		0	0		0
21 Food Service Spec Revenue Fund	0		0	0		0
22 Govt Designated-Purpose Grants Fund	0		0	0		0
23 Pupil Activity Special Revenue Fund	0		0	0		0
25 Transportation Fund	0		0	0		0
31 Bond Redemption Fund	0		0	0		0
39 Certificate of Participation (COP) Debt Service Fund	0		0	0		0
41 Building Fund	0		0	0		0
42 Special Building Fund	0		0	0		0
43 Capital Reserve Capital Projects Fund	0		0	0		0
46 Supplemental Cap Const, Tech, Main Fund	0		0	0		0
<b>Totals</b>	<b>0</b>		<b>0</b>	<b>0</b>		<b>0</b>
<b>Proprietary</b>						
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
<b>Totals</b>	<b>0</b>		<b>0</b>	<b>0</b>		<b>0</b>
<b>Fiduciary</b>						
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
<b>Totals</b>	<b>0</b>		<b>0</b>	<b>0</b>		<b>0</b>

FINAL