

**NORTHWEST COLORADO BOARD OF
COOPERATIVE EDUCATIONAL SERVICES**

STEAMBOAT SPRINGS, COLORADO

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

JUNE 30, 2024

NORTHWEST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

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INDEPENDENT AUDITOR'S REPORT

Northwest Colorado Board of Cooperative Educational Services
Steamboat Springs, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Northwest 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 Northwest Colorado 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). 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's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Emphasis of Matter

As described in Note 10 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the 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's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the BOCES's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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's basic financial statements. The auditor's integrity report listed in the table of contents is presented for purposes of additional analysis 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 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2024, on our consideration of the BOCES's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the BOCES's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BOCES's internal control over financial reporting and compliance.

DMC Auditing and Consulting, LLC

December 19, 2024
Bailey, Colorado

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

The discussion and analysis of the Northwest Colorado Board of Cooperative Educational Services (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, and budgetary comparison schedules to broaden their understanding of the BOCES' financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

The BOCES had a net position of \$(2,631,009) as of June 30, 2024 mostly due to the impact of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*. Under this accounting method the BOCES accrues a "Net Pension Liability" (NPL) related to its participation in Colorado PERA, a multiple-employer cost-sharing retirement plan that is underfunded. The NPL is unlike other liabilities reported on the Statement of Net Position, in that it is not due to be paid at a certain time nor can it be paid off under any accelerated schedule. Employer and employee contribution rates to PERA are not directly impacted by GASB's new reporting requirements. Employer contributions are set by the Colorado legislature through statutes that govern PERA.

For 2023-2024, the BOCES' net position increased \$542,479 over the prior fiscal year, primarily due to the NPL related to Colorado PERA and an increase in the fund balance.

The BOCES maintained a fund balance in the General Fund of \$921,912, an increase of \$86,981 over the prior fiscal year. This increase is largely a result of higher than expected enrollment in the Alternative Licensure program producing unanticipated revenue. The Designated Purpose Grants Fund has a fund balance of \$98,426, resulting primarily from an increase in state ECEA funding.

Federal and State grant revenues accounted for 91% of the total governmental fund revenue for the year ending June 30, 2024. Local assessments were the next largest revenue source accounting for 7.5% of total revenues. Instruction costs represented 48% of total governmental fund expenditures and other pupil support services (student and instructional staff support) were another 40%. The remainder of about 12% of total governmental fund expenditures is for business services. The combined proportion of 88% of expenditures covering instruction and support services is about 2% greater than was reported in the FY23 audit (which was about 10% greater than the previous year).

Using the Basic Financial Statements

The basic financial statements consist of the Management's 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.

Financial Analysis of the BOCES as a Whole

At the end of the current fiscal year the liabilities and deferred inflows of the BOCES exceeded the assets and deferred outflows by \$2,631,009 compared to \$3,173,488 for the previous fiscal year, an increase of \$542,479 in total net position mostly due to the ongoing impact of GASB Statement No. 68. There is also a substantial increase in the fund balance.

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 statement of net position includes all of the government assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 report the BOCES' net position and how it has changed. The change in net position is important because it tells the reader whether 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.

In the Statement of Net Position and the Statement of Activities, the BOCES has one type of activity:

Governmental Activities - The majority of the BOCES' programs and services are reported here including general operations support services, instruction and support of consortia programs, and instruction and support of special education programs.

A condensed summary of the BOCES' Statement of Net Position is as follows:

| | Governmental Activities | |
|-------------------------------------|-------------------------|--------------------|
| | 2024 | 2023 |
| ASSETS AND DEFERRED OUTFLOWS | | |
| Current and Other Assets | \$ 1,844,865 | \$ 1,470,829 |
| Capital Assets, net of depreciation | 37,903 | 24,593 |
| Total Assets | <u>1,882,768</u> | <u>1,495,422</u> |
| Deferred Outflows of Resources | 993,784 | 787,935 |
| Total Assets and Deferred Outflows | <u>2,876,552</u> | <u>2,283,357</u> |
| LIABILITIES | | |
| Current Liabilities | 824,527 | 643,380 |
| Noncurrent Liabilities | 4,104,181 | 3,640,375 |
| Total Liabilities | <u>4,928,708</u> | <u>4,283,755</u> |
| Deferred Inflows of Resources | 578,853 | 1,203,904 |
| NET POSITION | | |
| Net Investment in Capital Assets | 37,903 | 24,593 |
| Restricted for Special Education | 98,426 | |
| Unrestricted | <u>(2,767,338)</u> | <u>(3,228,895)</u> |
| Total Net Position | <u>(2,631,009)</u> | <u>(3,204,302)</u> |

