

cPa DIXON, WALLER & CO., INC.

SOUTHEASTERN BOARD OF
COOPERATIVE EDUCATIONAL
SERVICES

LAMAR, COLORADO

FINANCIAL STATEMENTS

JUNE 30, 2016



RECEIVED

By Justin L. Smith at 11:40 am, Jan 05, 2017

DIXON, WALLER & CO., INC.

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**SOUTHEASTERN BOARD OF COOPERATIVE
EDUCATIONAL SERVICES**

FINANCIAL STATEMENTS

JUNE 30, 2016

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**SOUTHEASTERN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
BOARD OF DIRECTORS
June 30, 2016**

BOARD OF DIRECTORS

Scott Curly	President
Ben Acre	Vice President
Danny Tinnes	Secretary/Treasurer
Regina Jo Dorenkamp	Member
Keith Crow	Member
Dana Barth	Member
Sharon Scott	Member
Nikki Shannon	Member
Jerry Casebolt	Member
Tim Chick	Member
Larry Duncan	Member
Dennis Thompson	Member

EXECUTIVE DIRECTOR

Loraine Saffer

FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Southeastern Board of
Cooperative Educational Services
Lamar, Colorado 81052**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Southeastern Board of Cooperative Educational Services, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Southeastern Board of Cooperative Educational Services' 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 Southeastern 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 vii and 28 through 30 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 Southeastern Board of Cooperative Educational Services' basic financial statements. The combining schedules and 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 combining schedules, 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, combining schedules, state required schedules and the schedule of expenditures of federal awards is 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 30, 2016 on our consideration of the Southeastern 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 Southeastern Board of Cooperative Educational Services' internal control over financial reporting and compliance.

Dun, Walker & Co., PC

November 30, 2016

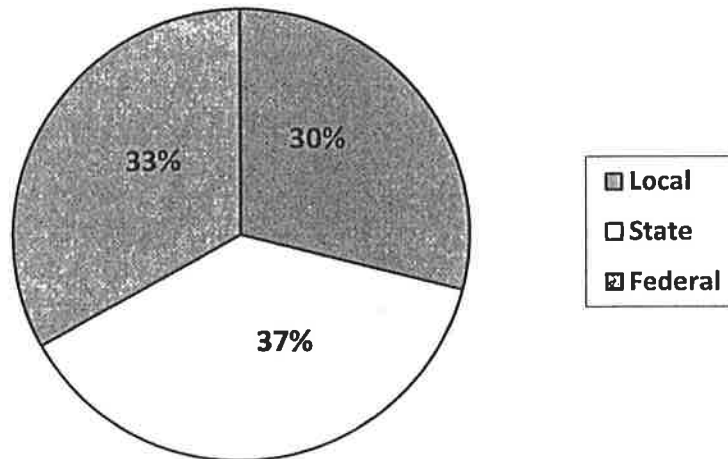
MANAGEMENT'S DISCUSSION AND ANALYSIS

**SOUTHEASTERN BOCES – LAMAR, COLORADO
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
FISCAL YEAR ENDING JUNE 30, 2016**

As management of the Southeastern BOCES (SEBOCES), we offer readers of the SEBOCES’ financial statements this narrative overview and analysis of the financial activities of the SEBOCES for the fiscal year ending June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit. While GASB 34 requires responses to eight items that are included herein, we will start this MD & A with a review of key financial highlights.

FINANCIAL HIGHLIGHTS

- The BOCES beginning fund balance on July 1, 2015 was \$ 466,008.00 and an ending fund balance of \$561,635.
- The General Fund had total revenue of \$2,518,565. The sources of this revenue were 33% from Federal sources 37% from State sources, and 30% from local sources.



- State funds for grant writing activities were received in the amount of \$19,066 and was placed in accounts for the 12 school districts to use as needed. With those funds we reimbursed the school districts for approximately 19 small grants written within the districts.
- The Alternative Licensing Program (ALP) was a great success again with 10 teacher candidates, plus one principal completing the program. ALP provides an alternative option for local residents to earn a Colorado teacher’s license while on the job. The schools in the SEBOCES and area districts utilize this option to find quality people who have knowledge and skills that can benefit students.
- We are the Title III Consortium for 12 school districts, which included 5 school districts from Santa Fe Trails BOCES. The total funds received were \$21,552 for regular funds. The funds were used for professional development in Sheltered English instruction to teachers and other educational professionals. Another large portion of funds was used for adult ELL classes. There were approximately 28 adults attending the classes twice a week.
- The board initiated no new construction projects during this fiscal year.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

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

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

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

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

The government-wide financial statements outline functions of the SEBOCES that are principally supported by district assessments and governmental revenues.

FINANCIAL HIGHLIGHTS

The District was required to implement GASB 68 resulting in a net pension liability of \$3,317,811. Under GASB 68 the District's proportionate share of the net pension liability of the Colorado state retirement system, the Public Employees Retirement Association is recorded as a liability of the District. At implementation beginning equity is restated and deferred inflows, outflows and the net pension liability are reported. Beginning net position of governmental activities decreased as a result of this change.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the SEBOCES, assets exceeded liabilities by \$95,627, which leaves a fund balance of \$561,635. Upon implementing GASB 68 the net position is again in a negative figure of (\$2,411,215).

The largest portion of the SEBOCES' net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment).

The SEBOCES' financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Table 1. Net Position for the period ending June 30, 2015

This analysis will show a good comparison from the prior year Assets, since the implementation of GASB Statement 34.

Table 1 provides a summary of the district's net position as of June 30, 2016 and 2015.

