

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**FINANCIAL STATEMENTS**  
**WITH**  
**INDEPENDENT AUDITOR'S REPORT**  
**YEAR ENDED JUNE 30, 2016**



**RECEIVED**

*By Justin L. Smith at 12:43 pm, Dec 13, 2016*

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**JUNE 30, 2016**

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## INDEPENDENT AUDITOR'S REPORT

Members of the Board  
Pikes Peak Board of Cooperative Educational Services  
Colorado Springs, Colorado

### Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and each major fund of the Pikes Peak Board of Cooperative Educational Services (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 as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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 auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the BOCES as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the District's proportionate share of the net pension liability, the schedule of contributions and related ratios, and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the BOCES basic financial statements as a whole. The individual fund financial statements and Colorado Department of Education Auditor's Integrity Report is presented for additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The individual fund financial statements, Colorado Department of Education Auditor's Integrity Report and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling 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 my opinion, the individual fund financial statements, Colorado Department of Education Auditor's Integrity Report and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 30, 2016, on my consideration of the BOCES internal control over financial reporting and on my 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 my 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 BOCES internal control over financial reporting and compliance.

Colorado Springs, Colorado  
November 30, 2016



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2016**

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As management of Pikes Peak Board of Cooperative Educational Services (BOCES), we offer readers of the basic financial statements this narrative overview and analysis of the financial activities of the BOCES for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the information furnished in our financial statements.

**Financial Highlights**

**Government-Wide Financial Statements**

- The BOCES' total net position, formerly called net assets, is (\$2,608,680) for the fiscal year ending June 30, 2016. It decreased substantially due to the new GASB 68 and GASB 71 requirements. These new rules require that the government-wide *Statement of Net Position* includes a net pension liability amount. Until these new rules were put into place, pension liabilities have not been considered a BOCES liability due to the fact that the BOCES pays all amounts (employer and employee shares) owed to PERA each month during the payroll process. That has not changed and BOCES will continue to pay the amount it owes to PERA each month.
- Also, you will see that our net position for the prior audit year, 2014-15, was (\$1,968,565). This is in compliance with GASB requirements.
- For more information on GASB 68 and 71, please refer to note 5 and pages 33 and 34.

**Major Fund Financial Statements**

- The combined balance sheet of the BOCES shows assets exceeding liabilities at the close of the most recent fiscal year by \$2,183,288. Of this amount, \$9,921 is assigned in the NEED Foundation which will be used to support needs that the School of Excellence brings to the Foundation Board.
- During 2015-2016 the BOCES received a total of \$1,428,236 in Federal Aid Funds. This is an increase of \$165,077 over the prior year and represents 12.8% of total revenues.
- In anticipation of maintaining the newly purchased and renovated Gorman Center Building, and in accordance with BEST grant requirements, the Capital Fund was created and funded with a start-up transfer of \$250,000 from the general fund's unassigned fund balance in the 2014 2015 Fiscal year.
  - Including rent income and miscellaneous revenue the total revenue in the capital fund was \$3,216 for 2015-2016. Of that amount, \$107,126 was expended in 2015-16 in order to complete projects and address needs that were not covered with the BEST grant funds. A number of problems were addressed with those funds including heating/HVAC, windows, plumbing and pipe issues, installing a new hot water heater, and remodeling two classrooms.

**Overview of the Financial Statements**

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

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

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

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2016**

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It should be noted that the net position decreased by \$16,074,131 over the past 3 fiscal years due to the new GASB 68 and 71 rules that took affect with the 2013-2014 fiscal year. This is a significant decrease in net position but is not necessarily an indicator that the BOCES financial position is deteriorating because the comparison between the 2013-2014-2015 net position and prior years compares significantly different sets of numbers. Rather, this decrease reflects a shift in what is now required to be included on government-wide financial statements.

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

The government-wide financial statements distinguish functions of the BOCES that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the BOCES include instruction, pupil activities, instructional support, general and administration, business, and transportation.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The BOCES, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirement. The funds of the BOCES are divided into three categories: general fund, designated purpose grants, NEED Foundation, and capital projects fund.

**Governmental Funds.** All of the BOCES' activities are reported in governmental funds, which focus on the determination of the financial position and change in financial position, not on income determination. Statements are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted into cash. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the BOCES' programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The BOCES adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the general fund, designated purpose grants fund, and NEED Foundation to demonstrate compliance with these budgets, and is reported elsewhere in this report as required supplementary information. GASB Statement No. 34 only requires a budgetary comparison for the general fund and for each major individual special revenue fund for which an annual budget is legally adopted.

### **Special Revenue Funds**

**Designated Purpose Grants** – BOCES maintains a separate fund for special grant funds received from federal and state governments. These funds are designated for each school district within BOCES' service area for special use per contract or projects of mutual benefit to all members and associate districts.

**NEED Foundation** – Originally the NEED Foundation fund had been maintained for payment of debt and maintenance for the Pikes Peak BOCES School of Excellence building. This fund was used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that were restricted to expenditures for specified purposes. Since those COPs have now been paid off and the school is in a new location, the NEED Foundation will continue in its effort to support the needs of the School of Excellence. A "needs" list was brought to the NEED Foundation Board in 2014-2015 in order to determine how best to spend the current funds available as well as creating fundraising plans for future needs. In 2014-15 the NEED Foundation Board approved the purchase of a new oven and ice machine for the cafeteria.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**Management's Discussion and Analysis**

**Year Ended June 30, 2016**

Other information in addition to the basic financial statements and accompanying notes is presented in the form of certain required supplementary information for budgetary comparison.

**Government-Wide Financial Analysis**

- In the case of the BOCES General Fund this year, assets were below liabilities by (\$2,608,680) at the close of the most recent fiscal year due to the implementation of the new GASB 68 and 71 requirements.
- Capital Outlay is reported in the governmental funds as expenditures. The BOCES has invested in capital assets net of accumulated depreciation \$10,865,315. These capital assets are used to provide services to students; consequently, these assets are not available for future spending.
- At the end of the current fiscal year, the BOCES reported an decrease in fund balance of \$197,316 in the General Fund resulting in an ending fund balance of \$2,073,013.

PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
NET POSITION

	<u>Governmental Activities</u>	
	<b>2016</b>	<b>2015</b>
Total Assets	\$ 13,698,668	\$14,264,296
Deferred Outflows of Resources*	<u>3,053,675</u>	<u>798,403</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 16,752,353</u>	<u>\$15,062,699</u>
Current Liabilities	\$ 650,065	\$ 695,683
Noncurrent Liabilities		
Compensated Absences	33,565	44,216
Net Pension Liability*	<u>18,664,999</u>	<u>16,271,681</u>
Total Noncurrent Liabilities	<u>\$ 18,698,564</u>	<u>\$16,315,897</u>
Total Liabilities	\$ 19,348,629	\$17,011,580
Deferred Inflows of Resources*	<u>12,394</u>	<u>19,684</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 19,361,023</u>	<u>\$17,031,264</u>
Net Position:		
Invested in Capital Assets	\$ 10,865,315	\$11,127,983
Unrestricted (deficit)	<u>(13,473,995)</u>	<u>(13,096,548)</u>
Total Net Position	<u>\$ (2,608,680)</u>	<u>\$(1,968,565)</u>

- The new GASB 68 and 71 requires that we book the net pension liability on the government-wide financial statement back to fiscal year 2013-2014. Therefore, you will notice that the Total Net Position in the 2014 column has a revised amount since the audit was first published. Over the three year period this has resulted in a decrease of \$16,074,131 in net position. The above asterisked entries are new requirements and are discussed in further detail on page 21, Note 5, as well as on pages 33 and 34.
- Most of BOCES' governmental activities were financed by school districts within the BOCES' service area. The General Fund accounted for 78.7% of operating funding, and 22.3% came from Designated Purpose Grants.

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2016**

PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
 CHANGES IN NET ASSETS

	<u>Governmental Activities</u>	
	<b>2016</b>	<b>2015</b>
Program Revenues:		
Charges for Services	\$ 7,890,399	\$ 8,198,344
Operating Grants and Contributions	3,190,984	3,125,732
Capital Grants and Contributions	-	-
General Revenues:		
Unrestricted	43,660	86,383
Investment Earnings	7,927	6,969
Gain (loss) on sale of property	-	-
Total Revenues:	<u>\$11,132,970</u>	<u>\$ 11,417,428</u>
Expenses:		
Instruction	\$ 6,653,399	\$ 6,973,326
Supporting Services	5,110,721	4,941,628
Other (facility acquisitions)	8,965	-
Interest on Debt	-	-
Total Expenses:	<u>\$ 11,773,085</u>	<u>\$11,919,954</u>
Increase (decrease) in net position	(640,115)	(497,526)
Beginning Net Position	<u>(1,968,565)</u>	<u>(1,471,069)</u>
Ending Net Position	<u>\$ (2,608,680)</u>	<u>\$ (1,968,565)</u>

**Financial Analysis of BOCES Funds**

BOCES uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of BOCES' *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing BOCES' financing requirements. In particular, *unassigned-unreserved fund balance* may serve as a useful measure of a government's net resource available for spending at the end of the fiscal year.

As of the end of the current fiscal year, BOCES' governmental funds reported combined ending fund balances of \$2,183,288. At year end, \$1,998,013 of fund balance is *unassigned - unrestricted fund balance*, which is available for spending at BOCES discretion.

**Capital Assets**

The BOCES added \$30,360 in capital additions for the year due to expenditures associated with the maintenance and upkeep of the Gorman Center and the addition of one vehicle in the "white fleet" intended for use by the SPED itinerant. Adding vehicles by using one-time funds (fund balance) allows BOCES to keep operating (recurring) expenses for mileage reimbursements lower.

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2016**

CHANGES IN FUND BALANCE

	General Fund	Special Revenue Funds	Capital Projects Funds	Total 2016	Total 2015
<b>Revenues:</b>					
Local Sources	\$ 7,938,744	\$ 26	\$ 3,216	\$ 7,941,986	\$ 8,291,696
State Sources	305,813	1,456,935	-	1,762,748	1,862,576
Federal Sources	518,174	910,062	-	1,428,236	1,263,159
Total Revenues	8,762,731	2,367,023	3,216	11,132,970	11,417,428
<b>Expenses:</b>					
Instruction	\$ 4,135,238	\$ 2,156,281	-	\$ 6,291,519	\$ 6,381,525
Supporting Services/Facilities	4,774,809	210,716	98,161	5,089,686	4,744,409
Other	-	-	-	-	-
Facilities Acquisition & Construction	-	-	8,965	8,965	-
<b>Debt Service:</b>					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenses	8,910,047	2,366,997	107,126	11,390,312	11,125,934
<b>Other Financing Sources (Uses):</b>					
Transfer In	-	-	50,000	50,000	250,000
Transfer Out	(50,000)	-	-	(50,000)	(250,000)
Total Other:	(50,000)	-	50,000	-	-
Increase (Decrease) in Fund Balance	(197,316)	(6,116)	(53,910)	(257,342)	294,494
Beginning Fund Balance	2,270,329	16,037	154,264	2,440,630	\$ 2,149,136
Ending Fund Balance	\$ 2,073,013	\$ 9,921	\$ 100,354	\$ 2,183,288	\$ 2,440,630

**Major Funds Budgetary Highlights**

The PPBOCES Board approved the original budget prior to June 30, 2016, based on projected enrollment and services for the following fiscal year.

Colorado statutes permit transferring budgeting amounts from one object or purpose to another within the same fund. Board policy allows management to transfer budgets between objects or purposes without obtaining authorization from the PPBOCES Board, provided the transfers are not into or out of salary accounts.

The PPBOCES Board approves any Supplemental Appropriation Resolutions subsequent to July 01, 2016, giving budget approval allowing expenditure of additional funds received during the fiscal year.

The audit reflects both the amended (final) budget amount as well as the adopted (original) budget amount. The final budget request is brought to the PPBOCES board in January, as allowed by C.R.S., in order to more accurately reflect revenues and expenditures each fiscal year. At that point in time actual amounts are better known due to the facts that any open staff positions have been filled, students are in attendance, and the audit has been completed. Adopting an amended (final) budget affords tighter control over spending by requiring smaller cushions having to be built into the budget for any unknowns.

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2016**

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**Economic Factors and Next Year's Budget**

In FY2015-16 overall revenue increased approximately 6% . The federal revenue saw an increase. Federal revenue increased just over 8% as compared to the prior fiscal year. Operating revenue went down about 4.2% due to an increase in student support services and decrease in enrollment in the School of Excellence Programs. The decrease is a result of lower enrollment than was anticipated in 2013-14 with the purchase and move into the Gorman Center Building. The move into a larger building has allowed for additional classroom and student capacity. The new COLA program for students with autism, implemented in fiscal year 2013, has been very well received in the region and has seen quite a lot of growth, and continues to grow.

