

**ADAMS COUNTY BOARD OF  
COOPERATIVE EDUCATIONAL SERVICES  
FINANCIAL STATEMENTS  
JUNE 30, 2020**

## **ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

### **BOARD OF DIRECTORS**

Max Math, President, – Westminster Public Schools

Cindy Croisant, Vice President– Mapleton Public Schools

Gregory Piotraschke, Director – Adams and Weld Counties School District 27J

### **ADMINISTRATION**

Eric Wiant – Executive Director

Danielle Sullivan – Insurance Manager

Michael Sowder – Risk Manager/Director of Safety and Environmental Health

**ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

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**Dazzio & Associates, PC**

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Certified Public Accountants

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Adams County Board of Cooperative Educational Services  
Adams County, Colorado

We have audited the accompanying financial statements of the governmental activities and the major fund of the Adams County Board of Cooperative Educational Services as of and for the year June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

8200 South Quebec Street, Suite A3259, Centennial, Colorado 80112  
303-905-0809 • [info@dazziocpa.com](mailto:info@dazziocpa.com)

• Member American Institute of Certified Public Accountants • Member Colorado Society of Certified Public Accountants •

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

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages IV-X, the Schedules of the Proportionate Share of the Net Pension and Other Postemployment Benefits (OPEB) Liability and the related Schedules of Employer Contributions on pages 37 through 43, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Adams County Board of Cooperative Educational Services' basic financial statements. The Colorado Department of Education Auditor's Integrity Report is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Colorado Department of Education Auditor's Integrity Report is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain

additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Colorado Department of Education Auditor's Integrity Report is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Duzzio & Associates, P.C.*

October 19, 2020



Rocky Mountain Risk

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

## Management's Discussion and Analysis

As management of the Adams County Board of Cooperative Educational Services (BOCES), we offer readers of the BOCES financial statements this narrative overview and analysis of the financial activities of the BOCES for the fiscal year ended June 30, 2020.

The members are Mapleton Public Schools, Adams County School District 27J and Westminster Public Schools.

The Self Insurance Pool went through a rebranding process including changing its name to Rocky Mountain Risk Insurance Group, and as part of that name change Adams County BOCES will be using Rocky Mountain Risk as a DBA.

### Financial Highlights

- During the year ended June 30, 2020 the BOCES' net position increased \$207,165 from a deficit of \$1,720,180 to a deficit of \$1,513,015.
- In 2015, the BOCES implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires cost-sharing employers participating in the PERA program, such as the BOCES, to record their proportionate share, as defined in Statement No. 68, of PERA's unfunded pension liability. The BOCES' proportionate share of PERA's unfunded liability decreased \$1,166,417 to \$980,689 at June 30, 2020. For the measurement period December 31, 2019, the *total* Net Pension Liability for PERA's School Division Trust Fund decreased from \$17,707,054 to \$14,939,783 (in thousands of dollars) due to changes in assumptions and other pension reforms passed by the Colorado General Assembly in 2018.
- In 2018, the BOCES implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. Statement No. 75 requires cost-sharing employers participating in the PERA Health Care Trust Fund, such as the BOCES, to record their proportionate share, as defined in Statement No. 75, of PERA's unfunded OPEB liability. The BOCES' proportionate share of PERA's unfunded OPEB liability decreased from \$58,255 at June 30, 2019 to \$48,221 June 30, 2020.
- As of the close of the current fiscal year, the BOCES General Fund reported a total fund balance of \$122,914, an increase of \$16,701 from prior year.
- At June 30, 2020, the General Fund reports unassigned fund balance of \$27,175.



## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the BOCES basic financial statements. The BOCES basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information.

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

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

The *statement of activities* presents information showing how the BOCES 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.

Both of the government-wide financial statements identify functions of the BOCES that are principally to be supported by the Rocky Mountain Risk Insurance Group management fees. The governmental activities of the BOCES include the management and operation of the Self Insurance Pool for its member school districts and providing risk management and safety services to the members.

The government-wide financial statements are presented on pages 1 & 2 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. The BOCES, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The BOCES only has a general fund, which is a governmental fund.

The basic governmental fund financial statements are presented on pages 3 to 7 of this report.

**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.

Since the focus of 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 long-term 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*.

The BOCES maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the fund.

The BOCES Board of Directors adopts an annual appropriated budget for its general fund for the daily operations and activities of the BOCES. A budgetary comparison statement has been provided for this fund in the *basic financial statements* to demonstrate compliance with this budget.

**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 in this report. The notes to the basic financial statements begin on page 8 of this report.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the BOCES. This section includes schedules required by GASB 68 and GASB 75. The schedules of the BOCES' proportionate share of PERA's net pension liability and PERA's net OPEB liability and the schedules of employer contributions for both plans can be found on pages 37 to 43 of this report.

