

GRAND VALLEY BOARD OF COOPERATIVE
EDUCATIONAL SERVICES

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2021

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GRAND VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

As management of the Grand Valley Board of Cooperative Educational Services (GVBOCES), we offer readers of GVBOCES financial statements this narrative overview and analysis of the financial activities of GVBOCES for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements.

GVBOCES is a collaborative partnership effort between Mesa County Valley School District No. 51 and Colorado Mesa University as an effort to provide career and technical programs to students from both institutions. GVBOCES was founded in 1994 and student enrollment and programs have increased at a constant rate since the inception of GVBOCES.

Financial Highlights

- The liabilities and deferred inflows of resources of GVBOCES exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$375,245 (net position). Of this amount, \$205,223 is the net investment in capital assets leaving an unrestricted net position balance of (\$580,469).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$532,123.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to GVBOCES basic financial statements. GVBOCES basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of GVBOCES finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of GVBOCES assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of GVBOCES is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The government-wide financial statements distinguish functions of GVBOCES that are principally supported by intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of GVBOCES include instructional services, pupil services, general administration services, business administration services, and central support services. The business-type activities of the GVBOCES consist of a restaurant and a law enforcement training facility.

The government-wide financial statements include only GVBOCES itself, as GVBOCES has no component units.

The government-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. GVBOCES, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of GVBOCES can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

GVBOCES maintains one individual governmental fund, the General Fund, which is considered to be a major fund.

GVBOCES adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11-14 of this report.

Proprietary funds. GVBOCES maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. GVBOCES uses enterprise funds to account for its law enforcement training facility operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among various functions of GVBOCES.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the CLETC Enterprise Fund, which is considered to be a major fund of GVBOCES.

The basic proprietary funds financial statements can be found on pages 17-19 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support GVBOCES own programs.

GVBOCES uses a Student Activity Fund to account for resources held for student activities and groups.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-53 of this report.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of GVBOCES, liabilities and deferred inflows exceeded assets and deferred outflows by \$375,245 at the close of the most recent fiscal year.

GRAND VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

Net Position

| | Governmental Activities 2020 | Business-type Activities 2020 | Governmental Activities 2021 | Business-type Activities 2021 | Total Activities 2020 | Total Activities 2021 |
|----------------------------------|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|-----------------------------|-----------------------------|
| Current and Other Assets | 712,291 | 13,976 | 670,258 | 19,842 | 726,267 | 690,100 |
| Capital Assets | 232,574 | 0 | 205,223 | 0 | 232,574 | 205,223 |
| Deferred Outflows | 89,992 | 0 | 137,087 | 0 | 89,992 | 137,087 |
| Total | 1,034,856 | 13,976 | 1,012,569 | 19,842 | 1,048,832 | 1,032,411 |
| Current Liabilities | 27,660 | 0 | 29 | 0 | 27,660 | 29 |
| Noncurrent Liabilities | 824,013 | 0 | 789,686 | 0 | 824,013 | 789,686 |
| Deferred Inflows | 970,520 | 0 | 617,941 | 0 | 970,520 | 617,941 |
| Total | 1,822,193 | 0 | 1,407,656 | 0 | 1,822,193 | 1,407,656 |
| Net Position | (787,337) | 13,976 | (395,087) | 19,842 | (773,361) | (375,245) |
| Net Investment in Capital Assets | 232,574 | 0 | 205,223 | 0 | 232,574 | 205,223 |
| Unrestricted Net Position | (1,019,910) | 13,976 | (600,311) | 19,842 | (1,005,934) | (580,469) |
| Total Net Position | (787,337) | 13,976 | (395,087) | 19,842 | (773,361) | (375,245) |

Of all GVBOCES assets, 20.3% reflect its investment in capital assets, less accumulated depreciation. GVBOCES uses these capital assets to provide services to students; consequently, these assets are not available for future spending. 66.2% of GVBOCES assets are cash and investments. 3.9% of GVBOCES liabilities represent accrued fringe benefits.

GRAND VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Changes in Net Position

| | Governmental Activities 2020 | Business-type Activities 2020 | Governmental Activities 2021 | Business-type Activities 2021 | Total Activities 2020 | Total Activities 2021 |
|-------------------------------------|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|-----------------------------|
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | 2,372,732 | 13,600 | 2,300,814 | 24,625 | 2,386,332 | 2,325,439 |
| Grants/Contributions | 146,205 | 12,000 | 137,084 | 12,035 | 158,205 | 149,119 |
| General Revenues | | | | | | |
| Investment Earnings | 5,818 | 0 | 466 | 0 | 5,818 | 466 |
| Transfers/Contributions | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Revenues | <u>2,524,755</u> | <u>25,600</u> | <u>2,438,364</u> | <u>36,660</u> | <u>2,550,355</u> | <u>2,475,024</u> |
| Expenditures | | | | | | |
| Instructional Services | 1,618,350 | 0 | 1,200,841 | | 1,618,350 | 1,200,841 |
| Student Services | 145,665 | 0 | 115,149 | | 145,665 | 115,149 |
| General / Administrative | 254,483 | 0 | 258,901 | | 254,483 | 258,901 |
| Business Services | 156,877 | 0 | 159,182 | | 156,877 | 159,182 |
| Central Support | 320,075 | 0 | 312,041 | | 320,075 | 312,041 |
| CLETC | 0 | 22,204 | 0 | 30,794 | 22,204 | 30,794 |
| Total Expenses | <u>2,495,450</u> | <u>22,204</u> | <u>2,046,114</u> | <u>30,794</u> | <u>2,517,654</u> | <u>2,076,908</u> |
| Increase (Decrease) in Net Position | <u>29,305</u> | <u>3,396</u> | <u>392,250</u> | <u>5,866</u> | <u>32,701</u> | <u>398,116</u> |
| | | | | | Net Position July 1, 2020 | (773,361) |
| | | | | | Increase (Decrease) in Net Position | <u>398,116</u> |
| | | | | | Net Position July 1, 2021 | <u>(375,245)</u> |

- Revenues decreased 3.0%
- Expenses decreased 17.5%
- Investment earnings decreased 92.0%

As noted earlier, GVBOCES uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of GVBOCES *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing GVBOCES financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the GVBOCES governmental fund reported ending fund balance of \$532,152, a decrease of \$52,452 in comparison with the prior year. ***Unassigned fund balance*** of \$532,152 is available for spending at the GVBOCES discretion.

