

cPa DIXON, WALLER & CO., INC.

SOUTH CENTRAL BOARD OF
COOPERATIVE EDUCATIONAL
SERVICES
PUEBLO, COLORADO
FINANCIAL STATEMENTS
JUNE 30, 2016

E

RECEIVED

By Justin L. Smith at 11:53 am, Jan 04, 2017

DIXON, WALLER & CO., INC.

TABLE OF CONTENTS

SOUTH CENTRAL BOARD OF
COOPERATIVE EDUCATIONAL
SERVICES

FINANCIAL STATEMENTS
JUNE 30, 2016

	<u>Page</u>
Title Page	
Table of Contents	
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report.....	1-2
Management's Discussion and Analysis.....	i-ix
BASIC FINANCIAL STATEMENTS:	
Government Wide Financial Statements:	
Statement of Net Position	3
Statement of Activities.....	4
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	5
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position.....	6
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	8

	<u>Page</u>
Fund Financial Statements (Continued):	
Notes to Basic Financial Statements	9-28
 REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Major Governmental Funds:	
General Fund.....	29-31
 Pension Trend Data:	
Schedule of Proportionate Share of Net Pension Liability.....	32
Schedule of BOCES Contributions.....	33
 <u>STATE REQUIRED SCHEDULES</u>	
Auditor's Integrity Report (Revenues, Expenditures, and Fund Balance by Fund).....	34
Bolded Balance Sheet.....	35-37
 <u>SINGLE AUDIT SECTION</u>	
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 <i>Government Auditing Standards</i>	38-39
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required By Uniform Guidance	40-41
Schedule of Findings and Questioned Costs.....	42-43
Summary Schedule of Prior Audit Findings	44
Schedule of Expenditures of Federal Awards.....	45
Notes of Schedule of Expenditures of Federal Awards.....	46

FINANCIAL SECTION

164 E. MAIN
TRINIDAD, COLORADO 81082
(719) 846-9241 FAX (719) 846-3352

INDEPENDENT AUDITOR'S REPORT

Board of Directors
South Central Board of
Cooperative Educational Services
Pueblo West, Colorado 81007

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the South Central Board of Cooperative Educational Services as of June 30, 2016, and the respective changes in financial position 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, budgetary comparison information and pension trend data on pages i through ix and 29 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Central Board of Cooperative Educational Services' basic financial statements. The state required schedules are presented for purposes of additional analysis and are 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 not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2016 on our consideration of the South Central Board of Cooperative Educational Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Central Board of Cooperative Educational Services' internal control over financial reporting and compliance.

Dixon, Waller & Co., Inc.

November 17, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

South Central BOCES
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2016

As management of the South Central BOCES, we offer readers of the BOCES financial statements this narrative overview and analysis of the financial activities of the BOCES for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information furnished in the independent auditors report and financial statements, which immediately follow this section.

Financial Highlights

Beginning in fiscal year ending June 30, 2015, under GASB 68 the BOCES' proportionate share of the net pension liability of the Colorado state retirement system, the Public Employees Retirement Association, was recorded as a liability of the BOCES. Beginning net position of governmental activities decreased as a result of this change.

Key financial highlights for 2016 are as follows:

- The net pension liability decreased by \$482 thousand to \$5.485 million for year ended June 30, 2016
- In total, BOCES net position increased by \$457 thousand to \$(4.823) million for the year ended June 30, 2016.
- Governmental activities have unrestricted net position of \$(5.167) million.
- Fund balance of the BOCES general fund increased by \$24 thousand resulting in an ending fund balance of \$1.024 million for the fiscal year 2016.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the BOCES basic financial statements. The South Central BOCES basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) Fund financials statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

- The first two statements are BOCES-wide financial statements that provide both short-term and long-term information about the BOCES overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the BOCES, reporting the BOCES operations in more detail than the BOCES-wide statements.
- The governmental funds statements tell how basic services such as instruction were financed in the short-term as well as what remains for future spending.
- Proprietary funds statements offer short and long-term financial information about the activities that operate like businesses, such as food services.

South Central BOCES
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2016

- Fiduciary funds statements provide information about the financial relationships in which a District/BOCES acts solely as a trustee or agent for the benefit of others such as, scholarship funds.

The financial statements also include notes that explain some of the information in the statements and provides more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the financial statements with a comparison of the BOCES budget for the year.

BOCES-wide Statements

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

The BOCES-wide statements report the BOCES *net position* and how they have changed. Net position – the difference between the BOCES assets, liabilities and deferred flows – is one way to measure the BOCES financial health or *position*.

- Over time, increases or decreases in the BOCES net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the BOCES overall health, you need to consider additional nonfinancial factors such as changes in the BOCES revenue, membership, and the condition of facilities.

Fund Financial Statements

The fund financial statements provide more detailed information about the BOCES funds. Funds are accounting devices Districts/BOCES uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- A District/BOCES establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as food service, insurance funds).

The BOCES has one, *Governmental fund*, out of the three kinds of funds:

South Central BOCES
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2016

- *Governmental funds:* Most of the BOCES basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the BOCES programs. Because this information does not encompass the additional long-term focus of the BOCES-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- *Proprietary funds:* Services for which a District/BOCES charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District/BOCES-wide statements. The *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information such as cash flows. A district/BOCES can use *internal service funds* (the other kind of proprietary funds) to report activities that provide supplies and services for its other programs and activities. This fund is not applicable to the BOCES.
- *Fiduciary funds:* The District/BOCES is the agent, or *fiduciary*, for assets that belong to others, such as the education memorial and student activities funds. A District/BOCES is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. This fund is not applicable to the BOCES.

Financial Analysis of the BOCES as a Whole

The assets of the BOCES are classified as current assets and capital assets. Cash, investments, receivables, inventories and prepaid expenditures are current assets. These assets are available to provide resources for the near-term operations of the BOCES. The majority of current assets are the result of local, State and Federal grants and contributions. Capital assets are used in the operations of the BOCES. These assets include land, buildings, equipment and vehicles.

Current and long-term liabilities are classified based on anticipated liquidation either in the near term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, and grants or other payments received in advance of satisfying payer and grantor requirements.

The net position of the BOCES governmental activities increased by \$457 thousand.