**Information for Oversight Agencies.** The additional schedule required as part of the Colorado Public School Finance Act can be found on pages 44 of this report.

## Government-wide Financial Analysis

A comparative analysis of current and prior year balances is included. The BOCES' liabilities/deferred inflows of resources exceeded assets/deferred outflows of resources by \$1,513,015 at the close of the most recent fiscal year. \$7,765 is invested in capital assets at year-end.

### Adams County Board of Cooperative Educational Services Summary of Net Position

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Current Assets	\$ 198,440	\$ 178,360
Capital Assets	<u>7,765</u>	<u>3,383</u>
Total Assets	<u>206,205</u>	<u>181,743</u>
<b>Deferred Outflows of Resources</b>	<u>127,585</u>	<u>360,822</u>
<b>Liabilities</b>		
Long-term Liabilities	1,028,910	1,224,672
Other Liabilities	<u>153,765</u>	<u>148,784</u>
Total Liabilities	<u>1,182,675</u>	<u>1,373,456</u>
<b>Deferred Inflows of Resources</b>	<u>664,130</u>	<u>889,289</u>
<b>Net Position</b>		
Net Investment in Capital Assets	7,765	3,383
Unrestricted	<u>(1,520,780)</u>	<u>(1,723,563)</u>
Total Net Position	<u>\$ (1,513,015)</u>	<u>\$ (1,720,180)</u>

The BOCES' net position increased \$207,165 due to the effect of GASB 68 and GASB 75 reporting.

Revenue for 2020 increased \$60,169 from 2019. The increase was derived mainly by an increase in contract revenue of \$56,429 due to increases in Pool Management costs. Total expenses increased \$35,595. The increase in expenses was primarily due to salaries, equipment and fiscal services.

**Adams County Board of Cooperative Educational Services**  
**Summary of Changes in Net Position**

	<u>2020</u>	<u>2019</u>
<b>Revenues</b>		
Program Revenues		
Contract Revenue	\$ 693,000	\$ 636,571
EAP Revenue	61,913	61,304
	<u>754,913</u>	<u>697,875</u>
Operating Grants and Contributions	3,935	819
General Revenues		
Investment Earnings	47	32
Total Revenues	<u>758,895</u>	<u>698,726</u>
<b>Expenses</b>		
General Government	489,817	454,831
EAP Program	61,913	61,304
Total Expenses	<u>551,730</u>	<u>516,135</u>
<b>Change in Net Position</b>	207,165	182,591
<b>Net Position - Beginning</b>	<u>(1,720,180)</u>	<u>(1,902,771)</u>
<b>Net Position - Ending</b>	<u>\$ (1,513,015)</u>	<u>\$ (1,720,180)</u>

**Financial Analysis of the Government's Funds**

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

**Governmental funds.** The focus of the BOCES *governmental funds* is to provide information on near-term inflows, outflows, and balances of *available* resources. Such information is useful in assessing the BOCES financing requirements. In particular, *unreserved 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 BOCES general fund reported ending fund balance of \$122,914. Revenues increased \$57,001 due to increases in pool management fees while expenses increased \$62,619 due to increases in salaries, equipment and fiscal services costs.

## **General Fund Budgetary Highlights**

General Fund revenues budgeted were \$758,470 and actual revenues were \$764,381. The BOCES budgeted expenditures of \$818,747 (as amended) for the year ended June 30, 2020. Actual expenditures were \$747,680, a positive variance of \$71,067. The variance was mainly with salaries and benefits which had a \$44,420 positive variance and a \$17,500 contingency budget which was unspent.

## **Capital Assets and Long-term Debt**

The BOCES added five computers in fiscal year 2020.

At the end of the current fiscal year, the BOCES had no outstanding general obligation bonded indebtedness.

## **The Future of the BOCES**

Adams County BOCES will continue to support the strategic vision priorities established by the BOCES membership. Adams County BOCES is strategically positioned to meet the ever-challenging needs of the Members in providing insurance and risk management services that are unparalleled. As we look to the future the key to our success is partnering with key stakeholders internally and externally to meet the challenges of the future.

## **Economics Factors and Next Year's Budget and Rates**

Adams County BOCES provides high quality programs and services through partnerships and collaboration which support the priorities of member districts and enrich educational opportunities for students. The 2020 - 2021 budget addresses the major projects for the ensuing school year and provides an adequate level of funding.

	2020-2021
<b>Revenues</b>	<b>Budget</b>
Management Fee	\$ 709,386
EAP Revenue	65,470
<b>Total Revenues</b>	<b>774,856</b>
<b>Expenditures</b>	<b>774,856</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>

**Requests for Information**

This financial report is designed to provide a general overview of the Adams County BOCES' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Adams County BOCES, 1400 W. 122<sup>nd</sup> Avenue, Suite 110 Westminster CO 80234.