A condensed Statement of Activities is as follows:

| | Governmental Activities | |
|--|-------------------------|--------------------|
| | 2024 | 2023 |
| REVENUES | | |
| Program Revenues | | |
| Charges for Services | \$ 391,173 | \$ 406,706 |
| Operating Grants and Contributions | 3,977,008 | 3,675,597 |
| Total Program Revenues | <u>4,368,181</u> | <u>4,082,303</u> |
| General Revenues | | |
| Gain on Asset Disposal | 14,615 | 10,600 |
| Other | | 145,210 |
| Investment Earnings | 17,264 | 7,065 |
| Total Revenues | <u>4,764,949</u> | <u>4,245,178</u> |
| EXPENSES | | |
| Instruction | 1,959,955 | 1,760,045 |
| Supporting Services | 1,897,626 | 1,854,305 |
| Total Expenses | <u>3,857,581</u> | <u>3,614,350</u> |
| CHANGE IN NET POSITION | <u>542,479</u> | <u>630,828</u> |
| NET POSITION, Beginning, as restated in 2024 | (3,173,488) | (3,835,130) |
| NET POSITION, Ending | <u>(2,631,009)</u> | <u>(3,204,302)</u> |

Reporting the BOCES' Most Significant Funds

The analysis of the BOCES' major funds begins on page 6. Fund financial reports provide detailed information about the BOCES' major funds. The BOCES' funds are the General and Designated Purpose Grants funds. Both of the funds are considered major.

Governmental Funds. Most of BOCES' activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using 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 statements provide 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 Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements of the Governmental Funds. The BOCES' governmental funds are the General and Designated Purpose Grants funds. The General Fund accounts for all of BOCES' administrative operations while the Grants Fund accounts for program related activities.

Fund Financial Statements

As of June 30, 2024, the BOCES' governmental funds reported fund balances in the General Fund of \$921,012, which is an increase of \$86,981 from the June 30, 2023 balances. General fund revenue decreased by \$20,979. Total revenues increased by \$519,771 mostly due to an increase in State ECEA (Special Education) funding.

Capital Assets

As of June 30, 2024 the BOCES had \$37,903 invested in vehicles due to assets (vehicles) being acquired and sold. This amount represents an increase of \$13,310 from the prior fiscal year. See Note 3 to the financial statements for more information.

Debt Administration

As of June 30, 2024, the BOCES' only long-term obligations were for accrued vacation benefits of \$10,286.

Budget Process

The Board of Directors adopts the BOCES' original budget in June of each year. Changes are made on an ongoing basis, for example when grant allocations are announced and staff changes are made for the new school year. A revised budget is adopted in January to incorporate changes made prior to that time. The adoption of supplemental budgets is allowed subsequently when unanticipated additional revenues are received. In the General Fund, revenues were over budget by about \$225,000 and expenditures were over budget by approximately the same amount (including the fund balance). In the Designated Purpose Grants Fund, expenditures were under budget by about \$400,000 primarily due to a substantial increase in ECEA funding as previously noted, and spending smaller amounts than budgeted for extended school year and third party providers.

Economic Factors and Next Year's Budget

As noted in the FY23 MD&A, Steamboat Springs School District (SSSD) was approved by the Colorado Department of Education to become its own Administrative Unit for special education funding in the fall of school year 2024-2025. The implication of this change is that state ECEA and federal IDEA special education funding follows the students, so SSSD will receive the revenue that previously flowed to the BOCES for these students.

While there was no direct financial impact for FY24, the BOCES leadership worked closely with the Board and the superintendents of the remaining five districts to prioritize expenditures for FY25 when state and federal special education related revenues will decrease due to the decline in student counts. The FY25 budget is approximately \$2M less than the year prior. This decline is directly related to the loss of revenue due to the approximately 55% decline in the number of special education students.

The FY25 budget reflects carefully considered reductions in some expenditures including special education materials and staff professional development. Two FTE positions were combined into a single position and all other staffing remained the same. Modest salary increases are included as the BOCES continues to align its salaries with the East Grand School District and benefits remained at the same level. The Board supported use of \$50,000 of fund balance to reduce the proportion of General Fund expenses assigned to district assessments. Even with this contribution, given the decline in special education revenue and the need to preserve services, district assessments approximately doubled.

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 Finance and HR Director, Northwest Colorado BOCES, PO Box 773390, Steamboat Springs, CO 80477.

BASIC FINANCIAL STATEMENTS

NORTHWEST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

STATEMENT OF NET POSITION

June 30, 2024

| | <u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u> |
|--|---|
| ASSETS | |
| Cash and Investments | \$ 948,282 |
| Accounts Receivable | 39,880 |
| Grants Receivable | 856,703 |
| Capital Assets, <i>Net of Accumulated Depreciation</i> | <u>37,903</u> |
| | |
| TOTAL ASSETS | <u>1,882,768</u> |
| | |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Pensions, <i>Net of Accumulated Amortization</i> | 982,113 |
| OPEB, <i>Net of Accumulated Amortization</i> | <u>11,671</u> |
| | |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>993,784</u> |
| | |
| LIABILITIES | |
| Accounts Payable | 248,150 |
| Accrued Salaries and Benefits | 209,625 |
| Noncurrent Liabilities | |
| Compensated Absences | 10,286 |
| Net Pension Liability | 3,997,375 |
| Net OPEB Liability | <u>96,520</u> |
| | |
| TOTAL LIABILITIES | <u>4,928,708</u> |
| | |
| DEFERRED INFLOWS OF RESOURCES | |
| Pensions, <i>Net of Accumulated Amortization</i> | 501,274 |
| OPEB, <i>Net of Accumulated Amortization</i> | <u>77,579</u> |
| | |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>578,853</u> |
| | |
| NET POSITION | |
| Net Investment in Capital Assets | 37,903 |
| Restricted for Special Education | 98,426 |
| Unrestricted | <u>(2,767,338)</u> |
| | |
| TOTAL NET POSITION | <u><u>\$ (2,631,009)</u></u> |