Table 1 provides a summary of the BOCES net position and Table 2 provides a summary for the BOCES changes in net position for 2016:

South Central BOCES
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2016

Table 1

NET POSITION

	<u>2015</u>	<u>2016</u>
Assets:		
Cash & Investments	1,440,997	1,677,626
Accounts receivable	-	48,574
Accrued revenue	419,504	149,038
Prepaid assets	19,373	45,624
Capital assets	765,038	766,293
Accumulated Depreciation	(415,741)	(422,581)
Total assets	<u>2,229,171</u>	<u>2,264,574</u>
Deferred Outflow of Resources		
Deferred Pension Cost - Actual vs Est. Earnings	120,080	-
Deferred Pension Cost - Plan	-	538,815
Deferred Pension Cost - Entity	-	-
Deferred Pension Cost - Contrib Subsequent to Pension	-	-
Measurement Date	<u>130,817</u>	<u>177,334</u>
Total Deferred Outflows	<u>250,897</u>	<u>716,149</u>
Liabilities:		
Liabilities:		
Accounts payable	22,769	89,277
Accrued salaries and benefits	193,512	253,091
Unearned grants and payments	662,317	553,713
Other Liabilities	-	-
Net Pension liability	<u>5,967,537</u>	<u>5,485,063</u>
Total Liabilities	<u>6,846,135</u>	<u>6,381,144</u>
Deferred Inflow of Resources		
Deferred Pension - Expected and Actual Differences	363	-
Deferred Pension Cost - Plan	-	77,742
Deferred Pension Cost - Entity	<u>-</u>	<u>1,345,131</u>
Total Deferred Inflows	<u>363</u>	<u>1,422,873</u>
Net Position:		
Invested in capital assets, net of related debt	349,297	343,712
Restricted	-	-
Unrestricted	<u>(4,715,727)</u>	<u>(5,167,006)</u>
Total Net Positon	<u>(4,366,430)</u>	<u>(4,823,294)</u>

South Central BOCES
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2016

Table 2

Changes in Net Position

	Governmental Activities	
	2015	2016
Revenues		
Program Revenues		
Charges for services	\$442,740	\$461,633
Operating Grants & Contributions	2,510,378	2,815,757
General Revenues		
Other	436,384	380,831
Total Revenues	3,389,502	3,658,221
Expenses		
Instruction	645,567	1,095,402
Supporting Services	2,014,308	2,544,899
Community Services	0	0
Pension Cost	34,143	-386,630
Total Expenses	2,694,018	3,253,671
Increase (decrease) in net position	695,484	404,550
Net position, beginning	-5,061,914	-4,366,430
Prior Period Adjustment		-861,414
Net position, ending	-4,366,460	-4,823,294

Table 3

South Central BOCES
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2016

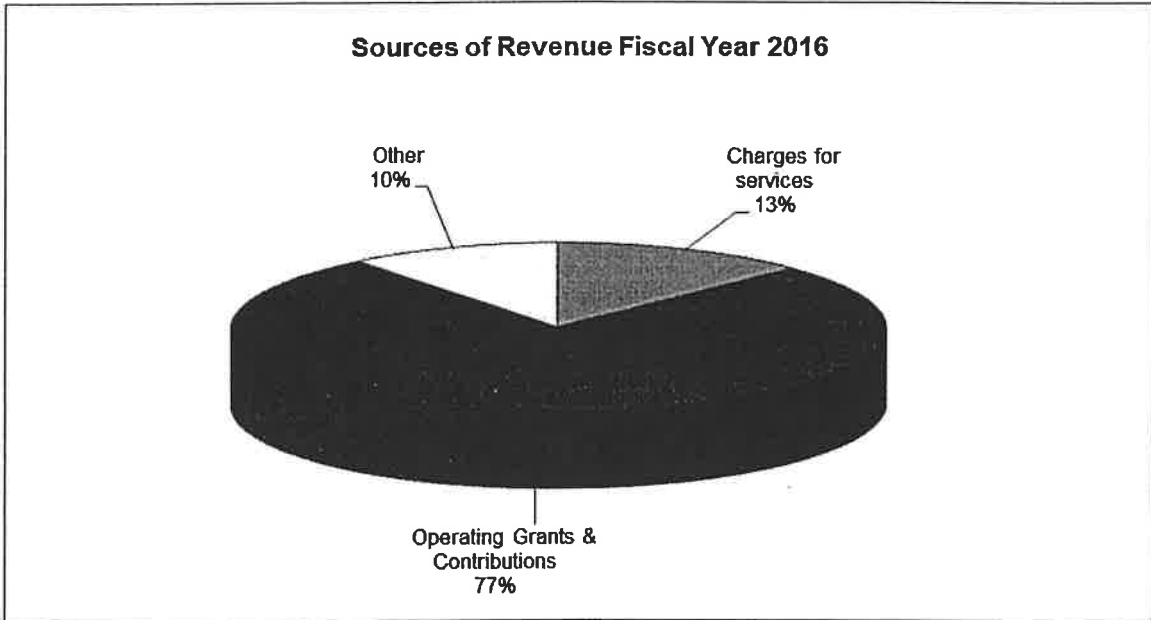
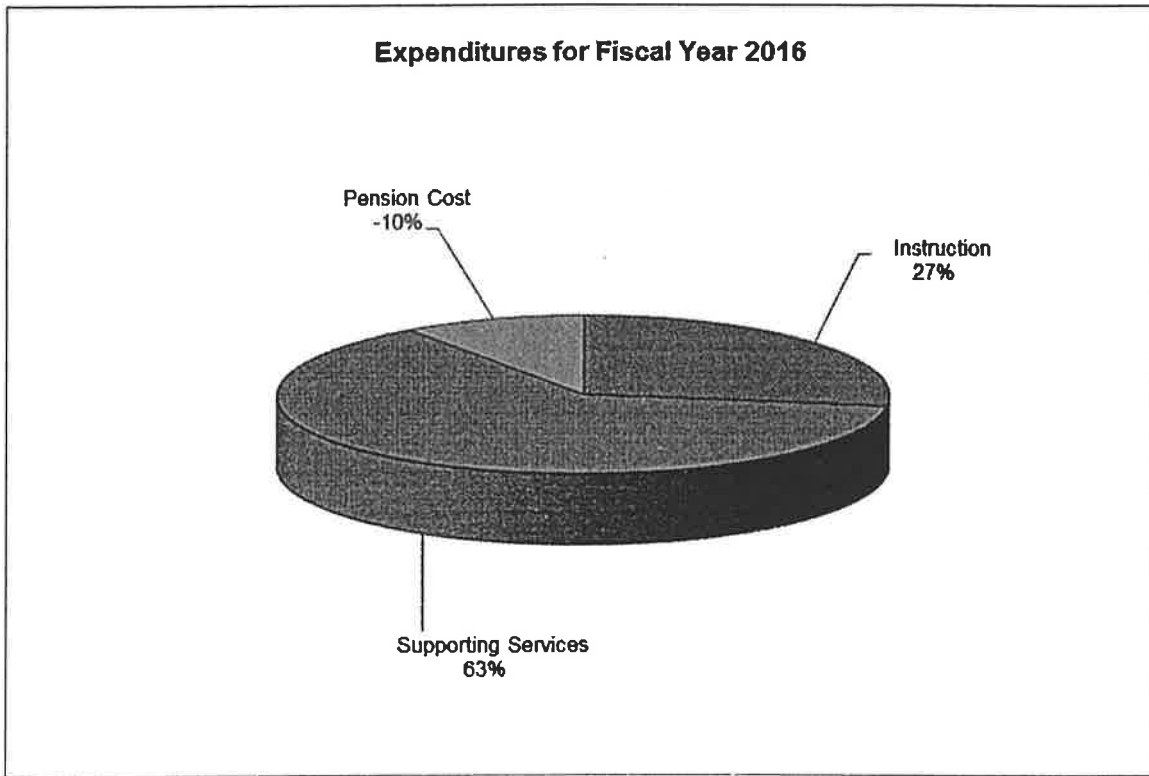


Table 4



South Central BOCES
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2016

Operating grants and contributions accounted for 77 percent of the BOCES governmental activities total revenue. (See Table 3.) Another 13 percent came from, fees charged for services, and miscellaneous sources.

