

**NORTHEAST COLORADO BOARD
OF COOPERATIVE EDUCATIONAL SERVICES
HAXTUN, COLORADO**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT
AND
SINGLE AUDIT REPORT**

**For the Year Ended
June 30, 2020**

**NORTHEAST COLORADO
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
HAXTUN, COLORADO**

ROSTER OF OFFICIALS

Year Ended June 30, 2020

Governing Board

District

Akron R-1
Buffalo RE-4J
Frenchman RE-3
Haxtun RE-2J
Holyoke RE-1J
Julesburg RE-1
Lone Star #101
Otis R-3
Plateau RE-5
Revere School District
Wray RD-2
Yuma -1

Board Member

Jessica Filla
Jason Adamson
Christa Lousberg
Jay Wisdom
Chas Lengfelder
Tammy Aulston
Brian Kuntz
Beth Wells
Tiffany Vallier
Rob McClary
Grant Bledsoe
Kim Langley

Superintendent

Brian Christensen
Robert Sanders
Steve McCracken
Darcy Garretson
Kyle Stumpf
Shawn Ehnes
Michael Bowers
Bryce Monasmith
Dustin Seger
Sharon Green
Levi Kramer
Dianna Chrisman

Management

Tamara Durbin	Executive Director
Tamara Durbin	Director of Special Education
Arlene Salyards	Director of Special Projects
Roxanne Weers	Director of Business Services

**NORTHEAST COLORADO
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
HAXTUN, COLORADO**

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**NORTHEAST COLORADO
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
HAXTUN, COLORADO**

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FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(Required Supplementary Information - Unaudited)

NORTHEAST COLORADO BOCES

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Required Supplementary Information (RSI)

Year Ended June 30, 2020

The discussion and analysis of Northeast Board of Cooperative Educational Services' (the "BOCES") financial performance provides an overall review of the BOCES' financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the BOCES' financial performance as a whole. Readers should also review the financial statements, financial statement footnotes, budgetary comparison schedules and additional supplementary information to broaden their understanding of the BOCES' financial performance.

Financial Highlights

The BOCES' annual budget remained fairly constant. At the close of the fiscal year on June 30, 2019, the BOCES noted an increase in special education students that would impact future staffing decisions. The increased number of special education students was maintained through the closing of the fiscal year on June 30, 2020. Increase in revenues, as a result of higher special education student population, were used to offset increased cost of salary and benefits for staff.

The BOCES currently has an adequate fund balance in the General Fund with enough cash on hand to meet BOCES spending obligations before reimbursement from federal programs. This is an accomplishment after years of working to correct the annual use of fund balance as revenue. The BOCES budget continues to have little room for unexpected expenses.

The BOCES Superintendents' Advisory Council (SAC) has been supportive of plans to end the use of fund balance as revenue, and meet the growing needs of our districts and special education students through assessments. With the goal of establishing an adequate fund balance accomplished, the efforts of the SAC were intended to shift on July 1, 2020 to ensuring the BOCES is able to meet the needs of its growing special education population and staff recruitment and retention challenges.

Salary and Benefits make up the greatest part of the BOCES budget and therefore are the top priority. The BOCES continues to analyze salaries annually to make sure the BOCES can compete with hospitals, other BOCES, schools and the private market to have quality personnel. BOCES managed step increases as per the salary schedule and small increases in health insurance costs over the past couple years and will strive to maintain a quality benefits package for employees going forward including the increases to the employee's retirement plan, PERA. Having adequate staffing for a growing population and negotiating the rising cost of benefits has been successful in recent years and will be a challenging budget goal moving forward in to the 2020-21 budget.

Using the Basic Financial Statements

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

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

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

Financial Analysis of the BOCES as a Whole

The BOCES' total net position was (\$6,877,934) as of June 30, 2020.

NORTHEAST COLORADO BOCES

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Required Supplementary Information (RSI)

Year Ended June 30, 2020

The Governmental Activities has an overall net position deficit of \$6,877,934 and an unrestricted net position Deficit of \$7,071,566, primarily due to adding the PERA net pension liability of \$5,215,057, as further described In Note 5. As the BOCES has no control over pension benefits or contribution rates, the BOCES expects this Deficit net position to continue for the foreseeable future.

Government-Wide Financial Statements

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

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

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

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

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

	<u>2020</u>	<u>2019</u>
Assets		
Current and Other Assets	\$ 3,120,388	\$ 2,661,766
Capital Assets - Net	<u>193,632</u>	<u>213,207</u>
Total Assets	<u>3,314,020</u>	<u>2,874,973</u>
Deferred Outflows of Financial Resources	<u>1,287,945</u>	<u>2,889,814</u>
Liabilities		
Current Liabilities	868,559	1,021,127
Noncurrent Liabilities	<u>5,471,481</u>	<u>6,876,717</u>
Total Liabilities	<u>6,340,040</u>	<u>7,897,844</u>
Deferred Inflows of Financial Resources	<u>5,139,859</u>	<u>6,353,824</u>
Net Position		
Net Investment in Capital Assets	193,632	213,207
Unrestricted	<u>(7,071,566)</u>	<u>(8,700,088)</u>
Total Net Position	<u>\$ (6,877,934)</u>	<u>\$ (8,486,881)</u>

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

NORTHEAST COLORADO BOCES

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 Required Supplementary Information (RSI)
 Year Ended June 30, 2020

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

	<u>2020</u>	<u>2019</u>
Program Revenues		
Charges for Services	\$ 2,419,247	\$ 2,313,665
Operating Grants and Contributions	4,349,981	4,112,687
Investment Earnings	10,994	16,746
Other Revenues	<u>93,942</u>	<u>-</u>
Total Revenues	<u>6,874,164</u>	<u>6,443,098</u>
Expenses		
Instruction	2,228,204	2,067,181
Supporting Services	3,121,351	2,685,548
Community Services	-	21,664
Interest on Long-Term Debt	<u>-</u>	<u>1,178</u>
Total Expenses	<u>5,349,555</u>	<u>4,775,571</u>
Change in Net Position	<u>1,524,609</u>	<u>1,667,527</u>
Beginning Net Position	(8,486,882)	(10,319,136)
Prior Period Restatement	<u>84,339</u>	<u>164,728</u>
Beginning Net Position (Restated)	<u>(8,402,543)</u>	<u>(10,154,408)</u>
Ending Net Position	<u>\$ (6,877,934)</u>	<u>\$ (8,486,881)</u>

The BOCES total net position decreased by \$1,608,948 as a result of current operations, districts contributing larger amounts and PERA liability.

Reporting the BOCES' Most Significant Fund

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

NORTHEAST COLORADO BOCES

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 Required Supplementary Information (RSI)
 Year Ended June 30, 2020

Fund Financial Statements

As of June 30, 2020, the BOCES' governmental general fund reported a fund balance of \$2,251,829.

The following is additional information by programmatic area:

Local revenues were \$2,656,786, State support was \$2,666,115 and federal revenues were \$1,551,263.

Capital Assets

The BOCES recorded depreciation of \$19,575 during the fiscal year.

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Governmental activities				
Capital assets being depreciated:				
Buildings	\$ 344,652	\$ -	\$ -	\$ 344,652
Equipment	123,222	-	-	123,222
Total capital assets being depreciated	467,874	-	-	467,874
Less accumulated depreciation:				
Buildings	(164,996)	(6,893)	-	(171,889)
Equipment	(89,671)	(12,682)	-	(102,353)
Total accumulated depreciation	(254,667)	(19,575)	-	(274,242)
Net Governmental Capital Assets	\$ 213,207	\$ (19,575)	\$ -	\$ 193,632

Debt Administration

In May 2017, the BOCES entered into a lease agreement for \$27,155 to purchase a copier. Monthly payment of \$525 are due through May 2022, at an interest rate of 6%. Equipment with a remaining book value of \$27,155 has been capitalized under this lease.

