

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

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

**For the Year Ended
June 30, 2016**



RECEIVED

By Justin L. Smith at 8:32 am, Feb 22, 2017

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

ROSTER OF OFFICIALS

Year Ended June 30, 2016

Governing Board

<u>Member District</u>	<u>Board Member</u>	<u>Superintendent</u>
Akron R-1	Tony Clafin	Brian Christensen
Buffalo RE-4J	Sonya Hutchison	Robert Sanders
Frenchman RE-3	Dave Etl	Steve McCracken
Haxtun RE-2J	Jay Wisdom (Vice President)	Darcy Garretson
Holyoke RE-1J	Nici Akey	John McCleary
Julesburg RE-1	Perry Campbell	Shawn Ehnes
Lone Star #101	Brian Kuntz	Susan Sonnenberg
Otis R-3	Beth Wells	Kendra Anderson
Plateau RE-5	Nick Fehringer	Mark Collard
Platte Valley RE-3	Anna McClary	Sharon Green
Wray RD-2	Curt Lapp	Levi Kramer
Yuma - 1	Kim Langley	Dianna Chrisman

Management

Bret Miles
Tamara Durbin
Arlene Salyards
Arlene Salyards
Roxanne Weers

Executive Director
Director of Special Education
Director of Special Projects
Director of Technology and Data
Business Manager

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

TABLE OF CONTENTS

	<u>PAGE</u>
Roster of Officials	
Table of Contents	
FINANCIAL SECTION	
MANAGEMENT’S DISCUSSION AND ANALYSIS (Required Supplementary Information - Unaudited)	M1 - M5
INDEPENDENT AUDITORS’ REPORT	1 - 3
BASIC FINANCIAL STATEMENTS	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position	4
Statement of Activities	5
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Fund	6
Reconciliation of Governmental Fund Balances to Governmental Activities Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund	8
Reconciliation of Governmental Changes in Fund Balance to Governmental Activities Change in Net Position	9
Budgetary Comparison Statement for the General Fund	10 - 12
<i>Notes to Financial Statements</i>	13 - 32
REQUIRED SUPPLEMENTARY INFORMATION – PENSION SCHEDULES (Unaudited)	
Schedule of BOCES’ Proportionate Share of the Net Pension Liability	33
Schedule of BOCES Contributions	34
STATE COMPLIANCE	
Auditors Integrity Report	35
Bolded Balance Sheet Report	36 - 38

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

TABLE OF CONTENTS

	<u>PAGE</u>
SINGLE AUDIT COMPLIANCE	
Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance <i>Government Auditing Standards</i>	39 - 40
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	41 - 42
Schedule of Findings and Questioned Costs	43 - 44
Schedule of Expenditures of Federal Awards	45
Notes to Schedule of Expenditures of Federal Awards	46

FINANCIAL SECTION

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

NORTHEAST COLORADO BOCES

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) **Required Supplementary Information (RSI)**

Year Ended June 30, 2016

The discussion and analysis of Northeast Board of Cooperative Educational Services' (the "BOCES") financial performance provides an overall review of the BOCES' financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the BOCES' financial performance as a whole. Readers should also review the financial statements, financial statement footnotes, budgetary comparison schedules and additional supplementary information to broaden their understanding of the BOCES' financial performance.

Financial Highlights

The BOCES' budget continues to remain fairly constant. Any increases in revenue are used to offset the additional cost of salary and benefits for staff. The BOCES continues to maintain an adequate but depleting fund balance in the General Fund. The BOCES budgets sufficient contingencies to cover any unanticipated operational needs, but cannot continue to supplement revenue in the near future.

The BOCES Superintendents' Advisory Council (SAC) is reviewing options to restructure some BOCES revenue sources and increase others in order to end the six year use of the ending fund balance. The adoption of the 2017-18 will have addressed the use of ending fund balance going forward.

Using the Basic Financial Statements

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

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

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

Financial Analysis of the BOCES as a Whole

The BOCES' total net position was (\$5,630,965) as of June 30, 2016.

The Governmental Activities has an overall net position deficit of \$5,630,965 and an unrestricted net position Deficit of \$5,859,985, primarily due to adding the PERA net pension liability of \$7,395,593, as further described In Note 5. As the BOCES has no control over pension benefits or contribution rates, the BOCES expects this Deficit net position to continue for the foreseeable future.

Government-Wide Financial Statements

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

NORTHEAST COLORADO BOCES

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

Year Ended June 30, 2016

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

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

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

	2016	2015
Assets		
Current and Other Assets	\$ 1,411,380	\$ 1,523,601
Capital Assets - Net	229,020	236,894
Total Assets	1,640,400	1,760,495
Deferred Outflows of Financial Resources	914,775	319,860
Liabilities		
Current Liabilities	355,636	611,704
Noncurrent Liabilities	7,401,490	6,709,644
Total Liabilities	7,757,126	7,321,348
Deferred Inflows of Financial Resources	429,014	432
Net Position		
Net Investment in Capital Assets	229,020	236,894
Unrestricted	(5,859,985)	(5,478,319)
Total Net Position	\$ (5,630,965)	\$ (5,241,425)

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

NORTHEAST COLORADO BOCES

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) **Required Supplementary Information (RSI)**

Year Ended June 30, 2016

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

	<u>2016</u>	<u>2015</u>
Program Revenues		
Charges for Services	\$ 2,085,380	\$ 2,103,923
Operating Grants and Contributions	<u>3,503,659</u>	<u>3,457,768</u>
Total Revenues	<u>5,589,039</u>	<u>5,561,691</u>
Expenses		
Instruction	2,645,705	2,384,071
Supporting Services	3,303,928	3,546,326
Community Services	28,425	27,957
Interest on Long-Term Debt	<u>521</u>	<u>819</u>
Total Expenses	<u>5,978,579</u>	<u>5,959,173</u>
Change in Net Position	(389,540)	(397,482)
Beginning Net Position	<u>(5,241,425)</u>	<u>(4,843,943)</u>
Ending Net Position	<u>\$ (5,630,965)</u>	<u>\$ (5,241,425)</u>

The BOCES total net position decreased by \$389,540 as a result of current operations, districts contributing larger amounts and PERA liability.

