



**SOUTH CENTRAL BOARD OF  
COOPERATIVE EDUCATIONAL SERVICES**

**PUEBLO WEST, COLORADO**

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

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2025**

**SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

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## INDEPENDENT AUDITOR'S REPORT

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

### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the South Central Board of Cooperative Educational Services (the BOCES) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the basic financial statements of the BOCES, 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, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis of Opinions

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

### Responsibilities of Management for the Financial Statements

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the BOCES'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 schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the auditor's integrity report listed in the table of contents 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 29, 2025, 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 29, 2025  
Bailey, Colorado

**South Central BOCES**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2025**

As management of the South Central BOCES, we offer readers of the BOCES financial statements this narrative overview and analysis of the financial activities of the BOCES for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information furnished in the independent auditor's report and financial statements, which immediately follow this section.

**Financial Highlights**

Beginning in fiscal year ending June 30, 2015, under GASB 68 the BOCES' proportionate share of the net pension liability of the Colorado state retirement system, the Public Employees Retirement Association, was recorded as a liability of the BOCES. The June 30, 2025, Net Pension Liability was \$4,861,580. ✓

The BOCES was required to implement GASB 75 in 2018 resulting in a net other post-employment benefit (OPEB) liability of \$86,258 at June 30, 2025. Under GASB 75 the BOCES' ✓ proportionate share of the OPEB liability of the Colorado state retirement system Health Care Trust Fund administered by the Public Employees Retirement Association, is recorded as a liability of the BOCES.

Senate Bill 18-200 was passed in 2018 by Colorado General Assembly to help reduce PERA's unfunded actuarial accrued liability. A bill provision directed the State of Colorado to give a direct distribution payment to PERA to be allocated among its trust funds based on annual covered payroll. The related on-behalf payment meets the definition of special funding situation which occurs when a non-employer entity is required to make a contribution to another entity's pension plan. The BOCES' share of payments made in fiscal 2025 was \$39,853.

Key financial highlights for 2025 are as follows:

- The net pension liability decreased by \$508,248 to \$4,861,580 million for year ended June 30, 2025.
- In total, BOCES net position decreased by \$201,486 to \$(2.503) million for the year ended June 30, 2025.
- Governmental activities have unrestricted net position of \$(2.506) million.
- Fund balance of the BOCES general fund increased by \$216,812 resulting in an ending fund balance of \$1.420 million for the fiscal year 2025.

**South Central BOCES**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2025**

**Overview of the Financial Statements**

Management's discussion and analysis is intended to serve as an introduction to the BOCES basic financial statements. The South Central BOCES basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) Fund financials statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

***BOCES-wide Statements***

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

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

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

**South Central BOCES**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2025**

***Fund Financial Statements***

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

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

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

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

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

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

**South Central BOCES**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2025**

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

The net position of the BOCES governmental activities decreased by \$201,486.

Table 1 provides a summary of the BOCES net position and Table 2 provides a summary for the BOCES changes in net position for 2025:

**Table 1**

**NET POSITION**

	<u>Governmental Activities</u>	
	<u>2024</u>	<u>2025</u>
<b>Assets:</b>		
Cash & Investments	1,904,179	3,180,671
Accounts receivable	6,335	580,025
Accrued revenue	1,356,587	0
Prepaid assets	0	0
Capital assets	107,841	68,220
Accumulated Depreciation Right to Use assets (net)		
Total assets	3,374,942	3,828,916
<b>Deferred Outflow of Resources</b>		
Pensions	2,167,461	1,353,936
Other Post Employment Benefits	65,220	19,228
Total Deferred Outflows	2,232,681	1,373,164
<b>Liabilities:</b>		
Liabilities:		
Accounts payable	16,951	105,999
Accrued salaries and benefits	190,530	181,868
Unearned grants and payments	1,856,875	2,053,272
Other Liabilities	127,268	97,416
Net Pension liability	5,369,828	4,861,580
Net Other Post Employment Benefits Liability	129,660	86,258
Total Liabilities	7,691,112	7,386,393
<b>Deferred Inflow of Resources</b>		
Pensions	144,949	257,895
Other Post Employment Benefits	73,546	61,262
Total Deferred Inflows	218,495	319,157
<b>Net Position:</b>		
Invested in capital assets, net of related debt	4,459	2,751
Restricted	-	-
Unrestricted	(2,306,443)	(2,506,221)
<b>Total Net Position</b>	<b>(2,301,984)</b>	<b>(2,503,470)</b>

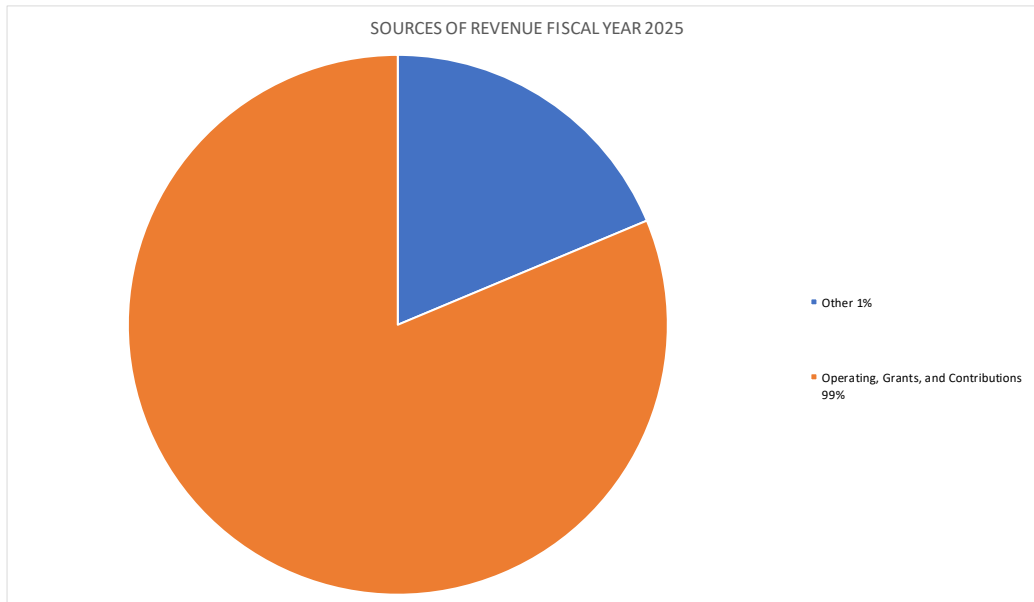
**South Central BOCES**  
**Management's Discussion & Analysis**  
**For the Fiscal Year Ended June 30, 2025**