	2015-2016	2014-2015
Current Assets	829,327	847,355
Noncurrent Assets	138,141	134,388
Deferred Outflow of Resources	408,352	141,422
Total Assets	1,375,820	1,123,165
Current Liabilities	275,796	381,347
Noncurrent Liabilities	3,317,811	3,026,161
Deferred Inflow of Resources	193,428	184
Total Liabilities	3,787,035	3,407,692
Net Position		
Net Investment in Capital Assets	138,141	134,388
Restricted		
Unassigned	(2,549,356)	(2,418,915)
Total Net Position	(2,411,215)	(2,284,527)

Due to the Southeastern BOCES participation with PERA and GASB 68 the total net position of SEBOCES does not reflect the actual current net position of the SEBOCES. The actual net position without GASB 68 is \$561,635 for the Southeastern BOCES.

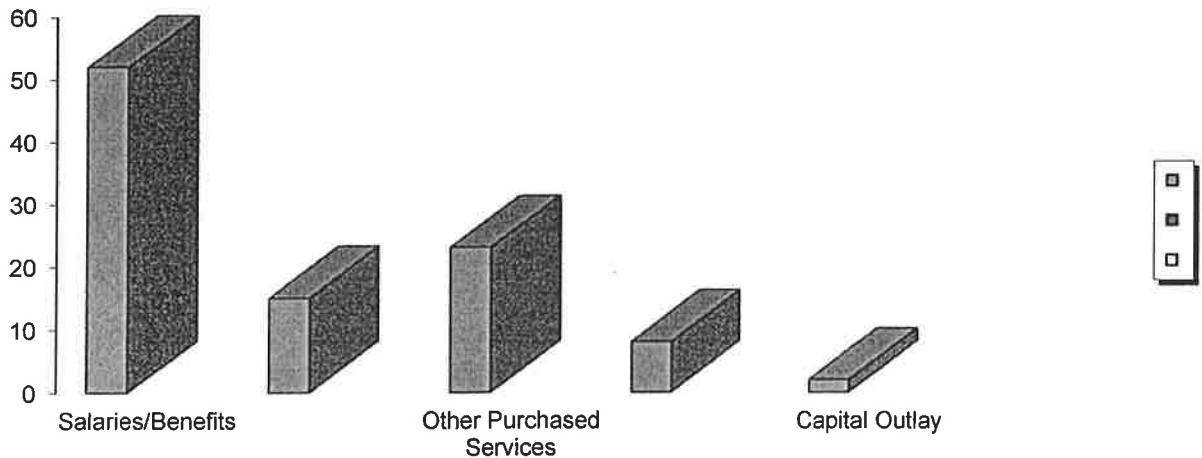
The SEBOCES' total revenues for the fiscal year ended June 30, 2016, were \$2,518,565. The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2015 and June 30, 2016.

Table 2. Revenue and Expenses

Revenues:	2015-2016	2014-2015
Charges for Services	487,511	462,094
Operating Grants	1,566,490	1,608,105
Capital Grants	00	00
BOCES Administration	296,181	314,230
Earnings on Investments	611	383
Other sources	167,772	167,425
Total Revenue	2,518,565	2,552,237
Expenses:		
Instructional	784,340	798,098
Support Services:		

Pupil Services	498,696	503,298
Instructional Staff	207,787	276,950
General Administration	190,245	124,588
School Administration	213,752	215,625
Business Services	72,993	93,941
Operations and Maintenance	78,365	84,895
Student Transportation	00	00
Central Office Support	375,142	330,703
Community Services	00	00
Pension Amortization	83,613	17,280
Total Expenses	2,504,933	2,445,378
Changes in Net Position	13,632	106,859
Net Position, Beginning	(2,284,527)	(2,405,383)
Prior Year Adjustment	(140,320)	13,997
Net Position, Ending	(2,411,215)	(2,284,527)

Below is a chart that will give a good view as to how the expenditures are broken out. As you can see the main part of the expenses is for salary and benefits. Since the cost of medical insurance continues to soar we have capped out benefit at \$450.00 per employee per month. This only includes medical insurance. Dental and vision are now voluntary coverage.



District assessments to the 12 school districts within the SEBOCES were based on a per pupil amount using the prior year's October 1 funded pupil count. General fund assessments were \$36.65 per pupil. The technology assessment was \$10,950 per district irrespective of size. Special Education assessments are based on the December 1 Special Education enrollment. Special Education assessments are \$689.80 per pupil. The total of these assessments to the individual districts was \$480,938.

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The financial position of the SEBOCES gained strength this year. Student counts in some districts increased, but others decreased, which effects Federal and State funding. Monthly, the management staff reviews the financial reports to track expenditures within budget categories. Any problems noted are attended to immediately. Quarterly reports of the fiscal position of the SEBOCES are supplied to the Board of Directors as required by state law. The financial information is now available online at www.seboces.org.

The operations of the SEBOCES during the 2015-2016 fiscal years show a wide variety of programs that were funded. The Department of Exceptional Student Services remains the largest operation in the BOCES with 20 staff members.

During the 2015-2016 school year the Southeastern BOCES sponsored 25 professional/staff development opportunities for the personnel in our service area. The attendance total was over 700 administrators, teachers, and para-professionals. Approximately 800 certificates were issued for recertification credits.

The Distance Learning System offered eleven courses to high school students in our BOCES school districts with 65 students participating. Six of those courses were classified as "dual-credit" courses in which students received both high school and college credit. Four instructors across the SEBOCES service area provided guidance for 65 students participating in this distance learning system offering.