The General Fund is the chief operating fund of the GVBOCES. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$532,152. See page 11 of this report for detail.

Proprietary funds. GVBOCES proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the CLETC Enterprise Fund amounted to \$19,842 as of June 30, 2021, an increase of \$5,866.

General Fund Budgetary Highlights

The net decrease in General Fund Balance is \$532,152 less than budgeted. This is due to unspent reserve and capital expenditures less than expected.

Capital Asset and Debt Administration

Capital assets. GVBOCES investment in capital assets for its governmental and business-type activities as of June 30, 2020 amounts to \$205,223 (net of accumulated depreciation). This investment in capital assets is in equipment; GVBOCES does not own land or buildings.

Long-term debt. At the end of the current fiscal year, GVBOCES had no outstanding long-term debt.

Requests for Information

This financial report is designed to provide a general overview of GVBOCES finances for all those with an interest in GVBOCES finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Manager of Business Services, Grand Valley BOCES at 2508 Blichmann Avenue, Grand Junction, Colorado 81505.

Grand Valley Board of Cooperative Educational Services

STATEMENT OF NET POSITION

June 30, 2021

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|---------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | |
| Assets | | | |
| Cash and investments | \$ 668,808 | \$ 19,842 | \$ 688,650 |
| Accounts receivable, less allowance for doubtful accounts of \$-0- | 563 | - | 563 |
| Due from other governments | 887 | - | 887 |
| Capital assets (net of accumulated depreciation) | | | |
| Equipment | 205,223 | - | 205,223 |
| Total assets | 875,481 | 19,842 | 895,323 |
| Deferred outflows related to pension | 135,544 | - | 135,544 |
| Deferred outflows related to OPEB | 1,544 | - | 1,544 |
| Total deferred outflows of resources | 137,087 | - | 137,087 |
| Total assets and deferred outflows of resources | <u>\$ 1,012,569</u> | <u>\$ 19,842</u> | <u>\$ 1,032,411</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | | |
| Liabilities | | | |
| Accrued liabilities | \$ 29 | \$ - | \$ 29 |
| Non-current liabilities | | | |
| Compensated absences | 30,479 | - | 30,479 |
| Net pension liability | 732,571 | - | 732,571 |
| Net OPEB liability | 26,636 | - | 26,636 |
| Total liabilities | 789,715 | - | 789,715 |
| Deferred inflows related to pension | 589,430 | - | 589,430 |
| Deferred inflows related to OPEB | 28,511 | - | 28,511 |
| Total deferred inflows of resources | 617,941 | - | 617,941 |
| Net Position | | | |
| Net investment in capital assets | 205,223 | - | 205,223 |
| Unrestricted | (600,310) | 19,842 | (580,468) |
| Total net position | (395,087) | 19,842 | (375,245) |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 1,012,569</u> | <u>\$ 19,842</u> | <u>\$ 1,032,411</u> |

The accompanying notes are an integral part of this statement.

Grand Valley Board of Cooperative Educational Services

STATEMENT OF ACTIVITIES

Year ended June 30, 2021

| Function/Programs | Expenses | Program Revenues | | Governmental Activities | Business-type Activities | Total | |
|-----------------------------------|---------------------|----------------------|------------------------------------|-------------------------|--------------------------|------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | | | | Capital Grants and Contributions |
| Governmental activities: | | | | | | | |
| Instructional services | \$ 1,200,841 | \$ 1,185,226 | \$ 136,438 | \$ 646 | \$ 121,469 | \$ - | \$ 121,469 |
| Support services: | | | | | | | |
| Pupil services | 115,149 | 286,209 | - | - | 171,060 | - | 171,060 |
| General administration | 258,901 | 546,875 | - | - | 287,974 | - | 287,974 |
| Business administration | 159,182 | 152,909 | - | - | (6,273) | - | (6,273) |
| Central support | 312,041 | 129,595 | - | - | (182,446) | - | (182,446) |
| Total support services | <u>845,273</u> | <u>1,115,588</u> | <u>-</u> | <u>-</u> | <u>270,315</u> | <u>-</u> | <u>270,315</u> |
| Total governmental activities | <u>2,046,114</u> | <u>2,300,814</u> | <u>136,438</u> | <u>646</u> | <u>391,784</u> | <u>-</u> | <u>391,784</u> |
| Business-type activities: | | | | | | | |
| CLETC | <u>30,794</u> | <u>24,625</u> | <u>12,035</u> | <u>-</u> | <u>-</u> | <u>5,866</u> | <u>5,866</u> |
| Total business-type activities | <u>30,794</u> | <u>24,625</u> | <u>12,035</u> | <u>-</u> | <u>-</u> | <u>5,866</u> | <u>5,866</u> |
| Total | <u>\$ 2,076,908</u> | <u>\$ 2,325,439</u> | <u>\$ 148,473</u> | <u>\$ 646</u> | <u>391,784</u> | <u>5,866</u> | <u>397,650</u> |
| General revenues: | | | | | | | |
| Interest earnings | | | | | 466 | - | 466 |
| Total general revenues | | | | | <u>466</u> | <u>-</u> | <u>466</u> |
| Change in net position | | | | | 392,250 | 5,866 | 398,116 |
| Net position at beginning of year | | | | | (787,337) | 13,976 | (773,361) |
| Net position at end of year | | | | | <u>\$ (395,087)</u> | <u>\$ 19,842</u> | <u>\$ (375,245)</u> |

The accompanying notes are an integral part of this statement.