NORTHWEST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES
STATEMENT OF ACTIVITIES
Year Ended June 30, 2024

| FUNCTIONS / PROGRAMS | EXPENSES | PROGRAM REVENUES | | NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION |
|--------------------------------------|---------------------|-------------------------|--|---|
| PRIMARY GOVERNMENT | | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | PRIMARY GOVERNMENT |
| Governmental Activities | | | | GOVERNMENTAL ACTIVITIES |
| Instruction | \$ 1,959,955 | \$ - | \$ 3,492,257 | \$ 1,532,302 |
| Supporting Services | <u>1,897,626</u> | <u>391,173</u> | <u>484,751</u> | <u>(1,021,702)</u> |
| TOTAL GOVERNMENTAL ACTIVITIES | <u>\$ 3,857,581</u> | <u>\$ 391,173</u> | <u>\$ 3,977,008</u> | <u>\$ 510,600</u> |
| GENERAL REVENUES | | | | |
| | | | | 17,264 |
| | | | | <u>14,615</u> |
| | | | | TOTAL GENERAL REVENUES |
| | | | | <u>31,879</u> |
| | | | | CHANGE IN NET POSITION |
| | | | | 542,479 |
| | | | | NET POSITION, Beginning, as Originally Stated |
| | | | | (3,235,116) |
| | | | | RESTATEMENT, Error Correction |
| | | | | <u>30,814</u> |
| | | | | NET POSITION, Beginning, as Restated |
| | | | | <u>(3,204,302)</u> |
| | | | | NET POSITION, Ending |
| | | | | <u>\$ (2,661,823)</u> |

NORTHWEST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2024

| | <u>GENERAL</u> | <u>GRANTS</u> | <u>TOTAL</u> |
|---|-----------------------|-----------------------|-------------------------|
| ASSETS | | | |
| Cash and Investments | \$ 916,522 | \$ 31,760 | \$ 948,282 |
| Accounts Receivable | 14,615 | 25,265 | 39,880 |
| Grants Receivable | <u>-</u> | <u>856,703</u> | <u>856,703</u> |
| TOTAL ASSETS | <u>\$ 931,137</u> | <u>\$ 913,728</u> | <u>\$ 1,844,865</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts Payable | \$ 7,791 | \$ 240,359 | \$ 248,150 |
| Accrued Salaries and Benefits | 1,434 | 208,191 | 209,625 |
| Unearned Revenue | <u>-</u> | <u>366,752</u> | <u>366,752</u> |
| TOTAL LIABILITIES | <u>9,225</u> | <u>815,302</u> | <u>824,527</u> |
| FUND BALANCES | | | |
| Restricted for Special Education | - | 98,426 | 98,426 |
| Unassigned | <u>921,912</u> | <u>-</u> | <u>921,912</u> |
| TOTAL FUND BALANCES | <u>921,912</u> | <u>98,426</u> | <u>1,020,338</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 931,137</u> | <u>\$ 913,728</u> | <u>\$ 1,844,865</u> |

NORTHWEST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
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 Governmental Funds | \$ | 1,020,338 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. | | 37,903 |
| Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds: | | |
| Accrued Compensated Absences | | (10,286) |
| Net Pension Liability | | (3,997,375) |
| Pension-Related Deferred Outflows of Resources | | 982,113 |
| Pension-Related Deferred Inflows of Resources | | (501,274) |
| Net OPEB Liability | | (96,520) |
| OPEB-Related Deferred Outflows of Resources | | 11,671 |
| OPEB-Related Deferred Inflows of Resources | | (77,579) |
| | | (2,631,009) |
| Total Net Position of Governmental Activities | \$ | (2,631,009) |

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

| | GENERAL | GRANTS | TOTAL |
|--|------------|-----------|--------------|
| REVENUES | | | |
| Local Sources | \$ 383,172 | \$ 25,265 | \$ 408,437 |
| State Sources | 214,696 | 2,309,332 | 2,524,028 |
| Federal Sources | - | 1,452,980 | 1,452,980 |
| | 597,868 | 3,787,577 | 4,385,445 |
| | | | |
| EXPENDITURES | | | |
| Current | | | |
| Instruction | 38,571 | 2,021,982 | 2,060,553 |
| Supporting Services | 486,931 | 1,681,099 | 2,168,030 |
| | 525,502 | 3,703,081 | 4,228,583 |
| | | | |
| EXCESS REVENUES OVER (UNDER) EXPENDITURES | 72,366 | 84,496 | 156,862 |
| | | | |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from Sale of Capital Assets | 14,615 | - | 14,615 |
| | 86,981 | 84,496 | 171,477 |
| | | | |
| CHANGE IN FUND BALANCES | 86,981 | 84,496 | 171,477 |
| | | | |
| FUND BALANCES, Beginning, as Originally Stated | 804,117 | 13,930 | 818,047 |
| RESTATEMENT, Error Correction | 30,814 | - | 30,814 |
| | 834,931 | 13,930 | 848,861 |
| | | | |
| FUND BALANCES, Beginning, as Restated | 834,931 | 13,930 | 848,861 |
| | | | |
| FUND BALANCES, Ending | \$ 921,912 | \$ 98,426 | \$ 1,020,338 |