## **BASIC FINANCIAL STATEMENTS**

**ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**STATEMENT OF NET POSITION**

**June 30, 2020**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash	\$ 192,932
Accounts Receivable	5,508
Capital Assets, Net	7,765
Total Assets	206,205
<b>Deferred Outflows of Resources</b>	
Deferred Outflows of Resources Related to Pensions	124,394
Deferred Outflows of Resources Related to OPEB	3,191
	127,585
<b>Liabilities</b>	
Accounts Payable	8,047
Accrued Liabilities	9,729
Unearned Revenue	57,750
Compensated Absences	78,239
Noncurrent Liabilities - Net Pension Liability	980,689
Noncurrent Liabilities - Net OPEB Liability	48,221
Total Liabilities	1,182,675
<b>Deferred Inflows of Resources</b>	
Deferred Inflows of Resources Related to Pensions	654,632
Deferred Inflows of Resources Related to OPEB	9,498
	664,130
<b>Net Position</b>	
Investment in Capital Assets	7,765
Unrestricted	(1,520,780)
Total Net Position	\$ (1,513,015)

The notes to the financial statements are an integral part of this statement



**ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2020**

<b>Function/Program Activities</b>	<b>Expenses</b>	<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Position</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	
General Government	\$ 489,817	\$ 693,000	\$ 3,935	\$ 207,118
EAP Program	61,913	61,913	-	-
Total	<u>\$ 551,730</u>	<u>\$ 754,913</u>	<u>\$ 3,935</u>	<u>207,118</u>
<b>General Revenues:</b>				
Unrestricted Investment Earnings				<u>47</u>
Total General Revenues				<u>47</u>
<b>Change in Net Position</b>				207,165
<b>Net Position - Beginning</b>				<u>(1,720,180)</u>
<b>Net Position - Ending</b>				<u><u>\$ (1,513,015)</u></u>

The notes to the financial statements are an integral part of this statement

**ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**BALANCE SHEET  
GOVERNMENTAL FUND  
June 30, 2020**

	<b>General Fund</b>
<b>Assets</b>	
Cash	\$ 192,932
Accounts Receivable	5,508
Total Assets	<u>\$ 198,440</u>
<b>Liabilities</b>	
Accounts Payable	\$ 8,047
Accrued Liabilities	9,729
Unearned Revenue	57,750
Total Liabilities	<u>75,526</u>
<b>Fund Balance</b>	
Assigned for Board Projects	17,500
Assigned for Compensated Absences	78,239
Unassigned	27,175
Total Fund Balance	<u>122,914</u>
Total Liabilities and Fund Balance	<u>\$ 198,440</u>

The notes to the financial statements are an integral part of this statement

**ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**RECONCILIATION OF THE GOVERNMENTAL FUND  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
June 30, 2020**

<b>Total Fund Balance for the Governmental Fund</b>	<b>\$ 122,914</b>
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital Assets	\$ 68,045
Less Accumulated Depreciation	<u>(60,280)</u>
	7,765
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. However, all liabilities - both current and long-term - are reported in the statement of net position.	
Net Pension Liability	(980,689)
Net OPEB Liability	(48,221)
Compensated Absences	(78,239)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds	
Pension contributions from the measurement date to June 30, 2020	42,949
OPEB contributions from the measurement date to June 30, 2020	2,260
Deferred outflows of resources related to pensions	81,445
Deferred inflows of resources related to pensions	(654,632)
Deferred outflows of resources related to OPEB	931
Deferred inflows of resources related to OPEB	<u>(9,498)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ (1,513,015)</u></b>

The notes to the financial statements are an integral part of this statement

**ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND**

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

	<b>General Fund</b>
<b>Revenues</b>	
Pool Management Fees	\$ 693,000
EAP Revenue	61,913
PERA On-behalf Payment	9,421
Interest Income	47
<b>Total Revenues</b>	<b>764,381</b>
<b>Expenditures</b>	
Current	
Salaries and Benefits	569,657
EAP Expenditures	61,913
Purchased Services	108,586
Supplies and Materials	1,476
Capital	6,048
<b>Total Expenditures</b>	<b>747,680</b>
<b>Net Change in Fund Balance</b>	<b>16,701</b>
<b>Fund Balance, Beginning</b>	<b>106,213</b>
<b>Fund Balance, Ending</b>	<b>\$ 122,914</b>

The notes to the financial statements are an integral part of this statement.

**ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2020**

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balance of the Governmental Fund	\$ 16,701
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Capital outlays to purchase or construct capital assets are reported in the governmental fund as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.

Capital Asset Additions	\$ 6,048	
Depreciation Expense	<u>(1,666)</u>	4,382

In the statement of activities, certain operating expenses - compensated absences and pension expense - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used or due (essentially, the amounts actually paid). This amount represents the net effect of compensated absences and pension-related amounts on the statement of activities.