Grand Valley Board of Cooperative Educational Services

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2021

| | General | Student Activity | Total Governmental Funds |
|---|-------------------|-------------------|--------------------------------|
| ASSETS | | | |
| Cash and investments | \$ 530,868 | \$ 137,940 | \$ 668,808 |
| Accounts receivable, less allowance for doubtful accounts of \$-0- | 397 | 166 | 563 |
| Due from other funds | - | - | - |
| Due from other governments | 887 | - | 887 |
| Total assets | <u>\$ 532,152</u> | <u>\$ 138,106</u> | <u>\$ 670,258</u> |
| LIABILITIES AND FUND EQUITY | | | |
| Liabilities | | | |
| Accrued liabilities | \$ 29 | \$ - | \$ 29 |
| Unearned revenue | - | - | - |
| Due to other funds | - | - | - |
| Total liabilities | <u>29</u> | <u>-</u> | <u>29</u> |
| Fund equity | | | |
| Assigned for student activities | - | 138,106 | 138,106 |
| Unassigned | 532,123 | - | 532,123 |
| Total fund equity | <u>532,123</u> | <u>138,106</u> | <u>670,229</u> |
| Total liabilities and fund equity | <u>\$ 532,152</u> | <u>\$ 138,106</u> | <u>\$ 670,258</u> |

The accompanying notes are an integral part of this statement.

Grand Valley Board of Cooperative Educational Services

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

June 30, 2021

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

| | |
|--|----------------------------|
| Total governmental fund balance | \$ 670,229 |
| Capital assets are not recorded in the funds. | 205,223 |
| The amount by which deferred outflows of resources are less than deferred inflows of resources, both of which are not recorded in the funds. | (480,853) |
| Net pension and OPEB liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | (759,207) |
| Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds. | <u>(30,479)</u> |
| Net position of governmental activities. | <u><u>\$ (395,087)</u></u> |

The accompanying notes are an integral part of this statement.

Grand Valley Board of Cooperative Educational Services

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended June 30, 2021

| | General | Student Activity | Total Governmental Funds |
|---|-------------------|-------------------|--------------------------------|
| Revenues | | | |
| Local sources | \$ 2,214,147 | \$ 87,313 | \$ 2,301,460 |
| State sources | 136,438 | - | 136,438 |
| Interest revenue | 466 | - | 466 |
| Total revenues | <u>2,351,051</u> | <u>87,313</u> | <u>2,438,364</u> |
| Expenditures | | | |
| Current | | | |
| Instructional services | | | |
| Vocational education | 1,371,888 | - | 1,371,888 |
| Student activities | - | 49,234 | 49,234 |
| Support services | 1,031,644 | - | 1,031,644 |
| Total expenditures | <u>2,403,532</u> | <u>49,234</u> | <u>2,452,766</u> |
| Excess of revenues over (under) expenditures | (52,481) | 38,079 | (14,402) |
| Fund balance at beginning of year | <u>584,604</u> | <u>100,027</u> | <u>684,631</u> |
| Fund balance at end of year | <u>\$ 532,123</u> | <u>\$ 138,106</u> | <u>\$ 670,229</u> |

The accompanying notes are an integral part of this statement.

Grand Valley Board of Cooperative Educational Services

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2021

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

Net change in fund balances - total governmental funds \$ (14,402)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation was (more) less than capital outlay in the current period. (27,351)

In the governmental funds, expenditures related to pension and OPEB obligations are measured by the amount of financial resources used (essentially, the amounts actually paid to the plan), whereas in the statement of activities, they are measured on full accrual basis. This is the amount by which pension and OPEB expense in the statement of activities was less than pension and OPEB expenditures in the governmental funds. 434,209

In the governmental funds, expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid to employees), whereas in the statement of activities, they are measured as the benefits are earned by employees during the year. This is the amount the liability for compensated absences increased during the year. (206)

Change in net position of governmental activities \$ 392,250

The accompanying notes are an integral part of this statement.

Grand Valley Board of Cooperative Educational Services

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND

Year ended June 30, 2021

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|--------------------|------------------|-------------------|--|
| Revenues | | | | |
| Local sources | | | | |
| Charges for services - contracts | \$ 2,100,529 | \$ 2,129,266 | \$ 2,129,266 | \$ - |
| Interest | 5,140 | 700 | 466 | (234) |
| Miscellaneous | 82,680 | 78,680 | 84,881 | 6,201 |
| | <u>2,188,349</u> | <u>2,208,646</u> | <u>2,214,613</u> | <u>5,967</u> |
| State sources | | | | |
| Grants | 111,514 | 111,514 | 136,438 | 24,924 |
| | <u>111,514</u> | <u>111,514</u> | <u>136,438</u> | <u>24,924</u> |
| Total revenues | <u>2,299,863</u> | <u>2,320,160</u> | <u>2,351,051</u> | <u>30,891</u> |
| Expenditures | | | | |
| Current | | | | |
| Instructional - vocational education | 1,201,021 | 1,275,521 | 1,371,888 | (96,367) |
| Support services | | | | |
| Instructional support | 269,745 | 271,755 | 140,538 | 131,217 |
| School and central administration | 268,021 | 272,017 | 315,985 | (43,968) |
| Business administration | 193,549 | 196,426 | 194,279 | 2,147 |
| Operations and maintenance | 435,487 | 600,303 | 380,842 | 219,461 |
| Appropriated reserve | 276,274 | 188,742 | - | 188,742 |
| | <u>2,644,097</u> | <u>2,804,764</u> | <u>2,403,532</u> | <u>401,232</u> |
| Capital outlay | | | | |
| Other | - | - | - | - |
| Legislative - equipment | 190,638 | 100,000 | - | 100,000 |
| | <u>190,638</u> | <u>100,000</u> | <u>-</u> | <u>100,000</u> |
| Total expenditures | <u>2,834,735</u> | <u>2,904,764</u> | <u>2,403,532</u> | <u>501,232</u> |
| Excess of revenues over (under) expenditures | (534,872) | (584,604) | (52,481) | 532,123 |
| Fund balance at beginning of year | 534,872 | 584,604 | 584,604 | - |
| Fund balance at end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 532,123</u> | <u>\$ 532,123</u> |

The accompanying notes are an integral part of this statement.