	Balance July 1, 2019	Advances	Payments	Balance June 30, 2020	Current Portion	Interest Expense
<u>Governmental Activities:</u>						
2017 Capital Lease Payments	\$ 16,819	\$ -	\$ 5,439	\$ 11,380	\$ 5,774	\$ 862
Net OPEB Liability	326,313	-	69,889	256,424	-	-
PERA Net Pension Liability	6,533,585	-	1,318,528	5,215,057	-	-
Total	<u>\$ 6,876,717</u>	<u>\$ -</u>	<u>\$ 1,393,856</u>	<u>\$ 5,482,861</u>	<u>\$ 5,774</u>	<u>\$ 862</u>

NORTHEAST COLORADO BOCES

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) Required Supplementary Information (RSI) Year Ended June 30, 2020

General Fund Budget

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

Economic Factors and Next Year's Budget

The Northeast Colorado BOCES adjusts services to meet the needs of the districts and to meet federal and state requirements. Superintendents have expressed the need for professional development, additional support from nurses, technology support, additional mental health support, teacher recruitment/retention, in addition to the wide range of special education services. BOCES provides these services through five sources of revenue.

District Assessments	25%
State Funding	35%
Federal Funding	25%
Grants	0%
Other Sources of Revenue	15%

The BOCES anticipates that the core programs and services will remain consistent into next year. However, BOCES will adjust to the needs of the member districts in terms of services and in terms of their capacity to fund projects. The BOCES is always considerate of the impact State and Federal Funding have on our districts when setting assessments, which make up just under one quarter of our revenue. Our small rural school districts have been hit hardest by the State's Budget Stabilization Factor and the added costs related to mitigation of COVID-19. Yet the BOCES maintains quality programming for our students.

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

Requests for information

This financial report is designed to provide a general overview of the BOCES' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Manager, PO Box 98, Haxtun, CO 80731.

Mayberry & Company, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants
Governmental Audit Quality Center
and Private Company Practice Section

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

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the Northeast Colorado Board of Cooperative Educational Services, as of and for the year ended June 30, 2020, 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.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Northeast Colorado Board of Cooperative Educational Services, as of June 30, 2020, and the respective changes in financial position and the budgetary comparison statement of the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Northeast Colorado Board of Cooperative Educational Services' 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 6, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Emphasis of Matter

As discussed in Note 11 to the financial statements, the 2019 financial statements have been restated to reflect proportion changes related to the PERA pension plan as further described in Note 11. Our opinion is not modified with respect to this matter.

Required Supplementary Information – Management Discussion and Analysis and Pension Schedules (Unaudited)

Accounting principles generally accepted in the United States of America require that the management, discussion and analysis on pages M1-M5 and pension schedules on pages 43-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Colorado Department of Education Auditors Integrity and Bolded Balance Sheet reports pages 47-50 are presented for state regulatory compliance and are not a required part of the 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 financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Governmental Accounting Standards

In accordance with *Governmental Accounting Standards*, we have also issued our report dated January 19, 2021, pages 51-58 on our consideration of the Northeast Colorado Board of Cooperative Educational Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Northeast Colorado Board of Cooperative Educational Services' internal control over financial reporting and compliance.

Mayberry + Company, LLC

Englewood, CO
January 19, 2021

Basic Financial Statement

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF FINANCIAL RESOURCES	
Assets	
Current Assets	
Cash and Investments	\$ 2,742,790
Grants Receivable	332,460
Other Accounts Receivable	45,138
Capital and Other Assets	
Capital Assets Being Depreciated, net	193,632
Total Assets	<u>3,314,020</u>
Deferred Outflows of Financial Resources	
Net Pension Deferred Outflows	1,270,270
Net OPEB Deferred Outflows	17,675
Total Deferred Outflows of Financial Resources	<u>1,287,945</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF FINANCIAL RESOURCES	<u>\$ 4,601,965</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION	
Liabilities	
Current Liabilities	
Accounts Payable	\$ 29,500
Accrued Salaries & Benefits	334,231
Unearned Revenue	32,010
Unearned Revenue Grants	472,818
Noncurrent Liabilities	
Other Long Term Liabilities	5,471,481
Total Liabilities	<u>6,340,040</u>
Deferred Inflows of Financial Resources	
Net Pension Deferred Inflows	5,056,100
Net OPEB Deferred Inflows	83,759
Total Deferred Inflows of Financial Resources	<u>5,139,859</u>
Net Position	
Net Investment in Capital Assets	193,632
Unrestricted Net Position	(7,071,566)
Total Net Position	<u>(6,877,934)</u>
TOTAL LIABILITIES, DEFERRED OUTFLOWS AND NET POSITION	<u>\$ 4,601,965</u>

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

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

Statement of Activities

For the Year Ended June 30, 2020

<u>Functions/Programs</u>	<u>Program Revenues</u>			Net (Expense)
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	Revenue and Change in Net Position
Primary Government				
Governmental Activities				Governmental Activities
Instruction	\$ 2,228,204	\$ -	\$ 2,390,636	\$ 162,432
Supporting Services	<u>3,121,351</u>	<u>2,419,247</u>	<u>1,959,345</u>	<u>1,257,241</u>
Total Primary Government	<u>\$ 5,349,555</u>	<u>\$ 2,419,247</u>	<u>\$ 4,349,981</u>	<u>1,419,673</u>
				General Revenues
				Investment Earnings 10,994
				Other Revenues <u>93,942</u>
				Total General Revenues and Transfers <u>104,936</u>
				Change in Net Position <u>1,524,609</u>
				Beginning Net Position (8,486,882)
				Prior Period Restatement <u>84,339</u>
				Beginning Net Position (As Restated) <u>(8,402,543)</u>
				Ending Net Position <u>\$ (6,877,934)</u>

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

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Balance Sheet
Governmental Funds
General Fund
June 30, 2020
(With Comparative Totals for June 30, 2019)

	<u>Totals</u>	
	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and Investments	\$ 2,742,790	\$ 2,268,816
Grants Receivable	332,460	327,839
Other Accounts Receivable	45,138	65,111
TOTAL ASSETS	<u>\$ 3,120,388</u>	<u>\$ 2,661,766</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ 29,500	\$ 46,044
Accrued Salaries & Benefits	334,231	304,118
Unearned Revenue	32,010	175,112
Unearned Revenue Grants	472,818	495,854
Total Liabilities	<u>868,559</u>	<u>1,021,128</u>
Deferred Inflows of Financial Resources		
Fund Balance		
Unassigned Fund Balance	<u>2,251,829</u>	<u>1,640,638</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 3,120,388</u>	<u>\$ 2,661,766</u>

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

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

**Reconciliation of Governmental Fund Balances
to Governmental Activities Net Position
June 30, 2020**

Fund Balance - Governmental Funds		\$	2,251,829
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds			
Capital assets, being depreciated	\$	467,874	
Accumulated depreciation		<u>(274,242)</u>	193,632
Certain long-term pension and OPEB related costs and adjustments are not available to pay or payable currently and are therefore not reported in the funds			
Pension Liability			
Net pension deferred outflows		1,270,270	
Net pension liability		(5,215,057)	
Net pension deferred inflows		<u>(5,056,100)</u>	(9,000,887)
OPEB Liability			
Net OPEB deferred outflows		17,675	
Net OPEB liability		(256,424)	
Net OPEB deferred inflows		<u>(83,759)</u>	<u>(322,508)</u>
Total Net Position - Governmental Activities			<u>\$ (6,877,934)</u>