**Table 2**

Changes in Net Position

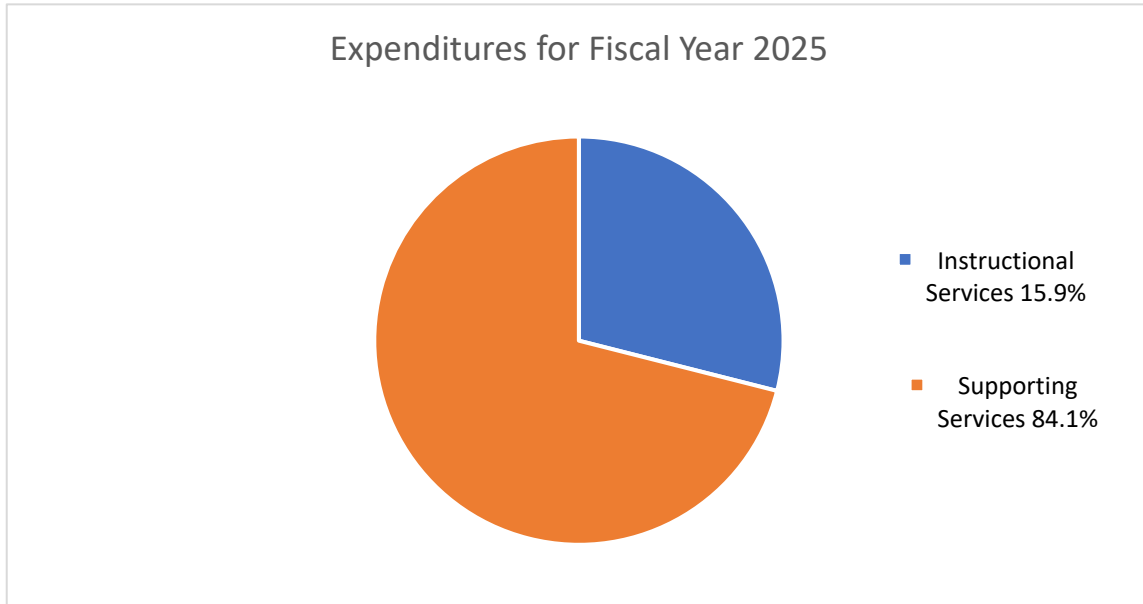
	Governmental Activities	
	2024	2025
<b>Revenues</b>		
Program Revenues		
Charges for services	988,032	930,642
Designated Purpose Grants	5,466,585	4,471,107
General Revenues		
Other	48,048	55,557
Changes – Pension and OPEB	0	0
Total Revenues	6,502,665	5,457,306
<b>Expenses</b>		
Instruction	1,133,489	1,682,347
Supporting Services	6,006,574	3,976,445
Community Services	0	
Total Expenses	7,140,063	5,658,792
Increase (decrease) in net position	-637,398	-201,486
Net position, beginning	-,1664,586	-2,301,984
Prior Period Adjustment		
Net position, ending	-2,301,984	-2,503,470

**Table 3**



**South Central BOCES**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2025**

**Table 4**



Operating grants and contributions accounted for 99 percent of the BOCES governmental activities total revenue. (See Table 3.) The remaining 1 percent came from fees charged for services, and miscellaneous sources.

The BOCES expenses are predominantly related to supporting services, 70.3 percent and 29.7 percent instruction. (See Table 4.)

***Governmental Activities***

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

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services.

**South Central BOCES**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2025**

The cost of all *governmental* activities this year was \$5.659 million, a decrease of \$1,481,271.

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

**Financial Analysis of the BOCES Funds**

The governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues of \$5.457 million and expenditures of \$5.255 million.

***Budgetary Highlights***

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

**Capital Assets and Debt Administration**

By the end of 2025, the BOCES had invested \$68,220 in land, buildings, equipment, and transportation vehicles. Table 5 shows fiscal 2024 and 2025:

**Table 5**  
**Capital Assets at June 30**  
**(Net of Depreciation)**

	<b>Governmental Activities</b>	
	<u>2024</u>	<u>2025</u>
Land	0	0
Buildings and Site Improvements	0	0
Vehicles & Equipment	<u>107,841</u>	<u>68,220</u>
Total Capital Assets, Net	<u><u>107,841</u></u>	<u><u>68,220</u></u>

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

**South Central BOCES**  
***Management's Discussion & Analysis***  
**For the Fiscal Year Ended June 30, 2025**

***Long-Term Debt***

The South Central BOCES has a long-term liability for multiple leases of automobiles and compensated absences. The balance at June 30, 2025, was \$97,416.