The Southeastern BOCES continues to operate a fiber optic email system that connects to all the twelve school districts in the BOCES. This internet technology and our distance learning labs provide the framework for the delivery of the Distance Learning program.

The Schools and Libraries Program of the Universal Service Fund, which is administered by the Universal Service Administrative Company (USAC) under the direction of the Federal Communications Commission (FCC) provide provides discounted telecommunications, Internet access, and internal connections to eligible schools and is a program the Southeastern BOCES is able to participate. The Southeastern BOCES received reimbursement at a rate of 60% for the telecommunications services, 89% funding for both our Internet access and the WAN connection utilized by our member districts for the Distance Learning Systems. The telecommunication portion of the funding is being reduced by 20% each year until it is eliminated as part of the funding source. The application process is one of the services provided for all of our member districts.

ANALYSIS OF FUND BALANCES AND TRANSACTIONS

Sufficient funds were available in July and August for accrued salaries and benefits. The balance in all governmental fund types at the start of the fiscal year on July 1, 2015 was \$466,008. On June 30, 2016 this amount was \$561,635, which is available for future use.

BUDGET VARIANCE ANALYSIS

Since the Administrative team studies the budget reports monthly, there was no budget variance.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

Capital assets, which include land, buildings and improvements, equipment, and vehicles, are reported in the government-wide financial statements. The Southeastern Colorado BOCES had a total of 16 vehicles in 2015-2016. The vehicles are mainly used by the Department of Exceptional Student Services in their travels throughout our five county regions in the performance of their duties. We continue to maintain a fleet of vehicles for this purpose. Since the BOCES covers a 6000 mile radius, the fluctuating price of fuel and upkeep of vehicles is also a concern.

A summary of the BOCES' Capital Assets is as follows:

2015-2016

	Balance 07/01/15	Additions	Deletions	Balance 06/30/16
Non-Depreciable Assets:				
Land	21,000	0	0	21,000
Total Non-Depreciable Assets:				
Depreciable Assets:				
Buildings and Site Improvements	398,061	0	0	398,061
Equipment & Vehicles	755,357	30,593	42,126	743,824
Total Depreciable Assets	1,153,418	30,593	42,126	1,141,885
Less Accumulated Depreciation for:				
Building & Site Improvement	322,472	10,368	0	332,840
Equipment and Vehicles	717,558	16,472	42,126	691,904
Total Accumulated Depreciation	1,040,030	26,840	42,126	1,024,744
Total Capital Assets, Net	134,388	3,753		138,141

2014-2015

	Balance 07/01/14	Additions	Deletions	Balance 06/30/15
Non-Depreciable Assets:				
Land	21,000	00	00	21,000
Total Non-Depreciable Assets:	21,000	00	00	21,000
Depreciable Assets:				
Buildings and Site Improvements	391,433	6,628	00	398,061
Equipment & Vehicles	729,970	25,387	00	755,357
Total Depreciable Assets	1,121,403	32,015	00	1,153,418
Less Accumulated Depreciation for:				
Building & Site Improvement	311,949	10,523	00	322,472
Equipment and Vehicles	704,301	13,257	00	717,558
Total Accumulated Depreciation	1,016,250	23,780	00	1,040,030
Total Capital Assets, Net	126,153	8,235	00	134,388

There is no long-term debt.

MODIFIED APPROACH TO REPORT INFRASTRUCTURE ASSETS

This approach is not applicable to the Southeastern BOCES.

CURRENTLY KNOWN FACTS HAVING EFFECT ON FINANCIAL POSITION

Member school districts of SEBOCES region are still facing declining enrollment. School districts also were mandated to cut their total program in 2015-2016 since the federal government was trying to balance their budget. Since these were also extreme decreases in revenue at the district level due to the negative factor, the SEBOCES also were required to make cuts in our budgets.

At the time these financial statements were prepared the Southeastern BOCES is aware of the following circumstance that affect the financial health in the future.

1. Continuing loss of student enrollment in member districts
2. Significant increases in health cost and utilities
3. Changes in Federal and State funding

Questions regarding this report should be directed to the SEBOCES Business Manager (719-336-9046 Ext.114) or by mail at P.O. Box 1137, Lamar, CO 81052.

BASIC FINANCIAL STATEMENTS

SOUTHEASTERN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
STATEMENT OF NET POSITION
June 30, 2016

	<u>Governmental Activities</u>	<u>Totals</u>
<u>ASSETS</u>		
Cash	542,007	542,007
Accounts Receivable	287,320	287,320
Capital Assets	1,162,885	1,162,885
Accumulated Depreciation	<u>(1,024,744)</u>	<u>(1,024,744)</u>
<u>Total Assets</u>	<u>967,468</u>	<u>967,468</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>		
Deferred Pension Cost – Plan	325,919	325,919
Deferred pension Cost – Employer	-	-
Deferred Pension Cost - Contributions Subsequent to Pension Measurement Date	<u>82,433</u>	<u>82,433</u>
<u>Total Deferred Outflow of Resources</u>	<u>408,352</u>	<u>408,352</u>
<u>LIABILITIES</u>		
Accounts Payable	31,135	31,135
Accrued Salaries	128,405	128,405
Unearned Grant Payments	108,152	108,152
Net Pension Obligation	3,317,811	3,317,811
Compensated Absences	<u>8,104</u>	<u>8,104</u>
<u>Total Liabilities</u>	<u>3,593,607</u>	<u>3,593,607</u>
<u>DEFERRED INFLOW OF RESOURCES</u>		
Deferred Pension – Plan	47,024	47,024
Deferred Pension – Employer	<u>146,404</u>	<u>146,404</u>
<u>Total Deferred Inflow of Resources</u>	<u>193,428</u>	<u>193,428</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	138,141	138,141
Unassigned	<u>(2,549,356)</u>	<u>(2,549,356)</u>
<u>Total Net Position</u>	<u>(2,411,215)</u>	<u>(2,411,215)</u>