Reporting the BOCES' Most Significant Fund

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

NORTHEAST COLORADO BOCES

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

Year Ended June 30, 2016

Fund Financial Statements

As of June 30, 2016, the BOCES' governmental general fund reported a fund balance of \$834,147.

The following is additional information by programmatic area:

Local revenues were \$2,160,173, State support was \$1,919,338 and federal revenues were \$1,509,528.

Capital Assets

The BOCES recorded depreciation of \$18,203 during the fiscal year.

	Balance		Balance
	July 1,		June 30,
	2015	Additions	Deletions
	2015	2016	2016
Governmental activities			
Capital assets being depreciated:			
Buildings	\$ 344,652	\$ -	\$ 344,652
Equipment	112,714	10,329	123,043
Total capital assets being depreciated	457,366	10,329	467,695
Less accumulated depreciation:			
Buildings	(137,424)	(6,893)	(144,317)
Equipment	(83,048)	(11,310)	(94,358)
Total accumulated depreciation	(220,472)	(18,203)	(238,675)
Net Governmental Capital Assets	\$ 236,894	\$ (7,874)	\$ -

Debt Administration

In August 2012 the BOCES entered into a lease agreement for \$24,295 to purchase a copier the balance remaining as of June 30, 2015 is \$5,897.

	Balance		Balance		Current	Interest
	July 1,		June 30,		Portion	Expense
	2015	Advances	Payments	2016	2016	2016
<u>Governmental Activities:</u>						
Capital Lease Payments	\$ 11,012	\$ -	\$ 5,115	\$ 5,897	\$ 5,430	\$ 522
PERA Net Pension Liability	6,698,632	696,961	-	7,395,593	-	-
Total	\$ 6,709,644	\$ 696,961	\$ 5,115	\$ 7,401,490	\$ 5,430	\$ 522

NORTHEAST COLORADO BOCES

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

Year Ended June 30, 2016

General Fund Budget

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

Economic Factors and Next Year's Budget

The Northeast Colorado BOCES adjusts services to meet the needs of the districts. Superintendents have expressed the need for professional development, response to intervention, technology support, support recruiting teachers, and additional mental health support in addition to the wide range of special education services we provide these services through five sources of revenue.

District Assessments	26%
State Funding	30%
Federal Funding	28%
Grants	3%
Other Sources of Revenue	13%

We anticipate that our core programs and services will remain consistent into next year. However, we will adjust to the needs of our districts in terms of services and in terms of their capacity to fund projects. With districts struggling with a large Negative Factor in the School Finance Act, some programming may be reduced and compromised to meet the revenue districts are able to contribute to the BOCES. In addition to tough financial times for member districts, early projects of 2017-18 Federal Funds are significantly lower.

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

Requests for information

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

Holscher, Mayberry & Company, LLC

Certified Public Accountants

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

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

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the Northeast Colorado Board of Cooperative Educational Services, as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the basic financial statements of the BOCES, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Northeast Colorado Board of Cooperative Educational Services, as of June 30, 2016, and the respective changes in financial position and the budgetary comparison statement of the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Northeast Colorado Board of Cooperative Educational Services' 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 22, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

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

Accounting principles generally accepted in the United States of America require that the management, discussion and analysis on pages M1-M5 and pension schedules on pages 33-34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Colorado Department of Education Auditors Integrity and Bolded Balance Sheet reports pages 35-38 are presented for state regulatory compliance and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Governmental Accounting Standards

In accordance with *Governmental Accounting Standards*, we have also issued our report dated December 15, 2016 on our consideration of the Northeast Colorado Board of Cooperative Educational Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northeast Colorado Board of Cooperative Educational Services' internal control over financial reporting and compliance.

Holscher, Mayberry + Company, LLC

Englewood, CO
December 15, 2016

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Basic Financial Statement

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

STATEMENT OF NET POSITION

June 30, 2016

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF FINANCIAL RESOURCES	
ASSETS	
Current Assets	
Cash and Investments	\$ 992,601
Accounts Receivable	46,037
Grants Receivable	372,742
Total Current Assets	<u>1,411,380</u>
Noncurrent Assets	
Capital Assets	467,695
Less: Accumulated Depreciation	<u>(238,675)</u>
Total Noncurrent Assets	<u>229,020</u>
TOTAL ASSETS	<u>1,640,400</u>
DEFERRED OUTFLOWS OF FINANCIAL RESOURCES	
Contributions Subsequent to Measurement Date	188,282
Difference Between Projected and Actual Returns on Pension Plan Investments - net	628,833
Difference Between Actual and Expected Experience - net	<u>97,660</u>
TOTAL DEFERRED OUTFLOWS OF FINANCIAL RESOURCES	<u>914,775</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 2,555,175</u>
LIABILITIES, DEFERRED INFLOWS OF FINANCIAL RESOURCES, AND NET POSITION	
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 35,144
Accrued Salaries and Benefits	320,492
Total Current Liabilities	<u>355,636</u>
Noncurrent Liabilities	
Due Within One Year	5,430
Due Within More than One Year	<u>7,396,060</u>
Total Noncurrent Liabilities	<u>7,401,490</u>
TOTAL LIABILITIES	<u>7,757,126</u>
DEFERRED INFLOWS OF FINANCIAL RESOURCES	
Difference Between Projected and Actual Pension Plan Experience - net	308
Changes of Pension Plan Assumptions - net	104,513
Change in BOCES' Proportionate Share of Net the Pension Liability - net	102,596
Deferred Inflows - Others	(1)
Deferred Inflows - Grants	<u>221,598</u>
TOTAL DEFERRED INFLOWS OF FINANCIAL RESOURCES	<u>429,014</u>
NET POSITION	
Net Investment in Capital Assets	229,020
Unrestricted	<u>(5,859,985)</u>
TOTAL NET POSITION	<u>(5,630,965)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	<u>\$ 2,555,175</u>