Grand Valley Board of Cooperative Educational Services

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - STUDENT ACTIVITY FUND

Year ended June 30, 2021

| | Original and Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|---------------------------------|-------------------|--|
| Revenues | | | |
| Student activities | \$ 200,000 | \$ 87,313 | \$ (112,687) |
| Expenditures | | | |
| Student activities | 200,000 | 49,234 | 150,766 |
| Excess of revenues over (under) expenditures | - | 38,079 | 38,079 |
| Fund balance, beginning of year | 96,450 | 100,027 | 3,577 |
| Fund balance, end of year | <u>\$ 96,450</u> | <u>\$ 138,106</u> | <u>\$ 41,656</u> |

The accompanying notes are an integral part of this statement.

Grand Valley Board of Cooperative Educational Services

STATEMENT OF FUND NET POSITION -
PROPRIETARY FUND

June 30, 2021

| | <u>CLETC</u> |
|------------------------------------|--------------------------------|
| ASSETS | |
| Cash and cash equivalents | <u>\$ 19,842</u> |
| | |
| Total assets | <u><u>\$ 19,842</u></u> |
| NET POSITION | |
| Unrestricted | <u>\$ 19,842</u> |
| | |
| Total liabilities and net position | <u><u>\$ 19,842</u></u> |

The accompanying notes are an integral part of this statement.

Grand Valley Board of Cooperative Educational Services
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET POSITION - PROPRIETARY FUND

Year ended June 30, 2021

| | CLETC |
|--------------------------------|------------------------------|
| Operating revenues | |
| Charges for services | \$ 24,625 |
| Contributions | 12,035 |
| Total revenues | 36,660 |
| Operating expenses | |
| Supplies and miscellaneous | 6,311 |
| Contract services | 11,670 |
| Utilities | 12,813 |
| Total operating expenses | 30,794 |
| | Change in net position 5,866 |
| Net position beginning of year | 13,976 |
| Net position end of year | \$ 19,842 |

The accompanying notes are an integral part of this statement.

Grand Valley Board of Cooperative Educational Services

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND

Year ended June 30, 2021

| | <u>CLETC</u> |
|--|------------------|
| Cash flows from operating activities | |
| Cash received from customers | \$ 36,660 |
| Cash paid to suppliers | (30,794) |
| | <hr/> |
| Net cash provided (used) by operating activities | 5,866 |
| | <hr/> |
| Increase (decrease) in cash | 5,866 |
| | <hr/> |
| Cash at beginning of year | 13,976 |
| | <hr/> |
| Cash at end of year | <u>\$ 19,842</u> |
| | |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | |
| Operating income (loss) | \$ 5,866 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | |
| Changes in assets and liabilities | <hr/> - |
| Total adjustments | <hr/> - |
| | <hr/> |
| Net cash provided (used) by operating activities | <u>\$ 5,866</u> |

The accompanying notes are an integral part of this statement.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. The Reporting Entity

The Grand Valley Board of Cooperative Educational Services (BOCES) is a local educational service unit organized under the "Board of Cooperative Services Act of 1965" - Colorado Revised Statutes 22-5-101 through 117. The BOCES serves one member school district and one member institution of higher education in western Colorado.

The BOCES is the primary government and has no component units.

2. Government-wide and Fund Financial Statements

The BOCES basic financial statements include both government-wide (reporting the BOCES as a whole) and fund financial statements (reporting the BOCES major funds). Separate financial statements are provided for governmental funds and proprietary funds. Major governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Government-wide Financial Statements

In the government-wide Statement of Net Position, the governmental activities columns are reported on a full accrual, economic resource basis, which recognizes all long-term assets and deferred outflows of resources as well as long-term debt, obligations, and deferred inflows of resources. BOCES net position is reported in two parts: net investment in capital assets and unrestricted net position.

The government-wide focus is on the sustainability of the BOCES as an entity and the change in the BOCES' net position resulting from the current year's activities.

Fund Financial Statements

The financial transactions of the BOCES are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses.

The fund focus is on current available resources and budget compliance.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives.

The BOCES reports the following governmental funds:

GOVERNMENTAL FUNDS

General Fund. The General fund is the BOCES' general operating fund and is used to account for all financial transactions not accounted for elsewhere. Major revenue sources include grants, contracts, and state funding. Expenditures include all costs associated with specific contracts entered into by the BOCES.

Student Activity Fund. The Student Activity Fund accounts for funds raised by student groups to be used for student activities.

PROPRIETARY FUND

Colorado Law Enforcement Training Center (CLETC) Fund. The CLETC fund is used to account for activities related to the drive track maintained by the educational unit. The fund is supported through annual payments made by three outside government agencies that use the drive track and also by user charges.

4. Basis of Accounting and Measurement Focus

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available to finance expenditures of the current period. For this purpose, the BOCES considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recognized when the related fund liability is incurred.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund activity is not eliminated in the fund financial statements.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Basis of Accounting and Measurement Focus – Continued

The Proprietary fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The proprietary fund is accounted for on a cost of services (capital maintenance) measurement focus. The statement of net position for this fund includes all current and non-current assets and liabilities (net position). Unrestricted net position is the only component of fund equity. The operating statement summarizes cost of services for the period and reflects the change in net position.

5. Budget Adoption Process

In June, the Board of Directors adopts the budget for the following fiscal year. The Board may amend or adopt supplemental budgets during the budget year. A supplemental budget was appropriated by the Board for the year ended June 30, 2021.

6. Budgeted Level of Expenditures

Expenditures may not legally exceed appropriations at the fund level. Administrative control is maintained through the use of detailed line-item budgets. Budgets must be amended at the fund level by the Board of Directors. At year-end, all appropriations lapse in accordance with Colorado statutes.