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

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

	<u>General Fund</u>	<u>Total</u>
<u>ASSETS</u>		
Cash	542,007	542,007
Accounts Receivable	<u>287,320</u>	<u>287,320</u>
<u>Total Assets</u>	<u>829,327</u>	<u>829,327</u>
 <u>DEFERRED OUTFLOW OF RESOURCES</u>	 ---	 ---
<u>LIABILITIES</u>		
Accounts Payable	31,135	31,135
Accrued Salaries	128,405	128,405
Unearned Grant Payments	<u>108,152</u>	<u>108,152</u>
<u>Total Liabilities</u>	<u>267,692</u>	<u>267,692</u>
 <u>DEFERRED INFLOW OF RESOURCES</u>	 ---	 ---
<u>FUND BALANCES:</u>		
Unassigned	<u>561,635</u>	<u>561,635</u>
<u>Total Fund Balances</u>	<u>561,635</u>	<u>561,635</u>
 <u>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>	 <u>829,327</u>	 <u>829,327</u>

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

**SOUTHEASTERN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO 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>	561,635
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$1,162,885 and the accumulated depreciation is \$1,024,744.	138,141
Long-term liabilities for compensated absences are not due and payable in the current period and, therefore, not reported in the governmental funds.	(8,104)
Net pension liability, along with associated deferred flow, are not recorded at the fund level:	
Net Pension Liability	(3,317,811)
Deferred Pension Cost – Plan	278,895
Deferred Pension Cost – Contributions Subsequent to Pension Measurement Date	82,433
Deferred Pension Cost – Employer	<u>(146,404)</u>
<u>TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES</u>	<u>(2,411,215)</u>

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

**SOUTHEASTERN 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 Fund</u>	<u>Total Governmental Funds</u>
<u>REVENUES:</u>		
Local Sources	784,303	784,303
State Sources	924,151	924,151
Federal Sources	810,111	810,111
<u>Total Revenues</u>	<u>2,518,565</u>	<u>2,518,565</u>
 <u>EXPENDITURES</u>		
Instructional Services	784,340	784,340
Supporting Services:		
Pupil	497,631	497,631
Instructional Staff	207,787	207,787
General Administration	180,467	180,467
School Administration	213,752	213,752
Business	72,993	72,993
Operation & Maintenance of Facilities	91,340	91,340
Central	374,628	374,628
<u>Total Expenditures</u>	<u>2,422,938</u>	<u>2,422,938</u>
 <u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	 95,637	 95,627
 <u>FUND BALANCES, Beginning</u>	 <u>466,008</u>	 <u>466,008</u>
 <u>FUND BALANCES, Ending</u>	 <u>561,635</u>	 <u>561,635</u>

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

**SOUTHEASTERN 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 **95,627**

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This the amount by which depreciation exceeded capital outlays in the current period.

	30,593	
Capital Outlays more than \$5,000		
Depreciation Expense	(26,840)	3,753

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, the adjustments to these expenses are not reported as expenditures in governmental funds.

Compensated Absences	(2,135)
----------------------	----------------

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 and related deferred flows	(83,613)
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **13,632**

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

NOTES TO BASIC FINANCIAL STATEMENTS

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

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Southeastern Board of Cooperative Educational Services (the Cooperative) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Cooperative's accounting policies are described below.

A. Reporting Entity

Governmental Accounting Standards Board (GASB) Statement No. 14 (as amended by Statement 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.

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

The 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

SOUTHEASTERN 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

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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, operating statements present increases and decreases in net current position 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.

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.

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

D. Fund Accounting

The accounts of the Cooperative 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, deferred flows, fund equity, 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:

SOUTHEASTERN 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 Cooperative; 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 Cooperative. The Cooperative 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 Cooperative 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. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts

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 the Cooperative that no monetary payments will be made for unused sick leave upon termination. A summary of changes of vacation payable as of June 30, 2016 is as follows:

<u>Balance 7-1-15</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6-30-16</u>
<u>5,969</u>	<u>2,135</u>	<u> -</u>	<u>8,104</u>

G. 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.

H. Restricted Grants

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

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

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets

Capital assets, which include property, vehicles and equipment, are utilized for general Cooperative 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 governmental activities column 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 Cooperative does not capitalize interest on the construction of capital assets in governmental funds. However, the Cooperative does capitalize interest on the construction of capital assets in business-type activities.

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

J. 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. The Cooperative records long-term debt of governmental funds at the face value. The Cooperative does not have a material liability for long term debt payable at June 30, 2016.

K. 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.

L. 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 listed below.

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

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

L. GASB Statement No. 54 (Continued)

1. Nonspendable such as fund balance 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 Cooperative Board of Directors (the cooperative's highest level of decision-making authority).
4. Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and
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.

Fund Balance Classification Policies and Procedures

Committed Fund Balance Policy:

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

Assigned Fund Balance Policy:

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

Order of Fund Balance Spending Policy

The Cooperative's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned 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:

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Unassigned	<u>561,635</u>	<u>561,635</u>
<u>Total Fund Balances</u>	<u>561,635</u>	<u>561,635</u>

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

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

M. **Deferred Outflows / Inflows of Resources**

In addition to assets, the statement of financial position and the balance sheet 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 and the balance sheet 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.