**Factors Bearing on the BOCES Future**

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

- Continuing loss of enrollment in member districts.
- Expected increase in Health Insurance premiums.
- Rising costs of fuel and supplies

**Contacting the BOCES Financial Management**

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

By mail:

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

Or visit our website: [www.sc-boces.org](http://www.sc-boces.org)

## **BASIC FINANCIAL STATEMENTS**

**SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**STATEMENT OF NET POSITION**

June 30, 2025

	<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>
<b>ASSETS</b>	
Cash and Investments	\$ 3,180,671
Grants Receivable	580,025
Capital Assets, <i>Net of Accumulated Depreciation / Amortization</i>	<u>68,220</u>
<b>TOTAL ASSETS</b>	<u>3,828,916</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions, <i>Net of Accumulated Amortization</i>	1,353,936
OPEB, <i>Net of Accumulated Amortization</i>	<u>19,228</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>1,373,164</u>
<b>LIABILITIES</b>	
Accounts Payable	109,424
Accrued Salaries and Benefits	185,486
Unearned Revenue	2,053,272
Noncurrent Liabilities	
Due Within One Year	79,487
Due in More Than One Year	17,929
Net Pension Liability	4,861,580
Net OPEB Liability	<u>86,258</u>
<b>TOTAL LIABILITIES</b>	<u>7,393,436</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions, <i>Net of Accumulated Amortization</i>	257,895
OPEB, <i>Net of Accumulated Amortization</i>	<u>61,262</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>319,157</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	2,751
Unrestricted	<u>(2,513,264)</u>
<b>TOTAL NET POSITION</b>	<u>\$ (2,510,513)</u>

**SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2025

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND IN NET POSITION
PRIMARY GOVERNMENT		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT
<b>Governmental Activities</b>		GOVERNMENTAL ACTIVITIES		
Instruction	\$ 1,682,347	\$ -	\$ 3,881,040	\$ 2,198,693
Supporting Services	3,978,522	930,642	590,067	(2,457,813)
Interest on Long-Term Debt	<u>4,966</u>	<u>-</u>	<u>-</u>	<u>(4,966)</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>5,665,835</u></b>	<b>\$ <u>930,642</u></b>	<b>\$ <u>4,471,107</u></b>	<b><u>(264,086)</u></b>
<b>GENERAL REVENUES</b>				
				<u>55,557</u>
				<u>55,557</u>
				(208,529)
				<u>(2,301,984)</u>
				<u>\$ (2,510,513)</u>

**SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**BALANCE SHEET**

**GOVERNMENTAL FUND**

June 30, 2025

	<u>GENERAL</u>
<b>ASSETS</b>	
Cash and Investments	\$ 3,180,671
Grants Receivable	<u>580,025</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>3,760,696</u></b>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts Payable	\$ 109,424
Accrued Salaries and Benefits	185,486
Unearned Revenue	<u>2,053,272</u>
<b>TOTAL LIABILITIES</b>	<b><u>2,348,182</u></b>
<b>FUND BALANCE</b>	
Unassigned	<u>1,412,514</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ <u>3,760,696</u></b>

**SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
June 30, 2025

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

Total Fund Balances of Governmental Funds	\$	1,412,514
Capital assets and right-to-use leased assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.		68,220
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds:		
Debt Payable		(65,469)
Net Pension Liability		(4,861,580)
Pension-Related Deferred Outflows of Resources		1,353,936
Pension-Related Deferred Inflows of Resources		(257,895)
Net OPEB Liability		(86,258)
OPEB-Related Deferred Outflows of Resources		19,228
OPEB-Related Deferred Inflows of Resources		<u>(61,262)</u>
Total Net Position of Governmental Activities	\$	<u><u>(2,510,513)</u></u>

**SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
Year Ended June 30, 2025

	<b>GENERAL</b>
<b>REVENUES</b>	
Local Sources	\$ 1,020,456
State Sources	2,513,620
Federal Sources	1,923,230
 TOTAL REVENUES	 5,457,306
 <b>EXPENDITURES</b>	
Current	
Instruction	1,521,895
Supporting Services	3,675,853
Capital Outlay	14,127
Debt Service	
Principal	44,823
Interest	4,966
 TOTAL EXPENDITURES	 5,261,664
 EXCESS REVENUES OVER (UNDER) EXPENDITURES	 195,642
 OTHER FINANCING SOURCES (USES)	
Lease Proceeds	14,127
 CHANGE IN FUND BALANCE	 209,769
 FUND BALANCES, Beginning	 1,202,745
 FUND BALANCES, Ending	 \$ 1,412,514

**SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2025

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

Net Change in Fund Balances of Governmental Funds	\$	209,769
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 / amortization expense		(46,755)
Capital outlay		14,127
Asset disposal		(6,993)
Lease proceeds provide current financial resources to governmental funds, but increases in long-term liabilities in the statement of net position and do not affect the statement of activities. This is the effect of these differences in the treatment of long-term debt / lease proceeds and related items.		
		37,913
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		(8,061)
Net Pension Liability		508,248
Pension-Related Deferred Outflows of Resources		(813,525)
Pension-Related Deferred Inflows of Resources		(112,946)
Net OPEB Liability		43,402
OPEB-Related Deferred Outflows of Resources		(45,992)
OPEB-Related Deferred Inflows of Resources		12,284
		12,284
Change in Net Position of Governmental Activities	\$	(208,529)

## SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

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

South Central Board of Cooperative Educational Services (the BOCES) operates under Colorado Revised Statutes providing educational and educational support services for its twelve member BOCES districts, as well as other surrounding districts in south central Colorado. The Board members are appointed by the Boards of the twelve member districts, with one from each school district board, which consist of Aguilar, Branson, Cotopaxi, Crowley County, Custer County, Fowler, Hoehne, Huerfano, La Veta, Manzanola, Primero, and Trinidad 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.

**SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

**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	5 years
Equipment	3 - 7 years

Leases are reported in the government-wide financial statements. Leases are recognized as multi-year noncancellable agreements amortized over the period of the agreement on a straight-line basis.

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

**SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

**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)**

*Leases* – The BOCES determines if an arrangement is a lease at inception. For leasing arrangements where the BOCES is the lessee, leases are reported as right-to-use assets and noncurrent liabilities in the statement of net position.

Lease assets represent the BOCES's control of the right-to-use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date on the initial measurement of the lease liabilities, plus any payment made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. Leased assets are defined by the BOCES as assets with an initial, individual cost of more than \$5,000.

Lease liabilities represent the BOCES's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term. The lease term may include options to extend or terminate the lease when it is reasonably certain that the BOCES will exercise that option.

For individual lease contracts where information about the discount rate implicit in the lease is not included, the BOCES has elected to use the incremental borrowing rate to calculate the present value of expected lease payments.

*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, 2025, 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.

**SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

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

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

*Deferred Inflows of Resources* – This separate financial statement element represents an acquisition of net assets by the BOCES that is applicable to a future reporting period. Deferred inflows of resources in the governmental fund financial statements include property taxes earned but not available as current financial resources.

*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, 2025, the BOCES had the following cash and investments:

Deposits	\$ 1,951,347
Investments	1,229,324
Total	<u>\$ 3,180,671</u>

**Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2025, the BOCES had bank deposits of \$2,222,114 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

**SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2025

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

*Fair Value Measurements* - At June 30, 2025, 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 \$1,229,324 invested in the Colorado Local Government Liquid Asset Trust (ColoTrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the Pool. The Pool operates in conformity with the Securities and Exchange Commission's Rule 2a-7. The Pool is reported at the net asset value per share, with each share valued at \$1. The Pool is rated AAAM by Standard and Poor's. Investments of the Pool are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

**NOTE 3: Capital Assets**

Capital asset activity for the year ended June 30, 2025, is summarized below.

	Balances 6/30/2024	Additions	Deletions	Balances 6/30/2025
<b>Governmental Activities</b>				
Capital Assets, Being Depreciated / Amortized:				
Vehicles	\$ 12,620	\$ -	\$ -	\$ 12,620
Equipment	64,541	-	-	64,541
Right-to-Use Asset	134,744	14,127	11,443	137,428
Total Capital Assets, Being Depreciated / Amortization	<u>211,905</u>	<u>14,127</u>	<u>11,443</u>	<u>214,589</u>
Less Accumulated Depreciation / Amortization:				
Vehicles	(12,620)	-	-	(12,620)
Equipment	(57,979)	-	1,149	(59,128)
Right-to-Use Asset	(33,465)	(45,606)	(4,450)	(74,621)
Total Accumulated Depreciation / Amortization	<u>(104,064)</u>	<u>(45,606)</u>	<u>(3,301)</u>	<u>(146,369)</u>
Capital Assets, Net	<u>\$ 107,841</u>	<u>\$ (31,479)</u>	<u>\$ 8,142</u>	<u>\$ 68,220</u>

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

**SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2025

**NOTE 4: Long-Term Liabilities**

Following is a summary of long-term liabilities for the year ended June 30, 2025.

	Balance 6/30/2024	Additions	Reductions	Balance 6/30/2025	Due Within One Year
<b>Governmental Activities</b>					
Vehicle Leases	\$ 103,382	\$ 14,127	\$ 52,040	\$ 65,469	\$ 47,540
Compensated Absences	23,886	8,061	-	31,947	31,947
<b>Total</b>	<b>\$ 127,268</b>	<b>\$ 22,188</b>	<b>\$ 52,040</b>	<b>\$ 97,416</b>	<b>\$ 79,487</b>

In 2023, the BOCES entered into twelve lease agreements as a lessee for the right-to-use twelve vehicles. The leases have a fixed term of 36 months. The BOCES is required to make monthly payments ranging from \$335 to \$346 per lease. Implicit interest rates on the leases range from 5.52% to 6.12% per annum. During the fiscal year ended June 30, 2025, the BOCES paid \$47,672, including \$42,985 in principal and \$4,687 in interest. One vehicle was traded in during 2025 before the lease term ended, resulting in the removal of the remaining lease liability of \$7,217, and a net book value of \$6,993. At June 30, 2025, the right-to-use assets are recorded at a cost of \$134,744 and accumulated amortization of \$77,109, with an amortization expense of \$43,644.

In 2025, the BOCES entered a lease agreements as a lessee for the right-to-use a vehicle. The lease has a fixed term of 36 months. The BOCES is required to make monthly payments of \$423. Implicit interest rate on the leases was 5% per annum. During the fiscal year ended June 30, 2025, the BOCES paid \$2,117, including \$1,838 in principal and \$279 in interest. At June 30, 2025, the right-to-use assets are recorded at a cost of \$14,127 and accumulated amortization of \$1,962, with an amortization expense of \$1,962.

As of June 30, 2025, lease payments to maturity are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	47,540	2,678	50,218
2027	15,015	475	15,490
2028	2,914	49	2,963
<b>Total</b>	<b>\$ 65,469</b>	<b>\$ 3,201</b>	<b>\$ 68,670</b>

**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.

## SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

#### **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 <https://copera.org/forms-resources/financial-reports-and-studies>.

*Benefits Provided as of December 31, 2024* - 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 all cases, the benefit amount may not exceed the highest average salary, or the amount allowed by applicable federal regulations.

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

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the 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, if deemed disabled.

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

**SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

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

**General Information (Continued)**

*Contributions provisions as of June 30, 2025* – The BOCES, 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, 2024, through June 30, 2025. 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, 2025, were \$282,083, equal to the required contributions at a contribution rate of 20.38%.

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.

**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, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. Standard update procedures were used to roll forward the total pension liability to December 31, 2024. 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, 2024, relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At December 31, 2024, The BOCES’s proportion was 0.0281750688%, which was a decrease of 0.0021913834% from its proportion measured at December 31, 2023.

At June 30, 2025, the BOCES reported a liability for its proportionate share of the net pension liability that reflected an increase for State pension support provided to the BOCES. The amount recognized by the BOCES as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the BOCES were as follows:

BOCES's proportionate share of the net pension liability	\$ 4,861,580
State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the BOCES	<u>436,647</u>
Total	<u>\$ 5,298,227</u>

For the year ended June 30, 2025, the BOCES recognized pension expense of \$842,568 and a revenue of (\$39,853) for support from the State as a nonemployer contributing entity. At June 30, 2025, the BOCES reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

**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
Differences between expected and actual experience	\$ 275,304	\$ -
Changes of assumptions and other inputs	36,448	-
Net difference between projected and actual earnings on plan investments	91,727	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	742,229	257,895
Contributions subsequent to the measurement date	208,228	-
Total	\$ 1,353,936	\$ 257,895

BOCES contributions subsequent to the measurement date of \$208,228 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:

<u>Year Ended June 30,</u>			
2026		\$	702,678
2027			426,965
2028			(176,412)
2029			(65,418)
Total		\$	887,813

*Actuarial Assumptions* - The actuarial valuation as of December 31, 2023, determined the total pension liability using the following actuarial assumptions and other inputs.