The overall national and state economy is continuing to turn around. After multiple years of state and federal education funding cuts, the state continued to slightly increase per pupil funding rather than cutting it or holding it flat. However, it will take many years to return to pre-recession (2007) levels of funding, if at all. The massive cuts made over recent years to public education continue to have an impact on all educating agencies. The last published state auditor report regarding school district's fiscal health shows an increasing number of districts with more than 1 financial indicator, reflecting the economic distress felt by school districts in Colorado. The PPBOCES' ability to provide appropriate, timely, cost-effective educational services has resulted in the fact that every school district (and one other BOCES) in the Pikes Peak Region is a member or associate member of PPBOCES. Additionally, one non-member district, Canon City RE-1, purchases services from the PPBOCES.

As of FYE June 30, 2016, general fund balance, an indicator of financial well-being, is at 23% of 2015-2016 revenue, which amounts to 2.8 months coverage of expenditures. The 2015-2016 adopted budget has appropriated some of this fund balance which will be used for one-time expenditures and assigned reserves in both the general fund and the capital projects fund. Each segment of the BOCES expenditures... members, associate members, School of Excellence (SOE), and self-funded programs (i.e., SWAP or ALP)... is tracked separately so that any funds above or below budgeted follow those segments of the budget. For example, the SOE generated approximately \$300,000 in excess revenue over expense in 2013-2014; therefore those funds were assigned to a fund balance for the SOE in anticipation of any future one-time expenditures needs such as curriculum and technology refresh.

**Requests for Information**

This financial report is designed to provide a general overview of BOCES' finances for all those with an interest in BOCES' finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Finance Department  
Pikes Peak Board of Cooperative Educational Services  
2883 South Circle Drive, Colorado Springs, CO 80906  
719-622-2091

**BASIC FINANCIAL  
STATEMENTS**

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

**Assets**

Current assets:

Cash and cash equivalents	\$ 2,066,523
Accounts receivable	698,027
Grants receivable	68,803
Total current assets	2,833,353

Capital assets:

Land	967,719
Depreciable assets	10,843,148
Accumulated depreciation	(945,552)
Capital assets, net of depreciation	10,865,315

**Total assets**

13,698,668

**Deferred outflows of resources: See note 5**

3,053,675

**Liabilities**

Current liabilities:

Accounts payable	84,588
Other current liabilities	2,531
Accrued salaries and benefits	347,396
Unearned grant revenue	215,550
Total current liabilities	650,065

Noncurrent liabilities:

Compensated absences	33,565
Net pension liability	18,664,999
Total noncurrent liabilities	18,698,564

**Total liabilities**

19,348,629

**Deferred inflows of resources: See note 5**

12,394

**Net position**

Invested in capital assets, net of related debt	10,865,315
Unrestricted (deficit)	(13,473,995)

**Total net position**

\$ (2,608,680)

See accompanying notes to basic financial statements

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**STATEMENT OF ACTIVITIES**  
**FISCAL YEAR END JUNE 30, 2016**

Primary Government Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction	\$ 6,653,399	\$ 4,244,295	\$ 2,156,281	\$ -	\$ (252,823)
Supporting services	5,110,721	3,646,104	1,034,703	-	(429,914)
Facilities acquisitions	8,965	-	-	-	(8,965)
Total governmental activities	<u>\$ 11,773,085</u>	<u>\$ 7,890,399</u>	<u>\$ 3,190,984</u>	<u>\$ -</u>	<u>\$ (691,702)</u>
<b>General revenues</b>					
					\$ 7,927
					43,660
					<u>51,587</u>
					(640,115)
					<u>(1,968,565)</u>
					<u>\$ (2,608,680)</u>

See accompanying notes to basic financial statements

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

	<u>General Fund</u>	<u>Designated Purpose Grants Fund</u>	<u>Need Foundation Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 1,917,008	\$ 39,240	\$ 9,921	\$ 100,354	\$ 2,066,523
Accounts receivable	698,027	-	-	-	698,027
Grants receivable	68,803	-	-	-	68,803
<b>Total Assets</b>	<u>\$ 2,683,838</u>	<u>\$ 39,240</u>	<u>\$ 9,921</u>	<u>\$ 100,354</u>	<u>\$ 2,833,353</u>
<b>Liabilities</b>					
Liabilities:					
Accounts payable	\$ 84,588	\$ -	\$ -	\$ -	\$ 84,588
Other current liabilities	2,531	-	-	-	2,531
Unearned grant revenue	176,310	39,240	-	-	215,550
Accrued salaries and benefits	347,396	-	-	-	347,396
<b>Total liabilities</b>	<u>610,825</u>	<u>39,240</u>	<u>-</u>	<u>-</u>	<u>650,065</u>
<b>Fund balances</b>					
Spendable:					
General fund-assigned	75,000	-	-	-	75,000
Special revenue funds-assigned	-	-	9,921	-	9,921
Capital projects fund-assigned	-	-	-	100,354	100,354
General fund-unassigned	1,998,013	-	-	-	1,998,013
<b>Total fund balances</b>	<u>2,073,013</u>	<u>-</u>	<u>9,921</u>	<u>100,354</u>	<u>2,183,288</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,683,838</u>	<u>\$ 39,240</u>	<u>\$ 9,921</u>	<u>\$ 100,354</u>	<u>\$ 2,833,353</u>

See accompanying notes to basic financial statements

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

Governmental funds total fund balances	\$	2,183,288
Add:		
Capital assets used in governmental activities are not considered current financial resources and, therefore, not reported in the governmental funds		11,810,867
Deferred outflows from pension liability		3,053,675
Deduct:		
Accumulated depreciation is not recognized in the governmental funds because capital assets are expensed at the time of acquisition		(945,552)
Net pension liability		(18,664,999)
Compensated absences		(33,565)
Deferred inflows from pension liability		(12,394)
Governmental activities net position	\$	<u><u>(2,608,680)</u></u>

See accompanying notes to basic financial statements

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2016**

	<u>General Fund</u>	<u>Designated Purpose Grants Fund</u>	<u>Need Foundation Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Local sources	\$ 7,938,744	\$ -	\$ 26	\$ 3,216	\$ 7,941,986
State sources	305,813	1,456,935	-	-	1,762,748
Federal sources	518,174	910,062	-	-	1,428,236
<b>Total revenues</b>	<u>8,762,731</u>	<u>2,366,997</u>	<u>26</u>	<u>3,216</u>	<u>11,132,970</u>
<b>Expenditures</b>					
<b>Current:</b>					
Instruction	4,135,238	2,156,281	-	-	6,291,519
Supporting services	4,774,809	210,716	6,142	98,161	5,089,828
Facilities acquisition and construction	-	-	-	8,965	8,965
<b>Total expenditures</b>	<u>8,910,047</u>	<u>2,366,997</u>	<u>6,142</u>	<u>107,126</u>	<u>11,390,312</u>
<b>Excess(deficiency) of revenues over(under)</b>					
Expenditures	(147,316)	-	(6,116)	(103,910)	(257,342)
<b>Other financing sources (uses)</b>					
Transfer in	-	-	-	50,000	50,000
Transfer (out)	(50,000)	-	-	-	(50,000)
<b>Total other financing sources (uses)</b>	(50,000)	-	-	50,000	-
<b>Net change in fund balances</b>	(197,316)	-	(6,116)	(53,910)	(257,342)
Fund balances at beginning of year	2,270,329	-	16,037	154,264	2,440,630
Fund balances at end of year	<u>\$ 2,073,013</u>	<u>\$ -</u>	<u>\$ 9,921</u>	<u>\$ 100,354</u>	<u>\$ 2,183,288</u>