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

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
General Fund
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	<u>Totals</u>	
	<u>2020</u>	<u>2019</u>
REVENUES		
Local Sources	\$ 2,656,786	\$ 2,836,775
State Sources	2,666,115	2,199,637
Federal Sources	<u>1,551,263</u>	<u>1,406,686</u>
TOTAL REVENUES	<u>6,874,164</u>	<u>6,443,098</u>
EXPENDITURES		
Current:		
Instruction	2,498,783	2,458,427
Pupil Support	1,268,817	1,312,010
Staff Support	962,236	1,003,872
General Administration	136,052	136,776
School Administration	101,856	96,880
Business Services	744,504	750,805
Operations and Maintenance	61,814	35,312
Other Central Support	387,015	60,555
Risk Management	38,089	38,985
Other Supporting Services	94,437	93,974
Community Support	53,709	21,664
Debt Service	-	6,300
TOTAL EXPENDITURES	<u>6,347,312</u>	<u>6,015,560</u>
CHANGE IN FUND BALANCE	<u>526,852</u>	<u>427,538</u>
BEGINNING FUND BALANCE	1,640,638	1,213,100
Prior Period Adjustment	<u>84,339</u>	-
BEGINNING FUND BALANCE (As Restated)	<u>1,724,977</u>	<u>1,213,100</u>
ENDING FUND BALANCE	<u>\$ 2,251,829</u>	<u>\$ 1,640,638</u>

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

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

**Reconciliation of Governmental Changes in Fund Balance
to Governmental Activities Change in Net Position
For the Year Ended June 30, 2020**

Change in Fund Balance - Governmental Funds	\$	526,852
Capital assets used in governmental activities are expensed when purchased in the funds and depreciated at the activity level		
Depreciation Expense		(19,575)
Pension and OPEB expense at the fund level represent cash contributions to the defined benefit plan. For the activity level presentation, the amount represents the actuarial cost of the benefits for the fiscal year.		
Pension Liability		
Current year change and amortization of deferred outflows - net	\$	(1,599,855)
Change in net pension liability		1,318,528
Current year change and amortization of deferred inflows - net		<u>1,269,278</u>
		987,951
OPEB Liability		
Current year change and amortization of deferred outflows - net		(2,014)
Change in OPEB liability		69,889
Current year change and amortization of deferred inflows - net		<u>(55,313)</u>
		12,562
Repayments of long-term liabilities are expensed in the fund and reduce outstanding liabilities at the activity level. In addition, proceeds from long-term debt issuances are reported as revenues in the funds and increase liabilities at the activity level.		
Principal payments on capital leases		<u>16,819</u>
Total Net Position - Governmental Activities	\$	<u><u>1,524,609</u></u>

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

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	2020				2019 Actual
	Original Budget	Final Budget	Actual	Variance with Final Budget	
REVENUES					
Local Sources					
Investment Earnings	-	-	10,994	10,994	16,746
Donations	-	89,141	132,604	43,463	425,978
Local BOCES Passthrough	2,416,516	2,474,932	2,246,876	(228,056)	2,188,931
Overhead Cost Revenue	-	-	69,281	69,281	42,003
Indirect Cost Revenue	-	-	103,090	103,090	93,800
Other Local	-	30,000	93,940	63,940	69,316
Total Local Sources	2,416,516	2,594,073	2,656,785	62,712	2,836,774
State Sources					
State Grants from CDE					
State ECEA (Special Education)	1,281,955	1,278,477	1,596,195	317,718	1,336,640
State Gifted and Talented	92,648	93,939	148,364	54,425	150,531
Expelled and At Risk Students	22,900	22,900	15,008	(7,892)	20,286
Read to Achieve	-	-	5,539	5,539	-
Counselor Grant	160,000	160,000	167,385	7,385	160,000
Implementing State Educational Priorities	165,251	166,916	147,608	(19,308)	169,590
Stipends for Board Certified Educators	-	-	3,200	3,200	-
Gifted Ed - Univ Screening and Qualified Persnl	78,612	79,110	21,103	(58,007)	20,605
Retaining Teachers Grant	-	406,259	322,156	(84,103)	-
Imp Ed Stability for Foster Youth Grant	-	-	752	752	-
Ninth Grade Success Grant	-	-	591	591	-
State Grants from Other Agencies					
State PERA Contribution	-	-	50,100	50,100	53,061
School to Work Alliance Program (SWAP)	304,414	304,414	152,206	(152,208)	288,924
Other Agency State Grants	-	110,000	35,908	(74,092)	-
Total State Sources	2,105,780	2,622,015	2,666,115	44,100	2,199,637
Federal Sources					
Federal Grants from CDE					
NCLB Title I, Part A- Imp Basic Prgrms Oper by Sch	207,965	224,542	223,436	(1,106)	212,918
Coronavirus Relief Fund	-	-	727	727	-
Special Education: Grnts to States - IDEA Part B	951,042	923,018	923,018	-	910,800
IDEA Part B- Special Education Preschool	41,119	41,557	41,557	-	41,120
NCLB Title III, Part A- Eng Lang Acq	17,854	17,854	16,045	(1,809)	17,582
NCLB Title II, Part A- Teacher & Principal Trng	31,708	31,708	25,594	(6,114)	31,592
ESSA, Title IV-A: Stud Supp and Acad Enrich Grants	90,000	97,620	78,908	(18,712)	82,671
IDEA Part C - Child Find	-	-	1,075	1,075	-
Title III Set Aside	-	-	-	-	712
Federal Grants from Other State Agencies					
Carl Perkins Voc & App Tech Ed Act, Title I Voc Ed	103,023	174,448	174,448	-	103,023
Medicaid	5,000	2,500	2,524	24	4,502
Federal Provided through BOCES	-	-	63,931	63,931	1,766
Total Federal Sources	1,447,711	1,513,247	1,551,263	38,016	1,406,686
TOTAL REVENUES	5,970,007	6,729,335	6,874,163	144,828	6,443,097

See the accompanying Independent Auditors' Report

(Continued)

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	2020				2019 Actual
	Original Budget	Final Budget	Actual	Variance with Final Budget	
(Continued)					
EXPENDITURES					
Instruction					
Salaries	633,292	633,292	581,275	52,017	636,660
Benefits	224,902	224,902	208,248	16,654	199,207
PS-Professional	10,000	10,000	15,212	(5,212)	13,531
PS-Other	1,485,909	1,485,909	1,666,114	(180,205)	1,599,825
Supplies	35,484	35,484	27,933	7,551	9,203
Property	597	597	-	597	-
Total Instruction	<u>2,390,184</u>	<u>2,390,184</u>	<u>2,498,782</u>	<u>(108,598)</u>	<u>2,458,426</u>
Supporting Services					
Pupil Support					
Salaries	846,270	846,270	761,744	84,526	714,869
Benefits	288,504	288,504	281,006	7,498	270,728
PS- Professional	41,775	41,775	78,677	(36,902)	142,238
PS-Other	172,102	172,102	119,998	52,104	135,749
Supplies	13,005	13,005	20,523	(7,518)	38,233
Property	3,000	3,000	3,604	(604)	7,271
Other Expenses	3,181	3,181	3,265	(84)	2,922
Total Pupil Support	<u>1,367,837</u>	<u>1,367,837</u>	<u>1,268,817</u>	<u>99,020</u>	<u>1,312,010</u>
Staff Support					
Salaries	340,464	340,464	327,527	12,937	262,845
Benefits	130,465	130,465	117,349	13,116	97,607
PS- Professional	135,656	135,656	69,580	66,076	283,796
PS-Other	120,486	120,486	281,919	(161,433)	179,080
Supplies	84,084	84,084	127,988	(43,904)	142,100
Property	10,000	10,000	5,653	4,347	15,368
Other Expenses	17,494	17,494	32,220	(14,726)	23,076
Total Staff Support	<u>838,649</u>	<u>838,649</u>	<u>962,236</u>	<u>(123,587)</u>	<u>1,003,872</u>
General Administration					
Salaries	99,132	99,132	99,132	-	97,208
Benefits	31,392	31,392	30,409	983	28,745
PS-Other	11,000	11,000	5,656	5,344	10,173
Other Expenses	1,000	1,000	855	145	650
Total General Administration	<u>142,524</u>	<u>142,524</u>	<u>136,052</u>	<u>6,472</u>	<u>136,776</u>
School Administration					
Salaries	69,552	69,552	69,385	167	66,368
Benefits	33,694	33,694	32,471	1,223	30,512
Total School Administration	<u>103,246</u>	<u>103,246</u>	<u>101,856</u>	<u>1,390</u>	<u>96,880</u>