The accompanying notes are an integral part of the financial statements.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		Net (Expense)
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	Revenue and Change in Net Position
PRIMARY GOVERNMENT:				GOVERNMENTAL ACTIVITIES
GOVERNMENTAL ACTIVITIES:				
Current:				
Instruction	\$ 2,645,705	\$ 1,964,251	\$ 3,048,869	\$ 2,367,415
Supporting Services	3,303,928	121,129	454,790	(2,728,009)
Community Services	28,425	-	-	(28,425)
Interest on Long-Term Debt	521	-	-	(521)
TOTAL GOVERNMENT ACTIVITIES	\$ 5,978,579	\$ 2,085,380	\$ 3,503,659	
Change in Net Position				(389,540)
Beginning Net Position				(5,241,425)
Ending Net Position				\$ (5,630,965)

The accompanying notes are an integral part of the financial statements.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2016
With Comparative for June 30, 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and Investments	\$ 992,601	\$ 873,820
Accounts Receivable	46,037	41,695
Grants Receivable	<u>372,742</u>	<u>608,087</u>
 TOTAL ASSETS	 <u>\$ 1,411,380</u>	 <u>\$ 1,523,602</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE		
LIABILITIES		
Accounts Payable	\$ 35,143	\$ 81,221
Accrued Salaries and Benefits	<u>320,492</u>	<u>338,069</u>
 TOTAL LIABILITIES	 <u>355,635</u>	 <u>419,290</u>
DEFERRED INFLOWS		
Deferred Inflows - Other	-	89,095
Deferred Inflows - Grants	<u>221,598</u>	<u>103,320</u>
 TOTAL DEFERRED INFLOWS	 <u>221,598</u>	 <u>192,415</u>
FUND BALANCE		
Fund Balance		
Unassigned	<u>834,147</u>	<u>911,897</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	 <u>\$ 1,411,380</u>	 <u>\$ 1,523,602</u>

The accompanying notes are an integral part of the financial statements.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

Reconciliation of Governmental Fund Balances
to Governmental Activities Net Position
For the Year Ended June 30, 2016

Fund Balance - Governmental Funds		\$ 834,147
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds		
Capital assets, being depreciated	467,695	
Accumulated depreciation	<u>(238,675)</u>	229,020
Certain long-term pension related costs and adjustments are not available to pay or payable currently and are therefore not reported in the funds		
Contributions subsequent to measurement date	188,282	
Difference Between Actual and Expected Experience	134,652	
Amortization of Experience Difference	(36,992)	
Difference between projected and actual investment returns on the pension plan	833,140	
Amortization of investment return difference	(204,307)	
Net pension liability	(7,395,593)	
Difference between projected and actual pension plan experience	(671)	
Amortization of Experience difference	363	
Changes of Assumptions	(144,101)	
Amortization of Change in Proportion	39,588	
Change in BOCES' proportionate share of net pension liability	(141,404)	
Amortization of change in proportion	<u>38,808</u>	(6,688,235)
Long-term liabilities are not due and payable in the current year and, therefore, are not reported in the funds		
Capital leases payable		<u>(5,897)</u>
Total Net Position - Governmental Activities		<u><u>\$ (5,630,965)</u></u>

The accompanying notes are an integral part of the financial statements.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

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

Year Ended June 30, 2016
 With Comparative Totals for the Year Ended June 30, 2015

	<u>2016</u>	<u>2015</u>
REVENUES		
Local Sources	\$ 2,160,173	\$ 2,255,128
State Sources	1,919,338	1,751,190
Federal Sources	<u>1,509,528</u>	<u>1,555,374</u>
 TOTAL REVENUES	 <u>5,589,039</u>	 <u>5,561,692</u>
EXPENDITURES		
Current:		
Instruction	2,543,817	2,301,483
Supporting Services	3,088,911	3,363,890
Community Support	28,425	27,957
Debt Service	<u>5,636</u>	<u>5,636</u>
 TOTAL EXPENDITURES	 <u>5,666,789</u>	 <u>5,698,966</u>
 CHANGE IN FUND BALANCES	 (77,750)	 (137,274)
FUND BALANCES, Beginning	<u>911,897</u>	<u>1,049,171</u>
FUND BALANCES, Ending	<u>\$ 834,147</u>	<u>\$ 911,897</u>

The accompanying notes are an integral part of the financial statements.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Reconciliation of Governmental Changes in Fund Balance
to Governmental Activities Change in Net Position
For the Year Ended June 30, 2016

CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS		\$ (77,750)
<p>Capital assets used in governmental activities are expensed when purchased in the funds and depreciated at the activity level</p>		
Capitalized Asset Purchases	10,329	
Depreciation Expense	<u>(18,203)</u>	(7,874)
<p>Pension expense at the fund level represent cash contributions to the defined benefit plan. For the activity level presentation, the amount represents the actuarial cost of the benefits for the fiscal year.</p>		
Change in contributions subsequent to measurement date	7,272	
Change in the difference between actual and expected experience	134,652	
Change in the amortization of experience difference	(36,992)	
Current year projected to actual investment return difference	679,004	
Current year amortization of overall investment return differences	(188,893)	
Change in net pension liability	(696,961)	
Current year projected to actual pension plan experience difference	(171)	
Current year amortization of overall pension plan experience differences	295	
Change in the changes of assumptions	(144,101)	
Change in the amortization of change in assumptions	39,588	
Current year change in proportionate share of cost-sharing plan liability	(141,552)	
Current year amortization of overall proportionate share differences	<u>38,828</u>	(309,031)
<p>Repayments of long-term liabilities are expensed in the fund and reduce outstanding liabilities at the activity level. In addition, proceeds from long-term debt issuances are reported as revenues in the funds and increase liabilities at the activity level</p>		
Principal payments on capital leases		<u>5,115</u>
Change in Net Position - Governmental Activities		<u><u>\$ (389,540)</u></u>

The accompanying notes are an integral part of the financial statements.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

BUDGETARY COMPARISON STATEMENT
FOR THE GENERAL FUND

Year Ended June 30, 2016
With Comparative Totals for the Year Ended June 30, 2015