7. Budgetary Basis of Accounting

Appropriated budgets are adopted by the Board of Directors for all funds. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

The following is a presentation of final budget to actual for the CLETC fund for the year ended June 30, 2021.

| | Final Budget | Actual | Variance Favorable (Unfavorable) |
|-------------------------|-----------------|-----------|--|
| Operating revenues | \$ 24,000 | \$ 36,660 | \$ 12,660 |
| Operating expenditures | (34,580) | (30,794) | 3,786 |
| Net earnings (loss) | (10,580) | 5,866 | 16,446 |
| Net position, beginning | 10,580 | 13,976 | 3,396 |
| Net position, ending | \$ — | \$ 19,482 | \$ 19,842 |

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by BOCES as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost if purchased or constructed and donated capital assets are recorded at their estimated fair market value on the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Property, plant and equipment of BOCES are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|--------------------------------|--------------|
| Buildings | 40 |
| Equipment | 8-30 |
| Vehicles and software | 5-7 |
| Computers and office equipment | 5 |

9. Future Compensated Absences

In Governmental Fund Types, the costs for compensated absences are recognized when payments are made to employees. A long-term liability for accrued vacation and sick leave benefits at June 30, 2020, has been recorded in the governmental-wide financial statements, representing the BOCES commitment to fund such costs from the General fund. Payment for any of the accrued benefits will occur in subsequent years and be made from future resources.

10. Related Parties

A substantial amount of the funds for facilities and personnel for the BOCES are currently provided by Mesa County Valley School District No. 51 (the District) and Colorado Mesa University (the University). The District and the University organized the BOCES and each appoints two of the seven Board members, with the other three Board members selected from the community. The District has a contract with the BOCES to provide funding and support.

11. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

12. Interfund Balances

Due To and Due From Other Funds. During the course of its operations, the BOCES has numerous transactions between funds to finance operations and provide services. To the extent that certain transactions between funds had not been paid or received as of June 30, 2021, balances of interfund amounts receivable or payable have been recorded.

13. Pensions

The BOCES 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. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2021.

14. Other Post-Employment Benefit Plan (OPEB)

The BOCES 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.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE B – DEPOSITS AND INVESTMENTS

At June 30, 2021, the carrying value of deposits with financial institutions was \$320,912. Cash consists of the following:

| | | |
|-------------------------|----|----------------|
| Cash on hand | \$ | 350 |
| Cash in demand accounts | | <u>320,913</u> |
| Total cash | \$ | <u>321,263</u> |

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

At June 30, 2021, the BOCES cash deposits had a bank balance as follows:

| | | |
|---------------------|----|----------------|
| | | Bank |
| | | <u>Balance</u> |
| Insured deposits | \$ | 250,000 |
| PDPA collateralized | | <u>330,118</u> |
| Total deposits | \$ | <u>580,118</u> |

State statutes authorize the BOCES to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of the State of Colorado or of any county, school district, and certain towns and cities therein, notes or bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, certain repurchase agreements, and local government investment pools.

At June 30, 2021, the BOCES had \$367,387 invested in the Colorado Surplus Asset Fund Trust (CSAFE) respectively, an investment vehicle established for local governmental entities in Colorado to pool surplus funds for investment purposes. At June 30, 2021, the approximate market value of the BOCES' investments is \$367,387. CSAFE was rated AAAM by Standard & Poor's Corporation.

The BOCES categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles and GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. C-SAFE operates like a 2a-7 external investment pool and investments in the pool are valued at \$1 net asset value (NAV) per share. The underlying investments held by CSAFE, and the BOCES' investment in CSAFE, are valued at amortized cost which approximates fair value; there are no limitations on withdrawals.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE B – DEPOSITS AND INVESTMENTS – CONTINUED

Interest rate risk – The BOCES does not have a formal policy limiting investment maturities, other than that established by state statute of five years that would help manage its exposure to fair value losses from increasing interest rates.

NOTE C – MAJOR REVENUES

The BOCES received 76% and 10% of its general fund revenue for the year ended June 30, 2021, from contracts with Mesa County Valley School District No. 51 and with Colorado Mesa University, respectively.

NOTE D – CAPITAL ASSETS

| | Balance June 30, 2020 | Additions | Deletions | Balance June 30, 2021 |
|----------------------------------|-----------------------------|--------------------|-------------|-----------------------------|
| Land | \$ – | \$ – | \$ – | \$ – |
| Depreciable capital assets: | | | | |
| Equipment | 1,132,176 | – | – | 1,132,176 |
| Total depreciable capital assets | 1,132,176 | – | – | 1,132,176 |
| Accumulated depreciation | | | | |
| Equipment | (899,602) | (27,351) | – | (926,953) |
| Total accumulated depreciation | (899,602) | (27,351) | – | (926,953) |
| Depreciable capital assets, net | 232,574 | (27,351) | – | 205,223 |
| Capital assets, net | <u>\$ 232,574</u> | <u>\$ (27,351)</u> | <u>\$ –</u> | <u>\$ 205,223</u> |

Capital outlay accounts are used to record expenditures made for items, which have a useful life of more than one year. Capital expenditures made in the General fund are recorded as instructional or support services for presentation in this financial statement. Not all capital outlay expenditures become actual additions to capital assets.

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

| | |
|--|------------------|
| Instructional services | \$ 23,981 |
| Central support | 3,370 |
| Total depreciation expense for governmental activities | <u>\$ 27,351</u> |

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE E – LONG-TERM LIABILITIES

The BOCES long-term liabilities consist of the following:

| | Balance June 30, 2020 | Additions (Reductions) | Balance June 30, 2021 |
|-----------------------------|-----------------------------|---------------------------|-----------------------------|
| Future compensated absences | \$ 30,273 | \$ 206 | \$ 30,479 |
| Net pension liability | 756,511 | (23,940) | 732,571 |
| Net OPEB liability | 37,229 | (10,593) | 26,636 |
| | <u>\$ 824,013</u> | <u>\$ (34,327)</u> | <u>\$ 736,686</u> |

NOTE F – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. Eligible employees of the BOCES 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 that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2020. 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.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTNUED

- \$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.

As of December 31, 2020, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lessor of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

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

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

Contributions provisions as of June 30, 2021: Eligible employees of the BOCES 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 10.40 percent of their PERA-includable salary during the period of July 1, 2020 through June 30, 2021. Employer contribution requirements are summarized in the table below:

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

| | July 1, 2020 Through June 30, 2021 |
|--|---|
| Employer contribution rate | 10.90% |
| Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) | (1.02)% |
| Amount apportioned to the SCHDTF | 9.88% |
| Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 | 4.50% |
| Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 | 5.50% |
| Total employer contribution rate to the SCHDTF | 19.88% |

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

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (actual dollars) each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. House Bill (HB) 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020 for the State's 2020-21 fiscal year.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the BOCES is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the BOCES were \$50,305 for the year ended June 30, 2021.