See accompanying notes to basic financial statements

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
RECONCILIATION OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2016**

Governmental funds changes in fund balances	\$	(257,342)
 Add:		
Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlay reported as an expenditure in the governmental funds functions.		30,360
Change in accrued interest payable		-
 Deduct:		
Change in compensated absences		10,651
Government funds report pension expenses as expenditures when paid. Pension obligations in the statement of activities is allocated and expensed for future pension costs. Change in net pension liability and deferred inflows/outflows		(130,756)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		(293,028)
Governmental activities change in net position	<u>\$</u>	<u>(640,115)</u>

See accompanying notes to basic financial statements

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

Note 1 - **Summary of Significant Accounting Policies**

The financial statements of Pikes Peak Board of Cooperative Educational Services (the BOCES) have been prepared to conform with Accounting Principles Generally Accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

**Reporting Entity**

For financial reporting purposes, the accompanying financial statements include all of the operations over which the BOCES is financially accountable. The BOCES is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, "The Financial Reporting Entity", as amended by GASB 39 and 61, "Determining Whether Certain Organizations Are Component Units", the criteria for inclusion in the reporting entity involve those cases where the BOCES or its officials appoint a majority of an organization's governing body, and is either able to impose its will on the organization and there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the BOCES or the nature and significance of the relationship between the BOCES and the organization is such that exclusion would cause the BOCES financial statements to be incomplete. Applying this definition, BOCES management has determined that the Need Foundation reportable within the accompanying financial statements. The Foundation financial activities have been blended (reported as if part of the BOCES) with those of the BOCES. The Foundation does not publish individual component unit financial statements.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the BOCES. The effect of inter-fund activity has been removed from these financial statements. Governmental activities normally are supported by intergovernmental revenues, state and federal grants.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues from the State of Colorado and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds. Major individual governmental funds (General Fund, Designated Purpose Grants Fund, Capital Projects Fund, and the Need Foundation) are reported as separated columns in the fund financial statements.

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, operating statements present increases and decreases net current assets and unreserved fund balance as measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The Governmental Funds are accounted for on the “flow of current financial resources” measurement focus. This measurement focus is based on the concept of accountability, which includes measuring interperiod equity whether current year revenues were sufficient to pay for current year services. Governmental funds use the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 60 days after year-end.

Grants and entitlement revenues are recognized when compliance with matching requirements are met. A receivable is established when the related expenditures exceed revenue receipts.

Expenditures are recorded when the related fund liability is incurred with the exceptions of general long-term debt which is recognized when due and certain accrued sick and personal pay which are accounted for as expenditures when expected to be liquidated with expendable available financial resources.

### **Governmental Funds**

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

### **Major Governmental Funds**

1. General Fund – the general operating fund of the BOCES; used to account for all resources that are not required legally or by sound financial management to be accounted for in another fund.
2. Designated Purpose Grants Fund (Special Revenue Fund) – this fund accounts for state and federal grants.
3. Need Foundation Fund (Special Revenue Fund) – the Need Foundation Fund is used to account for the proceeds of specific revenue sources, like donations, (other than debt service or capital projects) that are restricted or committed to expenditures for a specified purpose of special needs to students.
4. Capital Projects Fund-is used to account for revenues and expenditures related to the BOCES construction and capital improvement.

### **Cash and Cash Equivalents**

Cash of some funds are pooled into common pooled accounts in order to maximize investment opportunities. An individual fund's pooled Cash and Cash Investments are available upon demand and are considered to be "cash equivalents". Negative balances incurred in pooled cash at year-end are treated as a liability of that fund.

### **Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Member and associate member receivables were \$698,027 and grant receivables were \$68,803 at year-end.

### **Capital Assets**

Capital assets, which include property, vehicles and equipment, are utilized for general BOCES operations and are capitalized at actual or estimated cost. Donations of such assets are recorded at estimated fair value at the time of donation. Capital assets are reported in the applicable government columns in the government-wide financial statements.

Maintenance, repairs, and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized. When assets used in the operation of the government fund types are sold, the proceeds of the sale are recorded as revenues in the appropriate fund. The BOCES does not capitalize interest on the construction of capital assets.

The monetary threshold for capitalization of assets is \$5,000. The BOCES capital assets are depreciated using the straight-line method over the estimated useful lives of the fixed assets. Estimate useful lives are:

Vehicles	8 years
Furniture, fixtures and equipment	5 to 15 years
Buildings and improvements	20 to 40 years

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period and so will not be recognized as an outflow of the resources (expenditure) until that time. In addition to liabilities, the statement of

financial position reports a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenues) until that time.

#### **Unearned Grant Revenue**

Revenues on grants, which are restricted by the grant agreement for specific purposes, are recognized as revenue only after eligible grant costs have been incurred. Grant funds received in excess of grant expenditures are recorded as unearned revenues.

#### **Compensated Absences**

Compensated absences are payments to employees for accumulated vacation. BOCES employees may accumulate unused vacation up to a specified amount. Vacation is payable to employees upon termination or retirement at the current rate of pay on the date of termination or retirement. The entire compensated absences liability is reported in the government-wide financial statements.

#### **Budgets and Budgeting Accounting**

The BOCES follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Budgets are required by state law for all funds. Prior to May 31, the Executive Director submits to the Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is adopted by formal resolution of the Board. Budgets may be revised until January 31<sup>st</sup> of the budget year.
4. Expenditures may not legally exceed appropriations at the fund level. The BOCES is authorized to transfer budgeted amounts between departments within any fund; however, the Board must approve any revisions that alter the total expenditures of any fund.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds and Capital Projects Fund.
6. Budgets for the General Fund, Special Revenue Funds and Capital Projects Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

#### **Fund Equity**

Net Position/Fund Balances - In the government-wide financial statements, net position are either shown as invested in capital assets net of related debt, 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 should be 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 BOCES, should be 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, should be 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.