	2016				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	2015 ACTUAL
REVENUES					
Local Sources:					
Donations	\$ -	\$ -	\$ 22,092	\$ 22,092	\$ 101,062
Local BOCES Passthrough	1,893,332	1,894,544	1,964,251	69,707	1,980,879
E Rate	47,000	47,000	47,468	468	50,142
Overhead Revenue	-	-	18,898	18,898	20,925
Indirect Revenue	95,818	95,818	102,231	6,413	102,119
Other Local	-	28,205	5,233	(22,972)	-
Total Local Sources	<u>2,036,150</u>	<u>2,065,567</u>	<u>2,160,173</u>	<u>94,606</u>	<u>2,255,127</u>
State Sources:					
ECEA	1,019,377	1,037,445	1,408,181	370,736	1,235,325
Gifted and Talented	153,600	153,600	153,214	(386)	151,465
Grant Writing	86,010	86,010	5,285	(80,725)	4,234
School Counselor	160,000	160,000	178,390	18,390	160,000
Gifted and Talented Universal Screening	21,163	21,163	21,714	551	21,163
BOCES Grant	168,640	168,640	152,554	(16,086)	179,003
Total State Sources	<u>1,608,790</u>	<u>1,626,858</u>	<u>1,919,338</u>	<u>292,480</u>	<u>1,751,190</u>
Federal Sources:					
Title I, A - Improving Basic Programs	240,000	237,137	230,183	(6,954)	241,467
IDEA Part B	890,312	942,236	871,852	(70,384)	890,312
IDEA Preschool	41,000	41,000	40,559	(441)	42,011
Title III Part A ELL Migrant	16,000	16,000	17,912	1,912	16,170
Teacher and Principal Training	46,000	46,000	47,639	1,639	59,136
School to Work	162,556	162,556	126,632	(35,924)	97,533
Carl Perkins Vocational Education	95,000	95,000	104,651	9,651	106,911
Distance Learning Grant	-	-	-	-	42,649
IEP Outcome Interview	-	-	1,740	1,740	-
Title I Reallocated Funds	-	-	7,275	7,275	-
Federal BOCES Passthrough:					
Migrant Education	63,000	63,000	61,085	(1,915)	59,185
Total Federal Sources	<u>1,553,868</u>	<u>1,602,929</u>	<u>1,509,528</u>	<u>(93,401)</u>	<u>1,555,374</u>
TOTAL REVENUES	<u>5,198,808</u>	<u>5,295,354</u>	<u>5,589,039</u>	<u>293,685</u>	<u>5,561,691</u>
EXPENDITURES					
Instruction:					
Salaries	630,773	630,773	646,339	(15,566)	649,052
Benefits	191,681	191,681	189,962	1,719	173,268
PS - Professional	7,312	7,312	3,106	4,206	21,442
PS - Other	1,173,015	1,173,015	1,681,030	(508,015)	1,428,817
Supplies	24,677	24,677	23,380	1,297	28,904
Total Instruction	<u>2,027,458</u>	<u>2,027,458</u>	<u>2,543,817</u>	<u>(516,359)</u>	<u>2,301,483</u>

(Continued)

The accompanying notes are an integral part of the financial statements.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

BUDGETARY COMPARISON STATEMENT
FOR THE GENERAL FUND

Year Ended June 30, 2016
With Comparative Totals for the Year Ended June 30, 2015

	2016			VARIANCE WITH FINAL BUDGET	2015 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
EXPENDITURES (Continued)					
Supporting Services:					
Pupils:					
Salaries	785,537	785,537	780,883	4,654	815,549
Benefits	274,606	274,606	263,513	11,093	258,194
PS - Professional	51,285	51,285	36,992	14,293	31,003
PS - Other	112,706	112,706	106,435	6,271	103,783
Supplies	4,238	4,238	1,071	3,167	(1,901)
Property	22,551	22,551	32	22,519	58,002
Total Pupil Support	<u>1,250,923</u>	<u>1,250,923</u>	<u>1,188,926</u>	<u>61,997</u>	<u>1,264,630</u>
Staff Support:					
Salaries	277,576	277,576	315,805	(38,229)	290,640
Benefits	78,196	78,196	102,429	(24,233)	83,745
PS - Professional	126,370	126,370	80,384	45,986	138,059
PS - Other	51,423	51,423	173,455	(122,032)	114,077
Supplies	78,662	78,662	33,976	44,686	123,490
Property	22,500	22,500	19,309	3,191	54,849
Other Expenses	12,998	12,998	13,174	(176)	19,468
Total Staff Support	<u>647,725</u>	<u>647,725</u>	<u>738,532</u>	<u>(90,807)</u>	<u>824,328</u>
General Administration:					
Salaries	90,212	90,212	90,580	(368)	89,580
Benefits	25,594	25,594	29,326	(3,732)	23,848
PS - Other	8,220	8,220	8,253	(33)	7,943
Other Expenses	805	805	880	(75)	805
Total General Administration	<u>124,831</u>	<u>124,831</u>	<u>129,039</u>	<u>(4,208)</u>	<u>122,176</u>
School Administration:					
Salaries	75,366	75,366	74,740	626	76,607
Benefits	34,381	34,381	32,237	2,144	31,538
Total School Administration	<u>109,747</u>	<u>109,747</u>	<u>106,977</u>	<u>2,770</u>	<u>108,145</u>
Business Administration:					
Salaries	194,853	194,853	193,071	1,782	189,975
Benefits	63,721	63,721	68,586	(4,865)	64,825
PS - Professional	282,270	282,270	277,953	4,317	324,992
PS - Other	60,385	60,385	104,258	(43,873)	31,879
Supplies	207,275	207,275	58,080	149,195	181,220
Other Expenses	10,275	10,275	17,516	(7,241)	10,275
Total Business Administration	<u>818,779</u>	<u>818,779</u>	<u>719,464</u>	<u>99,315</u>	<u>803,166</u>
Operations and Maintenance:					
Salaries	20,085	20,085	12,540	7,545	19,198
Benefits	3,917	3,917	2,537	1,380	3,689
PS - Professional	7,734	7,734	5,630	2,104	5,604
PS - Property	20,187	20,187	13,042	7,145	12,976
Supplies	8,189	8,189	6,094	2,095	5,814
Total Operations and Maintenance	<u>60,112</u>	<u>60,112</u>	<u>39,843</u>	<u>20,269</u>	<u>47,281</u>