NORTHWEST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2024

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

| | | |
|---|----|-----------|
| Net Change in Fund Balances of Governmental Funds | \$ | 171,477 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as: | | |
| Depreciation Expense | | (16,579) |
| Capital Outlay | | 29,889 |
| 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 governmental funds. This includes the changes in the following: | | |
| Accrued Compensated Absences | | (511) |
| Net Pension Liability | | (486,463) |
| Pension-Related Deferred Outflows of Resources | | 211,289 |
| Pension-Related Deferred Inflows of Resources | | 605,286 |
| Net OPEB Liability | | 23,168 |
| OPEB-Related Deferred Outflows of Resources | | (5,440) |
| OPEB-Related Deferred Inflows of Resources | | 10,363 |
| | | 10,363 |
| Change in Net Position of Governmental Activities | \$ | 542,479 |

NORTHWEST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2024

NOTE 1: Summary of Significant Accounting Policies

Northwest Colorado Board of Cooperative Educational Services (BOCES) operates under Colorado Revised Statutes providing educational and educational support services for its five member BOCES districts, as well as other surrounding districts in northwestern Colorado. The Board members are appointed by the Boards of the five member districts, with one from each school district Board, which consist of Hayden, South Routt, East Grand, West Grand, and North Park 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's 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's primary operating fund. It accounts for all financial resources of the BOCES, except those accounted for in the grant fund.

The *Grants Fund* is used to account for the majority of the grant activity of the BOCES.

NORTHWEST 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's 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.

| | |
|-----------|---------|
| Vehicles | 3 years |
| Equipment | 5 years |

NORTHWEST 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)

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’s 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.

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’s 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 | \$ 637,634 |
| Investments | 310,649 |
| Total | <u>\$ 948,283</u> |

NORTHWEST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2024

NOTE 2: Cash and Investments (Continued)

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 \$988,111 collateralized with securities held by the financial institution's agent but not in the BOCES's 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

Fair Value Measurements - At June 30, 2024, the BOCES's 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 \$310,649 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.

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

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 |
|--|----------------------|------------------|-----------------|----------------------|
| Governmental Activities | | | | |
| Capital Assets, Being Depreciated: | | | | |
| Vehicles | \$ 96,303 | \$ 29,889 | \$ 60,889 | \$ 65,303 |
| Equipment | 17,081 | - | 17,081 | - |
| Total Capital Assets, Being Depreciated | <u>113,384</u> | <u>29,889</u> | <u>77,970</u> | <u>65,303</u> |
| Less Accumulated Depreciation: | | | | |
| Vehicles | (71,710) | (16,579) | (60,889) | (27,400) |
| Equipment | (17,081) | - | (17,081) | - |
| Total Accumulated Depreciation | <u>(88,791)</u> | <u>(16,579)</u> | <u>(77,970)</u> | <u>(27,400)</u> |
| Total Capital Assets, Governmental Activities, Net | <u>\$ 24,593</u> | <u>\$ 13,310</u> | <u>\$ -</u> | <u>\$ 37,903</u> |

Depreciation expense of the governmental activities was charged to the supporting services program.

NOTE 4: Long-Term Liabilities

Following is a summary of long-term liabilities for the year ended June 30, 2024.

| | Balance 6/30/2023 | Additions | Reductions | Balance 6/30/2024 | Due in One Year |
|--------------------------------|----------------------|-----------|------------|----------------------|--------------------|
| Governmental Activities | | | | | |
| Compensated Absences | \$ 9,775 | \$ 511 | \$ - | \$ 10,286 | \$ 10,286 |

Compensated absences are expected to be liquidated primarily with the resources of the General Fund.

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.

NORTHWEST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2024

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.

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's contribution rate for the fiscal year was 21.40% of covered salaries. However, a portion of the BOCES's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (Note 7). The BOCES's contributions to the SDTF for the year ended June 30, 2024, were \$298,316 equal to the required contributions.

NORTHWEST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2024

NOTE 6: Defined Benefit Pension Plan (Continued)

General Information (Continued)

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.

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's proportion of the net pension liability was based on the BOCES's 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's proportion was 0.0226052109%, which was an increase of 0.0033245151% 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:

| | |
|---|----------------------------|
| NWBOCES's proportionate share of the net pension liability | \$ 3,997,375 |
| State's proportionate share of the net pension liability as a nonemployer contributing entity associated with NWBOCES | <u>87,651</u> |
| Total | <u><u>\$ 4,085,026</u></u> |

For the year ended June 30, 2024, the BOCES recognized pension expense of (\$32,008) and a revenue of (\$6,678) 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:

NORTHWEST 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)

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| | <u> </u> | <u> </u> |
| Differences between expected and actual experience | \$ 189,552 | \$ - |
| Net difference between projected and actual earnings on plan investments | 286,549 | - |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 355,168 | 501,274 |
| Contributions subsequent to the measurement date | <u>150,844</u> | <u>-</u> |
| Total | <u>\$ 982,113</u> | <u>\$ 501,274</u> |

The BOCES contributions subsequent to the measurement date of \$150,844 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:

Year Ended June 30,

| | |
|-------|-------------------|
| 2025 | \$ (157,232) |
| 2026 | 249,190 |
| 2027 | 317,935 |
| 2028 | <u>(79,898)</u> |
| Total | <u>\$ 329,995</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 |

NOTE 6: Defined Benefit Pension Plan (Continued)

NORTHWEST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2024

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

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.