See the accompanying Independent Auditors' Report

(Continued)

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	2020				
	Original Budget	Final Budget	Actual	Variance with Final Budget	2019 Actual
(Continued)					
EXPENDITURES (Continued)					
Supporting Services (Continued)					
Business Services					
Salaries	203,714	203,714	195,541	8,173	198,792
Benefits	79,129	79,129	73,048	6,081	75,869
PS- Professional	336,471	336,471	284,349	52,122	305,621
PS-Other	67,100	67,100	59,126	7,974	52,447
Supplies	86,963	86,963	104,409	(17,446)	98,422
Other Expenses	19,655	19,655	28,031	(8,376)	19,654
Total Business Services	<u>793,032</u>	<u>793,032</u>	<u>744,504</u>	<u>48,528</u>	<u>750,805</u>
Operations and Maintenance					
Salaries	12,000	12,000	12,297	(297)	12,640
Benefits	2,712	2,712	2,797	(85)	2,742
PS- Professional	4,500	4,500	4,313	187	1,921
PS- Property	15,700	15,700	14,130	1,570	13,590
Supplies	4,000	4,000	10,541	(6,541)	4,419
Property	27,284	27,284	17,736	9,548	-
Total Operations and Maintenance	<u>66,196</u>	<u>66,196</u>	<u>61,814</u>	<u>4,382</u>	<u>35,312</u>
Transportation					
PS-Other	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>-</u>
Other Central Support					
PS- Professional	38,400	38,400	321,921	(283,521)	33,662
PS-Other	800	800	18,480	(17,680)	6,515
Supplies	15,000	15,000	19,614	(4,614)	20,378
Other Expenses	-	-	27,000	(27,000)	-
Total Other Central Support	<u>54,200</u>	<u>54,200</u>	<u>387,015</u>	<u>(332,815)</u>	<u>60,555</u>
Risk Management					
PS-Other	<u>51,450</u>	<u>51,450</u>	<u>38,089</u>	<u>13,361</u>	<u>38,985</u>
Other Supporting Services					
PS- Professional	-	-	-	-	148
PS-Other	-	-	35	(35)	-
Supplies	-	-	-	-	27
Other Expenses	107,539	107,539	94,402	13,137	93,799
Total Other Supporting Services	<u>107,539</u>	<u>107,539</u>	<u>94,437</u>	<u>13,102</u>	<u>93,974</u>
Community Support					
Salaries	42,944	42,944	42,944	-	10,842
Benefits	9,706	9,706	9,837	(131)	2,360
PS- Professional	500	500	-	500	-
PS-Other	-	-	-	-	100
Supplies	1,000	1,000	928	72	8,362
Total Community Support	<u>54,150</u>	<u>54,150</u>	<u>53,709</u>	<u>441</u>	<u>21,664</u>
Total Supporting Services	<u>3,579,823</u>	<u>3,579,823</u>	<u>3,848,529</u>	<u>(268,706)</u>	<u>3,550,833</u>
Debt Service					
Interest	-	-	-	-	1,178
Principal	-	-	-	-	5,122
Total Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,300</u>
Contingency	<u>1,213,098</u>	<u>2,399,967</u>	<u>-</u>	<u>2,399,967</u>	<u>-</u>
TOTAL EXPENDITURES	<u>7,183,105</u>	<u>8,369,974</u>	<u>6,347,311</u>	<u>2,022,663</u>	<u>6,015,559</u>
CHANGE IN FUND BALANCE	<u>(1,213,098)</u>	<u>(1,640,639)</u>	<u>526,852</u>	<u>2,167,491</u>	<u>427,538</u>
BEGINNING FUND BALANCE	<u>1,213,098</u>	<u>1,640,639</u>	<u>1,640,638</u>	<u>(1)</u>	<u>1,213,100</u>
PRIOR PERIOD RESTATEMENT	-	-	84,339	84,339	-
BEGINNING FUND BALANCE (As Restated)	<u>1,213,098</u>	<u>1,640,639</u>	<u>1,724,977</u>	<u>84,338</u>	<u>1,213,100</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,251,829</u>	<u>\$ 2,251,829</u>	<u>\$ 1,640,638</u>

See accompanying Independent Auditors' Report.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

In evaluating how to define the government, for financial reporting purposes, the BOCES' management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and as subsequently amended.

Based upon the application of these criteria, no governmental organizations are includable within the BOCES' reporting entity.

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information of the BOCES as a whole. The reporting information includes all of the non-fiduciary activities of the BOCES. These statements are used to distinguish between the governmental and business-type activities of the BOCES. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The BOCES does not report any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the BOCES and for each function of the BOCES' governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include fees and charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues that are not classified as program revenues are presented as general revenues.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

The fund financial statements provide information about the BOCES' funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds would be aggregated and reported as non-major funds. Any fiduciary funds are presented separately. The BOCES presently does not treat any of its funds as non-major, and does not have any proprietary or fiduciary funds.

The BOCES reports the following major governmental fund:

General Fund - This fund is the general operating fund of the BOCES. It is used to account for all financial resources.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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 at the same time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions in which the BOCES gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The BOCES considers all revenues reported in the governmental funds to be available as allowed by the per pupil operating revenue formula approved by the State legislature or within sixty days after year end. These revenues could include federal, state, and county grants, and some charges for services. Grants are only recognized to the extent allowable expenditures have been incurred. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Financial Statements (Continued)

General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all funds. All annual appropriations lapse at fiscal year end. The BOCES adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by state law for all funds. By May 31, the Executive Director submits to the Board a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at year end.
- Public hearings are conducted by the Board to obtain comments.
- Prior to June 30, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level.
- Revisions that alter the total expenditures of any fund must be approved by the Board.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted or as revised by the Board.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance

Cash - The BOCES pools cash resources of its various operations in order to facilitate the management of cash. Cash is pooled in interest bearing accounts which are legally authorized. Cash applicable to a particular operation is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance (Continued)

Receivables - All 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 used in governmental activities operations are shown on the government-wide financial statements. These assets are not shown in the governmental funds and are therefore listed as a reconciling item between the two presentations. Property and equipment acquired or constructed for governmental fund operations are recorded as expenditures in the fund making the expenditure and capitalized at cost in the government-wide presentation. No depreciation has been provided on capital assets in the governmental funds.

Property and equipment is stated at cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer.

Depreciation has been provided over the estimated useful lives of the asset in the government-wide presentation. Depreciation is calculated using the straight-line method over the following useful lives:

Buildings	50 years
Other Equipment	7 years

Long-Term Debt – The BOCES capital lease is shown as an expenditure in the General Fund. For the government-wide presentation, principal payments are reclassified as reductions in the outstanding obligation balances.

Unearned Revenues - The unearned revenues include governmental grants and other donations which have been received but not yet earned as service has not been provided.

Vacation, Sick Leave, and Other Compensated Absences - The BOCES employees do not vest in compensated absences for vacation, sick leave or other compensated absences unless specifically authorized by the Executive Director on a case by case basis. No material leave carryovers existed as of June 30, 2020.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government has items that qualify for reporting in this category all related to outstanding pension and OPEB obligations and further described in Notes 5 and 7.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance (Continued)

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The BOCES reports deferred inflows for pension and OPEB related deferrals as further described in Notes 5 and 7. The BOCES also reports deferred inflows related to unspent grant and donation receipts.