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.

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 Cooperative 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 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.

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

NOTE 3 **BUDGETARY INFORMATION (Continued)**

4. The Executive Director 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 Education.
5. Formal budgetary integration should be employed as a management control device during the year for the General Fund.
6. The Budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

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.

At June 30, 2016, the Cooperative's 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	<u>292,007</u>	<u>331,634</u>
<u>Total Cash and Deposits</u>	<u>542,007</u>	<u>581,634</u>

As presented above, deposits with a bank balance of \$331,634 and a carrying balance of \$292,007 as of June 30, 2016 are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

NOTE 5 **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 \$128,405. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

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

NOTE 6 **PENSION PLAN**

Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pensions. Southeastern 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 Southeastern 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.

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

NOTE 6 **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.

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

NOTE 6 **PENSION PLAN (Continued)**

Contributions. Eligible employees and Southeastern 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 Southeastern Board of Cooperative Educational Services is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Southeastern Board of Cooperative Educational Services were \$162,451 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 Southeastern Board of Cooperative Educational Services reported a liability of \$3,317,811 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 Southeastern Board of Cooperative Educational Services proportion of the net pension liability was based on Southeastern 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 Southeastern Board of Cooperative Educational Services proportion was 0.0217 percent, which was a decrease of 0.0006 from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the Southeastern Board of Cooperative Educational Services recognized pension expense of \$83,613. At June 30, 2016, the Southeastern Board of Cooperative Educational Services reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

NOTE 6 **PENSION PLAN (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	43,812	(138)
Changes of assumptions or other inputs	0	(46,886)
Net difference between projected and actual earnings on pension plan investments	282,107	0
Changes in proportion and differences between contributions recognized and proportionate share of contributions	0	(146,404)
Contributions subsequent to the measurement date	82,433	N/A
Total	408,352	(193,428)

\$82,433 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, 2016	
2017	(454)
2018	15,161
2019	59,934
2020	57,850
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

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

NOTE 6 **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:

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

NOTE 6 **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.

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

NOTE 6

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 Southeastern 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-percent-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	4,300,853	3,317,811	2,500,104

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.

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

NOTE 6 **PENSION PLAN (Continued)**

Defined Contribution Pension Plan

Voluntary Investment Program

Plan Description – Employees of the Southeastern 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 \$7,429.

Other Post-Employment Benefits

Health Care Trust Fund

Plan Description – The Southeastern 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 Southeastern 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 Southeastern 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 Southeastern Board of Cooperative Educational Services contributions to the HCTF were \$9,347, \$8,752 and \$9,070, respectively equal to their required contributions for each year.

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

NOTE 7 **INTERGOVERNMENTAL AGREEMENTS**

Not reflected in the accompanying financial statements is the various Districts' participation in the Southeastern Board of Cooperative Educational Services. The Cooperative 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 Cooperative 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 Cooperative and the Districts are not accountable for fiscal matters of the Cooperative.

NOTE 8 **SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

Claims and Judgments - The Cooperative 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 Cooperative may be required to reimburse the grantor government. As of June 30, 2016, significant amounts of grant expenditures have not been audited by the grantor but the Cooperative 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 Cooperative.

NOTE 9 **CONTINGENCIES - TAX, SPENDING LIMITATIONS**

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 Cooperatives 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 Cooperatives 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.

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

NOTE 9 **CONTINGENCIES - TAX, SPENDING LIMITATIONS (Continued)**

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".

NOTE 10 **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	21,000	-	-	21,000
Total Non-Depreciable Assets	21,000	-	-	21,000
<u>Depreciable Assets:</u>				
Buildings & Site Improvements	398,061	-	-	398,061
Equipment & Vehicles	755,357	30,593	42,126	743,824
Total Depreciable Assets	1,153,418	30,593	42,126	1,141,885
<u>Less Accumulated Depreciation for:</u>				
Building & Site Improvements	322,472	10,368	-	332,840
Equipment & Vehicles	717,558	16,472	42,126	691,904
Total Accumulated Depreciation	1,040,030	26,840	42,126	1,024,744
Total Capital Assets, Net	134,388	3,753	-	138,141

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

Governmental Activities

Pupil	1,065
Instructional Staff	-
General Administration	7,643
Operation and Maintenance	17,618
Central Support	514
Total Depreciation Expense – Governmental Activities	26,840

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

NOTE 11 **RISK MANAGEMENT**

The Cooperative 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 Cooperative 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 **COLORADO SCHOOL COOPERATIVE SELF INSURANCE POOL**

The Cooperative belongs to the Colorado School Cooperative's 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 Property, Crime, Workers' Compensation and other coverage. 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 Cooperative 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 Insurance Reserve Fund.

The Cooperative's 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.