(Continued)

The accompanying notes are an integral part of the financial statements.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

BUDGETARY COMPARISON STATEMENT
FOR THE GENERAL FUND

Year Ended June 30, 2016
With Comparative Totals for the Year Ended June 30, 2015

	2016			VARIANCE WITH FINAL BUDGET	2015 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
EXPENDITURES (Continued)					
Supporting Services (Continued):					
Pupil Transportation:					
PS - Other	9,000	9,000	7,406	1,594	9,618
Other Central Supporting Services					
PS - Professional	109,104	109,104	7,669	101,435	9,482
PS - Other	37,850	37,850	30,086	7,764	31,369
Supplies	25,700	25,700	4,457	21,243	25,742
Property	17,400	17,400	-	17,400	5,933
Other Expenses	149,692	149,692	91,584	58,108	94,396
Total Central Supporting Services	339,746	339,746	133,796	205,950	166,922
Risk Management					
PS - Other	17,925	17,925	24,928	(7,003)	17,623
Total Supporting Services	3,378,788	3,378,788	3,088,911	289,877	3,363,889
Enterprise Operations					
Salaries	17,607	17,608	19,924	(2,316)	18,313
Benefits	3,555	3,555	4,051	(496)	3,572
PS - Other	-	-	2,984	(2,984)	3,587
Supplies	-	-	194	(194)	55
Total Enterprise Operations	21,162	21,163	27,153	(5,990)	25,527
Community Services					
PS - Professional	900	900	40	860	950
PS - Other	300	300	1,083	(783)	-
Supplies	200	200	149	51	1,480
Total Community Services	1,400	1,400	1,272	128	2,430
Debt Service					
Principal	-	-	5,115	(5,115)	4,817
Interest	-	-	521	(521)	819
Total Debt Service	-	-	5,636	(5,636)	5,636
Reserves:					
Reserves for Contingencies	-	778,443	-	778,443	-
TOTAL EXPENDITURES	5,428,808	6,207,252	5,666,789	540,463	5,698,965
CHANGE IN FUND BALANCE	(230,000)	(911,897)	(77,750)	834,148	(137,274)
FUND BALANCE, Beginning	230,000	911,897	911,897	-	1,049,171
FUND BALANCE, Ending	\$ -	\$ -	\$ 834,147	\$ 834,148	\$ 911,897

The accompanying notes are an integral part of the financial statements.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Basis of Presentation

Government-wide Financial Statements

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

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

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

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

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

The BOCES reports the following major governmental fund:

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

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the same time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions in which the BOCES gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

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

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Financial Statements (Continued)

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

Budgets and Budgetary Accounting

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

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

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

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

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Buildings	50 years
Other Equipment	7 years

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

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

Vacation, Sick Leave, and Other Compensated Absences - The BOCES employees do not vest in compensated absences for vacation, sick leave or other compensated absences unless specifically authorized by the Executive Director on a case by case basis. No material leave carryovers existed as of June 30, 2016.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government has items that qualify for reporting in this category all related to outstanding pension obligations and further described in Note 10.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The BOCES reports deferred inflows for pension related deferrals as further described in Note 10.

Net Position/Fund Balances

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

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

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

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

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

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

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position/Fund Balance Flow Assumptions

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

Revenues and Expenditures/Expenses

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

NOTE 2: CASH AND INVESTMENTS

A summary of deposits and investments at June 30, 2016, follows:

Cash deposits	\$ 265,365
Investments	<u>727,236</u>
Total Cash and Investments	<u>\$ 992,601</u>

Deposits

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2016, State regulatory commissioners have indicated that all financial institutions holding deposits for the BOCES are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 2: CASH AND INVESTMENTS (Continued)

Deposits (Continued)

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

	Bank Balance	Carrying Balance
FDIC Insured	\$ 250,000	\$ 265,365
PDPA Collateralized (Not held in the BOCES' name)	<u>124,639</u>	<u>-</u>
Total	<u>\$ 374,639</u>	<u>\$ 265,365</u>

Investments

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

The following are the major categories of assets and liabilities measured at fair value on a recurring basis during the year ended June 30, 2016 using quoted market prices in active markets (Level 1), significant observable inputs for similar assets (Level 2) and significant unobservable units (Level 3):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment Pools - Restricted	\$ -	\$ -	\$ -	\$ -
Investment Pools - Unrestricted	<u>-</u>	<u>727,236</u>	<u>-</u>	<u>727,236</u>
Total Investments	<u>\$ -</u>	<u>\$ 727,236</u>	<u>\$ -</u>	<u>\$ 727,236</u>

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

- **Investment Pools:** Valued at the proportionate share of ownership of the quoted market prices of the underlying assets.

The BOCES recognizes transfers between levels in fair value hierarchy at the end of the reporting period. During 2016, there were no changes in methods or assumptions utilized to derive the fair value of the BOCES assets and liabilities.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

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

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

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

The BOCES has no investments policy that would further limit its investment choices. At June 30, 2016 the BOCES' investment in the Colorado Government Liquid Assets Trust (Colotrust) was rated AAAM by Standard & Poor's.