Net Position/Fund Balances

In the government-wide financial statements, net position are either shown as net investment in capital assets, with these assets essentially being nonexpendable; restricted when constraints placed on the net position are externally imposed; or unrestricted.

For the governmental fund presentation, fund balances that are classified as “nonspendable” include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Fund balance is reported as “restricted” when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors, is reported as “committed” fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as “assigned” fund balance. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

All remaining fund balance in the General Fund is presented as unassigned.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position/Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance, if allowed under the terms of the restriction. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Revenues and Expenditures/Expenses

Revenues and Expenditures/Expenses – Revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, tax revenues, fees, and non-tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred.

NOTE 2: CASH AND INVESTMENTS

A summary of deposits and investments at June 30, 2020, follows:

Cash deposits	\$	1,977,139
Investments		<u>765,652</u>
Total Cash and Investments	\$	<u>2,742,791</u>

Deposits

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2020, State regulatory commissioners have indicated that all financial institutions holding deposits for the BOCES are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. 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 the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 2: CASH AND INVESTMENTS (Continued)

Deposits (Continued)

Deposits are categorized by type of credit risk: (1) Insured or collateralized with securities held by the entity or by its agent in the entity's name. (2) Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. (3) Uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name.

	<u>Bank Balance</u>	<u>Carrying Balance</u>
FDIC Insured	\$ 250,000	\$ 250,000
PDPA Collateralized (Not held in the BOCES' name)	<u>2,129,538</u>	<u>1,727,139</u>
Total	<u>\$ 2,379,538</u>	<u>\$ 1,977,139</u>

Investments

The BOCES had invested in the Colorado Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. Investments of Colotrust consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services to Colotrust in connection with the direct investment and withdrawal functions of Colotrust. Substantially all securities owned by Colotrust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by Colotrust. The fair value of the position in the pool is the same as the valuation of the pool shares.

Cash Invested – Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. The allowed investments include local government investment pools and obligations of the United States Government.

Interest Rate Risk – The BOCES does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations.

The BOCES has no investments policy that would further limit its investment choices. At June 30, 2020 the BOCES' investment in the Colorado Government Liquid Assets Trust (Colotrust) was rated AAAM by Standard & Poor's.

Concentration of Credit Risk – The BOCES Board has placed no limit on the amount the BOCES may invest in any one issuer.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 3: CAPITAL ASSETS

Activity for governmental activity capital assets is summarized below:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
Governmental activities				
Capital assets being depreciated:				
Buildings	\$ 344,652	\$ -	\$ -	\$ 344,652
Equipment	<u>123,222</u>	<u>-</u>	<u>-</u>	<u>123,222</u>
Total capital assets being depreciated	<u>467,874</u>	<u>-</u>	<u>-</u>	<u>467,874</u>
Less accumulated depreciation:				
Buildings	(164,996)	(6,893)	-	(171,889)
Equipment	<u>(89,671)</u>	<u>(12,682)</u>	<u>-</u>	<u>(102,353)</u>
Total accumulated depreciation	<u>(254,667)</u>	<u>(19,575)</u>	<u>-</u>	<u>(274,242)</u>
Net Governmental Capital Assets	<u>\$ 213,207</u>	<u>\$ (19,575)</u>	<u>\$ -</u>	<u>\$ 193,632</u>

Depreciation has been allocated for the statement of activities as follows:

Depreciation Allocation	
Instruction	\$ 7,706
Supporting Services	<u>11,869</u>
Total	<u>\$ 19,575</u>

The BOCES' policy is to capitalize and inventory annually all capital assets with a unit value of or greater than \$5,000 with an estimated useful life of or greater than one year.

NOTE 4: ACCRUED SALARY AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2020, are \$334,231. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 5: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

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

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 for the SCHDTF are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates for the SCHDTF by 0.25 percent on July 1, 2019.
- Increases employee contribution rates for the SCHDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.

General Information about the Pension Plan

- Member contributions, employer contributions, the direct distribution from the State, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

Plan description. Eligible employees of the District are provided with pensions through the School Division Trust Fund (SCHDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2018. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

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

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

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 will receive the lesser of an annual increase of 1.5 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. § 24-51-413.

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

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

Contributions provisions as of June 30, 2019: Eligible employees the District and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 8 percent of their PERA-includable salary during the period of July 1, 2018 through June 30, 2019. Employer contribution requirements are summarized in the table below:

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

	January 1, 2019 Through June 30, 2019	July 1, 2019 Through June 30, 2020
Employer contribution rate	10.15%	10.40%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. 24-51-208(1)(f)	-1.02%	-1.02%
Amount apportioned to the SCHDTF	9.13%	9.38%
Amortization equalization disbursement (AED) as specified in C.R.S. 24-51-411	4.50%	4.50%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. 24-51-411	5.50%	5.50%
Total employer contribution rate to the SCHDTF	19.13%	19.38%

¹ Rates are expressed as a percentage of salary as defined in C.R.S. 24-51-101(42).

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

Pursuant to C.R.S. § 24-51-414, PERA is to receive an annual direct distribution from the State of Colorado in the amount of \$225 million (in actual dollars). Beginning in 2018, the distribution will occur each July 1 until there are no unfunded actuarial accrued liabilities in the trust fund of any division that receives such distribution. PERA shall allocate the distribution to the trust funds as it would an employer contribution in a manner that is proportionate to the annual payroll of each division except there shall be no allocation to the Local Government Division.

House Bill (HB) 20-1379, signed by Governor Polis on June 29, 2020, suspends the July 1, 2020, direct distribution.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$394,991 for the year ended June 30, 2019.

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

The net pension liability for the SCHDTF was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total pension liability to December 31, 2019. The District proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year 2019 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

At June 30, 2020, the District reported a liability of \$5,215,057 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the District as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ (5,215,057)
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	\$ (587,009)
Total	\$ (5,802,066)

At December 31, 2019, the District proportion was 0.03491 percent, which was a decrease of 0.00199 from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$593,927 and revenue of \$587,009 for support from the State as a nonemployer contributing entity. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ 295,179	\$ -
Changes of assumptions or other inputs	\$ 193,083	\$ (2,500,423)
Net difference between projected and actual earnings on pension plan investments	\$ 589,004	\$ (1,273,143)
Changes in proportion and differences between contributions recognized and proportionate share of contributions - Plan Basis	\$ -	\$ (1,282,534)
Contributions subsequent to the measurement date	\$ 193,004	\$ -
Total	\$ 1,270,270	\$ (5,056,100)

\$193,004 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Fiscal Year Totals
2021	\$ (2,177,660)
2022	(1,547,295)
2023	(43,730)
2024	(210,149)
Total	\$ (3,978,834)

Actuarial assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry Age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increase, including wage inflation	3.50-9.70%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic) ¹	1.25%
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

¹ For 2019, the AI was 0.0%

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2018, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA’s Board on October 28, 2016.

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

As of the November 18, 2016, adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Rate of Return
U.S Equity - Large Cap	21.20%	4.30%
U.S Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
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 rate of return assumption of 7.25%.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and the additional .50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop .50 percent every year until they are zero. Additionally, estimated employer contributions included for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State of Colorado, as a nonemployer contributing entity, provides an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered AI cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the SCHDTF’s 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 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount determination does not use the municipal bond rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension asset (liability)	\$ (6,916,283)	\$ (5,215,057)	\$ (3,786,731)

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

NOTE 6: DEFINED CONTRIBUTION PENSION PLAN

Voluntary Investment Program

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

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The BOCES does not contribute to the plan. Employees are immediately vested in their own contributions, employer contributions, if any, and investment earnings. For the year ended June 30, 2020 program members contributed \$18,872.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: OTHER POST-EMPLOYMENT BENEFITS

Health Care Trust Fund

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

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

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

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

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: OTHER POST-EMPLOYMENT BENEFITS (Continued)

General Information about the OPEB Plan (Continued)

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

PERA Benefit Structure

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

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

DPS Benefit Structure

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

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

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: OTHER POST-EMPLOYMENT BENEFITS (Continued)

General Information about the OPEB Plan (Continued)

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$20,923 for the year ended June 30, 2019.