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

NOTE 12 COLORADO SCHOOL COOPERATIVE SELF INSURANCE POOL (Continued)

An audited summary of the Colorado School Cooperative's 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 Equity	<u>24,325,009</u>
Revenue	13,432,892
Underwriting Expenses	<u>16,484,758</u>
Underwriting Gain (Loss)	<u>(3,051,866)</u>
Net Investment Income	663,509
Other Income	<u>-</u>
Net Income (Loss) Before Dividend	<u>(2,388,357)</u>
Dividend	<u>-</u>
Net Income	<u>(2,388,357)</u>
Transfer of Capital Contributions	-
Change in Non Admitted Assets	<u>95,339</u>
Capital Contributions from Members	<u>-</u>
Unassigned Surplus	<u>24,325,009</u>

NOTE 13 PRIOR PERIOD ADJUSTMENT

In the fiscal year ended June 30, 2015, no deferred inflow was recorded for the change in proportion of the District's 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 \$140,320. 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

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

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original & Final</u>	<u>Actual</u>	
<u>REVENUES:</u>			
Local Sources	969,122	783,692	(185,430)
Interest Income	250	611	361
State Sources	823,891	924,151	100,260
Federal Sources	<u>966,640</u>	<u>810,111</u>	<u>(156,529)</u>
<u>Total Revenues</u>	<u>2,759,903</u>	<u>2,518,565</u>	<u>(241,338)</u>
<u>EXPENDITURES</u>			
Instruction	707,202	784,340	(77,138)
Support Services:			
Pupil Services	620,972	497,631	123,341
Instructional Services	310,570	207,787	102,783
General Administration	343,953	180,467	163,486
School Administration	215,625	213,752	1,873
Business Services	75,296	72,993	2,303
Operations & Maintenance	157,947	91,340	66,607
Central Support	472,194	374,628	97,566
Contingency Reserve	<u>319,769</u>	-	<u>319,769</u>
<u>Total Expenditures</u>	<u>3,223,528</u>	<u>2,422,938</u>	<u>800,590</u>
<u>REVENUES OVER (UNDER)</u>			
<u>EXPENDITURES</u>	(463,625)	95,627	
<u>FUND BALANCE, Beginning</u>	<u>463,625</u>	<u>466,008</u>	
<u>FUND BALANCE, Ending</u>	<u> -</u>	<u>561,635</u>	

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

**SOUTHEASTERN 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)	0.0217%	0.0223%	0.0238%	-	-	-	-	-	-	-
BOCES proportionate share of the net pension liability (asset)	\$3,317,811	\$3,020,192	\$3,034,573	-	-	-	-	-	-	-
BOCES covered-employee payroll	\$916,409	\$948,106	\$909,594	-	-	-	-	-	-	-
BOCES proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	362%	319%	334%	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	59.2%	62.80%	64.06%	-	-	-	-	-	-	-

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

SOUTHEASTERN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF BOCES CONTRIBUTIONS
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>
Contractually required contributions	\$ 162,451	\$ 160,888	\$ 145,454	\$ 155,218	-	-	-	-	-	-
Contributions in relation to the contractually required contributions	<u>\$ (162,451)</u>	<u>\$ (160,888)</u>	<u>\$ (145,454)</u>	<u>\$ (155,218)</u>	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	-	-	-	-	-	-
BOCES covered-employee payroll	\$ 916,409	\$ 948,106	\$ 909,594	\$ 1,029,412	-	-	-	-	-	-
Contributions as a percentage of covered-employee payroll	17.73%	16.97%	15.99%	15.08%	-	-	-	-	-	-

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

COMBINING SCHEDULES

**SOUTHEASTERN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
COMBINING BALANCE SHEET BY PROGRAM - GENERAL FUND**

June 30, 2016

<u>Program</u>	<u>Assets</u>			<u>Total</u>
	<u>Cash</u>	<u>Investments</u>	<u>Accounts Receivable</u>	
Administration	216,010	-	2,660	218,670
Special Ed. Dist. Assessment	253,137	-	2,333	255,470
Technology	116,187	-	1,825	118,012
Special Ed. State ECEA	41,231	-	-	41,231
Special Ed. State Childfind	1,777	-	-	1,777
Grant Writing	108,152	-	-	108,152
IDEA – Part B	(123,087)	-	201,976	78,889
IDEA - Preschool	(8,160)	-	15,286	7,126
Carl Perkins	(50,397)	-	50,397	-
Title III-A ELL	(12,843)	-	12,843	-
	<u>542,007</u>	<u>-</u>	<u>287,320</u>	<u>829,327</u>

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

Liabilities and Fund Balance

<u>Accrued Salaries Payable</u>	<u>Accounts Payable</u>	<u>Unearned Grant Payments</u>	<u>Fund Balance</u>	<u>Total</u>
-	30,142	-	188,528	218,670
-	375	-	255,095	255,470
-	-	-	118,012	118,012
41,231	-	-	-	41,231
1,777	-	-	-	1,777
-	-	108,152	-	108,152
78,271	618	-	-	78,889
7,126	-	-	-	7,126
-	-	-	-	-
-	-	-	-	-
<u>128,405</u>	<u>31,135</u>	<u>108,152</u>	<u>561,635</u>	<u>829,327</u>

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

**SOUTHEASTERN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 For the Year Ended June 30, 2016**

	<u>Admin.</u>	<u>Special Ed Dist. Assess.</u>	<u>Technology</u>	<u>Special Ed State ECEA</u>	<u>Childfind ECEA</u>	<u>Gifted & Talented</u>
REVENUES:						
Local Sources	296,181	238,776	248,735	-	-	-
Interest Income	611	-	-	-	-	-
State Sources	167,772	-	-	638,428	9,966	79,788
Federal Sources	-	-	-	-	-	-
Total Revenues	<u>464,564</u>	<u>238,776</u>	<u>248,735</u>	<u>638,428</u>	<u>9,966</u>	<u>79,788</u>
EXPENDITURES						
Instruction	-	50,627	-	182,147	-	79,287
Support Services:						
Pupil Services	-	39,699	-	242,529	9,966	-
Instructional Services	142,709	8,156	-	-	-	501
General Administration	56,503	5,543	14,850	-	-	-
School Administration	-	-	-	213,752	-	-
Business Services	34,486	38,507	-	-	-	-
Operations & Maintenance	51,727	39,613	-	-	-	-
Central Support	<u>132,257</u>	<u>17,459</u>	<u>224,312</u>	-	-	-
Total Expenditures	<u>417,682</u>	<u>199,604</u>	<u>239,162</u>	<u>638,428</u>	<u>9,966</u>	<u>79,788</u>
REVENUES OVER (UNDER) EXPENDITURES	46,882	39,172	9,573	-	-	-
FUND BALANCE, Beginning	<u>141,646</u>	<u>215,923</u>	<u>108,439</u>	-	-	-
FUND BALANCE, Ending	<u>188,528</u>	<u>255,095</u>	<u>118,012</u>	-	-	-