For the classification of fund and net position balances, the BOCES considers an expenditure to be made from the most restrictive classification first, when more than one classification is available.

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

#### **Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements in those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

#### **Accounting Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 -

**Cash Deposits and Investments**

A reconciliation of the cash and investment components on the balance sheet to the cash and investment categories in this footnote are as follows:

Petty cash	\$ 2,040,470
Colotrust	<u>26,053</u>
Total Cash and Investments	<u>\$ 2,066,523</u>

**Deposits**

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

The BOCES is authorized by Colorado State statutes to invest in the following:

- Obligations of the United States government and certain government agencies securities
- Certain international agency securities
- General obligation and revenue bonds of governmental entities
- Bankers acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Guaranteed investment contracts
- Checking with interest savings accounts

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the BOCES deposits may not be returned to it. The BOCES does not have a deposit policy for custodial credit risk. At year-end the BOCES bank balance was \$2,307,275. Of the bank balance, \$501,000 was covered by FDIC insurance, and \$1,806,275 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA. The difference between bank balance and carrying balance is outstanding checks.

**Investments**

The BOCES had invested \$26,053 (fair value) 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. The Colorado Division of Securities administrates and enforces the requirements of creating and operating Colotrust. Investments of Colotrust consist of U.S. Treasury bills, notes, 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 withdrawals 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.

Interest Rate Risk – The BOCES does not have a formal investment policy that limit investment maturities as a means of managing its exposure to fair value loss resulting from increasing interest rates. The Colorado revised statute 24-75-601 limit investment maturities to five years or less without governing board approval.

Credit Risk – State law limits investments for BOCES to U.S. treasury issues, other federally backed notes and credits, and other agency offerings (not based on derivatives) without limitation. Other investment instruments including bank obligations, general obligation bonds, and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agency. State law further limits investments in money market funds that are organized according to the Federal Investment Company Act of 1940, as specified in rule 2a-7, as amended, as long as such rule does not increase remaining maturities beyond a maximum of three years. Investments in these funds require that the institution have assets in excess of \$1 billion or the highest credit rating from one or more of a nationally recognized rating agency. Standards and Poors rate COLOTRUST AAAM.

Note 3 -

**Capital Assets**

A summary of changes in capital assets follows:

**Governmental Activities**

	<u>Balance</u> <u>July 1,2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,2016</u>
Non-depreciable assets:				
Land	\$ 967,719	\$ -	\$ -	\$ 967,719
Const. in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Non-depreciable	<u>\$ 967,719</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 967,719</u>
	<u>Balance</u> <u>July 1,2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,2016</u>
Depreciable Assets:				
Buildings & Sites	\$ 10,586,417	\$ -	\$ -	\$ 10,586,417
Equipment Furniture And Fixtures	130,349	-	-	130,349
Vehicles	<u>96,022</u>	<u>30,360</u>	<u>-</u>	<u>126,382</u>
Total Depreciable Assets	<u>\$ 10,812,788</u>	<u>\$ 30,360</u>	<u>\$ -</u>	<u>\$ 10,843,148</u>

Less accumulated depreciation for:

Buildings & Sites	\$ 532,377	\$ 266,701	\$ -	\$ 799,078
Equipment Furniture And Fixtures	62,521	12,990	-	75,511
Vehicles	<u>57,626</u>	<u>13,337</u>	<u>-</u>	<u>70,963</u>
Total Accumulated Depreciation	<u>\$ 652,524</u>	<u>\$ 293,028</u>	<u>\$ -</u>	<u>\$ 945,552</u>
Total Capital Assets, Net	<u>\$ 11,127,983</u>	<u>\$ 262,668</u>	<u>\$ -</u>	<u>\$ 10,865,315</u>

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

Governmental activities:

Regular instruction	<u>\$ 293,028</u>
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Note 4 - **Long-Term Debt**

The following is a summary of long-term debt:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Compensated Absences	\$ 44,216	\$ -	\$ 10,651	\$ 33,565
Totals	<u>\$ 44,216</u>	<u>\$ -</u>	<u>\$ 10,651</u>	<u>\$ 33,565</u>

Note 5 - **Defined Benefit Pension Plan**

**Summary of Significant Accounting Policies**

*Pensions.* Pikes Peak 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 Pikes Peak 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](http://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.
- 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.

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 Pikes Peak 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:

	For the Year Ended December 31, 2016	For the Year Ended December 31, 2015
Employer Contribution Rate <sup>1</sup>	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) <sup>1</sup>	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF <sup>1</sup>	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	4.50%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	4.50%	4.00%
Total Employer Contribution Rate to the SCHDTF <sup>1</sup>	18.13%	17.33%

<sup>1</sup>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 Pikes Peak BOCES is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Pikes Peak BOCES were \$947,361 for the year ended June 30, 2016.

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

At June 30, 2016 the Pikes Peak BOCES reported a liability of \$18,664,999 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, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The Pikes Peak BOCES proportion of the net pension liability was based on Pikes Peak BOCES contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the Pikes Peak BOCES proportion was .1220389688 percent, which was an increase of .0019825253 from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the Pikes Peak BOCES recognized pension expense of \$130,756. At June 30, 2016, the Pikes Peak BOCES reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 264,546	\$ 765
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	\$ 2,114,169	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$ 194,880	\$ 11,629
Contributions subsequent to the measurement date	\$ 480,080	N/A
Total	\$ 3,053,675	\$ 12,394

\$480,080 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:

<b>Year ended June 30, 2016:</b>	
June 30, 2017	\$ 718,665
June 30, 2018	\$ 720,851
June 30, 2019	\$ 663,305
June 30, 2020	\$ 458,380
June 30, 2021	\$ -
Thereafter	\$ -

*Actuarial assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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, 2013 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.

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 Real 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. 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 Pikes Peak 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 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$24,637,799	\$18,664,999	\$13,625,449

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

Note 6 - **Post-employment Healthcare Benefits**

*Plan Description.* The BOCES contributes to the Health Care Fund (HCF), a cost sharing multiple employer post-employment healthcare plan administered by the PERA. The HCF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for HCF. That report may be obtained by writing to PERA of Colorado, 1301 Pennsylvania Street, Denver, Colorado 80203 or by calling PERA's InfoLine at 1-800-759-PERA (7372).

*Funding Policy.* The BOCES is required to contribute at a rate of 1.02% of covered 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 CRS, as amended. The apportionment of the contribution to the health care fund is established under Title 24, Article 51, Section 208 of the Colorado Revised Statutes, as amended. The BOCES contributions to HCF for the years ending June 30, 2016, 2015, and 2014 were \$54,539, \$52,699 and \$49,476, respectively, equal to their required contributions for each year.