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

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 3: CAPITAL ASSETS

Activity for governmental activity capital assets is summarized below:

	Balance			Balance
	July 1,			June 30,
	2015	Additions	Deletions	2016
Governmental activities				
Capital assets being depreciated:				
Buildings	\$ 344,652	\$ -	\$ -	\$ 344,652
Equipment	<u>112,714</u>	<u>10,329</u>	<u>-</u>	<u>123,043</u>
Total capital assets being depreciated	<u>457,366</u>	<u>10,329</u>	<u>-</u>	<u>467,695</u>
Less accumulated depreciation:				
Buildings	(137,424)	(6,893)	-	(144,317)
Equipment	<u>(83,048)</u>	<u>(11,310)</u>	<u>-</u>	<u>(94,358)</u>
Total accumulated depreciation	<u>(220,472)</u>	<u>(18,203)</u>	<u>-</u>	<u>(238,675)</u>
Net Governmental Capital Assets	<u>\$ 236,894</u>	<u>\$ (7,874)</u>	<u>\$ -</u>	<u>\$ 229,020</u>

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

Depreciation Allocation

Instruction	\$ 8,216
Supporting Services	<u>9,987</u>
Total	<u>\$ 18,203</u>

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

NOTE 4: ACCRUED SALARY AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2016, are \$320,492. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 5: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

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.

General Information about the Pension Plan

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

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

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

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

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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

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

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

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

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SCHDTF.

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 retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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. Eligible employees and the BOCES are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

January 1st through December 31st	2014¹	2015¹
Employer contribution rate	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. 24-51-208(1)(f)	-1.02%	-1.02%
Amount apportioned to the SCHDTF	9.13%	9.13%
Amortization equalization disbursement (AED) as specified in C.R.S. 24-51-411	3.80%	4.20%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. 24-51-411	3.50%	4.00%
Total employer contribution rate to the SCHDTF	16.43%	17.33%

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

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 BOCES were \$355,870 for the plan year ended December 31, 2015 and \$372,469 for the fiscal year ended June 30, 2016.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

At June 30, 2016, the BOCES reported a liability of \$7,395,593 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The BOCES' proportion of the net pension liability was based on BOCES' contributions to the SCHDTF for the calendar year 2014 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the BOCES' proportion was .04836%, which was a decrease of .00107% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016 the BOCES recognized pension expense of \$735,074. At June 30, 2016, the BOCES reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ 97,660	\$ (309)
Changes of assumptions or other inputs	\$ -	\$ (104,513)
Net difference between projected and actual earnings on pension plan investments	\$ 628,833	\$ -
Changes in proportion and differences between contributions recognized and proportionate share of contributions - Plan Basis	\$ -	\$ (102,596)
Contributions subsequent to the measurement date	\$ 188,282	\$ -
Total	\$ 914,775	\$ (207,418)

\$188,282 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

Year Ended June 30:	
2017	\$ (125,003)
2018	(125,045)
2019	(140,077)
2020	(128,950)
Total	\$ (519,075)

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80%
Real wage growth	1.10%
Wage inflation	3.90%
Salary increase, including wage inflation	3.90-10.10%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.50%
Post retirement benefit increases:	
PERA benefit structure hired prior to 1/1//07 and DPS benefit structure (automatic)	2.00%
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA’s Board on November 13, 2012, and an economic assumption study, adopted by PERA’s Board on November 15, 2013 and January 17, 2014.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

The SCHDTF’s long-term expected rate of return on pension plan investments was determined using 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 analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Rate of Return
U.S Equity - Large Cap	26.76%	5.00%
U.S Equity - Small Cap	4.40%	5.19%
Non U.S. Equity - Developed	22.06%	5.29%
Non U.S. Equity - Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
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 7.50%.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

Based on those assumptions, 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 on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. 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 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of the net pension asset (liability)	\$ (9,586,849)	\$ (7,395,593)	\$ (5,572,876)

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.

NOTE 6: DEFINED CONTRIBUTION PENSION PLAN

Voluntary Investment Program

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

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The BOCES does not contribute to the plan. Employees are immediately vested in their own contributions, employer contributions, if any, and investment earnings. For the year ended June 30, 2016 program members contributed \$24,759.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 7: OTHER POST-EMPLOYMENT BENEFITS

Health Care Trust Fund

Plan Description – The BOCES contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The BOCES is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the BOCES are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2016, 2015 and 2014 each of the two preceding, the BOCES contributions to the HCTF were \$21,434, \$21,509, and \$19,749, respectively, equal to their required contributions for each year.

NOTE 8: LONG TERM OBLIGATIONS

A summary of changes in long term obligations for the year ended June 30, 2016:

	<u>Balance</u> <u>July 1,</u> <u>2015</u>	<u>Advances</u>	<u>Payments</u>	<u>Balance</u> <u>June 30,</u> <u>2016</u>	<u>Current</u> <u>Portion</u>	<u>Interest</u> <u>Expense</u>
<u>Governmental Activities:</u>						
Capital Lease Payments	\$ 11,012	\$ -	\$ 5,115	\$ 5,897	\$ 5,430	\$ 522
PERA Net Pension Liability	6,698,632	696,961	-	7,395,593	-	-
Total	<u>\$ 6,709,644</u>	<u>\$ 696,961</u>	<u>\$ 5,115</u>	<u>\$ 7,401,490</u>	<u>\$ 5,430</u>	<u>\$ 522</u>

Capital Lease

In August 2012, the BOCES entered into a lease agreement for \$24,295 to purchase a copier. Monthly payments of \$470 are due through July 2017, at an interest rate of 6%. Equipment with a remaining book value of \$4,859 has been capitalized under this lease.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 8: LONG TERM OBLIGATIONS

The future minimum capital lease payments at June 30, 2016, are as follows:

	<u>Year</u>	<u>Amount</u>
2017		\$ 5,636
2018		<u>470</u>
Total Payments		11,742
Interst at 6.0%		<u>(5,845)</u>
Present Value of Payments		<u>\$ 5,897</u>

NOTE 9: RISK MANAGEMENT

Property and Liability Coverage. The BOCES belongs to the Colorado School District Self Insurance Pool (“CSDSIP”) that was formed in 1981 to give individual school districts more buying power and financial stability. By partnering with districts across the state, members gain better access to essential coverage at a competitive price, and more control over the entire risk management function. The coverage provided by CSDSIP is property, crime, general liability, auto liability and physical damage, and errors and omissions. CSDSIP became self-administered in 1997. The board of directors is comprised of nine persons who are district school board members, superintendents, or district business officials. Each member’s premium contribution is determined by CSDSIP based on factors including, but not limited to, the aggregate CSDSIP claims, the cost of administrative and other operating expenses, the number of participants, operating and reserve fund adequacy, investment income and reinsurance expense and profit sharing. Reporting to the Division of Insurance, as well as an audit and actuarial study is conducted annually. These reports may be obtained by contacting the CSDSIP administrative offices at 6857 South Spruce Street, Centennial, CO 80112. The BOCES has not materially changed its coverage from previous years. The BOCES has not recorded any liability for unpaid claims at June 30, 2016.