Compensated absences	(1,602)	
Pension revenue (expense)	186,345	
OPEB revenue (expense)	<u>1,339</u>	

Change in Net Position of Governmental Activities	<u><u>\$ 207,165</u></u>
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The notes to the financial statements are an integral part of this statement.

**ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**GENERAL FUND**

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

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

**(With Comparative Totals for the Year Ended June 30, 2019)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget - Positive (Negative)</b>	<b>2019 Actual</b>
<b>Revenues</b>					
Pool Management Fees	\$ 693,000	\$ 693,000	\$ 693,000	\$ -	\$ 636,571
EAP Revenue	65,470	65,470	61,913	(3,557)	61,304
PERA On-behalf Payment	-	-	9,421	9,421	9,473
Interest Income	-	-	47	47	32
<b>Total Revenues</b>	<b>758,470</b>	<b>758,470</b>	<b>764,381</b>	<b>5,911</b>	<b>707,380</b>
<b>Expenditures</b>					
Current					
Salaries and Benefits	566,979	614,077	569,657	44,420	522,633
EAP Expenditures	65,469	65,469	61,913	3,556	61,304
Purchased Services	114,901	114,901	108,586	6,315	97,718
Supplies and Materials	3,000	3,000	1,476	1,524	2,056
Contingency	17,500	17,500	-	17,500	-
Capital	3,800	3,800	6,048	(2,248)	1,350
<b>Total Expenditures</b>	<b>771,649</b>	<b>818,747</b>	<b>747,680</b>	<b>71,067</b>	<b>685,061</b>
<b>Net Change in Fund Balance</b>	<b>(13,179)</b>	<b>(60,277)</b>	<b>16,701</b>	<b>76,978</b>	<b>22,319</b>
<b>Fund Balance - Beginning</b>	<b>50,000</b>	<b>106,213</b>	<b>106,213</b>	<b>-</b>	<b>83,894</b>
<b>Fund Balance - Ending</b>	<b>\$ 36,821</b>	<b>\$ 45,936</b>	<b>\$ 122,914</b>	<b>\$ 76,978</b>	<b>\$ 106,213</b>

The notes to the financial statements are an integral part of this statement.

**ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2020**

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**NOTE 1    REPORTING ENTITY**

The BOCES was formed under the Boards of Cooperative Services Act of 1965. The primary function of the BOCES is to administer and implement liability, property, and worker's compensation insurance programs for the Rocky Mountain Risk Insurance Group, a public entity risk pool (the "Group"). The BOCES is the lowest level of government which has financial accountability and control over activities related to public school education. The BOCES receives funding from local government sources and must comply with the requirements of these funding source entities. As of June 30, 2020, the BOCES is comprised of the following members:

- Mapleton Public Schools
- Adams and Weld County School District 27J
- Westminster Public Schools

The BOCES follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining the governmental activities, organizations and functions that should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The BOCES is not financially accountable for any other organization, nor is the BOCES a component unit of any other primary governmental entity.

**NOTE 2    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The more significant accounting policies of the BOCES are described as follows:

**Government-wide and Fund Financial Statements**

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all activities of the BOCES. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The BOCES has no business-type activities.

# ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

## NOTES TO THE FINANCIAL STATEMENTS

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The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students or other customers who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. During the year, the BOCES had no grants or contribution revenue. Other items not properly included among program revenues are reported instead as general revenues.

### **Fund Accounting**

The accounts of BOCES are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The major fund presented in the accompanying basic financial statements is as follows:

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Those revenues subject to accrual are grants, interest and charges for services.



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NOTES TO THE FINANCIAL STATEMENTS

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**Assets, Liabilities and Fund Balance/Net Position**

**Cash**

Cash is presented on the balance sheet in the basic financial statements at fair value.

**Accounts Receivable**

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

**Capital Assets**

Capital assets are reported in the government-wide financial statements. They include leasehold improvements, furniture and equipment which are estimated to have a useful life in excess of one year. The BOCES capitalization levels are \$5,000 for leasehold improvements and furniture and \$500 for movable equipment. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Leasehold Improvements	5 years
Furniture	5 years
Equipment	5 years

**Compensated Absences**

Compensated absences are recognized when paid in the governmental fund. A long-term liability has been reported in the government-wide financial statements for the accrued compensated absences.

# ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

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### **Pensions**

The BOCES participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund 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, 2020.

### **Other Postemployment Benefits (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.

### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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**Fund Equity**

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Net Position

Net position represents the difference between the assets and liabilities in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted in financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Unrestricted net position represents assets that do not have any third-party limitations on their use.