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

At June 30, 2020, the District reported a liability of \$256,424 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. The District’s proportion of the net OPEB liability was based on the District’s contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the District’s proportion was 0.02281 percent, which was a decrease of 0.00117 from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District’s recognized OPEB expense of \$8,177. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ 960	\$ (43,108)
Net difference between projected and actual earnings on pension plan investments	\$ 4,340	\$ (8,725)
Changes in proportion and differences between contributions recognized and proportionate share of contributions - Plan Basis	\$ -	\$ (31,926)
Contributions subsequent to the measurement date	\$ 10,158	\$ -
Total	\$ 17,675	\$ (83,759)

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

\$10,158 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	Fiscal Year Totals
2021	\$ (16,650)
2022	(16,650)
2023	(15,252)
2024	(15,941)
2025	(11,091)
2026	(658)
Total	\$ (76,242)

Actuarial assumptions. The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry Age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increase, including wage inflation	3.50% in the aggregate
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA Benefit Structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	5.60% for 2019, gradually decreasing to 4.50% in 2029
Medicare Part A premiums	3.50% for 2019, gradually rising to 4.50% in 2029
DPS Benefit Structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: OTHER POST-EMPLOYMENT 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, 2018, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA’s actuary, as discussed below.

In determining the additional liability for PERACare enrollees who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following monthly costs/premiums are assumed for 2019 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	\$601	\$240
Kaiser Permanente Medicare Advantage HMO	605	237

The 2019 Medicare Part A premium is \$437 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

Medicare Plan	Cost for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	\$562
Kaiser Permanente Medicare Advantage HMO	571

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2018, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

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

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

As of the November 18, 2016, adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S Equity - Large Cap	21.20%	4.30%
U.S Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
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 rate of return assumption of 7.25%.

Sensitivity of the District’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:

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates			
	1% Decrease	Current Trend Rate	1% Increase
Initial PERACare Medicare trend rate	4.60%	5.60%	6.60%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Proportionate share of the net OPEB asset (liability)	\$ (250,333)	\$ (256,424)	\$ (263,463)

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2019, 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 3.50%.
- 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.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits 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 projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent 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 percent. There is no change in the discount rate from the prior measurement date.

Sensitivity of the District'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 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	6.25%	7.25%	8.25%
Proportionate share of the net OPEB asset (liability)	\$ (289,939)	\$ (256,424)	\$ (227,762)

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

NOTE 8: LONG TERM OBLIGATIONS

A summary of changes in long term obligations for the year ended June 30, 2020:

	Balance July 1, 2019	Advances	Payments	Balance June 30, 2020	Current Portion	Interest Expense
<u>Governmental Activities:</u>						
2017 Capital Lease Payments	\$ 16,819	\$ -	\$ 5,439	\$ 11,380	\$ 5,774	\$ 862
Net OPEB Liability	326,313	-	69,889	256,424	-	-
PERA Net Pension Liability	6,533,585	-	1,318,528	5,215,057	-	-
Total	<u>\$ 6,876,717</u>	<u>\$ -</u>	<u>\$ 1,393,856</u>	<u>\$ 5,482,861</u>	<u>\$ 5,774</u>	<u>\$ 862</u>

Capital Lease

In May 2017, the BOCES entered into a lease agreement for \$27,155 to purchase a copier. Monthly payments of \$525 are due through May 2022, at an interest rate of 6%. Equipment with a remaining book value of \$27,155 has been capitalized under this lease. In the event of default, the equipment must be returned, require payment of all amounts due, and require payment of all remaining payments due under the initial lease term.

The future minimum capital lease payments at June 30, 2020, are as follows:

Fiscal Year	Amount
2021	\$ 6,300
2022	5,775
Total Future Minimum Payments	12,075
Less: Interest at 6.0%	(695)
Present Value of Payments	\$ 11,380

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 9: RISK MANAGEMENT

Property and Liability Coverage. The BOCES belongs to the Colorado School District Self Insurance Pool (“CSDSIP”) that was formed in 1981 to give individual school districts more buying power and financial stability. By partnering with districts across the state, members gain better access to essential coverage at a competitive price, and more control over the entire risk management function. The coverage provided by CSDSIP is property, crime, general liability, auto liability and physical damage, and errors and omissions. CSDSIP became self-administered in 1997. The board of directors is comprised of nine persons who are district school board members, superintendents, or district business officials. Each member’s premium contribution is determined by CSDSIP based on factors including, but not limited to, the aggregate CSDSIP claims, the cost of administrative and other operating expenses, the number of participants, operating and reserve fund adequacy, investment income and reinsurance expense and profit sharing. Reporting to the Division of Insurance, as well as an audit and actuarial study is conducted annually. These reports may be obtained by contacting the CSDSIP administrative offices at 6857 South Spruce Street, Centennial, CO 80112. The BOCES has not materially changed its coverage from previous years. The BOCES has not recorded any liability for unpaid claims at June 30, 2020.

As discussed previously the BOCES is a member of the Colorado School Districts’ Self-Insurance Pool. The pool has a legal obligation for claims against its members to the extent that funds are available in its annually established loss fund and amounts are available from insurance providers under excess specific and aggregate insurance contracts. Losses incurred in excess of loss funds and amounts recoverable from excess insurance are direct liabilities of the participating members.

The ultimate liability to the BOCES resulting from claims not covered by the pool is not recently determinable. Management is of the opinion that the final outcome of such claims, of any, will not have a material adverse effect on the BOCES’ financial statements.

Worker’s Compensation. The BOCES purchases commercial insurance for its workers compensation coverage. Claims have not exceeded coverage during the past three years.

Health Insurance. The BOCES participates in the Colorado Boards of Education Self-Funded Trust, Inc. (“BEST”) for its employee health coverage. BEST was formed to assist individual school districts and BOCES in acquiring favorable rates for health care benefits as well as access to major health care providers by pooling coverage for multiple districts. BEST is funded through contributions from member districts and obtains stop loss coverage for claims in excess of predetermined limits. To join the trust, member employers agree to exclusively offer the BEST health plans to their employees and accept certain financial risk for offering such health benefit plans. The underwriting manual describes how financial risk is attributed to each member employer, the basis for the monthly contribution calculation, financial contribution requirements and financial reconciliation upon termination. Financial contributions in the form of monthly contributions and initial and annual claims fluctuation reserves are actuarially determined. BEST maintains detailed records to account for all member employer activity. In order to insure minimal funding, if BEST determines that a member employer is underfunded, BEST may utilize other member employer claims fluctuation reserves or other surpluses to offset the funding within the same tier. Each employer member is charged a minimum of 10% of its projected annual claims costs for the plan year as a claims fluctuation reserve.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 9: RISK MANAGEMENT

This BOCES exposure as a Tier 1 member employer is for incurred claims up to \$24,999 per year for level one risk claims and the employer level, and level two risk is from \$25,000 to \$49,999 shared at the tier level (all tier members share in the risk). If at any point, the member employer's level one fund is insufficiently funded to pay incurred claims, BEST may transfer assets from the claims fluctuation reserve, or request the employer to immediately provide additional funds, or BEST may require funding within four months from the date of notice.

Effective with the June 30, 2015 fiscal year, BEST no longer provides claim activity; however, the BOCES has not been notified that they have a negative reserve balance as of June 30, 2020. Should the balance become negative the BOCES recognizes that funding may be required should they terminate membership in BEST.

NOTE 10: SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES AND COMPLIANCE

Claims and Judgments - The BOCES participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the BOCES may be required to reimburse the grantor government. As of June 30, 2020, significant amounts of grant expenditures have not been audited by state and federal agencies, but the BOCES believes that disallowed expenditures, if any, based on subsequent state and federal audits will not have a material effect on any of the individual governmental funds or the overall financial position of the BOCES.