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

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

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

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 9: RISK MANAGEMENT (Continued)

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

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

Effective with the June 30, 2015 fiscal year, BEST no longer provides claim activity; however, the BOCES has not been notified that they have a negative reserve balance as of June 30, 2016. Should the balance become negative the BOCES recognizes that funding may be required should they terminate membership in BEST.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

Claims and Judgments - The BOCES participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the BOCES may be required to reimburse the grantor government. As of June 30, 2016, significant amounts of grant expenditures have not been audited by state and federal agencies, but the BOCES believes that disallowed expenditures, if any, based on subsequent state and federal audits will not have a material effect on any of the individual governmental funds or the overall financial position of the BOCES.

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

NOTE 11: DEFICIT NET POSITION

The Governmental Activities has an overall net position deficit of \$5,630,965 and an unrestricted net position deficit of \$5,859,985, primarily due to adding the PERA net pension liability of \$7,395,593, as further described in Note 5. As the District has no control over pension benefits or contribution rates, the District expects this deficit net position to continue for the foreseeable future.

REQUIRED SUPPLEMENTARY INFORMATION
(Pension Schedules - Unaudited)

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NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

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

	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
BOCES' proportion of the net pension asset (liability)	0.048355%	0.049424%	0.049423%
BOCES' proportionate share of the net pension asset (liability)	\$ (7,395,593)	\$ (6,698,632)	\$ (6,303,888)
BOCES' covered-employee payroll	\$ 2,107,310	\$ 2,070,517	\$ 1,992,398
BOCES' proportionate share of the net pension asset (liability) as a percentage of covered-employee payroll	350.95%	323.52%	316.40%
Plan fiduciary net position as a percentage of the total pension liability	59.16%	62.84%	64.07%

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

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

See the accompanying Independent Auditors' Report.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

**SCHEDULE OF BOCES CONTRIBUTIONS
PERA Pension Plan
Last 10 Fiscal Years⁽¹⁾**

	6/30/16	6/30/15	6/30/14
Contractually required contributions	\$ 365,197	\$ 340,186	\$ 309,419
Actual contributions	(365,197)	(340,186)	(309,419)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
BOCES' covered-employee payroll	\$ 2,107,310	\$ 2,070,517	\$ 1,992,398
Contributions as a percentage of covered-employee payroll	17.33%	16.43%	15.53%

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

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

See the accompanying Independent Auditors' Report.

STATE COMPLIANCE

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Colorado Department of Education
Auditors Integrity Report
 District: 9040 - NORTHEAST BOCES
 Fiscal Year 2015-16
 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	911,897		5,589,039		5,666,789		834,147
18 Risk Mgmt Sub-Fund of General Fund	0		0		0		0
19 Colorado Preschool Program Fund	0		0		0		0
Sub-Total	911,897		5,589,039		5,666,789		834,147
11 Charter School Fund	0		0		0		0
20,26-29 Special Revenue 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
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

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



Colorado Department of Education
Bolded Balance Sheet Report
 District: 9040 - NORTHEAST BOCES
 Fiscal Year 2015-16
 Colorado School District/BOCES

ASSETS	Governmental							Proprietary					Fiduciary	
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Food Service Special Revenue Fund 21	Special Revenue Funds 20, 22-29	Debt Service Funds 30-39	Capital Projects Funds 40-49	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals	
Cash and Investments (8100-8104,8111)	992,601	0	0	0	0	0	0	0	0	0	0	0	992,601	
Grants Accounts Receivable (8142)	372,742	0	0	0	0	0	0	0	0	0	0	0	372,742	
Other Receivables (8151-8154,8161)	46,037	0	0	0	0	0	0	0	0	0	0	0	46,037	
Total Assets	1,411,380	0	0	0	0	0	0	0	0	0	0	0	1,411,380	

Governmental

Proprietary

Fiduciary

LIABILITIES & FUND EQUITY	Governmental							Proprietary				Fiduciary	
	General Funds 10-12-18	Charter School Fund 11	Preschool Fund 19	Food Service Special Revenue Fund 21	Special Revenue Funds 20, 22-29	Debt Service Funds 30-39	Capital Projects Funds 40-49	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Other Payables (7421-7423)	35,143	0	0	0	0	0	0	0	0	0	0	0	35,143
Accrued Expenses (7461)	320,492	0	0	0	0	0	0	0	0	0	0	0	320,492
Unearned Revenue (7481)	0	0	0	0	0	0	0	0	0	0	0	0	0
Grants Deferred Revenue (7482)	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Inflow Grants (7801)	221,599	0	0	0	0	0	0	0	0	0	0	0	221,599
Total Liabilities	577,233	0	0	0	0	0	0	0	0	0	0	0	577,233