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

Fund Balance

Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, the governmental fund reports fund balance classifications that comprise a hierarchy based primarily on the extent to which the BOCES is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Fund balances are classified as follows:

- *Nonspendable* – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- *Restricted* – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the BOCES or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

## ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

### NOTES TO THE FINANCIAL STATEMENTS

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- *Committed* – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors through the adoption of a resolution. The Board of Directors also may modify or rescind the commitment.
- *Assigned* – Fund balances are reported as assigned when amounts are constrained by the Board of Directors' intent to be used for specific purposes but are neither restricted nor committed. At June 30, 2020, the BOCES has assigned fund balance for the following purposes:

**Board Projects** – The BOCES has assigned \$17,500 of the year-end fund balance for certain Board projects.

**Compensated Absences** – The BOCES has assigned \$78,239 of the year-end fund balance for the payment of accrued compensated absences.

- *Unassigned* – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the BOCES' policy to use the most restrictive classification first.

#### **Budgetary Information**

The BOCES adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by State law for all funds. During April, the Executive Director submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted by the Board of Directors to obtain taxpayer comments.
- Prior to June 30, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

**ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS**

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- Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Board of Directors throughout the year. All amendments must be adopted by the Board of Directors.

A budget for the governmental fund type is adopted annually on a basis consistent with generally accepted accounting principles.

The BOCES amended its budget for the year ended June 30, 2020.

At June 30, 2020, the BOCES's governmental activities in the government-wide financial statements had a deficit net position. This deficit is primarily the result of reporting the net pension liability of the BOCES's pension plan and the net OPEB liability of the PERA Health Care Trust Fund. Management is uncertain if the deficit will be eliminated in the future.

**NOTE 3 CASH DEPOSITS**

Custodial credit risk

Custodial risk for cash is the risk that in the event of a failure of a depository financial institution, the BOCES will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. 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 for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At June 30, 2020, the BOCES cash deposits had a bank balance of \$193,185 and a carrying balance of \$192,932.

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**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2020, is summarized below.

	<b>Balance</b>				<b>Balance</b>
	<b>June 30, 2019</b>	<b>Additions</b>	<b>Retirements</b>		<b>June 30, 2020</b>
Capital Assets					
Leasehold Improvements	\$ 10,000	\$ -	\$ -		\$ 10,000
Furniture	38,219	-	-		38,219
Equipment	18,233	6,048	(4,455)		19,826
Total Capital Assets	66,452	6,048	(4,455)		68,045
Accumulated Depreciation					
Leasehold Improvements	10,000	-	-		10,000
Furniture	38,219	-	-		38,219
Equipment	14,850	1,666	(4,455)		12,061
Total Accumulated Depreciation	63,069	1,666	(4,455)		60,280
Capital Assets, Net	\$ 3,383	\$ 4,382	\$ -		\$ 7,765

Depreciation expense was charged to the general government program.

**NOTE 5 OPERATING LEASE**

On July 1, 2011, the BOCES entered into a lease for office space. The lease term is for 60 calendar months, expiring in June 2016, with escalating rental payments. The lease contains a renewal option for the BOCES to extend the lease for one year. On March 25, 2016, the lease was extended for an additional 38 months, expiring on August 31, 2019. On May 20, 2019, the lease was extended for an additional 36 months, expiring on August 31, 2022.

During the year ended June 30, 2020, the BOCES paid \$31,717 in base rental payments.

Future lease payments under this operating lease follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 32,755
2022	34,023
2023	6,228
	<u>\$ 73,006</u>

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Additionally, the BOCES pays, as additional rent, an estimate of their share of building operating expenses for each calendar year of the lease term in equal monthly installments, in advance, on the first day of each month during such calendar year. During the year ended June 30, 2020, the BOCES paid \$38,588 in additional rent.

**NOTE 6 COMPENSATED ABSENCES**

The BOCES policy allows employees earn from 25 to 30 days of vacation annually and to accumulate unused vacation up to 40 days beyond the current year. Any unused vacation days above the maximum allowance as of July 1 is forfeited. In addition, employees will accrue, on an unlimited basis, sick/bereavement/personal leave. Employees earn one day per month. Upon separation for retirement or other reasons, reimbursement of temporary leave will be at 40% of the employee's per diem rate.

The BOCES has recorded the accrued liability for these compensated absences in the government-wide financial statements as follows:

	<u>Beginning Balance</u>	<u>Earned</u>	<u>Used/ Paid</u>	<u>Ending Balance</u>	<u>Due in 1 Year</u>
Compensated Absences	\$ 76,637	\$ 30,037	\$ 28,435	\$ 78,239	\$ 33,000

**NOTE 7 REVENUES**

The BOCES receives a management fee from the Group for management and safety and loss control services. During the year ended June 30, 2020, the BOCES received \$693,000 in fees.