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

<u>ECEA Gifted Ed Screening</u>	<u>Grant Writing</u>	<u>IDEA Part B Special Ed Family Com</u>	<u>IDEA Part B</u>	<u>IDEA Preschool</u>	<u>Carl Perkins</u>	<u>Title III-A ELL</u>	<u>Total</u>
-	-	-	-	-	-	-	783,692
-	-	-	-	-	-	-	611
27,552	6,645	-	-	-	-	-	924,151
-	-	<u>550</u>	<u>692,589</u>	<u>44,180</u>	<u>53,726</u>	<u>19,066</u>	<u>810,111</u>
<u>27,552</u>	<u>6,645</u>	<u>550</u>	<u>692,589</u>	<u>44,180</u>	<u>53,726</u>	<u>19,066</u>	<u>2,518,565</u>
-	-	-	376,373	44,180	51,726	-	784,340
-	-	550	204,887	-	-	18,075	497,631
21,552	-	-	16,794	-	-	991	207,787
-	6,045	-	94,535	-	2,000	-	180,467
-	-	-	-	-	-	-	213,752
-	-	-	-	-	-	-	72,993
-	-	-	-	-	-	-	91,340
-	<u>600</u>	-	-	-	-	-	<u>374,628</u>
<u>21,552</u>	<u>6,645</u>	<u>550</u>	<u>692,589</u>	<u>44,180</u>	<u>53,726</u>	<u>19,066</u>	<u>2,422,938</u>
-	-	-	-	-	-	-	95,627
-	-	-	-	-	-	-	<u>466,008</u>
-	-	-	-	-	-	-	<u><u>561,635</u></u>

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

STATE REQUIRED SCHEDULES



Colorado Department of Education

Auditors Integrity Report

District: 9075 - SOUTHEASTERN
BOCES

Fiscal Year 2015-16

Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	+	1000 - 5999 Total Revenues & Other Sources Uses	-	6700-6799 & Prior Per Adj (6880*)	Ending Fund Balance
Governmental						
10 General Fund	486,008		2,518,565		2,422,939	561,635
18 Risk Mgmt Sub-Fund of General Fund	0		0		0	0
19 Colorado Preschool Program Fund	0		0		0	0
Sub- Total	486,008		2,518,565		2,422,939	561,635
11 Charter School Fund	0		0		0	0
20.28-29 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 Pupli 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
54 (53) Risk-Related Activity Fund	0		0		0	0
50.65-69 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 Pupli Activity Agency Fund	0		0		0	0
79 GASB 34 Permanent Fund	0		0		0	0
85 Foundations	0		0		0	0
Totals	0		0		0	0

FINAL

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



Colorado Department of Education
Balanced Budget Report
District: 9075 - SOUTHEASTERN 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, 22-28	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)	542,007	0	0	0	0	0	0	0	0	0	0	0	542,007
Grants Accounts Receivable (8142)	280,503	0	0	0	0	0	0	0	0	0	0	0	280,503
Other Receivables (8151-8154,8161)	6,818	0	0	0	0	0	0	0	0	0	0	0	6,818
Total Assets	829,327	0	0	0	0	0	0	0	0	0	0	0	829,327

	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
LIABILITIES & FUND EQUITY													
LIABILITIES													
Other Payables (7421-7423)	31,135	0	0	0	0	0	0	0	0	0	0	0	31,135
Accrued Expenses (7461)	128,407	0	0	0	0	0	0	0	0	0	0	0	128,407
Payroll Debit and Withholdings (7471-7473)	0	0	0	0	0	0	0	0	0	0	0	0	0
Grants Deferred Revenue (7482)	108,152	0	0	0	0	0	0	0	0	0	0	0	108,152
Total Liabilities	267,693	0	0	0	0	0	0	0	0	0	0	0	267,693