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

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

**SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

**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)**

Mortality assumptions were developed on a benefit-weighted basis and apply generational mortality, as follows. All categories of the mortality tables are generationally projected using scale MP-2019.

- Pre-retirement mortality assumptions were based upon the PubT-2010 Employee Table.
- Post-retirement (retiree) 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, and 2) females: 83% of the rates prior to age 80 and 106% of the rates for ages 80 and older.
- Post-retirement (beneficiary) 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, and 2) females: 105% of the rates for all ages.
- Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages.

The actuarial assumptions used in the December 31, 2023, valuation were based on the results of the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019. Revised economic and demographic assumptions were adopted by the PERA Board of Directors at their November 20, 2020, meeting.

Based on the 2024 experience analysis, dated January 3, 2025, for the period January 1, 2020, to December 31, 2023, revised actuarial assumptions were adopted by PERA's Board of Directors on January 17, 2025, and were effective as of December 31, 2024. The following assumptions were reflected in the roll-forward calculation of the total pension liability from December 31, 2023, to December 31, 2024.

Salary scale assumptions were altered to better reflect actual experience. Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience. The estimated administrative expense as a percentage of covered payroll was increased from 0.40% to 0.45%.

The adjustments for credibility applied to the Pub-2010 mortality tables for active and retired lives, including beneficiaries, were updated based on the experience. All mortality assumptions are developed on a benefit-weighted basis. All of the following categories for the mortality tables are generationally projected using the 2024 adjusted MP-2021 projection scale.

- Pre-retirement mortality assumptions were based upon the PubT-2010 Employee Table.
- Post-retirement (retiree) non-disabled mortality assumptions were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows: 1) males: 106% of the rates for all ages, and 2) females: 86% of the rates prior to age 85 and 115% of the rates for ages 85 and older.
- Post-retirement (beneficiary) non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows: 1) males: 92% of the rates for all ages, and 2) females: 100% of the rates for all ages.
- Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 95% of the rates for all ages.

**SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

**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 long-term expected return on plan assets is monitored on an ongoing basis and reviewed as part of periodic experience studies prepared every four years, and asset/liability studies, performed every three to five years for PERA. The most recent analyses were outlined in the 2024 Experience Study report dated January 3, 2025.

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, PERA's Board of Directors reaffirmed the assumed rate of return at the PERA Board of Director's November 15, 2019, meeting, and again at the Board's September 20, 2024, meeting. 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	51.00%	5.00%
Fixed Income	23.00%	2.60%
Private Equity	10.00%	7.60%
Real Estate	10.00%	4.10%
Alternatives	6.00%	5.20%
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%.

**SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

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

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

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in Senate Bill (SB) 18-200, required adjustments resulting from the 2018 and 2020 AAP assessments. Employee contributions for future plan participants were used to reduce the estimated amount of total service costs for future plan members.
- 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. 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 BOCES contributions reflect reductions for the funding of the annual increase reserve and retiree health care benefits. For future plan members, 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.
- 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.

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 the 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:

**SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS**

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 6,591,175	\$ 4,861,580	\$ 3,412,802

*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 <https://copera.org/forms-resources/financial-reports-and-studies>.

**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, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. 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 <https://copera.org/forms-resources/financial-reports-and-studies>.

*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 benefit recipients or retirees are 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. 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.

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.

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

**SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

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

**General Information (Continued)**

*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 § 24-51-1206(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 6) 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, 2025, was \$20,864, equal to the required amount.

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

At June 30, 2025, the BOCES reported a net OPEB liability of \$86,258, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2024. 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, 2024, relative to the contributions of all participating employers.

At December 31, 2024, the BOCES's proportion was 0.0180393432%, which was a decrease of 0.0001272682% from its proportion measured at December 31, 2023.

For the year ended June 30, 2025, the BOCES recognized OPEB expense of \$11,544. At June 30, 2025, the BOCES reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 19,028
Changes of assumptions and other inputs	988	27,572
Net difference between projected and actual earnings on plan investments	293	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	7,525	14,662
Contributions subsequent to the measurement date	10,422	-
Total	\$ 19,228	\$ 61,262

The BOCES contributions subsequent to the measurement date of \$10,422 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Year Ended June 30,</u>		
2026		\$ (20,365)
2027		(8,720)
2028		(9,047)
2029		(6,027)
2030		(4,544)
2031		(2,456)
Total		\$ (51,159)

*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.

**SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

**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 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	
16% in 2024, then 6.75% in 2025, gradually decreasing to 4.5% in 2034	
MAPD PPO #2	
105% in 2024, then 8.55% in 2025, gradually decreasing to 4.50% in 2034	
Medicare Part A premiums:	
3.5% in 2024, gradually increasing to 4.5% in 2033	

The total OPEB liability for the HCTF, as of the December 31, 2024, measurement date, was adjusted to reflect the disaffiliation of Tri-County Health Department (Tri-County Health), effective December 31, 2022. The additional employer disaffiliation payment allocation to the HCTF and the Local Government Division Trust Fund were \$0.020 million and \$0.486 million, respectively.

Annually, the per capita health care costs are developed by plan option. At December 31, 2023, actuarial valuation and costs are based on 2024 premium rates for the UnitedHealthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the UnitedHealthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors are then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies to all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

Age-Related Morbidity Assumptions

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

**SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2025

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

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

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 2024 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	\$ 1,710	\$ 1,420	\$ 585	\$ 486	\$ 1,897	\$ 1,575
70	\$ 1,921	\$ 1,589	\$ 657	\$ 544	\$ 2,130	\$ 1,763
75	\$ 2,122	\$ 1,670	\$ 726	\$ 571	\$ 2,353	\$ 1,853

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	\$ 6,536	\$ 5,429	\$ 4,241	\$ 3,523	\$ 7,063	\$ 5,866
70	\$ 7,341	\$ 6,073	\$ 4,764	\$ 3,941	\$ 7,933	\$ 6,563
75	\$ 8,110	\$ 6,385	\$ 5,262	\$ 4,143	\$ 8,763	\$ 6,900

The 2024 Medicare Part A premium is \$505 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. Medicare plan rates are applied where members have no premium-free Part A and where those premiums are already exceeding the maximum subsidy. MAPD PPO #2 has a separate trend, because the first year rates are still below the maximum subsidy and to reflect the estimated impact of the Inflation Reduction Act for that plan option.