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:

NORTHWEST 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>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> | |

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%.
- 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.

NORTHWEST 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 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’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

- The following presents the BOCES’s proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as the BOCES’s 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:

| | 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>\$ 5,345,155</u> | <u>\$ 3,997,375</u> | <u>\$ 2,873,489</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.

NORTHWEST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2024

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.

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.

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's 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's apportionment to the HCTF for the year ended June 30, 2024, was \$14,930, equal to the required amount.

NORTHWEST 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

At June 30, 2024, the BOCES reported a net OPEB liability of \$96,520, 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's proportion of the net OPEB liability was based on the BOCES's 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's proportion was 0.0135234524%, which was a decrease of 0.00113555575% from its proportion measured at December 31, 2022.

For the year ended June 30, 2024, the BOCES recognized OPEB expense of (\$12,944). 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 | \$ - | \$ 19,783 |
| Changes of assumptions and other inputs | 1,135 | 10,235 |
| Net difference between projected and actual earnings on plan investments | 2,986 | - |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | - | 47,561 |
| Contributions subsequent to the measurement date | <u>7,550</u> | <u>-</u> |
| Total | <u>\$ 11,671</u> | <u>\$ 77,579</u> |

The BOCES contributions subsequent to the measurement date of \$7,550 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:

Year Ended June 30,

| | |
|-------|--------------------|
| 2025 | \$ (27,885) |
| 2026 | (18,368) |
| 2027 | (11,002) |
| 2028 | (10,916) |
| 2029 | (4,092) |
| 2030 | <u>(1,195)</u> |
| Total | <u>\$ (73,458)</u> |

NORTHWEST 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)

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.

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.

NORTHWEST 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)

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 Part A for Retiree / Spouse | | MAPD PPO #2 with Medicare Part A for Retiree / Spouse | | MAPD HMO (Kaiser) with Medicare Part A for Retiree / Spouse | |
|---------------|--|----------|--|--------|--|----------|
| | Male | Female | Male | Female | Male | Female |
| | 65 | \$ 1,692 | \$ 1,406 | \$ 579 | \$ 481 | \$ 1,913 |
| 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 Part A for Retiree / Spouse | | MAPD PPO #2 without Medicare Part A for Retiree / Spouse | | MAPD HMO (Kaiser) without Medicare Part A for Retiree / Spouse | |
|---------------|---|----------|---|----------|---|----------|
| | Male | Female | Male | Female | Male | Female |
| | 65 | \$ 6,469 | \$ 5,373 | \$ 4,198 | \$ 3,487 | \$ 6,719 |
| 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.

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.

NORTHWEST 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 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.

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.

NOTE 7: Postemployment Healthcare Benefits (Continued)

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

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

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:

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

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

NORTHWEST 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)

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.

NORTHWEST 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's 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>\$ 93,750</u> | <u>\$ 96,520</u> | <u>\$ 99,534</u> |

Sensitivity of BOCES's 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>\$ 114,003</u> | <u>\$ 96,520</u> | <u>\$ 81,564</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.

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's counsel, there are no pending legal issues that would have a material adverse effect on the financial condition of the BOCES.

NORTHWEST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2024

NOTE 9: Subsequent Event

On September 1, 2023, Steamboat Springs School District applied to the Colorado Department of Education to become its own Administrative Unit for special education funding in the fall of school year 2024-2025. The application was approved on November 30, 2023. There was no direct financial impact for fiscal year 2023-24. The BOCES leadership has worked closely with the superintendents of the remaining five districts to prioritize expenditures and related district assessments for the fiscal year ended June 30, 2024, when state and federal special education related revenues will decrease due to the decline in student counts.

NOTE 10: Restatement – Correction of an Error

The BOCES identified a correction of an error to the net position and fund balances related to cash and investments at June 30, 2023. This was required in order to correct net position, fund balances, and cash and investments at June 30, 2023, in the following amounts:

| | General Fund | Total Governmental Funds | Governmental Activities |
|--|--------------------------|--------------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Net Position/Fund Balance, Beginning, as Originally Stated | \$ 804,117 | \$ 818,047 | \$(3,204,302) |
| Cash | <u>30,814</u> | <u>30,814</u> | <u>30,814</u> |
| Net Position/Fund Balance, Beginning, as Restated | <u><u>\$ 834,931</u></u> | <u><u>\$ 848,861</u></u> | <u><u>\$(3,173,488)</u></u> |