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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total pension liability to December 31, 2020. The BOCES' proportion of the net pension liability was based on BOCES' contributions to the SCHDTF for the calendar year 2020 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

Due to the aforementioned suspension of the July 1, 2020, direct distribution payment, the nonemployer contributing entity's proportion is zero percent. Pursuant to C.R.S. § 24-51-414, the direct distribution payment from the State of Colorado is to recommence annually starting on July 1, 2021. For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation.

At June 30, 2021, the BOCES reported a liability of \$732,571 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 BOCES 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 BOCES were as follows:

| | |
|---|------------|
| | |
| The BOCES' proportionate share of the net pension liability | \$ 732,571 |
| The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the BOCES | — |
| Total | \$ 732,571 |

At December 31, 2020, BOCES' proportion was 0.00485 percent, which was a decrease of 0.000218 from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the BOCES recognized pension expense of \$(376,929) and revenue of \$0 for support from the State as a nonemployer contributing entity. At June 30, 2021, the BOCES reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------|-------------------------------|
| Difference between expected and actual experience | \$ 40,247 | \$ – |
| Changes of assumptions or other inputs | 70,471 | 123,138 |
| Net difference between projected and actual earnings on pension plan investments | – | 161,256 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | – | 305,036 |
| Contributions subsequent to the measurement date | 24,827 | – |
| Total | \$ 135,545 | \$ 589,430 |

\$24,827 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. 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, 2021: | |
|----------------------------------|-----------|
| 2022 | (337,145) |
| 2023 | (74,010) |
| 2024 | (42,114) |
| 2025 | (25,443) |
| Thereafter | – |

Actuarial assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

| | |
|---|---------------------|
| Actuarial cost method | Entry age |
| Price inflation | 2.40 percent |
| Real wage growth | 1.10 percent |
| Wage inflation | 3.50 percent |
| Salary increases, including wage inflation | 3.50 – 9.70 percent |
| Long-term investment rate of return, net of pension plan investment expenses, including price inflation | 7.25 percent |
| Discount rate | 7.25 percent |

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

Post-retirement benefit increases:

PERA benefit structure hired prior to 1/1/07;

and DPS benefit structure (compounded annually) 1.25 percent

PERA benefit structure hired after 12/31/06¹ Financed by the AIR

¹ Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

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.

Post-retirement non-disabled mortality assumptions 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 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 actuarial assumptions used in the December 31, 2019, valuation 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.

Based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total pension liability from December 31, 2019, to December 31, 2020

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

| | |
|---|---------------------|
| Actuarial cost method | Entry age |
| Price inflation | 2.30% |
| Real wage growth | 0.70% |
| Wage inflation | 3.00% |
| Salary increases, including wage inflation: | 3.40%-11.00% |
| Long-term investment rate of return, net of pension plan investment expenses, including price inflation | 7.25% |
| Discount rate | 7.25% |
| Post-retirement benefit increases: | |
| PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (compounded annually) | 1.25% |
| PERA benefit structure hired after 12/31/06 ¹ | Financed by the AIR |

¹ Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available, therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

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

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

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

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

The mortality tables described above are generational mortality tables on a benefit-weighted basis.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

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

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

| Asset Class | Target Allocation | 30 Year Expected Geometric Real Rate of Return |
|---------------------------|-------------------|--|
| Global Equity | 54.00% | 5.60% |
| Fixed Income | 23.00% | 1.30% |
| Private Equity | 8.50% | 7.10% |
| Real Estate | 8.50% | 4.40% |
| Alternatives ¹ | 6.00% | 4.70% |
| Total | 100.00% | |

¹ The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

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

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE F – DEFINED BENEFIT PENSION PLAN – 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 3.00 percent.
- 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 contribution 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 ear, including the scheduled increase in SB 18-200. 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 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded. HB 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020, for the State's 2020-21 fiscal year.
- 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.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

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

Sensitivity of the BOCES' 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 liability | \$999,287 | \$732,571 | \$510,309 |

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 G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

General Information about the OPEB Plan

Plan description. Eligible employees of the BOCES 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

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

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.

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.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

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.

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 BOCES is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from BOCES were \$2,581 for the year ended June 30, 2021.

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

At June 30, 2021, the BOCES reported a liability of \$26,636 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2020. The BOCES' proportion of the net OPEB liability was based on the BOCES' contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

At December 31, 2020, the BOCES' proportion was 0.00280 percent, which was a decrease of 0.00051 from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the BOCES recognized negative OPEB expense of \$(4,394). At June 30, 2021, the BOCES reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------|-------------------------------|
| Difference between expected and actual experience | \$ 71 | \$ 5,856 |
| Changes of assumptions or other inputs | 199 | 1,633 |
| Net difference between projected and actual earnings on OPEB plan investments | – | 1,088 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | – | 19,934 |
| Contributions subsequent to the measurement date | 1,274 | – |
| Total | \$1,544 | \$28,511 |

\$1,274 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, 2021 | |
|---------------------------------|-----------|
| 2022 | \$(6,958) |
| 2023 | (6,806) |
| 2024 | (6,330) |
| 2025 | (6,031) |
| 2026 | (1,990) |
| Thereafter | (126) |

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

Actuarial assumptions. The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

| | |
|--|--|
| Actuarial cost method | Entry age |
| Price inflation | 2.40 percent |
| Real wage growth | 1.10 percent |
| Wage inflation | 3.50 percent |
| Salary increases, including wage inflation | 3.50 percent in aggregate |
| Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation | 7.25 percent |
| Discount rate | 7.25 percent |
| Health care cost trend rates | |
| PERA benefit structure: | |
| Service-based premium subsidy | 0.00 percent |
| PERACare Medicare plans | 8.10 percent in 2020, gradually decreasing to 4.50 percent in 2029 |
| Medicare Part A premiums | 3.50 percent in 2020, gradually increasing to 4.50 percent in 2029 |
| DPS benefit structure: | |
| Service-based premium subsidy | 0.00 percent |
| PERACare Medicare plans | N/A |
| Medicare Part A premiums | N/A |

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2019, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2020 for the PERA Benefit Structure:

| Medicare Plan | Monthly Cost | Monthly Premium | Monthly Cost Adjusted to Age 65 |
|--|--------------|-----------------|---------------------------------|
| Medicare Advantage/Self-Insured Prescription | \$588 | \$227 | \$550 |
| Kaiser Permanente Medicare Advantage HMO | 621 | 232 | 586 |

The 2020 Medicare Part A premium is \$458 (actual dollars) per month.