The BOCES expenses are predominantly related to supporting services, 63 percent and 27 percent instruction. (See Table 4.)

Governmental Activities

The primary source of operating revenue for the BOCES comes from the local, State, and Federal Grants as well as membership fees.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 5 shows, for governmental activities, the total cost of services.

Table 5

Governmental Activities

	2015		2016	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instructional services	645,567	221,583	1,095,402	(2)
Supporting services:				
Students	366,571	275,249	860,766	(964)
Instructional staff	1,029,837	105,291	1,094,200	15,247
BOCES administration	153,056	(153,056)	141,386	(124,386)
Business	267,217	(71,167)	212,421	(150,346)
Operation and maintenance of facilities	45,707	(45,707)	45,295	(45,295)
Transportation	-	-	-	-
Adult Education	83,977	10,741	120,743	(50,472)
Community	-	-	-	-
Amortization of Pension Cost	34,143	(34,143)	(386,630)	386,630
Central	67,943	(49,691)	70,088	(6,693)
Total expenditures	<u>2,694,018</u>	<u>259,100</u>	<u>3,253,671</u>	<u>23,719</u>

South Central BOCES
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2016

The cost of all *governmental* activities this year was \$3.254 million, an increase of \$560 thousand.

- Some of the cost was financed by the users of the BOCES programs (\$124 thousand).
- The federal and state government subsidized certain programs with grants and contributions.
- Increase in governmental activities was a result of increase in grant funding.

Financial Analysis of the BOCES Funds

The governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues of \$3.658 million and expenditures of \$3.635 million.

Budgetary Highlights

The BOCES budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The only fund budgeted for is the General Fund. No additional budget appropriation was made during the fiscal year to the general fund budget.

Capital Assets and Debt Administration

By the end of 2016, the BOCES had invested \$343,712 in land, buildings, equipment, and transportation vehicles. Table 6 shows fiscal 2015 and 2016:

Table 6
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	<u>2015</u>	<u>2016</u>
Land	95,106	106,191
Buildings and Site Improvements	196,797	182,740
Vehicles & Equipment	57,394	54,781
Total Capital Assets, Net	349,297	343,712

South Central BOCES
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2016

Additional information on the BOCES capital assets can be found in the Notes to the Financial Statements.

Long-Term Debt

The South Central BOCES does not have long-term debt at June 30, 2016.

Factors Bearing on the BOCES Future

At the time these financial statements were prepared and audited, the BOCES was aware the following existing circumstances that could significantly affect its financial health in the future:

- Continuing loss of enrollment in member districts.
- Expected increase in Health Insurance premiums.
- Decrease in revenues from grants.
- Increase in Employer Contribution to PERA

Contacting the BOCES Financial Management

This financial report is designed to provide the BOCES citizens, parents, investors and creditors with a general overview of the BOCES finances and to demonstrate the BOCES accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

By mail:

South Central BOCES
Chief Financial Officer
323 S. Purcell Blvd
Pueblo West, CO 81007

By e-mail: wittman-a@sc-boces.org

Or visit our website: www.sc-boces.org

BASIC FINANCIAL STATEMENTS

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
STATEMENT OF NET POSITION

June 30, 2016

	<u>Governmental Activities</u>	<u>Total</u>
<u>ASSETS</u>		
Cash	912,240	912,240
Investments	765,386	765,386
Accounts Receivable	48,574	48,574
Accrued Revenue	149,038	149,038
Prepaid Assets	45,624	45,624
Capital Assets	766,293	766,293
Accumulated Depreciation	<u>(422,581)</u>	<u>(422,581)</u>
<u>Total Assets</u>	<u>2,264,574</u>	<u>2,264,574</u>
 <u>DEFERRED OUTFLOW OF RESOURCES</u>		
Deferred Pension Cost – Plan	538,815	538,815
Deferred Pension Cost – Entity	-	-
Deferred Pension Cost – Contributions Subsequent to Pension Measurement Date	<u>177,334</u>	<u>177,334</u>
<u>Total Deferred Outflows</u>	<u>716,149</u>	<u>716,149</u>
 <u>LIABILITIES</u>		
Accounts Payable	89,277	89,277
Accrued Salaries and Benefits	253,091	253,091
Unearned Grants and Payments	553,713	553,713
Net Pension Liability	<u>5,485,063</u>	<u>5,485,063</u>
<u>Total Liabilities</u>	<u>6,381,144</u>	<u>6,381,144</u>
 <u>DEFERRED INFLOW OF RESOURCES</u>		
Deferred Pension Cost – Plan	77,742	77,742
Deferred Pension Cost – Entity	<u>1,345,131</u>	<u>1,345,131</u>
<u>Total Deferred Inflows</u>	<u>1,422,873</u>	<u>1,422,873</u>
 <u>NET POSITION</u>		
Net Investment in Capital Assets	343,712	343,712
Restricted	-	-
Unrestricted	<u>(5,167,006)</u>	<u>(5,167,006)</u>
<u>TOTAL NET POSITION</u>	<u>(4,823,294)</u>	<u>(4,823,294)</u>

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

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	<u>General</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>		
Cash	912,240	912,240
Investments	765,386	765,386
Accounts Receivable	48,574	48,574
Accrued Revenue	149,038	149,038
Other Assets - Prepaids	45,624	45,624
<u>Total Assets</u>	<u>1,920,862</u>	<u>1,920,862</u>
 <u>LIABILITIES AND FUND BALANCES</u>		
<u>LIABILITIES:</u>		
Accounts Payable	89,277	89,277
Accrued Salaries and Benefits	253,091	253,091
Other Liabilities	-	-
Unearned Grants and Payments	553,713	553,713
<u>Total Liabilities</u>	<u>896,081</u>	<u>896,081</u>
 <u>FUND BALANCES:</u>		
Nonspendable:		
Prepaids	45,624	45,624
Unassigned:		
<u>Total Fund Balances</u>	<u>1,024,781</u>	<u>1,024,781</u>
 <u>TOTAL LIABILITIES AND FUND BALANCES</u>	 <u>1,920,862</u>	 <u>1,920,862</u>