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

**SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
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June 30, 2025

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

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

Measurement Year	PERACare Medicare Plans *	PERACare Medicare Plans *	Medicare Part A Premiums
2024	16.00%	105.00%	3.50%
2025	6.75%	8.55%	3.75%
2026	6.50%	8.10%	3.75%
2027	6.25%	7.65%	4.00%
2028	6.00%	7.20%	4.00%
2029	5.75%	6.75%	4.25%
2030	5.50%	6.30%	4.25%
2031	5.25%	5.85%	4.25%
2032	5.00%	5.40%	4.25%
2033	4.75%	4.95%	4.50%
2034+	4.50%	4.50%	4.50%

\*Increase in 2024 trend rates due to the effect of the Inflation Reduction Act.

Mortality assumptions used in the December 31, 2023, valuation for the determination of the total pension liability, reflect generational mortality and were applied, as applicable, in the December 31, 2023, valuation for the HCTF, but developed using a headcount-weighted basis. SDTF participates in the HCTF (Note 7).

All categories of the mortality tables are generationally projected using scale MP-2019.

- The pre-retirement mortality assumptions for the SDTF were based upon the PubT-2010 Employee Table.
- 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, and 2) females: 83% of the rates prior to age 80 and 106% of the rates for ages 80 and older.
- Disabled mortality assumptions were based upon the PubS-2010 Disabled Retiree Table using 99% of the rate for all ages.

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, 2023, valuation date for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older and are not eligible for premium-free Medicare Part A benefits were updated to reflect the costs for the 2024 plan year. The healthcare cost trend rates applicable to health care premiums were revised to reflect the then-current expectation of future increases in those premiums. A separate trend rate assumption set was added for MAPD PPO #2 as the first-year rate is still below the maximum subsidy and also the assumption set reflects the estimated impact of the Inflation Reduction Act for that plan option. The Medicare health care plan election rate assumptions were updated effective as of the December 31, 2023, valuation rate based on an experience analysis of recent data.

**SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

**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 actuarial assumptions used in the December 31, 2023, 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 of Directors at their November 20, 2020, meeting.

Based on the 2024 experience analysis, dated January 3, 2025, for the period January 1, 2020, to December 31, 2023, revised actuarial assumptions were adopted by PERA’s Board of Directors on January 17, 2025, and were effective as of December 31, 2024. The following assumptions were reflected in the roll forward calculation of the total OPEB liability from December 31, 2023, to December 31, 2024.

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

- Salary increases, including wage inflation for the SDTF were 4% - 13.40%.
- Salary scale assumptions were altered to better reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- Participation rates were reduced.
- MAPD premium costs are no longer age graded.

Plan	With Medicare Part A	Without Medicare Part A
MAPD PPO#1	\$ 1,824	\$ 6,972
MAPD PPO #2	\$ 624	\$ 4,524
MAPD HMO (Kaiser)	\$ 2,040	\$ 7,596

The adjustments for credibility applied to the Pub-2010 mortality tables for active and retired lives, including beneficiaries, were updated based on the experience. All categories in the mortality tables are generationally projected using the 2024 adjusted MP-2021 project scale. These assumptions updated for the Division Trust Funds, were also applied in the roll-forward calculations for the HCTF using a headcount-weighted basis. Affiliated employers of the SDTF participate in the HCTF (Note 6).

- The pre-retirement mortality assumptions for the SDTF were based upon the PubT-2010 Employee Table.
- Post-retirement non-disabled mortality assumptions for the SDTF were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows: 1) males: 106% of the rates for all ages, and 2) females: 86% of the rates prior to age 85 and 115% of the rates for ages 85 and older.
- Disabled mortality assumptions were based upon the PubS-2010 Disabled Retiree Table using 95% of the rate for all ages.

The actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed annually and updated, as appropriate, by the PERA Board of Director’s actuary.

**SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

**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 long-term expected return on plan assets is monitored on an ongoing basis and reviewed as part of periodic experience studies prepared every four years, and asset/liability studies, performed every three-to-five years for PERA. The most recent analyses were outlined in the 2024 Experience Study report dated January 3, 2025.

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 PERA Board of Director’s meetings on November 15, 2019, and the September 20, 2024.

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	51.00%	5.00%
Fixed Income	23.00%	2.60%
Private Equity	10.00%	7.60%
Real Estate	10.00%	4.10%
Alternatives	6.00%	5.20%
Total	100.00%	

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

*Discount rate* - The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2024, 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%.

**SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

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

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

- 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, 2024, 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. The employer disaffiliation payment and receivable allocations to the HCTF and Local Government Division Trust Fund were \$0.020 million and \$0.486 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.

*Sensitivity of the 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</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 MAPD PPO#2 trend rate**	7.55%	8.55%	9.55%
Ultimate MAPD PPO#2 trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate**	2.75%	3.75%	4.75%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	<u>\$ 83,934</u>	<u>\$ 86,258</u>	<u>\$ 88,888</u>

\*\* For the January 1, 2025, plan year.

**SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

**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 the 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>\$ 105,711</u>	<u>\$ 86,258</u>	<u>\$ 69,488</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 <https://copera.org/forms-resources/financial-reports-and-studies>.