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

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2019, 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.

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 | \$550 |
| Kaiser Permanente Medicare Advantage HMO | 586 |

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2019, 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.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – 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 |
|-------|-------------------------|--------------------------|
| 2020 | 8.10% | 3.50% |
| 2021 | 6.40% | 3.75% |
| 2022 | 6.00% | 3.75% |
| 2023 | 5.70% | 3.75% |
| 2024 | 5.50% | 4.00% |
| 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 used in the December 31, 2019 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below were 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.

Post-retirement non-disabled 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.

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

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

- **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.

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

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the period January 1, 2012, through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by PERA’s Board during the November 18, 2016, Board meeting.

Based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period of January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA’s Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total OPEB liability from December 31, 2019, to December 31, 2020.

| | Trust Fund | | | |
|---|---------------------------|----------------------------|--|------------------------------|
| | State Division | School Division | Local Government Division | Judicial Division |
| Actuarial cost method | Entry age | Entry age | Entry age | Entry age |
| Price inflation | 2.30% | 2.30% | 2.30% | 2.30% |
| Real wage growth | 0.70% | 0.70% | 0.70% | 0.70% |
| Wage inflation | 3.00% | 3.00% | 3.00% | 3.00% |
| Salary increases, including wage inflation: | | | | |
| Members other than State Troopers | 3.30%-10.90% | 3.40%-11.00% | 3.20%-11.30% | 2.80%-5.30% |
| State Troopers | 3.20%-12.40% | N/A | 3.20%- 11.30% | N/A |

¹ C.R.S. § 24-51-101 (46), as amended, expanded the definition of “State Troopers” to include certain employees within the Local Government Division, effective January 1, 2020. See Note 4 of the Notes to the Financial Statements in PERA’s 2020 Annual Report for more information

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

The long-term rate of return, net of OPEB plan investment expenses, including price inflation and discount rate assumptions were 7.25 percent.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Mortality assumptions used in the roll forward calculations for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the roll forward calculation for the HCTF, using a headcount-weighted basis.

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

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

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

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

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

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

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

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

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

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

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

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

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

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

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

The mortality tables described above are generational mortality tables on a head-count weighted basis.

The following health care costs assumptions were updated and used in the roll forward calculation 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 2020 plan year.
- 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.

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NOTES TO FINANCIAL STATEMENTS

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NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by the Board’s actuary, as discussed above

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

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.

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

| Asset Class | Target Allocation | 30 Year Expected Geometric Real Rate of Return |
|---------------------------|--------------------------|---|
| Global Equity | 54.00% | 5.60% |
| Fixed Income | 23.00% | 1.30% |
| Private Equity | 8.50% | 7.10% |
| Real Estate | 8.50% | 4.40% |
| Alternatives ¹ | 6.00% | 4.70% |
| Total | 100.00% | |

¹ The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

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NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

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 percent.

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

| | 1% Decrease in Trend Rates | Current Trend Rates | 1% Increase in Trend Rates |
|---------------------------------------|----------------------------------|------------------------|----------------------------------|
| Initial PERACare Medicare trend rate | 7.10% | 8.10% | 9.10% |
| Ultimate PERACare Medicare trend rate | 3.50% | 4.50% | 5.50% |
| Initial Medicare Part A trend rate | 2.50% | 3.50% | 4.50% |
| Ultimate Medicare Part A trend rate | 3.50% | 4.50% | 5.50% |
| Net OPEB Liability | \$25,947 | \$26,636 | \$27,437 |

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, 2020, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00 percent.
- 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.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with the OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the HCTF's FNP was projected to 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.

Sensitivity of the BOCES' proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 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:

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|---------------------------|-------------------------------------|---------------------------|
| Proportionate share of the net OPEB liability | \$30,512 | \$26,636 | \$23,324 |

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 H – TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The BOCES believes it is in compliance with the requirements of the amendment. However, the BOCES has made certain interpretations of the amendment's language in order to determine its compliance.

NOTE I – RISK MANAGEMENT

The BOCES is a member of the Colorado School District Self-Insurance Pool (the Pool), which operates as a risk-sharing public entity pool comprised of various school districts and other related public educational entities within the State of Colorado. The Pool provides the BOCES with various types of

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE I – RISK MANAGEMENT – CONTINUED

insurance. During the year ended June 30, 2021, the BOCES paid \$29,963 in premiums to the Pool. In the event of the impairment or insolvency of the Pool, the BOCES may be assessed such amounts as may be necessary to ensure the solvency of the Pool. The likelihood of an event of this type occurring is remote.

The Colorado Compensation Insurance Authority provides worker's compensation insurance coverage. Commercial insurance companies are used to provide coverage for health, life, and other employee insurance programs maintained by the BOCES.

NOTE J – RELATED PARTY SERVICES

The BOCES receives the services of Colorado Mesa University administrative personnel and of faculty for post-secondary class offerings. The expenditures related to these services are included in the financial statements of Colorado Mesa University and amounted to \$3,053,444 for the year ended June 30, 2021.