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

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2016

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

<u>Total Fund Balance – Governmental Funds</u>	1,024,781
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$766,293 and the accumulated depreciation is \$422,581.	343,712
Net pension liability, along with associated deferred flow, are not recorded at the fund level:	
Net Pension Liability	(5,485,063)
Pension – Deferred Outflows	716,149
Pension – Deferred Inflows	<u>(1,422,873)</u>
<u>TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES</u>	<u>(4,823,294)</u>

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

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	<u>General</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>		
Local Sources	352,481	352,481
State Sources	2,281,838	2,281,838
Federal Sources	<u>1,023,902</u>	<u>1,023,902</u>
<u>Total Revenues</u>	<u>3,658,221</u>	<u>3,658,221</u>
<u>EXPENDITURES</u>		
Current:		
Instructional Services	1,095,402	1,095,402
Supporting Services:		
Students	859,830	859,830
Instructional Staff	1,094,200	1,094,200
BOCES Administration	110,767	110,767
Business	223,506	223,506
Operation & Maintenance of Facilities	45,295	45,295
Transportation	-	-
Adult Education	135,628	135,628
Community	-	-
Central	70,088	70,088
Debt Service:		
Principal	-	-
Interest	-	-
Capital Outlay	-	-
<u>Total Expenditures</u>	<u>3,634,716</u>	<u>3,634,716</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>23,505</u>	<u>23,505</u>
<u>FUND BALANCES – Beginning</u>	<u>1,001,276</u>	<u>1,001,276</u>
<u>FUND BALANCES – Ending</u>	<u>1,024,781</u>	<u>1,024,781</u>

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

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2016

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

Net Change in Fund Balances – Total Governmental Funds 23,505

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more the \$2,000 are capitalized and the cost is allocated over their estimated used lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

	Capital outlays more than \$2,000	25,970	
	Depreciation expense	(31,555)	(5,585)

The increase in net pension liability, along with the changes and amortizations of deferred flows associated with the net pension liability are not recorded at the fund level.

	Change in net pension liability	482,474	
	Change in deferred outflows	465,252	
	Change in deferred inflows	(561,096)	<u>386,630</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES 404,550

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

NOTES TO BASIC FINANCIAL STATEMENTS

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The District operates under a Board of Directors with fifteen members. Each school district within the BOCES is represented.

The BOCES is the lowest level of government, which is considered to be financially accountable over all activities. The BOCES receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. The Board of Directors members are appointed by local school districts and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

A. Reporting Entity

Governmental Accounting Standards board (GASB) Statement No. 14 (as amended by Statements No. 34, No. 39 and No. 61), "*The Financial Reporting Entity*" (GASB No. 14) describes the financial reporting entity as it relates to governmental accounting. According to this Statement, the financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations whose exclusion from the reporting entity's financial statements would cause those statements to be misleading or incomplete. Any organizations that can be described by these last two items are included with the primary government in the financial statements as component units.

This BOCES is not included in any other governmental "reporting entity" as defined in GASB No. 14 and does not include any other component unit as part of its "reporting entity". As required by accounting principles generally accepted in the USA, these basic financial statements present the BOCES (the primary government) and its component units.

B. 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 nonfiduciary activities of the BOCES. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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. Other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds (General Fund) and individual enterprise funds are reported as separate columns in the fund financial statements.

C. 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, as are the proprietary fund statements. 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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the BOCES governmental and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 in net current assets and unreserved fund balance as a measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

Amounts reported as program revenues included 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.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

All governmental fund types 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 is met. A receivable is established when the related expenditures exceed revenue receipts.

Expenditures are recorded when the related fund liability is incurred with the exception of general obligation and capital lease debt service 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.

The proprietary fund types are accounted for on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The measurement focus in these funds is on the flow of economic resources and emphasizes the determination of net income. All assets and all liabilities associated with their activity are included on their statements of position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's ongoing operations. The principal operating revenues of the District's proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Fund Accounting

The accounts of the BOCES are organized on the basis of funds, 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, deferred flows, revenues and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major funds presented in the accompanying basic financial statements are as follows:

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

• 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.

E. Cash and Investments

Cash represents amounts on deposit with financial institutions or held by the BOCES. The BOCES is allowed to invest in the following types of investments: short-term certificates of deposit, repurchase agreements, money market deposit accounts, mutual funds, government pools, and U.S. Treasury Obligations. The BOCES considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments are recorded at fair value in accordance with GASB Statement No. 72 *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

F. Inventories

Materials and supplies inventories are stated at cost. Donated inventories, received at no cost, are recorded at their estimated fair value at the date of receipt.

The cost of all inventories is recorded as an asset when the individual inventory items are purchased, and as an expenditure or expense when consumed.

G. 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 governmental or business-type activities 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 governmental 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 in governmental funds.

The monetary threshold for capitalization of assets is \$2,000. The BOCES capital assets are depreciated using the straight-line method over the estimated useful lives of the fixed assets (5-40 years). Depreciation of all capital assets is charged as an expense against their operations. Depreciation is recorded in the year of acquisition.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

I. Long-Term Obligations

In the government-wide financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable government activities statement of net position. The BOCES records long-term debt of governmental funds at the face value. Capital leases are serviced from other revenues of the General Fund.

J. Constitutional Amendment

In November 1992, Colorado voters approved Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations, which apply to the State of Colorado and local governments. It requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of an expiring tax, or tax policy change directly causing a net tax revenue gain to any entity.

The Cooperative has determined that it is not subject to amendment 1, commonly known as the Taxpayers Bill of Rights (TABOR) based on the following:

1. A BOCES is not independently subject to the spending and revenue limits imposed by Amendment 1. BOCES revenues and spending may therefore fluctuate independent of the restrictions imposed by the Amendment. However, contributions by member districts and by the state will be subject to the spending limits imposed by the Amendment at the time the transfer is made to the BOCES account.
2. A BOCES may enter into multiple-year financial obligations, as those obligations are defined in Amendment 1, only to the extent and in the manner to which its member school districts are permitted under Amendment 1 to enter into such financial obligations.
3. The BOCES need not maintain an emergency reserve as required by Amendment 1 for local government entities.
4. The BOCES is not a local government under Amendment 1 because its activities and authority are not confined to a specific geographical area within the state, it addresses matters of statewide concern, and it was created by a statewide vote of the electorate. The board is decidedly not a private entity. Nor is it as presently constituted an "enterprise" under Amendment 1. While the board is not an "agency" of the state, the BOCES conclude that the best reading of Amendment 1 is to exclude from state fiscal year spending limits only those entities that are nongovernmental, and the board is essentially governmental in nature. This interpretation of Amendment 1 is the interpretation that "reasonably restrains most of the growth of government".