REQUIRED SUPPLEMENTARY INFORMATION

NORTHWEST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2024

| | <u>ORIGINAL AND FINAL BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE Positive (Negative)</u> |
|---|--|--------------------|---|
| REVENUES | | | |
| Local Sources | \$ 367,013 | \$ 383,172 | \$ 16,159 |
| State Sources | <u>12,000</u> | <u>214,696</u> | <u>202,696</u> |
| TOTAL REVENUES | <u>379,013</u> | <u>597,868</u> | <u>218,855</u> |
| EXPENDITURES | | | |
| Current | | | |
| Instruction | <u>-</u> | <u>38,571</u> | <u>(38,571)</u> |
| Supporting Services | | | |
| Students | 12,000 | 57,481 | (45,481) |
| Instructional Staff | 71,595 | 20,270 | 51,325 |
| General Administration | 89,746 | 123,279 | (33,533) |
| Business Services | 311,672 | 266,450 | 45,222 |
| Central Support | <u>20,000</u> | <u>19,451</u> | <u>549</u> |
| Total Supporting Services | <u>505,013</u> | <u>486,931</u> | <u>18,082</u> |
| TOTAL EXPENDITURES | <u>505,013</u> | <u>525,502</u> | <u>(20,489)</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(126,000)</u> | <u>72,366</u> | <u>198,366</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from Sale of Capital Assets | <u>-</u> | <u>14,615</u> | <u>14,615</u> |
| CHANGE IN FUND BALANCE | (126,000) | 86,981 | 212,981 |
| FUND BALANCE, Beginning, as Originally Stated | 813,371 | 804,117 | (9,254) |
| RESTATEMENT, Error Correction | <u>-</u> | <u>30,814</u> | <u>30,814</u> |
| FUND BALANCE, Beginning, as Restated | <u>813,371</u> | <u>834,931</u> | <u>21,560</u> |
| FUND BALANCE, Ending | <u>\$ 687,371</u> | <u>\$ 921,912</u> | <u>\$ 234,541</u> |

NORTHWEST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES
BUDGETARY COMPARISON SCHEDULE
GRANTS FUND
Year Ended June 30, 2024

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE Positive (Negative) |
|-----------------------------------|--------------------|------------------|------------------|------------------------------------|
| REVENUES | | | | |
| Local Sources | \$ 25,000 | \$ 25,000 | \$ 25,265 | \$ 265 |
| State Sources | | | | |
| ECEA | 2,007,250 | 2,007,250 | 1,669,977 | (337,273) |
| Gifted and Talented | 123,000 | 123,000 | 134,419 | 11,419 |
| SWAP | 374,150 | 374,150 | 345,627 | (28,523) |
| Other | 171,431 | 171,431 | 159,309 | (12,122) |
| Federal Sources | | | | |
| Title IIIA | 17,522 | 17,522 | 17,283 | (239) |
| Carl Perkins Vocational Education | 79,000 | 79,000 | 67,094 | (11,906) |
| IDEA | 1,114,253 | 1,114,253 | 1,182,465 | 68,212 |
| ESSER | 72,322 | 72,322 | 34,118 | (38,204) |
| Other | 23,828 | 123,576 | 152,020 | 28,444 |
| TOTAL REVENUES | 4,007,756 | 4,107,504 | 3,787,577 | (319,927) |
| EXPENDITURES | | | | |
| Current | | | | |
| Salaries | 1,271,612 | 1,271,612 | 1,221,466 | 50,146 |
| Benefits | 456,281 | 456,281 | 395,075 | 61,206 |
| Purchased Services | 1,777,360 | 1,864,998 | 1,727,128 | 137,870 |
| Supplies and Materials | 500 | 64,585 | 54,102 | 10,483 |
| Capital Outlay | 61,485 | 500 | 2,412 | (1,912) |
| Other | 440,518 | 449,528 | 302,898 | 146,630 |
| TOTAL EXPENDITURES | 4,007,756 | 4,107,504 | 3,703,081 | 404,423 |
| CHANGE IN FUND BALANCE | - | - | 84,496 | 84,496 |
| FUND BALANCE, Beginning | - | - | 13,930 | 13,930 |
| FUND BALANCE, Ending | \$ - | \$ - | \$ 98,426 | \$ 98,426 |

NORTHWEST 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

| MEASUREMENT YEAR | <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 | 0.0226052109% | 0.0192806958% | 0.0260959341% | 0.0315398225% |
| BOCES's Proportionate Share of the Net Pension Liability | \$ 3,997,375 | \$ 3,510,912 | \$ 3,036,883 | \$ 4,768,185 |
| State's Proportionate Share of the Net Pension Liability Associated with the BOCES | <u>87,651</u> | <u>1,023,115</u> | <u>314,526</u> | <u>-</u> |
| Total Proportionate Share of the Net Pension Liability | <u>\$ 4,085,026</u> | <u>\$ 4,534,027</u> | <u>\$ 3,351,409</u> | <u>\$ 4,768,185</u> |
| BOCES's Covered Payroll | \$ 1,494,406 | \$ 1,503,986 | \$ 1,571,221 | \$ 1,656,558 |
| BOCES's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | 267% | 233.44% | 193.28% | 287.84% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 65% | 62.00% | 75.00% | 67.00% |
| FISCAL YEAR | <u>6/30/24</u> | <u>6/30/23</u> | <u>6/30/22</u> | <u>06/30/21</u> |
| BOCES's CONTRIBUTIONS | | | | |
| Statutorily Required Contribution | \$ 298,316 | \$ 306,513 | \$ 302,305 | \$ 329,086 |
| Contributions in Relation to the Statutorily Required Contribution | <u>(298,316)</u> | <u>(306,513)</u> | <u>(302,305)</u> | <u>(329,086)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| BOCES's Covered Payroll | \$ 1,463,766 | \$ 1,503,986 | \$ 1,520,649 | \$ 1,655,348 |
| Contributions as a Percentage of Covered Payroll | 20.38% | 20.38% | 19.88% | 19.88% |