Governmental

Proprietary

Fiduciary

FUND EQUITY	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Food Service Special Revenue Fund 21	Special Revenue Funds 20, 22-29	Debt Service Funds 30-39	Capital Projects Funds 40-49	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Non-spendable Fund Balance 6710	0	0	0	0	0	0	0	0	0	0	0	0	0
Restricted Fund Balance 6720	0	0	0	0	0	0	0	0	0	0	0	0	0
TABOR 3% Emergency Reserve 6721	0	0	0	0	0	0	0	0	0	0	0	0	0
TABOR Multi-Year 6722	0	0	0	0	0	0	0	0	0	0	0	0	0
District Emergency Reserve (letter of credit or real estate) 6723	0	0	0	0	0	0	0	0	0	0	0	0	0
Colorado Preschool Program (CPP) Reserve 6724	0	0	0	0	0	0	0	0	0	0	0	0	0
Full-Day Kindergarten Reserve 6725	0	0	0	0	0	0	0	0	0	0	0	0	0
Risk-Related / Restricted Capital Reserve 6726	0	0	0	0	0	0	0	0	0	0	0	0	0
BEST Capital Reserve 6727	0	0	0	0	0	0	0	0	0	0	0	0	0
Committed Fund Balance 6750	0	0	0	0	0	0	0	0	0	0	0	0	0
Assigned Fund Balance 6760	0	0	0	0	0	0	0	0	0	0	0	0	0
Unassigned Fund Balance 6770	834,147	0	0	0	0	0	0	0	0	0	0	0	834,147
Invested in Capital Assets, Net of Related Debt 6790	0	0	0	0	0	0	0	0	0	0	0	0	0
Restricted Net Assets 6791	0	0	0	0	0	0	0	0	0	0	0	0	0
Unrestricted Net Assets 6792	0	0	0	0	0	0	0	0	0	0	0	0	0
Prior Period Adjustment 6880	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Fund Equity	834,147	0	0	0	0	0	0	0	0	0	0	0	834,147

General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Food Service Special Revenue Fund 21	Special Revenue Funds 20, 22-29	Debt Service Funds 30-39	Capital Projects Funds 40-49	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
1,411,380	0	0	0	0	0	0	0	0	0	0	0	1,411,380
Total Liabilities & Fund Equity												

General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Food Service Special Revenue Fund 21	Special Revenue Funds 20, 22-29	Debt Service Funds 30-39	Capital Projects Funds 40-49	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Do Assets=Liability+Fund Equity											

SINGLE AUDIT COMPLIANCE

INTENTIONALLY LEFT BLANK

Holscher, Mayberry & Company, LLC

Certified Public Accountants

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

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

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

Independent Auditors' Report

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of the Northeast Colorado Board of Cooperative Educational Services (the "BOCES") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements, and have issued our report thereon dated December 15, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Handwritten signature in black ink that reads "Holscher, Mayberry + Company, LLC".

Englewood, Colorado
December 15, 2016

Holscher, Mayberry & Company, LLC

Certified Public Accountants

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

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

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

Independent Auditors' Report

Report on Compliance for Each Major Federal Program

We have audited the Northeast Colorado Board of Cooperative Educational Services' (the "BOCES") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the BOCES' major federal programs for the year ended June 30, 2016. The BOCES' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the BOCES' complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements the BOCES as of and for the year ended June 30, 2016, and have issued our report thereon dated December 15, 2016 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Holscher, Maybury + Company, LLC

Englewood, Colorado
December 15, 2016

**NORTHEAST COLORADO BOARD
OF COOPERATIVE EDUCATIONAL SERVICES**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2016

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weakness identified? _____ yes x no

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

Noncompliance material to financial statements noted?

_____ yes x no

Federal Awards

Internal control over major programs:

- Material weakness identified? _____ yes x no

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

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

_____ yes x no

Identification of major programs:

84.027 Grants to States IDEA Part B
84.173 IDEA Preschool

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

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

**NORTHEAST COLORADO BOARD
OF COOPERATIVE EDUCATIONAL SERVICES**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2016

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

A. Material Weaknesses in Internal Control

The audit of the financial statements of the Northeast BOCES, as of and for the year ended June 30, 2016, did not disclose any material weaknesses or significant deficiencies in internal controls.

B. Compliance Findings

The audit of the financial statements of the Northeast BOCES, as of and for the year ended June 30, 2016, did not disclose any instances of noncompliance with requirements with certain provisions of laws, regulations, and grants that were material to those financial statements.

III - Findings and Questioned Costs for Federal Awards

A. Material Weaknesses in Internal Control

The audit of the major programs of the Northeast BOCES, as of and for the year ended June 30, 2016, did not disclose any material weaknesses or significant deficiencies in internal controls over grant compliance requirements.

B. Compliance Findings

The audit of the major programs of the Northeast BOCES, as of and for the year ended June 30, 2016, did not disclose any instances of noncompliance with requirements with certain provisions of laws, regulations, and grants that were material to those financial statements.

C. Questioned Costs

None noted.

NORTHEAST COLORADO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

SCHEDULE OF EXPENITURES OF FEDERAL AWARDS

Year Ended June 30, 2016

Federal Grantor/Pass- Through Grantor/ Program Title	State Grant Number	Federal CFDA Number	Expenditures
<u>U.S. Department of Education</u>			
<u>Passed Through Colorado Department of Education:</u>			
No Child Left Behind, Title I, Part A: Improving Basic Programs Operated by Schools	4010	84.010	\$ 230,183
No Child Left Behind, Title II, Part A, Teacher and Principal Training and Recruiting Fund	4367	84.367	47,639
Grants to States IDEA Part B	4027	84.027	871,852
IDEA Preschool	4173	84.173	40,559
Title III Part A EII Migrant	4365	84.365	17,912
No Child Left Behind, Title I, Part A "Reallocated": Improving Basic Programs	6010	84.010	7,275
Special Education: Grants to States IDEA Part B - Competitive grants to Aus	5027	84.027	1,740
Total Pass Through State Department of Education			<u>1,217,160</u>
<u>Passed Through Colorado Department of Human Services/Division of Vocational Rehabilitation</u>			
Rehabilitation Act, Title I, Part A and B, School to Work Alliance Program	5126	84.126	126,632
<u>Passed Through Colorado Community College System</u>			
Vocational Education	4048	84.048	<u>104,651</u>
Total Federal Grants			<u>\$ 1,448,443</u>

See the accompanying Independent Auditors' Report.

**NORTHEAST COLORADO BOARD
OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2016

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards, (the "Schedule"), includes the federal award activity of the Northeast Colorado Board of Cooperative Educational Services, (the "BOCES") under the programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the BOCES, it is not intended to and does not present the financial position, changes in net position, or cash flows of the BOCES.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3: 10% DE MINIMIS INDIRECT COST RATE

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

NOTE 4: SUBRECIPIENTS

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