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Accumulated Staff Leave

Accumulated unpaid vacation and sick pay are not accrued in governmental funds (using the modified accrual basis of accounting). These amounts do not exceed normal year's accumulations. It is the policy of South Central Board of Cooperative Educational Services that no monetary payments will be made for unused sick leave upon termination, only retirement as defined.

L. Use of Estimates

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

M. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the various funds. Encumbrances lapse at the end of the year.

N. GASB Statement No. 54

The Government Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. Nonspendable such as fund balances associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
2. Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the BOCES Board of Directors (the BOCES' highest level of decision-making authority).
4. Assigned fund balance classification is intended to be used by the government for specific purposes that do not meet the criteria to be classified as restricted or committed.
5. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. GASB Statement No. 54 (Continued)

Fund Balance Classification Policies and Procedures

Committed Fund Balance Policy:

The BOCES' Committed Fund Balance is fund balance reporting required by the Board, either because of a Board Policy in the Board Policy Manual, or because of motions that passed at Board meetings.

Assigned Fund Balance Policy:

The BOCES' Assigned Fund Balance is fund balance reporting occurring by School Board Administration authority, under the direction of the Chief Business Officer.

Order of Fund Balance Spending Policy

The BOCES' policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries.

First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then unrestricted fund balances are determined following the order of committed, assigned, and unassigned.

Fund Balance Classification by Fund:

	General Fund	Total Governmental Funds
<u>Nonspendable:</u>		
Prepaid Insurance and Contracts	45,624	45,624
<u>Unassigned</u>	979,157	979,157
<u>Total Fund Balances</u>	1,024,781	1,024,781

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental funds balance sheet includes a reconciliation between *fund balances – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total government funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for governmental fund statements to the economic resources measurement and full accrual basis used for government-wide statements.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 3 BUDGETARY INFORMATION

Revenues and expenditures are controlled by budgetary accounting systems in accordance with various legal requirements. The budgeted revenues and expenditures represent the original adopted budget as subsequently adjusted by the Board of Directors in accordance with Colorado School Laws. Budgets are generally prepared on the same basis as that used for accounting purposes.

The BOCES has set procedures to be followed in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Executive Director submits to the Board of Directors 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 notices are released to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. The Business Manager is authorized to transfer budgeted amounts between categories within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
5. Formal budgetary integration should be employed as a management control device during the year for the General Fund.
6. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

All appropriations lapse at the end of each fiscal year. Revisions and/or supplemental appropriations that alter the total expenditures of any fund must be approved by the Board of Directors.

Budgetary amounts reported in the accompanying basic financial statements are as originally adopted and amended by the Board of Directors throughout the year.

NOTE 4 CASH AND INVESTMENTS

Deposits

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

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

NOTE 4 CASH AND INVESTMENTS (Continued)

At June 30, 2016, the BOCES bank balance and corresponding carrying balance were as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Insured (FDIC)	250,000	250,000
Uninsured, Collateralized under the Public Deposit Protection Act of the State of Colorado	661,915	712,314
Cash on Hand	<u>325</u>	<u>-</u>
<u>Total Cash and Deposits</u>	<u>912,240</u>	<u>962,314</u>

As presented above, deposits with a bank balance of \$712,314 and a carrying balance of 661,915 as of June 30, 2016 are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

Investments

At June 30, 2016, the BOCES had the following investments:

	<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
COLOTRUST	State Pool	45 Day Average	765,386

Interest Rate Risk – BOCES does not have a formal investment policy that limits investment maturities for managing possible fair value losses due to increasing interest rates.

Credit Risk – State Law limits the type of investments allowable. The investment of COLOTRUST is rated AAA by Standard and Poor's.

Concentration of Credit Risk – the BOCES has no policy restricting the amount that can be invested in any issuer.

The BOCES categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The BOCES has the following recurring fair value measurements as of June 30, 2016:

- COLOTRUST – State Pool of \$765,386 is valued using quoted market prices (Level 1 inputs)

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

NOTE 5 CAPITAL ASSETS

A summary of changes in capital assets is as 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>
<u>Non-Depreciable Assets:</u>				
Land	95,106	11,085	-	106,191
<u>Total Non-Depreciable Assets</u>	<u>95,106</u>	<u>11,085</u>	<u>-</u>	<u>106,191</u>
<u>Depreciable Assets:</u>				
<u>Buildings & Site Improvements</u>				
Buildings & Site Improvements	458,433	-	-	458,433
Vehicles	12,620	-	-	12,620
Equipment	198,879	14,885	24,715	189,049
<u>Total Depreciable Assets</u>	<u>669,932</u>	<u>14,885</u>	<u>24,715</u>	<u>660,102</u>
<u>Less Accumulated Depreciation for:</u>				
<u>Building & Site Improvements</u>				
Building & Site Improvements	261,636	14,057	-	275,693
Equipment & Vehicles	154,105	17,498	24,715	146,888
<u>Total Accumulated Depreciation</u>	<u>415,741</u>	<u>31,555</u>	<u>24,715</u>	<u>422,581</u>
<u>Total Capital Assets, Net</u>	<u>349,297</u>	<u>(5,585)</u>	<u>-</u>	<u>343,712</u>

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

Governmental Activities:

Student Support	936
General Administration Support	30,619
<u>Total Depreciation Expense – Governmental Activities</u>	<u>31,555</u>

NOTE 6 ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, at June 30, 2016, are estimated to be \$253,091. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 PENSION PLAN

Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pensions. South Central Board of Cooperative Educational Services 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 South Central Board of Cooperative Educational Services 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/investment/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. 24-51-601, 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.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 PENSION PLAN (Continued)

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

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

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

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

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

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

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.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

NOTE 7 **PENSION PLAN (Continued)**

Contributions. Eligible employees and South Central Board of Cooperative Educational Services 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, 2015	For the Year Ended December 31, 2016
Employer Contribution Rate	10.15 %	10.15 %
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. 24-51-208 (1) (f)	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. 24-51-411	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. 24-51-411	4.00%	4.50%
Total Employer Contribution Rate to the SCHDTF	17.33%	18.13%

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 South Central Board of Cooperative Educational Services is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from South Central Board of Cooperative Educational Services were \$316,902 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 South Central Board of Cooperative Educational Services reported a liability of \$5,485,063 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The South Central Board of Cooperative Educational Services proportion of the net pension liability was based on South Central Board of Cooperative Educational Services 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 South Central Board of Cooperative Educational Services proportion was 0.0359 percent, which was a decrease of 0.0081 from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the South Central Board of Cooperative Educational Services recognized pension expense of \$(386,630). At June 30, 2016, the South Central Board of Cooperative Educational Services reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

NOTE 7 **PENSION PLAN (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	72,431	(228)
Changes of assumptions or other inputs	0	(77,514)
Net difference between projected and actual earnings on pension plan investments	466,384	-0-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-0-	(1,345,131)
Contributions subsequent to the measurement date	177,334	N/A
Total	716,149	(1,422,873)