Note 7 - **Defined Contribution Pension Plan**

*Plan Description.* The (CSSDTF) members of the Pikes Peak Board of Cooperative Educational Services may voluntarily contribute to the Voluntary Investment Program 401(k) Plan, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from others made to PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the 401(k) Plan provisions to the State Legislature.

*Funding Policy.* The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$18,000 in 2015 and \$18,000 in 2016). Beginning January 1, 2001, an employer match was legislated, which would match 100% of a member's eligible tax deferred retirement program contributions limited by 3.0% in 2002, 2.0% in 2003 and 1.0% in 2004 per payroll of the PERA-includable salary. Effective July 1, 2004, the State Legislature rescinded the matchmaking provision of this plan. The 401(k) Plan member contributions from the BOCES for the year ended June 30, 2016 were \$ 47,912. There were no employer contributions to the 401(k) Plan from the BOCES for the year ended June 30, 2016.

Note 8 - **Operating Leases**

The BOCES has operating leases for copiers. Monthly rentals are \$1,065. Lease expense as of June 30, 2016 was \$13,786.

The minimum annual rental commitments under these leases are as follows:

Year ended June 30:	
2017	\$ 12,785
2018	12,785
2019	<u>12,785</u>
Total	<u>\$ 38,355</u>

Note 9 - **Auditor's Integrity Report**

The Colorado Department of Education requires the inclusion of the Auditor's Integrity Report as a supplemental schedule to the audited financial statements. The Report is based on a prescribed basis of accounting that demonstrates compliance with the financial policies and procedures of the Colorado Department of Education.

Note 10- **Risk Management**

The BOCES carries commercial insurance for all risks of loss, including errors and omissions and property. Settled claims resulting from these risks have not exceeded commercial or BOCES coverage in any of the past three years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

Note 11 - **Accrued Teachers' Salaries and Employee Benefits**

Teachers' contracts are for a ten-month period; but are paid in twelve equal payments. At the end of the fiscal year an accrual exists for the difference between the amounts due on the contract and the amounts paid.

Note 12 - **Commitments, Contingencies and Compliance**

*Tabor amendment* - In November 1992, the voters of Colorado approved Amendment I, commonly known as the Taxpayer's Bill of Rights (TABOR), which adds a new Article 10 Section 20 to the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations, which apply to the State of Colorado and all local governments. The amendment does not specifically address BOCES. However, several legal opinions have been issued stating that 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. A BOCES does not need to maintain emergency reserves required by TABOR as expenditures can fluctuate independently of TABOR.

*Claims and Judgements* - The BOCES participates in a number of federal and state 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 but the BOCES believes those disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the BOCES.

Note 13 - **Evaluation of Subsequent Events**

The BOCES management has evaluated subsequent events through November 30, 2016 (the date of the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources				
District payments	\$ 3,366,155	\$ 3,326,809	\$ 3,398,458	\$ 71,649
Tuition	4,765,523	4,774,823	4,244,295	(530,528)
Interest on investments	6,000	6,850	7,901	1,051
Technology sales	419,254	344,395	247,646	(96,749)
Other	35,000	46,822	40,444	(6,378)
Total local sources	<u>8,591,932</u>	<u>8,499,699</u>	<u>7,938,744</u>	<u>(560,955)</u>
State sources				
Gifted and talented	157,079	157,249	159,433	2,184
School to work alliance program	146,380	146,380	146,380	-
Total state sources	<u>303,459</u>	<u>303,629</u>	<u>305,813</u>	<u>2,184</u>
Federal sources				
Medicaid	148,795	162,400	301,367	138,967
School to work alliance program	216,807	216,807	216,807	-
Total federal sources	<u>365,602</u>	<u>379,207</u>	<u>518,174</u>	<u>138,967</u>
Total revenues	<u>9,260,993</u>	<u>9,182,535</u>	<u>8,762,731</u>	<u>(419,804)</u>
Expenditures				
Instruction:				
Salaries	3,003,854	3,002,913	2,842,698	160,215
Employee benefits	1,190,297	1,147,275	1,023,548	123,727
Purchase services	142,384	132,288	123,284	9,004
Supplies and materials	162,335	169,911	113,182	56,729
Capital outlay	70,093	59,593	32,075	27,518
Other	3,288	500	451	49
Total instruction	<u>4,572,251</u>	<u>4,512,480</u>	<u>4,135,238</u>	<u>377,242</u>
Support services:				
Salaries	2,604,521	2,595,428	2,555,804	39,624
Employee benefits	863,298	813,487	773,865	39,622
Purchase services	1,068,670	1,137,303	1,230,714	(93,411)
Supplies and materials	221,196	224,462	190,274	34,188
Capital outlay	25,684	35,362	24,959	10,403
Other	44,984	23,290	(807)	24,097
Total support services	<u>4,828,353</u>	<u>4,829,332</u>	<u>4,774,809</u>	<u>54,523</u>
Contingency	<u>2,028,305</u>	<u>2,061,051</u>	-	<u>2,061,051</u>
Total expenditures	11,428,909	11,402,863	8,910,047	2,492,816
Excess(deficiency) of revenues over (under) expenditures	<u>(2,167,916)</u>	<u>(2,220,328)</u>	<u>(147,316)</u>	<u>2,073,012</u>
Other financing sources (uses)				
Transfers (out)	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	-
Total other financing sources	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	-
Net change in fund balance	<u>(2,217,916)</u>	<u>(2,270,328)</u>	<u>(197,316)</u>	<u>2,073,012</u>
Fund balances at beginning of year	2,217,916	2,270,328	2,270,329	1
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,073,013</u>	<u>\$ 2,073,013</u>

See accompanying independent auditors' report

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
DESIGNATED PURPOSE GRANTS FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
State sources	\$ 1,676,601	\$ 1,713,906	\$ 1,456,935	\$ (256,971)
Federal sources	986,203	1,007,940	910,062	(97,878)
Total revenues	<u>2,662,804</u>	<u>2,721,846</u>	<u>2,366,997</u>	<u>(354,849)</u>
Expenditures				
Instruction:				
Salaries	-	-	13,765	(13,765)
Employee benefits	-	-	4,697	(4,697)
Purchase services	2,129,012	2,151,447	2,132,431	19,016
Supplies and materials	-	-	5,388	(5,388)
Capital outlay	-	-	-	-
Total instruction	<u>2,129,012</u>	<u>2,151,447</u>	<u>2,156,281</u>	<u>(4,834)</u>
Support services:				
Salaries	105,950	105,950	29,264	76,686
Employee benefits	22,050	22,050	4,430	17,620
Purchase services	149,718	186,325	104,882	81,443
Supplies and materials	81,074	81,074	72,140	8,934
Capital outlay	-	-	-	-
Total support services	<u>358,792</u>	<u>395,399</u>	<u>210,716</u>	<u>184,683</u>
Contingency	<u>175,000</u>	<u>175,000</u>	<u>-</u>	<u>175,000</u>
Total expenditures	<u>2,662,804</u>	<u>2,721,846</u>	<u>2,366,997</u>	<u>354,849</u>
Excess(deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at beginning of year	-	-	-	-
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying independent auditors' report