FUND EQUITY	Governmental					Proprietary				Fiduciary														
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Food Service Special Revenue Fund 21	Special Revenue Funds 20, 22-29	Debt Service Funds 30-39	Capital Projects Funds 40-49	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals											
Non-spensible Fund Balance 6710	0	0	0	0	0	0	0	0	0	0	0	0												
Restricted Fund Balance 6720	0	0	0	0	0	0	0	0	0	0	0	0												
TABOR 3% Emergency Reserve 6721	0	0	0	0	0	0	0	0	0	0	0	0												
TABOR Multi-Year 6722	0	0	0	0	0	0	0	0	0	0	0	0												
District Emergency Reserve (letter of credit or real estate) 6723	0	0	0	0	0	0	0	0	0	0	0	0												
Colorado Preschool Program (CPP) Reserve 6724	0	0	0	0	0	0	0	0	0	0	0	0												
Full-Day Kindergarten Reserve 6725	0	0	0	0	0	0	0	0	0	0	0	0												
Risk-Related / Restricted Capital Reserve 6726	0	0	0	0	0	0	0	0	0	0	0	0												
BEST Capital Reserve 6727	0	0	0	0	0	0	0	0	0	0	0	0												
Committed Fund Balance 6750	0	0	0	0	0	0	0	0	0	0	0	0												
Assigned Fund Balance 6760	0	0	0	0	0	0	0	0	0	0	0	0												
561,635	0	0	0	0	0	0	0	0	0	0	0	561,635												
Unassigned Fund Balance 6770	0	0	0	0	0	0	0	0	0	0	0	0												
Invested in Capital Assets, Net of Related Debt 6790	0	0	0	0	0	0	0	0	0	0	0	0												
Restricted Net Assets 6791	0	0	0	0	0	0	0	0	0	0	0	0												
Unrestricted Net Assets 6792	0	0	0	0	0	0	0	0	0	0	0	0												
Prior Period Adjustment 6880	0	0	0	0	0	0	0	0	0	0	0	0												
Total Fund Equity	561,635	0	0	0	0	0	0	0	0	0	0	561,635												
Total Liabilities & Fund Equity	829,327	0	0	0	0	0	0	0	0	0	0	829,327												
General Funds 10,12-18	Yes	Charter School Fund 11	Yes	Preschool Fund 19	Yes	Food Service Special Revenue Fund 21	Yes	Special Revenue Funds 20, 22-29	Yes	Debt Service Funds 30-39	Yes	Capital Projects Funds 40-49	Yes	Other Enterprise Funds 50, 52-59	Yes	Risk-Related Activity Funds 63-64	Yes	Other Internal Service Funds 60	Yes	Trust & Agency Funds 70-79	Yes	Foundations Fund 85	Yes	Totals

For Each Fund Type:
Do Assets=Liability+Fund Equity

SINGLE AUDIT SECTION

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**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
Southeastern Board of
Cooperative Educational Services
Lamar, Colorado 81052**

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 Southeastern 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 Southeastern Board of Cooperative Educational Services' basic financial statements, and have issued our report thereon dated November 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southeastern 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 Southeastern Board of Cooperative Educational Services' internal control. Accordingly, we do not express an opinion on the effectiveness of the Southeastern 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southeastern 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.

Dixon, Walker & Co., Inc.

November 30, 2016

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

Board of Directors
Southeastern Board of
Cooperative Educational Services
Lamar, Colorado 81052

Report on Compliance for Each Major Federal Program

We have audited Southeastern 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 Southeastern Board of Cooperative Educational Services' major federal programs for the year ended June 30, 2016. Southeastern 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 Southeastern 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 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 Southeastern 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 Southeastern Board of Cooperative Educational Services' compliance.

Opinion on Each Major Federal Program

In our opinion, Southeastern 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 Southeastern 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 Southeastern 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 Southeastern 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.

Dixon, Waller & Co., P.C.

November 30, 2016

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

SUMMARY OF AUDITOR'S RESULTS

Report

An unqualified report has been issued on the financial statements of Southeastern Board of Cooperative Educational Services

Internal Control – Financial Statements

No conditions were disclosed by the audit that are considered to be a material weakness.
No significant deficiencies not considered a material weakness were identified.

Noncompliance – Financial Statements

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

Internal Control – Federal Awards

No conditions were disclosed by the audit that are considered to be a material weakness.
No significant deficiencies not considered a material weakness were identified.

Report on Compliance – Major Programs

An unqualified report has been issued on Southeastern Board of Cooperative Educational Services Compliance for Major Programs.

Audit Findings

Audit findings requiring disclosure in accordance with 2 CFR Section 200.516(a) were not disclosed by the audit.

Major Programs

IDEA – Part B	CFDA	84.027
IDEA – Preschool	CFDA	84.173

Dollar Threshold to Distinguish Type A and Type B Programs

\$750,000.

Qualification as Low-Risk Auditee

The Cooperative does qualify as a low-risk auditee for Fiscal Year 2015/2016.

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

SUMMARY OF AUDITOR'S RESULTS: (continued)

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

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

There are no prior audit findings requiring disclosure.

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

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>CDE Code</u>	<u>Expenditures</u>
<u>Special Education Cluster (IDEA)-Cluster</u>			
<u>Department of Education</u>			
(Passed through Colorado Department of Education)			
Special Education—Grants to States			
Special Education—Grants to States	84.027	4027	692,589
VI B Set Aside Family Com	84.027	5027	<u>550</u>
<u>Total Special Education – Grants to States</u>			<u>693,139</u>
Special Education—Preschool Grants	84.173	4173	<u>44,180</u>
<u>Total Department of Education</u>			<u>737,319</u>
<u>Total Special Education Cluster (IDEA)-Cluster</u>			<u>737,319</u>
<u>Other Programs</u>			
<u>Department of Education</u>			
(Passed through Otero Junior College)			
Career and Technical Education – Basic Grants to States	84.048	4048	<u>53,726</u>
(Passed through Colorado Department of Education)			
English Language Acquisition State Grants	84.365	4365	<u>19,066</u>
<u>Total Department of Education</u>			<u>72,792</u>
<u>Total Other Programs</u>			<u>72,792</u>
<u>TOTAL EXPENDITURES OF FEDERAL AWARDS</u>			<u>810,111</u>

The accompanying notes are an integral part of this schedule.

SOUTHEASTERN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO 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 Southeastern 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**

Grants being charged indirect cost 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.