\$177,334 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2017	(501,595)
2018	(405,842)
2019	(72,258)
2020	95,637
2021	-
Thereafter	-

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

Actuarial Cost Method	Entry Age
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

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 PENSION PLAN (Continued)

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

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

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuations are as follows:

- The following programming changes were made:
 - Valuation of the full survivor benefit without any reduction for possible remarriage.
 - Reflection of the employer match on separation benefits for all eligible years.
 - Reflection of one year of service eligibility for survivor annuity benefit.
 - Refinement of the 18 month annual increase timing.
 - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

- The following methodology changes were made:
 - Recognition of merit salary increases in the first projection year.
 - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
 - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
 - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

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:

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

NOTE 7 PENSION PLAN (Continued)

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 applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to increase annually at a rate of 3.9%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

NOTE 7 PENSION PLAN (Continued)

- The AIR balance was excluded from the initial fiduciary net position, as, per statute. AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and 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 South Central Board of Cooperative Educational Services 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-percent-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	7,110,245	5,485,063	4,113,215

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.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 PENSION PLAN (Continued)

Defined Contribution Pension Plan

Voluntary Investment Program

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

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings. For the year ended June 30, 2016, program members contributed \$10,000.

Other Post-Employment Benefits

Health Care Trust Fund

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

Funding Policy – The South Central Board of Cooperative Educational Services is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the South Central Board of Cooperative Educational Services are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2016, 2015 and 2014, the South Central Board of Cooperative Educational Services contributions to the HCTF were \$18,192, \$15,038 and \$22,266, respectively equal to their required contributions for each year.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 INTERGOVERNMENTAL AGREEMENTS

Not reflected in the accompanying financial statements is the various Districts' participation in the South Central Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost per district.

The Districts have one member on the Board. This Board has full authority for all budgeting and financing of the Cooperative.

The BOCES is not a component unit of the participating Districts as the oversight responsibility is minimal, there is no financial interdependency, the Districts do not have the ability to significantly influence the operations of the BOCES and the Districts are not accountable for fiscal matters of the BOCES.

NOTE 9 SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

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

NOTE 10 COLORADO SCHOOL DISTRICTS SELF-INSURANCE POOL

The BOCES belongs to the Colorado School Districts' Self-Insurance Pool. The Pool was established by the Colorado Association of School Boards (CASB) to provide insurance coverage to participants in the areas of General Liability, Errors and Omissions, Automobile Liability, Auto Physical Damage, Auto Personal Injury Protection, Real and Personal Crime, Worker's Compensation and other coverages. The Board of Directors is composed of eight persons; seven of whom are appointed by the Board of Directors of CASB and the Executive Director of CASB. The Pool is managed by an independent manager chosen by the Board of Directors. Each member's initial contribution and subsequent contributions are determined by the Pool based on factors including, but not limited to, the aggregate Pool claims, the cost of administrative and other operating expenses, the number of participants, the adequacy of both Operating and Reserve Funds and other factors touching on the status of the Pool or an individual participant, and as approved by the Colorado Insurance Commissioner.

As the BOCES did not exercise oversight responsibility nor have sufficient control over Pool activities, the Pool is not a component unit of the Cooperative and only the Cooperative's share of contributions to the Pool is recorded as expenditures in the General Fund.

The BOCES' share in the Pool is not determinable from current information, but is estimated to be less than 1%. The Cooperative's share, if calculated, would not be material to the Pool's financial information at June 30, 2016.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

NOTE 10 COLORADO SCHOOL DISTRICTS SELF-INSURANCE POOL (Continued)

An audited summary of the Colorado School Districts' Pool financial information at December 31, 2015 (latest information available) follows:

Total Assets	<u>46,958,320</u>
Total Liabilities	<u>22,633,311</u>
Total Surplus	<u>24,325,009</u>
Revenue	13,432,892
Underwriting Expenses	<u>16,484,758</u>
Underwriting Gain (Loss)	(3,051,866)
Net Investment Income	663,509
Other Income	<u>-</u>
Net Income (Loss) Before Dividend	(2,388,357)
Dividend	<u>-</u>
Net Income	(2,388,357)
Transfer of Capital Contributions	-
Change in Non Admitted Assets	<u>95,339</u>
Return of Capital Contributions to Members	<u>-</u>
Unassigned Surplus	<u>24,325,009</u>

NOTE 11 RISK MANAGEMENT

The BOCES is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God. The BOCES maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 12 PRIOR PERIOD ADJUSTMENT

In the fiscal year ended June 30, 2015, no deferred inflow was recorded for the change in proportion of the BOCES contributions to PERA in relation to their portion of the net pension liability originally recorded during the implementation of GASB Statements No. 68 and 71. The amount of deferred inflow at June 30, 2015 that should have been recorded was \$861,414. The Statement of Activities reflects the corresponding reduction to entity-wide net position as of that date as a prior period adjustment.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISONS

PENSION TREND DATA

MAJOR GOVERNMENTAL FUNDS

General Fund

The General Fund accounts for all transactions of the BOCES. This fund represents an accounting for the BOCES ordinary operations financed from grants, fees and other general revenues.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
<u>Local Sources</u>				
Local District Assessments, Interest and Fees for Service	943,986	1,306,092	352,481	(953,611)
<u>State Sources</u>				
Designated Purpose Grants, Fees for Services	1,298,703	1,693,582	2,281,838	588,256
<u>Federal Sources</u>				
Designated Purpose Grants	1,121,267	1,332,111	1,023,902	(308,209)
TOTAL REVENUES	3,363,956	4,331,785	3,658,221	(673,564)
<u>EXPENDITURES</u>				
<u>INSTRUCTION</u>				
<u>Regular Programs</u>				
Salaries	651,959	704,584	727,296	(22,712)
Employee Benefits	181,697	201,182	194,192	6,990
Purchased Services-Professional	35,000	35,000	7,439	27,561
Purchased Services-Property	-	-	-	-
Purchased Services-Other	22,000	22,000	162,382	(140,382)
Supplies and Materials	-	-	4,093	(4,093)
Property	-	-	-	-
Other Objects	-	-	-	-
<u>Total Instruction</u>	<u>890,656</u>	<u>962,766</u>	<u>1,095,402</u>	<u>(132,636)</u>
<u>SUPPORTING SERVICES</u>				
<u>Student Supporting Services</u>				
Salaries	509,902	608,511	522,121	86,390
Employee Benefits	151,271	169,683	154,562	15,121
Purchased Services-Professional	72,707	133,428	152,906	(19,478)
Purchased Services-Property	-	-	-	-
Purchased Services-Other	10,000	10,230	12,833	(2,603)
Supplies and Materials	-	29,797	8,519	21,278
Property	-	10,500	8,889	1,611
Other Objects	-	-	-	-
<u>Total Student Services</u>	<u>743,880</u>	<u>962,149</u>	<u>859,830</u>	<u>102,319</u>