TABOR Amendment - In November 1992, Colorado voters passed the TABOR Amendment (Amendment 1) to the State Constitution which limits state and local government tax powers and imposes spending limits. The amendment does not specifically address BOCES. However, several legal opinions have been issued stating that a BOCES itself is not subject to the requirements and restrictions of the TABOR amendment. There have been several recent court cases with organizations similar to BOCES, where the court has found that these organizations are not subject to TABOR since they are not a municipality and do not exercise independent "Government" power. However, in virtually all situations BOCES will be impacted to the degree that their member districts are impacted by the restrictions of TABOR. A BOCES does not need to maintain emergency reserves required by TABOR and expenditures can fluctuate independently of TABOR.

NOTE 11: PRIOR PERIOD RESTATEMENT

The BOCES has restated beginning deferred outflows and inflows related to proportion changes for the PERA pension plan. The BOCES has restated these balances to reflect the change in proportion of plan level deferrals that had previously not been material in addition to plan level liabilities. This restatement decreased governmental activities net position in the amount of \$84,339.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 12: DEFICIT NET POSITION

The Governmental Activities has an overall net position deficit of \$6,877,934 and an unrestricted net position deficit of \$7,071,566, primarily due to adding the PERA net pension liability of \$5,215,057 and related net deferrals, and net OPEB liability of \$256,424, as further described in Notes 5 and 7. As the BOCES has no control over pension benefits or contribution rates, the BOCES expects this deficit net position to continue for the foreseeable future.

REQUIRED SUPPLEMENTARY INFORMATION
(Pension and OPEB Schedules - Unaudited)

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

SCHEDULE OF THE BOCES' PROPORTIONATE SHARE OF THE
NET PENSION ASSET (LIABILITY)
PERA Pension Plan
Last 10 Fiscal Years⁽¹⁾

<u>Fiscal Year</u>	<u>BOCES' proportion of the net pension asset (liability)</u>	<u>BOCES' proportionate share of the net pension asset (liability)</u>	<u>Non-employer contributing entity's total proportionate share of the net pension asset (liability)</u>	<u>Total proportionate share associated with BOCES</u>	<u>BOCES' covered payroll</u>	<u>BOCES' proportionate share of the net pension asset (liability) as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
June 30, 2014	0.000494%	\$ (6,303,888)	\$ -	\$ (6,303,888)	\$ 1,992,395	316.40%	64.07%
June 30, 2015	0.049424%	\$ (6,898,632)	\$ -	\$ (6,898,632)	\$ 2,070,518	333.18%	62.84%
June 30, 2016	0.048356%	\$ (7,395,593)	\$ -	\$ (7,395,593)	\$ 2,107,312	350.95%	59.16%
June 30, 2017	0.046198%	\$ (13,754,903)	\$ -	\$ (13,754,903)	\$ 2,050,821	670.70%	43.13%
June 30, 2018	0.452710%	\$ (14,638,917)	\$ -	\$ (14,638,917)	\$ 2,088,282	701.00%	43.96%
June 30, 2019	0.036898%	\$ (6,533,585)	\$ (785,914)	\$ (7,319,499)	\$ 2,028,495	322.09%	57.01%
June 30, 2020	0.034907%	\$ (5,215,057)	\$ (587,009)	\$ (5,802,066)	\$ 2,038,137	255.87%	64.52%

Note: All amounts are as of plan calculation dates which are for the calendar year prior to the date shown.

⁽¹⁾ - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

SCHEDULE OF BOCES CONTRIBUTIONS

PERA Pension Plan

Last 10 Fiscal Years⁽¹⁾

<u>Fiscal Year</u>	<u>Contractually required contributions</u>	<u>Actual contributions</u>	<u>Contribution deficiency (excess)</u>	<u>BOCES' covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
June 30, 2014	\$ 309,419	\$ (309,419)	\$ -	\$ 1,992,395	15.53%
June 30, 2015	\$ 340,186	\$ (340,186)	\$ -	\$ 2,070,518	16.43%
June 30, 2016	\$ 365,197	\$ (365,197)	\$ -	\$ 2,107,312	17.33%
June 30, 2017	\$ 371,814	\$ (371,814)	\$ -	\$ 2,050,821	18.13%
June 30, 2018	\$ 389,047	\$ (389,047)	\$ -	\$ 2,088,282	18.63%
June 30, 2019	\$ 388,051	\$ (388,051)	\$ -	\$ 2,028,495	19.13%
June 30, 2020	\$ 394,991	\$ (394,991)	\$ -	\$ 2,038,137	19.38%

Note: All amounts are as of plan calculation dates which are for the calendar year prior to the date shown.

⁽¹⁾ - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

SCHEDULE OF THE BOCES' PROPORTIONATE SHARE OF THE
 NET OPEB ASSET (LIABILITY)
 PERA Health Care Trust Fund
 Last 10 Fiscal Years⁽¹⁾

Fiscal Year Ended	BOCES' proportion of the net OPEB asset (liability)	BOCES' proportionate share of the net OPEB asset (liability)	BOCES' covered payroll	BOCES' proportionate share of the net OPEB asset (liability) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
June 30, 2017	0.026073%	\$ (338,042)	\$ 2,050,821	16.483%	16.70%
June 30, 2018	0.025723%	\$ (334,291)	\$ 2,088,282	16.008%	17.53%
June 30, 2019	0.023984%	\$ (326,313)	\$ 2,028,495	16.086%	17.03%
June 30, 2020	0.022814%	\$ (256,424)	\$ 2,038,137	12.581%	24.49%

Note: All amounts are as of plan calculation dates which are for the calendar year prior to the date shown

⁽¹⁾ - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

**SCHEDULE OF BOCES CONTRIBUTIONS - OPEB
PERA Health Care Trust Fund
Last 10 Fiscal Years⁽¹⁾**

<u>Fiscal Year</u>	<u>Contractually required contributions</u>	<u>Actual contributions</u>	<u>Contribution deficiency (excess)</u>	<u>BOCES' covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
June 30, 2017	\$ 20,918	\$ (20,918)	\$ -	\$ 2,050,821	1.02%
June 30, 2018	\$ 21,300	\$ (21,300)	\$ -	\$ 2,088,282	1.02%
June 30, 2019	\$ 20,691	\$ (20,691)	\$ -	\$ 2,028,495	1.02%
June 30, 2020	\$ 20,789	\$ (20,789)	\$ -	\$ 2,038,137	1.02%

Note: All amounts are as of plan calculation dates which are for the calendar year prior to the date shown.

⁽¹⁾ - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

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STATE COMPLIANCE

Colorado Department of Education
Auditors Integrity Report
 District 9040 – Northeast BOCES
 Fiscal Year 2019-20
 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							
00 General Fund	1,724,977		6,874,163		6,347,311		2,251,829
09 Risk Mgmt Sub-Fund of General Fund	0		0		0		0
09 Colorado Preschool Program Fund	0		0		0		0
Sub-Total	1,724,977		6,874,163		6,347,311		2,251,829
01 Charter School Fund	0		0		0		0
10,26-29 Special Revenue Fund	0		0		0		0
36 Supplemental Cap Comt. Tech. Main. Fund	0		0		0		0
37 Total Program Reserve Fund	0		0		0		0
38 Food Service-Spec Revenue Fund	0		0		0		0
39 Govt Designated-Purpose Grants Fund	0		0		0		0
33 Pupil Activity Special Revenue Fund	0		0		0		0
34 Full Day Kindergarten Mill Levy Override	0		0		0		0
25 Transportation Fund	0		0		0		0
31 Bond Redemption Fund	0		0		0		0
39 Certificate of Participation (COP) Debt Service Fund	0		0		0		0
41 Building Fund	0		0		0		0
42 Special Building Fund	0		0		0		0
43 Capital Reserve Capital Projects Fund	0		0		0		0
46 Supplemental Cap Const. Tech. Main Fund	0		0		0		0
Totals	0		0		0		0
Proprietary							
50 Other Enterprise Funds	0		0		0		0
64 (63) Risk-Related Activity Fund	0		0		0		0
60,65-69 Other Internal Service Funds	0		0		0		0
Totals	0		0		0		0
Fiduciary							
70 Other Trust and Agency Funds	0		0		0		0
72 Private Purpose Trust Fund	0		0		0		0
73 Agency Fund	0		0		0		0
74 Pupil Activity Agency Fund	0		0		0		0
79 GASB 34 Permanent Fund	0		0		0		0
46 Foundations	0		0		0		0
Totals	0		0		0		0
FINAL							0



Colorado Department of Education
Bolded Balance Sheet Report
 District: 9040 - Northeast BOCES
 Fiscal Year 2019-20
 Colorado School District/BOCES

See accompanying Independent Auditors' Report.