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
NEED FOUNDATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources				
Other income	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)
Interest on investments	100	100	26	(74)
Total revenues	<u>10,100</u>	<u>10,100</u>	<u>26</u>	<u>(10,074)</u>
Expenditures				
Supporting services	19,373	19,373	6,142	13,231
Contingency	10,100	6,764	-	6,764
Total expenditures	<u>29,473</u>	<u>26,137</u>	<u>6,142</u>	<u>19,995</u>
Excess(deficiency) of revenues over (under) expenditures	<u>(19,373)</u>	<u>(16,037)</u>	<u>(6,116)</u>	<u>9,921</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(19,373)</u>	<u>(16,037)</u>	<u>(6,116)</u>	<u>9,921</u>
Fund balances at beginning of year	19,373	16,037	16,037	-
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,921</u>	<u>\$ 9,921</u>

See the accompanying independent auditors' report

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
 SCHEDULE OF THE BOCES PROPORTIONATE SHARE  
 OF THE NET PENSION LIABILITY  
 LAST 10 FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
BOCES proportion (percentage) of the collective net pension liability	0.1220389688%	0.1200564435%
BOCES proportionate share of the collective pension liability	18,664,999	16,271,681
Employer's covered-employee payroll	5,318,429	5,029,499
BOCES proportionate share of the net pension liability as a percentage of it's employer's covered-employee payroll	28.49%	30.91%
Plan fiduciary net pension as a percentage of the total pension liability	59.20%	62.80%

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

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
SCHEDULE OF CONTRIBUTIONS AND RELATED RATIOS  
LAST 10 FISCAL YEARS**

	<u>2016</u>	<u>2015</u>
As of June 30,		
Statutorily required contributions	\$ 947,361	\$ 869,228
Contributions in relation to the statutorily required contributions	<u>947,361</u>	<u>869,228</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Employer's covered-employee payroll	5,344,160	5,152,507
Contribution as a percentage of employer's covered-employee payroll	17.73%	16.87%

See the accompanying Independent Auditor's Report

**SUPPLEMENTARY INFORMATION**

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
CAPITAL PROJECTS FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources				
Other income	\$ 1,000	\$ 7,400	\$ -	\$ (7,400)
Rent revenue	-	2,216	3,216	1,000
Total revenues	<u>1,000</u>	<u>9,616</u>	<u>3,216</u>	<u>(6,400)</u>
Expenditures				
Supporting services	70,000	113,750	98,161	15,589
Facilities acquisition and construction	30,000	11,250	8,965	2,285
Contingency	<u>98,689</u>	<u>88,881</u>	<u>-</u>	<u>88,881</u>
Total expenditures	<u>198,689</u>	<u>213,881</u>	<u>107,126</u>	<u>106,755</u>
Excess(deficiency) of revenues over (under) expenditures	<u>(197,689)</u>	<u>(204,265)</u>	<u>(103,910)</u>	<u>100,355</u>
Other financing sources (uses)				
Transfers in	50,000	50,000	50,000	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net change in fund balance	<u>(147,689)</u>	<u>(154,265)</u>	<u>(53,910)</u>	<u>100,355</u>
Fund balances at beginning of year	<u>147,689</u>	<u>154,265</u>	<u>154,264</u>	<u>(1)</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,354</u>	<u>\$ 100,354</u>

See the accompanying independent auditors' report

**COLORADO DEPARTMENT OF EDUCATION**

**AUDITOR'S INTEGRITY REPORT**



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 9045 - PIKES PEAK 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
<b>Governmental</b>	+		-	=
10 General Fund	2,270,329	8,712,731	8,910,047	2,073,013
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
<b>Sub- Total</b>	<b>2,270,329</b>	<b>8,712,731</b>	<b>8,910,047</b>	<b>2,073,013</b>
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	16,037	26	6,142	9,921
21 Food Service Spec Revenue Fund	0	0	0	0
22 Govt Designated-Purpose Grants Fund	0	2,366,997	2,366,997	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	154,264	53,217	107,126	100,354
<b>Totals</b>	<b>2,440,630</b>	<b>11,132,970</b>	<b>11,390,313</b>	<b>2,183,288</b>
<b>Proprietary</b>				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fiduciary</b>				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

FINAL

\*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.

12/1/16

**SINGLE AUDIT  
UNIFORM GUIDANCE REPORTS**

**PIKES PEAK BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2016**

<b>Federal Grantor/ Pass Through Grantor/Program Title</b>	<b>Federal CDFA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. Department of Education</b>			
<b>Passed through Colorado Department of Education:</b>			
<b>Clusters:</b>			
IDEA - Part B	84.027	4027	\$ 875,336
IDEA - Part B Special Ed Competitive	84.027	5027	\$ 687
Preschool Handicap	84.173	4173	34,039
Subtotal of Clustered Programs			910,062
<b>Passed through Colorado Department of Human Services:</b>			
SWAP Services	84.126	5126	216,807
<b>Total Federal Awards</b>			<b>\$ 1,126,869</b>

Basis of Presentation: The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the BOCES under 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 or changes in net position of the BOCES.

Summary of Significant Accounting Policies: Expenditures reported on the Schedule are reported on the 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.

**Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards***

Board Members  
Pikes Peak Board of Cooperative Educational Services  
Colorado Springs, Colorado

I 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 each major fund of the Pikes Peak Board of Cooperative Educational Services (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 my report thereon dated November 30, 2016.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BOCES internal control. Accordingly, I 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.

My 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies. Finding reference numbers 2016-001 and 2016-002.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the BOCES financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Pikes Peak Board of Cooperative Educational Services Response Findings**

Pikes Peak Board of Cooperative Educational Services response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. Pikes Peak Board of Cooperative Educational Services response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my 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.

Colorado Springs, Colorado  
November 30, 2016

## **Independent Auditor's Report On Compliance For Each Major Program And On Internal Control Over Compliance Required By The Uniform Guidance**

Board Members  
Pikes Peak Board of Cooperative Educational Services  
Colorado Springs, Colorado

### **Report on Compliance for Each Major Federal Program**

I have audited the Pikes Peak Board of Cooperative Educational Services (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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of the Pikes Peak Board of Cooperative Educational Services (BOCES) major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 the audit 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). Those standards and the Uniform Guidance require that I 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 I considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

In my opinion, the Pikes Peak Board of Cooperative Educational Services 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.