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

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<u>Instructional Staff</u>				
Salaries	313,902	383,153	427,172	(44,019)
Employee Benefits	86,072	113,755	113,572	183
Purchased Services-Professional	86,226	334,336	89,338	244,998
Purchased Services-Property	65,000	65,000	59,855	5,145
Purchased Services-Other	40,000	159,480	148,922	10,558
Supplies and Materials	318,439	294,985	246,890	48,095
Property	-	-	8,232	(8,232)
Other Objects	<u>53,393</u>	<u>36,241</u>	<u>219</u>	<u>36,022</u>
<u>Total Instructional Staff</u>	<u>963,032</u>	<u>1,386,950</u>	<u>1,094,200</u>	<u>292,750</u>
<u>General Administration</u>				
Salaries	56,000	56,000	60,050	(4,050)
Employee Benefits	12,790	12,790	12,223	567
Purchased Services-Professional	16,750	16,750	12,210	4,540
Purchased Services-Other	8,500	8,500	4,221	4,279
Supplies and Materials	3,150	3,150	19,913	(16,763)
Other Objects	<u>3,000</u>	<u>3,000</u>	<u>2,150</u>	<u>850</u>
<u>Total General Administration</u>	<u>100,190</u>	<u>100,190</u>	<u>110,767</u>	<u>(10,577)</u>
<u>Business Services</u>				
Salaries	116,802	116,802	122,128	(5,326)
Employee Benefits	36,877	36,877	33,650	3,227
Purchased Services-Professional	16,800	16,800	7,711	9,089
Purchased Services-Property	-	-	1,067	(1,067)
Purchased Services-Other	22,860	22,860	29,569	(6,709)
Supplies and Materials	22,600	147,600	18,296	129,304
Property	-	-	11,085	(11,085)
Other Objects	<u>121,780</u>	<u>203,689</u>	<u>-</u>	<u>203,689</u>
<u>Total Business Services</u>	<u>337,719</u>	<u>544,628</u>	<u>223,506</u>	<u>321,122</u>
<u>Operations and Maintenance</u>				
Salaries	-	-	6,590	(6,590)
Employee Benefits	-	-	1,376	(1,376)
Purchased Services-Professional	17,768	28,768	10,181	18,587
Purchased Services-Property	2,880	2,880	5,287	(2,407)
Purchased Services-Other	-	-	-	-
Supplies and Materials	<u>27,632</u>	<u>27,632</u>	<u>21,861</u>	<u>5,771</u>
<u>Total Operations and Maintenance</u>	<u>48,280</u>	<u>59,280</u>	<u>45,295</u>	<u>13,985</u>

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

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance -
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
<u>Central Support</u>				
Salaries	6,142	6,142	-	6,142
Employee Benefits	-	-	-	-
Purchased Services-Professional	30,000	30,000	8,548	21,452
Purchased Services-Other	12,000	12,000	55,957	(43,957)
Supplies and Materials	24,450	24,450	11,036	13,414
Property	-	52,500	60,087	(7,587)
Other Objects	<u>77,476</u>	<u>77,474</u>	-	<u>77,474</u>
<u>Total Central Support</u>	<u>150,068</u>	<u>202,566</u>	<u>135,628</u>	<u>66,938</u>
<u>Adult Education</u>				
Salaries	83,352	89,154	45,950	43,204
Employee Benefits	22,025	24,025	9,399	14,626
Purchased Services-Property	-	-	7,922	(7,922)
Purchased Services-Other	-	-	322	(322)
Supplies and Materials	24,754	18,577	3,450	15,127
Property	-	-	3,045	(3,045)
Other Objects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total Adult Education</u>	<u>130,131</u>	<u>131,756</u>	<u>70,088</u>	<u>61,668</u>
<u>TOTAL SUPPORTING SERVICES</u>	<u>2,473,300</u>	<u>3,387,519</u>	<u>2,539,314</u>	<u>848,205</u>
<u>DEBT SERVICE</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>APPROPRIATED RESERVES</u>	<u>895,508</u>	<u>982,776</u>	<u>-</u>	<u>982,776</u>
<u>TOTAL EXPENDITURES</u>	<u>4,259,464</u>	<u>5,333,061</u>	<u>3,634,716</u>	<u>1,698,345</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	(895,508)	(1,001,276)	23,505	
<u>FUND BALANCE, July 1</u>	<u>895,508</u>	<u>1,001,276</u>	<u>1,001,276</u>	
<u>FUND BALANCE, June 30</u>	<u>-</u>	<u>-</u>	<u>1,024,781</u>	

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

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 For The Last 10 Fiscal Years (As Available)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
BOCES proportion of the net pension liability (asset)	0.0359%	0.0440%	0.0532%	-	-	-	-	-	-	-
BOCES proportionate share of the net pension liability (asset)	\$5,485,063	\$5,967,537	\$6,796,465	-	-	-	-	-	-	-
BOCES covered-employee payroll	\$1,783,596	\$1,474,366	\$2,182,946	-	-	-	-	-	-	-
BOCES proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	307%	405%	311%	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	59.16%	62.80%	64.06%	-	-	-	-	-	-	-

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

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 For The Last 10 Fiscal Years (As Available)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contributions	\$ 316,902	\$ 249,033	\$ 349,299	\$ 335,229	-	-	-	-	-	-
Contributions in relation to the contractually required contributions	<u>\$ (316,902)</u>	<u>\$ (249,033)</u>	<u>\$ (349,299)</u>	<u>\$ (335,229)</u>	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	-	-	-	-	-	-
BOCES covered-employee payroll	\$1,783,596	\$1,474,366	\$2,182,946	\$2,222,052	-	-	-	-	-	-
Contributions as a percentage of covered-employee payroll	17.77%	16.89%	16.00%	15.09%	-	-	-	-	-	-

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

STATE REQUIRED SCHEDULES

Auditor's Integrity Report (Revenues, Expenditures, and Fund Balance by Fund)

Bolded Balance Sheet

Colorado Department of Education
Auditors Integrity Report
 District: 9060 - SOUTH CENTRAL BOCES
 Fiscal Year 2015-16
 Colorado School District/BOCES