| <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> |
|---------------------|---------------------|----------------------|----------------------|---------------------|---------------------|
| 0.0302258550% | 0.0332386140% | 0.0407720000% | 0.0423130000% | 0.0463760000% | 0.0447720000% |
| \$ 4,515,677 | \$ 5,885,579 | \$ 13,184,140 | \$ 12,598,337 | \$ 7,092,952 | \$ 6,068,055 |
| <u>508,287</u> | <u>707,967</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>\$ 5,023,964</u> | <u>\$ 6,593,546</u> | <u>\$ 13,184,140</u> | <u>\$ 12,598,337</u> | <u>\$ 7,092,952</u> | <u>\$ 6,068,055</u> |
| \$ 1,752,847 | \$ 1,827,306 | \$ 1,866,404 | \$ 1,876,604 | \$ 2,021,075 | \$ 1,875,609 |
| 257.62% | 322.09% | 706.39% | 671.34% | 350.95% | 323.52% |
| 65.00% | 57.00% | 44.00% | 43.00% | 59.00% | 63.00% |
| <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> |
| \$ 334,779 | \$ 340,288 | \$ 348,295 | \$ 343,403 | \$ 341,991 | \$ 332,589 |
| <u>(334,779)</u> | <u>(340,288)</u> | <u>(348,295)</u> | <u>(343,403)</u> | <u>(341,991)</u> | <u>(332,589)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 1,721,991 | \$ 1,780,075 | \$ 1,857,047 | \$ 1,868,537 | \$ 1,930,215 | \$ 1,968,051 |
| 19.44% | 19.12% | 18.76% | 18.38% | 17.72% | 16.90% |

NORTHWEST 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

| | <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 OPEB LIABILITY | | | | |
| BOCES's Proportion of the Net OPEB Liability | 0.0135234524% | 0.0146590099% | 0.0170386700% | 0.0182465037% |
| BOCES's Proportionate Share of the Net OPEB Liability | \$ 96,520 | \$ 119,688 | \$ 146,925 | \$ 210,059 |
| BOCES's Covered Payroll | \$ 1,494,406 | \$ 1,503,986 | \$ 1,571,221 | \$ 1,656,558 |
| BOCES's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll | 6.46% | 7.96% | 9.35% | 12.68% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 46.16% | 39.00% | 39.00% | 33.00% |
| | <u>6/30/24</u> | <u>6/30/23</u> | <u>6/30/22</u> | <u>6/30/21</u> |
| BOCES'S CONTRIBUTIONS | | | | |
| Statutorily Required Contribution | \$ 14,930 | \$ 15,341 | \$ 15,511 | \$ 16,885 |
| Contributions in Relation to the Statutorily Required Contribution | <u>(14,930)</u> | <u>(15,341)</u> | <u>(15,511)</u> | <u>(16,885)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| BOCES's Covered Payroll | \$ 1,463,766 | \$ 1,503,986 | \$ 1,520,649 | \$ 1,655,348 |
| Contributions as a Percentage of Covered Payroll | 1.02% | 1.02% | 1.02% | 1.02% |

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, presentation will be shown for the years it is available.

| <u>12/31/19</u> | <u>12/31/18</u> | <u>12/31/17</u> |
|-----------------|-----------------|-----------------|
| 0.0197522538% | 0.0216052895% | 0.0231663687% |
| \$ 222,015 | \$ 293,949 | \$ 301,070 |
| \$ 1,752,847 | \$ 1,827,306 | \$ 1,866,404 |
| 12.67% | 16.09% | 16.13% |
| 24.00% | 17.00% | 18.00% |
| <u>6/30/20</u> | <u>6/30/19</u> | <u>6/30/18</u> |
| \$ 17,564 | \$ 18,157 | \$ 18,942 |
| <u>(17,564)</u> | <u>(18,157)</u> | <u>(18,942)</u> |
| \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> |
| \$ 1,721,991 | \$ 1,780,075 | \$ 1,857,047 |
| 1.02% | 1.02% | 1.02% |

NORTHWEST 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***

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 Northwest 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’s and have issued our report thereon dated December 19, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the BOCES’s 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’s internal control. Accordingly, we do not express an opinion on the effectiveness of the BOCES’s 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’s 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’s 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
Northwest Colorado Board of Cooperative Educational Services

BOCES's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the BOCES's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. BOCES's 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's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BOCES's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

DMC Auditing and Consulting, LLC

December 19, 2024
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**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Northwest 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’s major federal programs for the year ended June 30, 2024. The BOCES’s 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’s 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’s 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's 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's 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's 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's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the BOCES's 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
Northwest Colorado Board of Cooperative Educational Services

Our consideration of the BOCES's 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's. We issued our report thereon dated December 19, 2024, 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's 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

December 19, 2024
Bailey, Colorado

NORTHWEST 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:

| <u>CFDA Number</u> | <u>Name of Federal Cluster/Program</u> |
|--------------------|--|
| 84.027, 84.173 | Special Education Cluster |

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

Auditee qualified as low-risk auditee?