**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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**Year Ended June 30, 2025**

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		Positive (Negative)
<b>REVENUES</b>				
Local Sources	\$ 1,159,070	\$ 814,391	\$ 1,020,456	\$ 206,065
State Grants	2,318,083	3,207,259	2,513,620	(693,639)
Federal Grants	1,806,291	1,802,662	1,923,230	120,568
<b>TOTAL REVENUES</b>	<b>5,283,444</b>	<b>5,824,312</b>	<b>5,457,306</b>	<b>(367,006)</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
Instruction	1,077,395	1,183,300	1,521,895	(338,595)
<b>Supporting Services</b>				
Student Support	1,875,275	2,337,403	2,061,501	275,902
Instructional Support	1,077,623	954,134	855,856	98,278
General Administration	334,009	159,351	241,874	(82,523)
Business Services	617,594	533,092	304,714	228,378
Central Support	247,866	657,032	211,908	445,124
Total Supporting Services	4,152,367	4,641,012	3,675,853	965,159
Capital Outlay	-	-	14,127	(14,127)
<b>Debt Service</b>				
Principal	-	-	44,823	(44,823)
Interest	-	-	4,966	(4,966)
Total Debt Service	-	-	49,789	(49,789)
<b>TOTAL EXPENDITURES</b>	<b>5,229,762</b>	<b>5,824,312</b>	<b>5,261,664</b>	<b>576,775</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>53,682</b>	<b>-</b>	<b>195,642</b>	<b>195,642</b>
<b>OTHER FINANCING SOURCES</b>				
Lease Proceeds	-	-	14,127	14,127
<b>CHANGE IN FUND BALANCE</b>	<b>53,682</b>	<b>-</b>	<b>209,769</b>	<b>209,769</b>
FUND BALANCE, Beginning	506,214	506,214	1,202,745	696,531
FUND BALANCE, Ending	\$ 559,896	\$ 506,214	\$ 1,412,514	\$ 906,300

**SOUTH CENTRAL 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, 2025

<b>MEASUREMENT YEAR</b>	<u>12/31/24</u>	<u>12/31/23</u>	<u>12/31/22</u>	<u>12/31/21</u>
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY				
BOCES's Proportion of the Net Pension Liability	0.0281750688%	0.0303664522%	0.0181951515%	0.0192045170%
BOCES's Proportionate Share of the Net Pension Liability	\$ 4,861,580	\$ 5,369,828	\$ 3,313,240	\$ 2,234,900
State's Proportionate Share of the Net Pension Liability Associated with the BOCES	<u>436,647</u>	<u>117,744</u>	<u>965,511</u>	<u>256,203</u>
Total Proportionate Share of the Net Pension Liability	\$ <u>5,298,227</u>	\$ <u>5,487,572</u>	\$ <u>4,278,751</u>	\$ <u>2,491,103</u>
BOCES's Covered Payroll	\$ 2,177,218	\$ 2,007,497	\$ 1,707,750	\$ 1,160,019
BOCES's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	223%	267%	194%	193%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67%	62%	62%	75%
<b>FISCAL YEAR</b>	<u>6/30/25</u>	<u>6/30/24</u>	<u>6/30/23</u>	<u>6/30/22</u>
BOCES CONTRIBUTIONS				
Statutorily Required Contribution	\$ 416,877	\$ 455,837	\$ 348,036	\$ 230,611
Contributions in Relation to the Statutorily Required Contribution	<u>(416,877)</u>	<u>(455,837)</u>	<u>(348,036)</u>	<u>(230,611)</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
BOCES's Covered Payroll	\$ 2,045,515	\$ 2,236,688	\$ 1,707,750	\$ 1,160,019
Contributions as a Percentage of Covered Payroll	20.38%	20.38%	20.38%	19.88%

<u>12/31/20</u>	<u>12/31/19</u>	<u>12/31/18</u>	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>
0.0239332643%	0.0253812225%	0.0335691322%	0.0441809622%	0.0460514524%	0.0358634596%
\$ 3,618,227	\$ 3,791,900	\$ 5,944,104	\$ 14,286,553	\$ 13,711,298	\$ 5,485,063
<u>-</u>	<u>480,954</u>	<u>812,774</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 3,618,227</u>	<u>\$ 4,272,854</u>	<u>\$ 6,756,878</u>	<u>\$ 14,286,553</u>	<u>\$ 13,711,298</u>	<u>\$ 5,485,063</u>
\$ 1,253,231	\$ 1,370,998	\$ 1,636,079	\$ 1,995,908	\$ 2,126,621	\$ 1,783,596
289%	277%	363%	716%	645%	308%
67%	65%	57%	44%	43%	59%
<u>6/30/21</u>	<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>
\$ 249,139	\$ 265,700	\$ 312,982	\$ 376,816	\$ 390,746	\$ 316,902
<u>\$ (249,139)</u>	<u>\$ (265,700)</u>	<u>\$ (312,982)</u>	<u>\$ (376,816)</u>	<u>\$ (390,746)</u>	<u>\$ (316,902)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,253,231	\$ 1,370,998	\$ 1,636,079	\$ 1,995,908	\$ 2,104,930	\$ 1,783,596
19.88%	19.38%	19.13%	18.88%	18.56%	17.77%

**SOUTH CENTRAL 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, 2025

<b>MEASUREMENT YEAR</b>	<u>12/31/24</u>	<u>12/31/23</u>	<u>12/31/22</u>	<u>12/31/21</u>
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY				
BOCES's Proportion of the Net OPEB Liability	0.0180393432%	0.0181666114%	0.0138016493%	0.0125390830%
BOCES's Proportionate Share of the Net OPEB Liability	\$ 86,258	\$ 129,660	\$ 112,688	\$ 108,125
BOCES's Covered Payroll	\$ 2,177,218	\$ 2,007,497	\$ 1,707,750	\$ 1,160,019
BOCES's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	4%	6%	7%	9%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	60%	46%	39%	33%
<b>FISCAL YEAR</b>	<u>6/30/25</u>	<u>6/30/24</u>	<u>6/30/23</u>	<u>6/30/22</u>
BOCES CONTRIBUTIONS				
Statutorily Required Contribution	\$ 20,864	\$ 22,814	\$ 17,422	\$ 11,833
Contributions in Relation to the Statutorily Required Contribution	<u>(20,864)</u>	<u>(22,814)</u>	<u>(17,422)</u>	<u>(11,833)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BOCES's Covered Payroll	\$ 2,045,515	\$ 2,236,688	\$ 1,707,750	\$ 1,160,019
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.  
Information is available for 10 years, and will be presented for the years it is available.