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	+	1900 - 5999 Total Revenues & Other Sources	-	0001-0999 Total Expenditures & Other Uses	=	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental							
10 General Fund	1,001,276		3,650,221		3,634,715		1,024,781
18 Risk Mgmt Sub-Fund of General Fund	0		0		0		0
19 Colorado Preschool Program Fund	0		0		0		0
Sub-Total	1,001,276		3,650,221		3,634,715		1,024,781
11 Charter School Fund	0		0		0		0
20.16-29 Special Revenue Fund	0		0		0		0
21 Food Service Spec Revenue Fund	0		0		0		0
22 Govt Designated-Purpose Grants Fund	0		0		0		0
23 Pupil Activity Special Revenue Fund	0		0		0		0
24 Full Day Kindergarten Mill Levy Override	0		0		0		0
25 Transportation Fund	0		0		0		0
31 Bond Redemption Fund	0		0		0		0
39 Certificate of Participation (COP) Debt Service Fund	0		0		0		0
41 Building Fund	0		0		0		0
42 Special Building Fund	0		0		0		0
43 Capital Reserve Capital Projects Fund	0		0		0		0
Totals	0		0		0		0
Proprietary							
50 Other Enterprise Funds	0		0		0		0
64 (63) Risk-Related Activity Fund	0		0		0		0
60 65-69 Other Internal Service Funds	0		0		0		0
Totals	0		0		0		0
Fiduciary							
70 Other Trust and Agency Funds	0		0		0		0
72 Private Purpose Trust Fund	0		0		0		0
73 Agency Fund	0		0		0		0
74 Pupil Activity Agency Fund	0		0		0		0
79 GASB 34 Permanent Fund	0		0		0		0
85 Foundations	0		0		0		0
Totals	0		0		0		0

FINAL

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

Colorado Department of Education
Bolded Balance Sheet Report
 District 9060 - SOUTH CENTRAL BOCES
 Fiscal Year 2015-16
 Colorado School District/BOCES

ASSETS	Governmental							Proprietary					Fiduciary	
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Food Service Special Revenue Fund 21	Special Revenue Funds 20, 22-29	Debt Service Funds 30-39	Capital Projects Funds 40-49	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals	
Cash and Investments (8100-8104,8111)	1,677,626	0	0	0	0	0	0	0	0	0	0	0	1,677,626	
Intergovernmental Accounts Rec (8141)	41,074	0	0	0	0	0	0	0	0	0	0	0	41,074	
Grants/Accounts Receivable (8142)	149,038	0	0	0	0	0	0	0	0	0	0	0	149,038	
Other Receivables (8151-8154,8161)	7,500	0	0	0	0	0	0	0	0	0	0	0	7,500	
Prepaid Expenses 8181,8182)	45,624	0	0	0	0	0	0	0	0	0	0	0	45,624	
Total Assets	1,920,862	0	0	0	0	0	0	0	0	0	0	0	1,920,862	

SINGLE AUDIT SECTION

164 E. MAIN
TRINIDAD, COLORADO 81082
(719) 846-9241 FAX (719) 846-3352

**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 of Directors
South Central Board of
Cooperative Educational Services
Pueblo West, Colorado 81007

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of South Central Board of Cooperative Educational Services as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise South Central Board of Cooperative Educational Services' basic financial statements, and have issued our report thereon dated November 17, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (See item 2016-001).

Compliance and Other Matters

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

Purpose of this Report

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

Sifton, Waller & Co., FPC.

November 17, 2016

164 E. MAIN
TRINIDAD, COLORADO 81082
(719) 846-9241 . FAX (719) 846-3352

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

Board of Directors
South Central Board of
Cooperative Educational Services
Pueblo West, Colorado 81007

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of South Central Board of Cooperative Educational Services' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about South Central Board of Cooperative Educational Services' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of South Central Board of Cooperative Educational Services' compliance.

Opinion on Each Major Federal Program

In our opinion, South Central 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.

Report on Internal Control Over Compliance

Management of South Central 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 our audit of compliance, we considered South Central Board of Cooperative Educational Services' 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of South Central Board of Cooperative Educational Services' internal control over compliance.

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

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

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

Diaper, Waller & Co., Inc.

November 17, 2016

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS:

FINANCIAL STATEMENTS

Auditor's Report

An unmodified opinion has been issued on the financial statements of South Central Board of Cooperative Educational Services.

Internal Control Over Financial Reporting

A significant deficiency was disclosed by the audit; there were no material weaknesses identified.

Noncompliance Material to Financial Statements

No instances of noncompliance in amounts material to the financial statements of South Central Board of Cooperative Educational Services were disclosed by the audit.

FEDERAL AWARDS

Internal Control Over Major Programs

No significant deficiencies or material weaknesses were identified.

Auditor's Report on Compliance for Major Programs

An unmodified opinion has been issued on South Central Board of Cooperative Educational Services compliance for major programs.

Audit Findings

No findings requiring disclosure in accordance with 2 CFR Section 200.516(a) were disclosed by the audit.

Major Programs

Special Education Cluster:

Title VI B	84.027
Preschool	84.173

Dollar Threshold to Distinguish Type A and Type B Programs

\$ 750,000.

Qualification as low-risk auditee

The BOCES qualified as a low-risk auditee for fiscal year ended June 30, 2016.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

(Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS

Item 2016-001

The South Central Board of Cooperative Educational Services has an inherent problem it shares with other entities in that it has a limited number of personnel performing accounting and administrative functions. Therefore, a proper separation of duties and responsibilities is not possible.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2016

There are no prior audit findings requiring disclosure.

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2016

<u>Federal Grantor/Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor</u>	<u>Grant ID Number</u>	<u>Federal Expenditures</u>
<u>Special Education Cluster (IDEA)-Cluster</u>				
<u>Department of Education</u>				
Special Education – Grants to States	84.027	Colorado Dept. of Education	4027	859,161
Special Education – Grants to States VI B Set Aside	84.027	Colorado Dept. of Education	5027	<u>1,145</u>
<u>Total Special Education – Grants to States</u>				<u>860,306</u>
Special Education – Preschool Grants	84.173	Colorado Dept. of Education	4173	<u>37,154</u>
<u>Total Special Education – Preschool Grants</u>				<u>37,154</u>
<u>Total Special Education Cluster (IDEA) - Cluster</u>				<u>897,460</u>
<u>Other Programs</u>				
<u>Department of Education</u>				
Adult Education – Basic Grants to States	84.002	Colorado Dept. of Education	5002	114,395
English Language Acquisition State Grants	84.365	Colorado Dept. of Education	4365	<u>12,047</u>
<u>Total Other Programs</u>				<u>126,442</u>
<u>TOTAL EXPENDITURES OF FEDERAL AWARDS</u>				<u>1,023,902</u>

The accompanying notes are an integral part of this schedule

SOUTH CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the South Central Board of Cooperative Educational Services and is presented on the modified accrual basis of accounting. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

NOTE 2 INDIRECT COST RATES

All grants have been received from the Colorado Department of Education. The Department calculates an allowable indirect cost rate for individual sub-recipients and mandates that the rate be used as the maximum for the recovery of indirect cost. The BOCES has recovered indirect cost from grant funds at an amount no greater than that allowed by the Colorado Department of Education and has not elected to use the 10% de minimis indirect cost rate allowed by Uniform Guidance.