Yes No

NORTHWEST 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 cash and investments in the prior year financial statements, in particular related to duplication of outstanding checks.

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 general fund and total governmental funds increased by \$30,814 to correct the cash and investment balances at June 30, 2023. The impact of these errors required a correction of the beginning net position and fund balances. Internal controls over bank reconciliations are integral to proper operations and best practices to avoid errors and potential fraud. 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. However, our understanding is that current management has already implemented internal control processes over bank reconciliations to identify and correct errors as they occur along with a review process by a second person monthly.

Corrective Action Plan: Reported on page 44.

SECTION III: FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No current year findings or questioned costs were reported.



December 19, 2024

FY24 Audit finding corrective action

NW BOCES acknowledges the material correction of an error to cash and investments in the FY23 financial statements related to duplication of outstanding checks. This situation occurred due to staff transition in the previous year.

Current management has improved procedures related to bank reconciliations, with particular attention to General Ledger differences. Monthly bank reconciliations are conducted per NW BOCES internal control procedures, with a secondary review process implemented henceforth.

NORTHWEST 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 |
|---|-----------------------------------|--|----------------------------|
| U.S. DEPARTMENT OF EDUCATION | | | |
| Passed Through Colorado Community College System Career and Technical Education - Basic Grants to States | 84.048 | 4048 | \$ 67,094 |
| Passed Through Colorado Department of Education <i>Special Education Cluster (IDEA)</i> | | | |
| Special Education - IDEA Part B | 84.027A | 4027 | 1,109,735 |
| Special Education - IDEA Preschool | 84.173A | 4173 | 72,730 |
| <i>Special Education Cluster (IDEA) Subtotal</i> | | | <u>1,182,465</u> |
| Title III - English Language Acquisition | 84.365 | 4365 | 17,283 |
| Education Stabilization Fund (COVID-19 Education Stabilization Fund) | | | |
| Elementary and Secondary School Emergency Relief (ESSER) Fund | 84.425D | 4418 | 34,118 |
| Elementary and Secondary School Emergency Relief (ESSER) Fund | 84.425D | 4430 | 17,676 |
| Elementary and Secondary School Emergency Relief (ESSER) Fund | 84.425D | 4436 | 99,748 |
| Elementary and Secondary School Emergency Relief (ESSER) Fund | 84.425D | 4461 | 34,596 |
| Education Stabilization Fund Total | | | <u>186,138</u> |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | <u>1,452,980</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | \$ <u><u>1,452,980</u></u> |

NORTHWEST 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's 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 elected to use the 10.5% de minimis cost rate.

STATE COMPLIANCE



Colorado Department of Education
Auditors Integrity Report
 District: 9095 - Northwest Colo 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 |
|---|--|--|---|---|
| Governmental | + | | - | = |
| 10 General Fund | 834,931 | 612,483 | 525,501 | 921,913 |
| 18 Risk Mgmt Sub-Fund of General Fund | 0 | 0 | 0 | 0 |
| 19 Colorado Preschool Program Fund | 0 | 0 | 0 | 0 |
| Sub- Total | 834,931 | 612,483 | 525,501 | 921,913 |
| 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 | 13,929 | 3,787,577 | 3,703,080 | 98,426 |
| 23 Pupil Activity Special Revenue Fund | 0 | 0 | 0 | 0 |
| 25 Transportation Fund | 0 | 0 | 0 | 0 |
| 31 Bond Redemption Fund | 0 | 0 | 0 | 0 |
| 39 Certificate of Participation (COP) Debt Service Fund | 0 | 0 | 0 | 0 |
| 41 Building Fund | 0 | 0 | 0 | 0 |
| 42 Special Building Fund | 0 | 0 | 0 | 0 |
| 43 Capital Reserve Capital Projects Fund | 0 | 0 | 0 | 0 |
| 46 Supplemental Cap Const, Tech, Main Fund | 0 | 0 | 0 | 0 |
| Totals | 848,860 | 4,400,059 | 4,228,581 | 1,020,339 |
| Proprietary | | | | |
| 50 Other Enterprise Funds | 0 | 0 | 0 | 0 |
| 64 (63) Risk-Related Activity Fund | 0 | 0 | 0 | 0 |
| 60,65-69 Other Internal Service Funds | 0 | 0 | 0 | 0 |
| Totals | 0 | 0 | 0 | 0 |
| Fiduciary | | | | |
| 70 Other Trust and Agency Funds | 0 | 0 | 0 | 0 |
| 72 Private Purpose Trust Fund | 0 | 0 | 0 | 0 |
| 73 Agency Fund | 0 | 0 | 0 | 0 |
| 74 Pupil Activity Agency Fund | 0 | 0 | 0 | 0 |
| 79 GASB 34:Permanent Fund | 0 | 0 | 0 | 0 |
| 85 Foundations | 0 | 0 | 0 | 0 |
| Totals | 0 | 0 | 0 | 0 |

FINAL

*If you have a prior period adjustment in any fund (Balance Sheet 6880), the amount of your priorperiod adjustment is added into both your ending and beginning fund balances on this report.