Effective July 1, 2017, Adams 12 Five Star Schools ("District 12") withdrew from the BOCES and the Rocky Mountain Risk Insurance Group ("RMRIG"). RMRIG was established by the BOCES many years ago to permit participating School Districts ("Members") to pool their liability, property and workers' compensation risk and loss exposures. Disputes arose between RMRIG and District 12 which gave rise to a lawsuit which was filed in 2018. That lawsuit was settled and as part of that settlement, in June 2019, the BOCES, RMRIG and District 12 entered into a Withdrawal and Settlement Agreement dated June 5, 2019 (the "Agreement") which formalized District 12's withdrawal from the BOCES and RMRIG. Under the terms of the Agreement, RMRIG continued to provide insurance under the terms and conditions of any applicable policies and related insurance services to: (a) claims made prior to the effective date of the withdrawal and (b) for any claims under occurrence policies where the events which gave rise to the claim occurred prior to the effective date of the withdrawal.

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The Agreement was subject to approval from the Colorado Division of Insurance which approval was granted on December 30, 2019.

The BOCES receives Employee Assistance Program (EAP) revenue as pass-through from School District members. The amounts received are based on employee enrollments within each School District. During the year ended June 30, 2020, the BOCES received \$61,913.

**NOTE 8 RISK MANAGEMENT**

BOCES has risk exposures including property loss, general liability, auto liability, worker's compensation, employer's liability and professional liability. BOCES insures against these exposures through participation in the Group. Settled claims have not exceeded this coverage in any of the past three fiscal years.

**NOTE 9 EMPLOYEE PENSION PLANS**

**Defined Benefit 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 (CAFR) that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided as of December 31, 2019.* 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.



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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% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100% 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% and then multiplied by years of service credit
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100% 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% or 100% 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, 2019, 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, the annual increase for 2019 is 0.00% for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, and all benefit recipients of the DPS benefit structure will receive an annual increase of 1.25% unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lessor of an annual increase of 1.25% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP

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may raise or lower the aforementioned annual increase by up to 0.25% 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, 2020.* Eligible employees, 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 8.75% of their PERA-includable salary during the period of July 1, 2019 through June 30, 2020. Employer contribution requirements are summarized in the table below:

	July 1, 2019 Through June 30, 2020
Employer Contribution Rate <sup>1</sup>	10.45%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) <sup>1</sup>	(1.02)%
Amount Apportioned to the SCHDTF <sup>1</sup>	9.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	5.50%
Total Employer Contribution Rate to the SCHDTF <sup>1</sup>	19.38%

<sup>1</sup>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. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

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Subsequent to the SCHDTF's December 31, 2019, measurement date, HB 20-1379 Suspend Direct Distribution to PERA Public Employees Retirement Association for 2020-21 Fiscal Year, was passed into law during the 2020 legislative session and signed by Governor Polis on June 29, 2020. This bill suspends the July 1, 2020, \$225 million direct distribution allocated to the State, School, Judicial, and DPS Divisions, as required under Senate Bill 18-200.

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 \$80,523 for the year ended June 30, 2020.

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

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

At June 30, 2020, the BOCES reported a liability of \$980,689 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:

BOCES proportionate share of the net pension liability	\$980,689
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the BOCES	<u>124,388</u>
Total	<u>\$1,105,077</u>

At December 31, 2019, the BOCES proportion was 0.00656427830%, which was a decrease of 0.0000230255% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the BOCES recognized pension revenue of \$105,822 and revenue of \$3,935 for support from the State as a nonemployer contributing entity.

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At June 30, 2020, the BOCES reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 53,448	\$ -
Changes of assumptions or other inputs	27,997	(444,831)
Net difference between projected and actual earnings on pension plan investments	-	(116,172)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	(93,629)
Contributions subsequent to the measurement date	42,949	N/A
Total	<u>\$ 124,394</u>	<u>\$ (654,632)</u>

\$42,949 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	\$ (319,041)
2022	(216,686)
2023	2,058
2024	(39,518)
	<u>\$ (573,187)</u>

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

Actuarial Cost Method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50 – 9.70%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25%
Discount Rate	7.25%
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; (automatic)	1.25% compounded annually
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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% factor applied to male rates and a 55% 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% factor applied to rates for ages less than 80, a 113% 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% factor applied to rates for ages less than 80, a 106% factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

The actuarial assumptions used in the December 31, 2018, 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.

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

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 and the additional 0.50 % resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and the additional 0.50%, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State provides an annual direct distribution of \$225 million, which commenced July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the

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fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- The projected benefit payments reflect the lowered annual increase cap, from 1.50 % to 1.25 % resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% 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 rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

**Sensitivity of the BOCES' 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%, 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%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$1,300,604	\$980,689	\$712,093

*Pension plan fiduciary net position.* Detailed information about the SCHDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at: [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).