<u>12/31/20</u>	<u>12/31/19</u>	<u>12/31/18</u>	<u>12/31/17</u>	<u>12/31/16</u>
0.0138432387%	0.0165695276%	0.0218201193%	0.0251034436%	0.0262000000%
\$ 131,653	\$ 186,241	\$ 296,872	\$ 326,243	\$ 339,383
\$ 1,253,231	\$ 1,370,998	\$ 1,636,079	\$ 1,995,908	\$ 2,126,621
11%	14%	18%	16%	16%
24%	17%	18%	17%	-
<u>6/30/21</u>	<u>6/30/20</u>	<u>6/30/19</u>	<u>6/30/18</u>	<u>6/30/17</u>
\$ 12,786	\$ 13,984	\$ 16,688	\$ 20,358	\$ 21,691
<u>(12,786)</u>	<u>(13,984)</u>	<u>(16,688)</u>	<u>(20,358)</u>	<u>(21,691)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,253,231	\$ 1,370,998	\$ 1,636,079	\$ 1,995,908	\$ 2,104,930
1.02%	1.02%	1.02%	1.02%	1.03%

**SOUTH CENTRAL 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.

**Accountability**

At June 30, 2024, the BOCES's governmental activities had a negative net position of \$2,502,174, which exceeded available resources.

**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.

As of the December 31, 2024, measurement date, the fiduciary net position and related disclosure components for HCTF reflect additional payments related to the disaffiliation of Tri-County Health Department as a PERA-affiliated employer, effective December 31, 2022. The additional employer disaffiliation payment allocations to the HCTF and Local Government Division Trust Fund were \$0.020 million and \$0.486 million, respectively.

**SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2024

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

For RSI disclosures reported in previous years, refer to the PERA's annual comprehensive financial report (ACFR) notes to the required supplementary information at the following link: <https://copera.org/forms-resources/financial-reports-and-studies>.

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

*STDF Plan* – Salary scale assumptions were altered to better reflect actual experience. Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience. The Pub-2010 Public Retirement Plans Mortality base tables were retained for purposes of active, retired, disabled, and beneficiary lives, with revised adjustments for credibility and gender, where applicable. In addition, the applied generational projection scale was updated to the 2024 adjusted scale MP-2021. The estimated administrative expense as a percentage of covered payroll was increased from 0.40% to 0.45%.

SB 25-310 was enacted on June 2, 2025, and effective immediately, allows PERA to accept a series of warrants from the State Treasurer totaling \$500 million on or after July 1, 2025, and before October 1, 2025. These dollars will be proportioned over time to replace reductions to the future direct distributions intended to fund the Peace Officer Training and Support Fund and, at that time, will be allocated to the appropriate Division Trust Fund(s) within PERA. SB 25-310 also allows for an alternative actuarial method to allocate the direct distribution if the allocation, based on the reported payroll of each participating division, results in an AAP assessment ratio below the 98% benchmark.

*HCTF Plan* – Salary scale assumptions were altered to better reflect actual experience. Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience. The adjustments for credibility applied to the Pub-2010 mortality tables for active and retired lives, including beneficiaries, were updated based on experience. In addition, the mortality projection scale was updated to the 2024 adjusted scale MP-2021 to reflect future improvements in mortality for all groups. Participation rates were reduced. MAPD premium costs are no longer age graded.

For RSI disclosures reported in previous years to the PERA's annual comprehensive financial report (ACFR) notes to the required supplementary information may be obtained as follows: <https://copera.org/forms-resources/financial-reports-and-studies>.

## **COMPLIANCE SECTION**

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

Board of Directors  
South Central Board of Cooperative Educational Services  
Steamboat Springs, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of South Central Board of Cooperative Educational Services (the BOCES) as of and for the year ended June 30, 2025, 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 29, 2025.

**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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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  
South Central Board of Cooperative Educational Services

**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 29, 2025  
Bailey, Colorado

**SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2025

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>	<u>Passed Through To Subrecipients</u>
<b>U.S. DEPARTMENT OF THE TREASURY</b>				
Passed Through Arizona State University Coronavirus State and Local Fiscal Recovery Funds	21.027	7130	667,322	71,725
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Passed Through Colorado Department of Education <i>Special Education Cluster (IDEA)</i>				
Special Education - IDEA Part B	84.027A	4027	812,861	-
Special Education - IDEA Preschool	84.173A	4173	55,475	-
<i>Special Education Cluster (IDEA) Subtotal</i>			<u>868,336</u>	<u>-</u>
Comprehensive Literacy Development	84.371C	5371	115,171	16,650
<i>Education Stabilization Fund (COVID-19 Education Stabilization Fund)</i>				
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425U	4461	26,710	-
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425U	4429	232,029	101,110
<i>Education Stabilization Fund Total</i>			<u>258,739</u>	<u>101,110</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1,242,246</u>	<u>117,760</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,909,568</u>	<u>\$ 189,485</u>

**SOUTH CENTRAL 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% de minimis cost rate.

**SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
Year Ended June 30, 2025

**2024-001: Material Audit Adjusting Journal Entries in the Financial Statements**

**Condition:** We have identified a material errors in the financial statements for the fiscal year ended June 30, 2024, related to grants receivable and lease transactions in compliance with GASB Standard No. 87, *Leases*.

**Status:** Corrective action was taken, and the prior audit finding has been resolved as of June 30, 2025.

## **STATE COMPLIANCE**



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 9060 - South Central BOCES  
 Fiscal Year 2024-25  
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	1,202,745	5,471,434	5,261,665	1,412,514
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
<b>Sub- Total</b>	<b>1,202,745</b>	<b>5,471,434</b>	<b>5,261,665</b>	<b>1,412,514</b>
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
07 Total Program Reserve Fund	0	0	0	0
21 Food Service Spec Revenue Fund	0	0	0	0
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	0	0	0	0
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Proprietary</b>				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fiduciary</b>				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

FINAL