### **Other Matters**

The results of my auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items (finding reference numbers 2016-001 and 2016-002). My opinion on each major federal program is not modified with respect to these matters.

The Pikes Peak Board of Cooperative Educational Services response to the noncompliance findings identified in my audit is described in the accompanying schedule of findings and questioned costs. The Pikes Peak Board of Cooperative Educational Services response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of the Pikes Peak Board of Cooperative Educational Services is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I 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, I do not express an opinion on the effectiveness of the BOCES internal control over compliance.

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

My 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. I did not identify any deficiencies in internal control over compliance that I 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 my 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.

Colorado Springs, Colorado  
November 30, 2016

*Handwritten signature*

**Pikes Peak Board of Cooperative Educational Services  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016**

**Section I – Summary of Auditor’s Results**

***Financial Statements***

1. The independent auditors’ report on the financial statements expressed an unmodified opinion.
2. Internal controls over financial reporting:
  - Material weaknesses identified: NO
  - Significant deficiencies identified that are not considered to be material weaknesses: YES
3. Noncompliance considered material to the financial statements: NO

***Federal Awards***

1. Internal control over major programs:
  - No material weaknesses identified
  - Significant deficiencies identified that are not considered to be material weaknesses. None reported.
2. The independent auditors’ report on compliance for the major federal programs expresses an unmodified opinion on all major federal programs.
3. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
4. The BOCES major programs were:

<u>Name of Federal Program:</u>	<u>CFDA Number</u>
<b>CLUSTERS:</b>	
IDEA - Part B	84.027
IDEA – Part B Competitive	84.027
Preschool Handicap	84.173

5. A threshold of \$750,000 was used to distinguish between Type A and Type B programs as those terms are defined in the Uniform Guidance.
6. The BOCES was determined to be a low-risk auditee.

**Section II – Findings Related to Financial Statements**

**Significant Deficiencies**

**2016-001 Bank Reconciliations**

*Condition:* Bank account reconciliations of the pooled cash account are not reconciled on a monthly basis.

*Criteria:* Internal controls should be in place to ensure bank account reconciliations are performed on a monthly basis. Bank reconciliations should be performed to ensure the financial records are accurate and complete.

*Cause:* The BOCES converted their existing accounting software to a new software vendor. The program purchased did not include the “bank account reconciliation” module. Several months of unreconciled pooled bank had to be performed at the end of the year.

*Effect:* Because of the failure to perform bank account reconciliations, the financial statements produced throughout the year may have been incorrect.

*Recommendation:* Procedures should be implemented requiring the completion of bank account reconciliations of the pooled cash account on a monthly basis with a certain date of completion.

*Views of Responsible Officials and Planned Corrective Actions:* The BOCES agrees with the finding and the recommended procedures will be implemented.

### **2016-002 Unreconciled and Unsupported Account Balances**

*Condition:* Accounts payable are not reconciled and supported with detailed records on a monthly basis.

*Criteria:* Internal controls should be in place to ensure all balance sheet accounts are reconciled on a monthly basis.

*Cause:* The BOCES converted their existing accounting software to a new software vendor. As a result of this conversion, the accounts payable account became out of balance and unsupported.

*Effect:* Because of the failure to reconcile accounts payable, the financial statements produced throughout the year may have been incorrect.

*Recommendation:* Procedures should be implemented requiring the balancing of all balance sheet accounts, with detailed supporting records, on a monthly basis with a certain date of completion.

*Views of Responsible Officials and Planned Corrective Actions:* The BOCES agrees with the finding and the recommended procedures will be implemented.

### **Section III – Federal Award Findings and Questioned Costs**

There were no findings required to be reported under generally accepted government auditing standards.

### **Section IV – Prior Year Federal Award Findings and Questioned Costs**

None.



**CORRECTIVE ACTION PLAN**

**Christine Barela**  
Executive Director

**Deirdre Shearer**  
Director of Exceptional Students

**Eric Davies**  
Director of Fiscal Services

**Brian Bylund**  
Director of Technology

**Members:**

- Big Sandy #100J
- Calhan #RJ1
- Edison #54JT
- Elbert #200
- Ellicott #22
- Fremont #RE-2
- Hanover #28
- Miami-Yoder #60JT
- Peyton #23JT

**Associate Members:**

- Academy #20
- Cheyenne Mountain #12
- CS School District #11
- Falcon #49
- Fountain Ft Carson #8
- Harrison #2
- Lewis Palmer #38
- Pueblo City Schools
- Ute Pass BOCES
- Widefield #3

November 30, 2106

Department of Education

Pikes Peak Board of Cooperative Educational Services (BOCES) respectfully submits the following corrective action plan for the year ended June 30, 2016.

Name and address of independent public accounting firm:

Robert L Davis, CPA PC  
3130 Orion Drive, Suite 100  
Colorado Springs, CO 80906

Audit period: July 1, 2015 – June 30, 2016

The findings from the June 30, 2016 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**FINDINGS – FINANCIAL STATEMENT AUDIT**

**SIGNIFICANT DEFICIENCY**

2016-001 Bank account reconciliations

*Recommendation:* Internal controls should be in place to ensure pooled bank account reconciliations are performed on a monthly basis. Bank account reconciliations should be performed to ensure the financial records are accurate and complete.

*Action taken:* The BOCES staff agrees that there is work to be done to improve the bank reconciliation process. During FY 2016 there was an accounting software change in software vendors. The transition has been a difficult process and we are working with the new software vendor on implementing a better cash reconciliation process.

2016-002 Unreconciled and unsupported account balances

*Recommendation:* Procedures should be implemented requiring the balancing of all balance sheet accounts with detailed supporting records. In particular, accounts payable was unreconciled without supporting detail.

*Action taken:* The BOCES staff agrees that it is important to have procedures in

**Pikes Peak Board of Cooperative Educational Services**

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place that provide for periodic general ledger account reconciliations with detailed supporting records. During FY 2016 there was an accounting software change in software vendors. The transition has been a difficult process and we are working with the new software vendor on implementing a better accounts payable reconciliation process.

**FINDINGS – FEDERAL AWARD PROGRAMS**

None

If the Department of Education has questions regarding this corrective action plan, please call Eric Davies at 719-570-7474.

Sincerely,

A handwritten signature in black ink, appearing to read "Eric Davies", written in a cursive style.

Eric Davies, Director of Fiscal Services, Pikes Peak BOCES

**Pikes Peak Board of Cooperative Educational Services**

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