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**Defined Contribution Pension Plan**

**Voluntary Investment Program**

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

*Funding Policy* – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. In addition, the BOCES has agreed to match employee contributions up to 4% of covered salary as determined by the Internal Revenue Service. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2020, program members contributed \$8,084 and the BOCES recognized pension expense of \$14,190, equal to the required contributions, for the Voluntary Investment Program.

**NOTE 10 DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN**

**Health Care Trust Fund**

*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 that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

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## NOTES TO THE FINANCIAL STATEMENTS

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

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

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% 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.

## ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

### NOTES TO THE FINANCIAL STATEMENTS

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Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

#### *DPS Benefit Structure*

The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5% 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% 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 the BOCES were \$4,238 for the year ended June 30, 2020.

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

At June 30, 2020, the BOCES reported a liability of \$48,221 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. The BOCES proportion of the net

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OPEB liability was based on the BOCES' contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the BOCES' proportion was 0.00429011270%, which was an increase of 0.0000083322% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the BOCES recognized OPEB expense of \$2,899. At June 30, 2020, the BOCES reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 160	\$ (8,103)
Changes of assumptions or other inputs	400	-
Net difference between projected and actual earnings on pension plan investments	-	(805)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	371	(590)
Contributions subsequent to the measurement date	2,260	N/A
Total	<u>\$ 3,191</u>	<u>\$ (9,498)</u>

\$2,260 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	\$ (1,815)
2022	(1,815)
2023	(1,582)
2024	(1,718)
2025	(1,548)
2026	(89)
	<u>\$ (8,567)</u>

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## NOTES TO THE FINANCIAL STATEMENTS

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

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

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

The actuarial assumptions used in the December 31, 2018, 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. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

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

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

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

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

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

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and 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, 2018, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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June 30, 2020

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

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

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

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70% factor applied to male rates and a 55% 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% factor applied to rates for ages less than 80, a 108% 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% factor applied to rates for ages less than 80, a 109% factor applied to rates for ages 80 and above, and further adjustments for credibility.

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**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2020**

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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:

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

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

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

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 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.

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

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



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## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
<b>Total</b>	<b>100.00%</b>	

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

*Sensitivity of the 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	4.60%	5.60%	6.60%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$47,075	\$48,221	\$49,544

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2019, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% 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%.

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*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%, 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%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$54,523	\$48,221	\$42,831

*OPEB plan fiduciary net position.* Detailed information about the HCTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**NOTE 11 TAX, SPENDING AND DEBT LIMITATION**

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**PERA PENSION PLAN - SCHOOL DIVISION TRUST FUND**

**LAST TEN YEARS \***

	<u>2020</u>	<u>2019</u>
Plan measurement date	12/31/2019	12/31/2018
Proportion of the Net Pension Liability	0.00656%	0.00659%
Proportionate Share of the Net Pension Liability	\$ 980,689	\$ 1,166,417
State's Proportionate Share of the Net Pension Liability Associated with the BOCES **	<u>124,388</u>	<u>159,491</u>
Total	<u><u>\$ 1,105,077</u></u>	<u><u>\$ 1,325,908</u></u>
BOCES Covered payroll	\$ 385,749	\$ 362,140
BOCES Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	254.230%	322.090%
Calculation of Collective Net Pension Liability (\$ in thousands):		
Total Pension Liability	\$42,111,180	\$41,184,604
Plan Fiduciary Net Position	<u>27,171,397</u>	<u>23,477,550</u>
Net Pension Liability	<u><u>\$14,939,783</u></u>	<u><u>\$17,707,054</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.52%	57.01%

\* The amounts presented for each fiscal year were determined as of December 31.

\* Information is not currently available for prior years; additional years will be displayed as they become available.

\*\* A direct distribution provision to allocate funds from the State of Colorado budget to Colorado PERA on an annual basis began in July 2018 based on Senate Bill 18-200

See the Independent Auditor's Report

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
12/31/2017	12/31/2016	12/31/2015	12/31/2014	12/31/2013
0.00748%	0.00763%	0.00770%	0.00789%	0.00781%
\$ 2,418,316	\$ 2,272,718	\$ 1,177,273	\$ 1,069,401	\$ 996,360
-	-	-	-	-
<u>\$ 2,418,316</u>	<u>\$ 2,272,718</u>	<u>\$ 1,177,273</u>	<u>\$ 1,069,401</u>	<u>\$ 996,360</u>
\$ 344,978	\$ 342,592	\$ 335,454	\$ 330,547	\$ 310,660
701.006%	663.389%	350.949%	323.525%	320.724%
\$57,699,176	\$52,354,913	\$37,447,062	\$36,473,966	\$35,494,976
25,362,730	22,581,046	22,152,768	22,920,607	22,740,003
<u>\$32,336,446</u>	<u>\$29,773,867</u>	<u>\$15,294,294</u>	<u>\$13,553,359</u>	<u>\$12,754,973</u>
43.96%	43.13%	59.16%	62.84%	64.07%