	Governmental							Proprietary					Fiduciary			
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Total Program Reserve Fund 07	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
ASSETS																
Cash and Investments (8100-8104,8111)	2,742,790	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,742,790
Grants Accounts Receivable (8142)	332,460	0	0	0	0	0	0	0	0	0	0	0	0	0	0	332,460
Other Receivables (8151-8154,8161)	45,138	0	0	0	0	0	0	0	0	0	0	0	0	0	0	45,138
Total Assets	3,120,389	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,120,389

	Governmental							Proprietary					Fiduciary		
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Total Program Reserve Fund 07	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85
LIABILITIES & FUND EQUITY															
LIABILITIES															
Other Payables (7421-7423)	29,500	0	0	0	0	0	0	0	0	0	0	0	0	0	29,500
Accrued Expenses (7461)	334,231	0	0	0	0	0	0	0	0	0	0	0	0	0	334,231
Unearned Revenue (7481)	32,010	0	0	0	0	0	0	0	0	0	0	0	0	0	32,010
Grants Deferred Revenue (7482)	472,818	0	0	0	0	0	0	0	0	0	0	0	0	0	472,818
Deferred Inflow (7800)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Inflow Grants (7801)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Liabilities	868,560	0	0	0	0	0	0	0	0	0	0	0	0	0	868,560

Governmental

Proprietary

Fiduciary

FUND EQUITY	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Total Program Reserve Fund 07	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
	Non-spendable Fund Balance 6710	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restricted Fund Balance 6720	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TABOR 3% Emergency Reserve 6721	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TABOR Multi-Year 6722	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
District Emergency Reserve (letter of credit or real estate) 6723	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Colorado Preschool Program (CPP) Reserve 6724	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Risk-Related / Restricted Capital Reserve 6726	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BEST Capital Reserve 6727	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Committed Fund Balance 6750	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Assigned Fund Balance 6760	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unassigned Fund Balance 6770	2,167,490	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,167,490
Invested in Capital Assets, Net of Related Debt 6790	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restricted Net Assets 6791	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unrestricted Net Assets 6792	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prior Period Adjustment 6880	84,339	0	0	0	0	0	0	0	0	0	0	0	0	0	0	84,339
Full-Day Kindergarten Reserve 6725	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Fund Equity	2,251,829	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,251,829

Total Liabilities & Fund Equity	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Total Program Reserve Fund 07	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
	3,120,389	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

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

See accompanying Independent Auditors' Report.

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SINGLE AUDIT COMPLIANCE

Mayberry & Company, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants
Governmental Audit Quality Center
and Private Company Practice Section

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

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance *Government Auditing Standards*

Independent Auditors' Report

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of Northeast Colorado Board of Cooperative Educational Services (the "BOCES") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements, and have issued our report thereon dated January 19, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the BOCES' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BOCES' internal control. Accordingly, we do not express an opinion on the effectiveness of the BOCES' internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Mayberry + Company. LLC

Englewood, Colorado
January 19, 2021

Mayberry & Company, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants
Governmental Audit Quality Center
and Private Company Practice Section

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

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditors' Report

Report on Compliance for Each Major Federal Program

We have audited the Northeast Colorado Board of Cooperative Educational Services' (the "BOCES") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the BOCES' major federal programs for the year ended June 30, 2020. The BOCES' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the BOCES' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the BOCES' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the BOCES' compliance.

Opinion on Each Major Federal Program

In our opinion, the BOCES' complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the BOCES' is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the BOCES' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the BOCES' internal control over compliance.

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

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

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

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

We have audited the financial statements of the governmental activities and major fund of the BOCES as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements. We issued our report thereon dated December 6, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the 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 financial statements as a whole.

Mayberry + Company, LLC

Englewood, Colorado
January 19, 2021

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2020

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weakness identified? _____ yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes x no

Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

- Material weakness identified? _____ yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes x no

Type of auditors' report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? _____ yes x no

Identification of major programs:

- 84.027 Special Education Grants to States
- 84.173 Special Education Preschool Grants

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? x yes _____ no

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2020

II - Findings relating to the financial statement audit as required to be reported in accordance with generally accepted government auditing standards

A. Material Weaknesses in Internal Control

The audit of the financial statements of the Northeast Colorado Board of Cooperative Educational Services, as of and for the year ended June 30, 2020, did not disclose any material weaknesses or significant deficiencies in internal controls.

B. Compliance Findings

The audit of the financial statements of the Northeast Colorado Board of Cooperative Educational Services, as of and for the year ended June 30, 2020, did not disclose any instances of noncompliance with requirements with certain provisions of laws, regulations, and grants that were material to those financial statements.

III - Findings and Questioned Costs for Federal Awards

A. Material Weaknesses in Internal Control

The audit of the major programs of the Northeast Colorado Board of Cooperative Educational Services, as of and for the year ended June 30, 2020, did not disclose any material weaknesses or significant deficiencies in internal controls over grant compliance requirements.

B. Compliance Findings

The audit of the major programs of the Northeast Colorado Board of Cooperative Educational Services, as of and for the year ended June 30, 2020, did not disclose any instances of noncompliance with requirements with certain provisions of laws, regulations, and grants that were material to those financial statements.

C. Questioned Costs

None noted.

VI – Schedule of Prior Year Findings

None.

NE Colo BOCES
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
<i>Special Education Cluster (IDEA)-Cluster</i>			
Department of Education			
Special Education_Grants to States	84.027	Colo Dept of Education,4027	\$ 923,018
Special Education_Preschool Grants	84.173	Colo Dept of Education,4173	41,557
<i>Total Special Education Cluster (IDEA)-Cluster</i>			<u>964,575</u>
<i>Other Programs</i>			
Department of Education			
Title I Grants to Local Educational Agencies	84.010	Colo Dept of Education,4010 Colorado Community College	223,436
Career and Technical Education -- Basic Grants to States	84.048	System,4048	174,448
Special Education-Grants for Infants and Families	84.181	Colo Dept of Education,5181	1,075
English Language Acquisition State Grants	84.365	Colo Dept of Education,4365	16,045
Improving Teacher Quality State Grants	84.367	Colo Dept of Education,4367	25,594
Student Support and Academic Enrichment Program	84.424	Colo Dept of Education,4424	78,908
<i>Total Department of Education</i>			<u>519,506</u>
Department of the Treasury			
Coronavirus Relief Fund	21.019	Colo Dept of Education,4012	727
<i>Total Other Programs</i>			<u>520,233</u>
<i>Total Expenditures of Federal Awards</i>			<u><u>\$ 1,484,808</u></u>

The accompanying notes are an integral part of this schedule

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

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* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in the financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3: 10% DE MINIMIS INDIRECT COST RATE

The BOCES did not utilize the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4: SUBRECIPIENTS

There were no subrecipients that received funding from the BOCES for the fiscal year.