Grand Valley Board of Cooperative Educational Services

SCHEDULE OF ACTIVITY - NET PENSION LIABILITY

June 30, 2021

| Measurement date: | Employer proportion of NPL | Employer proportionate share of NPL | Nonemployer contributing entity proportionate share of NPL associated with employer | Total of employer and nonemployer proportionate share of NPL | Covered payroll | Employer proportionate share of NPL as a percentage of covered payroll | Pension plan's fiduciary net position as a percentage of total pension liability |
|-------------------|----------------------------|-------------------------------------|---|--|-----------------|--|--|
| December 31, 2014 | 0.01039% | \$ 1,407,908 | \$ - | 1,407,908 | \$ 390,084 | 361% | 63% |
| December 31, 2015 | 0.00937% | 1,432,711 | - | 1,432,711 | 374,810 | 382% | 59% |
| December 31, 2016 | 0.00896% | 2,668,983 | - | 2,668,983 | 381,217 | 700% | 43% |
| December 31, 2017 | 0.00841% | 2,720,792 | - | 2,720,792 | 403,859 | 674% | 44% |
| December 31, 2018 | 0.00725% | 1,284,517 | 154,512 | 1,439,029 | 402,630 | 319% | 57% |
| December 31, 2019 | 0.00506% | 756,511 | 85,153 | 841,664 | 297,801 | 254% | 65% |
| December 31, 2020 | 0.00485% | 732,571 | - | 732,571 | 259,192 | 283% | 67% |

Grand Valley Board of Cooperative Educational Services

SCHEDULE OF ACTIVITY - EMPLOYER PENSION CONTRIBUTIONS

June 30, 2021

| | Required employer contribution | Employer contributions recognized by the plan | Difference | Covered payroll | Contributions as a percentage of covered payroll |
|---------------|--------------------------------------|--|------------|--------------------|--|
| June 30, 2015 | \$ 69,767 | \$ 69,767 | \$ - | \$ 389,915 | 17.89% |
| June 30, 2016 | 70,640 | 70,640 | - | 372,840 | 18.95% |
| June 30, 2017 | 72,942 | 72,942 | - | 387,576 | 18.82% |
| June 30, 2018 | 78,651 | 78,651 | - | 416,568 | 18.88% |
| June 30, 2019 | 68,850 | 68,850 | - | 359,903 | 19.13% |
| June 30, 2020 | 50,890 | 50,890 | - | 262,590 | 19.38% |
| June 30, 2021 | 50,305 | 50,305 | - | 253,043 | 19.88% |

Grand Valley Board of Cooperative Educational Services

SCHEDULE OF ACTIVITY - NET OPEB LIABILITY

June 30, 2021

| <u>Measurement date:</u> | <u>Employer proportion of NOPEBL</u> | <u>Employer proportionate share of NOPEBL</u> | <u>Covered payroll</u> | <u>Employer proportionate share of NOPEBL as a percentage of covered payroll</u> | <u>OPEB plan's fiduciary net position as a percentage of total OPEB liability</u> |
|--------------------------|--|---|----------------------------|--|---|
| December 31, 2017 | 0.00475% | \$ 61,698 | \$ 403,859 | 15% | 18% |
| December 31, 2018 | 0.00470% | 63,965 | 402,630 | 16% | 17% |
| December 31, 2019 | 0.00331% | 37,229 | 297,801 | 13% | 24% |
| December 31, 2020 | 0.00280% | 26,636 | 259,192 | 10% | 33% |

Grand Valley Board of Cooperative Educational Services

SCHEDULE OF ACTIVITY - EMPLOYER OPEB CONTRIBUTIONS

June 30, 2021

| | Required employer contribution | Employer contributions recognized by the plan | Difference | Covered payroll | Contributions as a percentage of employer covered payroll |
|---------------|--------------------------------------|--|-------------------|--------------------|--|
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| June 30, 2018 | \$ 4,249 | \$ 4,249 | \$ - | \$ 416,568 | 1.02% |
| June 30, 2019 | 3,671 | 3,671 | - | 359,903 | 1.02% |
| June 30, 2020 | 2,678 | 2,678 | - | 262,590 | 1.02% |
| June 30, 2020 | 2,581 | 2,581 | - | 253,043 | 1.02% |



Colorado Department of Education

Auditors Integrity Report

District: 9135 - Grand Valley BOCES

Fiscal Year 2020-21

Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

| Fund Type & Number | Beg Fund Balance & Prior Per Adj (6880*) | 1000 - 5999 Total Revenues & Other Sources | 0001-0999 Total Expenditures & Other Uses | 6700-6799 & Prior Per Adj (6880*) Ending Fund Balance |
|---|--|--|---|---|
| Governmental | + | | - | = |
| 10 General Fund | 584,604 | 2,351,051 | 2,403,532 | 532,123 |
| 18 Risk Mgmt Sub-Fund of General Fund | 0 | 0 | 0 | 0 |
| 19 Colorado Preschool Program Fund | 0 | 0 | 0 | 0 |
| Sub- Total | 584,604 | 2,351,051 | 2,403,532 | 532,123 |
| 11 Charter School Fund | 0 | 0 | 0 | 0 |
| 20,26-29 Special Revenue Fund | 0 | 0 | 0 | 0 |
| 06 Supplemental Cap Const, Tech, Main. Fund | 0 | 0 | 0 | 0 |
| 07 Total Program Reserve Fund | 0 | 0 | 0 | 0 |
| 21 Food Service Spec Revenue Fund | 0 | 0 | 0 | 0 |
| 22 Govt Designated-Purpose Grants Fund | 0 | 0 | 0 | 0 |
| 23 Pupil Activity Special Revenue Fund | 100,027 | 87,313 | 49,234 | 138,106 |
| 24 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 | 684,631 | 2,438,364 | 2,452,766 | 670,230 |
| Proprietary | | | | |
| 50 Other Enterprise Funds | 13,976 | 36,660 | 30,794 | 19,842 |
| 64 (63) Risk-Related Activity Fund | 0 | 0 | 0 | 0 |
| 60,65-69 Other Internal Service Funds | 0 | 0 | 0 | 0 |
| Totals | 13,976 | 36,660 | 30,794 | 19,842 |
| Fiduciary | | | | |
| 70 Other Trust and Agency Funds | 0 | 0 | 0 | 0 |
| 72 Private Purpose Trust Fund | 0 | 0 | 0 | 0 |
| 73 Agency Fund | 0 | 0 | 0 | 0 |
| 74 Pupil Activity Agency Fund | 0 | 0 | 0 | 0 |
| 79 GASB 34:Permanent Fund | 0 | 0 | 0 | 0 |
| 85 Foundations | 0 | 0 | 0 | 0 |
| Totals | 0 | 0 | 0 | 0 |

FINAL