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**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
PERA PENSION PLAN - SCHOOL DIVISION TRUST FUND**

**LAST TEN FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contribution	\$ 80,523	\$ 72,986	\$ 64,885	\$ 63,197	\$ 60,545
Contributions in Relation to the Contractually Required Contribution	<u>(80,523)</u>	<u>(72,986)</u>	<u>(64,885)</u>	<u>(63,197)</u>	<u>(60,545)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BOCES Covered payroll	\$ 415,494	\$ 381,522	\$ 343,653	\$ 343,785	\$ 341,399
Contributions as a Percentage of Covered Payroll	19.38%	19.13%	18.88%	18.38%	17.73%

See the Independent Auditor's Report

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 55,846	\$ 52,831	\$ 44,131	\$ 34,174	\$ 35,703
<u>(55,846)</u>	<u>(52,831)</u>	<u>(44,131)</u>	<u>(34,174)</u>	<u>(35,703)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 330,774	\$ 330,540	\$ 292,633	\$ 240,980	\$ 268,824
16.88%	15.98%	15.08%	14.18%	13.28%



**ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**

**PERA - HEALTH CARE TRUST FUND**

**LAST TEN YEARS \***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Plan measurement date	12/31/2019	12/31/2018	12/31/2017	12/31/2016
BOCES Proportion of the Net Pension Liability	0.00429%	0.00428%	0.00425%	0.00434%
BOCES Proportionate Share of the Net Pension Liability	\$ 48,221	\$ 58,255	\$ 55,224	\$ 56,254
BOCES Covered Payroll	\$ 385,749	\$ 362,140	\$ 344,978	\$ 342,592
Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	12.50%	16.09%	16.01%	16.42%
Calculation of Collective Net Pension Liability (\$ in thousands):				
Total OPEB Liability	\$ 1,488,508	\$ 1,639,734	\$ 1,575,822	\$ 1,556,762
Plan Fiduciary Net Position	364,510	279,192	276,222	260,228
Net OPEB Liability	<u>\$ 1,123,998</u>	<u>\$ 1,360,542</u>	<u>\$ 1,299,600</u>	<u>\$ 1,296,534</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	24.49%	17.03%	17.53%	16.72%

\* The amounts presented for each fiscal year were determined as of December 31.

\* Information is not currently available for prior years; additional years will be displayed as they become available.

See the Independent Auditor's Report

**ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

**PERA - HEALTH CARE TRUST FUND**

**LAST TEN FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contribution	\$ 4,238	\$ 3,892	\$ 3,505	\$ 3,507	\$ 3,482
Contributions in Relation to the Contractually Required Contribution	<u>(4,238)</u>	<u>(3,892)</u>	<u>(3,505)</u>	<u>(3,507)</u>	<u>(3,482)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 415,494	\$ 381,522	\$ 343,653	\$ 343,785	\$ 341,399
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	1.02%	1.02%

See the Independent Auditor's Report

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 3,374	\$ 3,372	\$ 2,985	\$ 2,458	\$ 2,742
<u>(3,374)</u>	<u>(3,372)</u>	<u>(2,985)</u>	<u>(2,458)</u>	<u>(2,742)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 330,774	\$ 330,540	\$ 292,633	\$ 240,980	\$ 268,824
1.02%	1.02%	1.02%	1.02%	1.02%

## **INFORMATION FOR OVERSIGHT AGENCIES**



Colorado Department of Education

Auditors Integrity Report

District: 9120 - Adams County BOCES

Fiscal Year 2019-20

Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number		Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental		+		-	=
10	General Fund	106,213	764,381	747,680	122,914
18	Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19	Colorado Preschool Program Fund	0	0	0	0
Sub- Total		106,213	764,381	747,680	122,914
11	Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund		0	0	0	0
06	Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
07	Total Program Reserve Fund	0	0	0	0
21	Food Service Spec Revenue Fund	0	0	0	0
22	Govt Designated-Purpose Grants Fund	0	0	0	0
23	Pupil Activity Special Revenue Fund	0	0	0	0
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		0	0	0	0
Proprietary					
50	Other Enterprise Funds	0	0	0	0
64 (63)	Risk-Related Activity Fund	0	0	0	0
60,65-69	Other Internal Service Funds	0	0	0	0
Totals		0	0	0	0
Fiduciary					
70	Other Trust and Agency Funds	0	0	0	0
72	Private Purpose Trust Fund	0	0	0	0
73	Agency Fund	0	0	0	0
74	Pupil Activity Agency Fund	0	0	0	0
79	GASB 34:Permanent Fund	0	0	0	0
85	Foundations	0	0	0	0
Totals		0	0	0	0

FINAL