



Uncompahgre Board of Cooperative Services

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2016



RECEIVED

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Providing Special Education Services and Support to the Norwood, Ouray, Ridgway, Telluride, and West End School Districts

Management's Discussion and Analysis For the fiscal year ended June 30, 2016

Funding

Funding for the Uncompahgre Board of Cooperative Services (UnBOCES) comes from three sources: Federal Grants; State of Colorado Grants; and Local assessments from the five member school districts.

Initial budgeting for a new year for the UnBOCES is based on the expenditures at the last year-end. This initial budgeting cannot be accurate because revenues from Federal and State grants have not been determined, and expenses are based on the number of children in the member school districts who require the services of the UnBOCES. Since the factors of revenue and expense are beyond the control of the UnBOCES, budget line items for revenue and expense are revised as needed according to the population trend in each member District.

Debt

The UnBOCES has no debt other than monthly operating expenses. The UnBOCES is fortunate to be given space for an office by the Ridgway School District at a nominal rental cost and utilities expense.

Capital Assets

The UnBOCES has no capital assets other than office equipment and computers used by employees and providers of services and equipment for use by the providers of services. The building with the UnBOCES offices is owned by the Ridgway School District.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the UnBOCES' basic financial statements. Comparison data is presented for fiscal years 2015 and 2016.

This annual report consists of two parts: management's discussion and analysis and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the UnBOCES:

Management's Discussion and Analysis

As of and for the fiscal year ended June 30, 2016

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

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

Government-wide Financial Statements

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

The statement of net position presents information on all of the UnBOCES' assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference 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 UnBOCES is improving or deteriorating. To assess the UnBOCES' overall health, you need to consider additional non-financial factors such as changes in the UnBOCES' member base and the condition of the members' financial status.

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

Both of the government-wide financial statements distinguish functions of the UnBOCES that are principally supported by intergovernmental revenues (governmental activities). Included in governmental activities are all of the UnBOCES' basic services such as instruction and support services.

Fund Financial Statements

The fund financial statements provide more detailed information about the UnBOCES' fund. Funds are accounting devices the UnBOCES uses to track specific sources of funding and spending on particular programs. The UnBOCES, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The UnBOCES sole fund is a governmental fund.

Management's Discussion and Analysis
As of and for the fiscal year ended June 30, 2016

Governmental Fund: The UnBOCES' services are in a governmental fund, which generally focuses on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) balances remaining at year-end which are available for spending. Consequently, the governmental fund statement provides a detailed short-term view that helps determine financial resources that may be available in the near term to finance the UnBOCES' programs. Because this information does not encompass the long-term focus of the government-wide statements, additional information in separate reconciliations explain the relationship (or differences) between them, if necessary.

Notes to the financial statements

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

Summary of Statement of Net Position

	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Assets		
Cash and Investments	\$309,086	\$ 258,899
Accounts Receivable	5,853	12,304
Capital Assets	<u>3,435</u>	<u>2,576</u>
Total Assets	318,374	273,779
Deferred outflows of resources	32,724	91,259
Liabilities		
Accounts Payable	-	-
Unearned Revenue	67,617	63,727
Net pension liability	<u>656,724</u>	<u>708,127</u>
Total Liabilities	724,341	771,854.
Deferred inflows of resources	41,854	57,509
Net Position		
Net investment in capital assets	3,435	2,576
Unrestricted	<u>(418,532)</u>	<u>(466,901)</u>
Total Net Position	<u>\$(415,097)</u>	<u>\$(464,325)</u>

Management's Discussion and Analysis
As of and for the fiscal year ended June 30, 2016

Summary of Changes in Net Position

		Governmental Activities	
		2015	2016
Revenues			
Program Revenues			
Charges for Services		176,529	183,308
Operating grants and contributions		857,302	864,909
General revenues			
Investment earnings		37	37
	Total Revenues	1,033,868	1,048,254
Expenses			
Instruction			
		389,839	354,187
Support Services			
		728,049	743,295
	Total Expenses	1,117,888	1,097,482
	Change in net position	(84,020)	(49,228)
Net position at beginning of year		326,308	(415,097)
Change in accounting principle		(657,385)	
Net Position at beginning of year, restated		(331,077)	
Net position at end of year		(415,097)	(464,325)

All significant changes in the above two summaries relate to the implementation of GASB #68 as of July 1, 2014. This standard requires net pension liabilities and the related deferred outflows and inflows of resources to be recorded in the government-wide statements.

Fund Level Financial Analysis

The UnBOCES uses fund accounting to ensure and demonstrate compliance with finance-related legal, federal and state requirements. The General Fund is the only fund used. The General Fund ended the current year with total fund balance of \$207,476.

General Fund Budgetary Highlights

The UnBOCES Board of Directors adopted a budget and an appropriation resolution for \$1,171,705. The Board adopted supplemental appropriations during the year of \$11,883 for an ending expenditure budget of \$1,183,588. Additional funds were received from grants as follows:

Child Find Evaluations	383
School Counselors Grant from the State of Colorado	8,100
Just for Kids Summer Literacy Group Grant	3,400

Management's Discussion and Analysis As of and for the fiscal year ended June 30, 2016

The adoption of the budget and the supplemental appropriations appear to be within the deadlines and guidelines established by Colorado statute for BOCES.

Capital Assets

The UnBOCES purchased from MSR West a Euroscan Pro –DP Screener/Tymp for \$6,010 with IDEA funds (Capital Outlay) in June 2012. It was depreciated down to \$2,576 in the 2015-2016 school year.

Long-Term Debt

The UnBOCES has no long-term debt.

Factors Bearing on the UnBOCES' Future

The UnBOCES is responsible for the oversight of the member districts' special education programs and the delivery of related services to identified students in each district.

Funding sources are based upon the annual December 1 count that determines both the ECEA and IDEA allocations, and local contributions by districts that make up the remainder of the UnBOCES operating revenue.

The BOCES funding is directly related to not only the total student population of the five school districts, but specifically, the number of students identified as having a disability and consequently requiring related services.

Finally, the UnBOCES is moving into the role of staff development and program development for its member districts. This new role will require the UnBOCES' board to develop necessary programming and fiscal support.

Contacting the UnBOCES' Financial Management

This financial report is designed to provide the UnBOCES' citizens, taxpayers, customers, and investors and creditors with a general overview of the UnBOCES' finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Uncompahgre Board of Cooperative Educational Services, PO Box 728, Ridgway, CO 81432-0728.



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

September 9, 2016

The Board of Directors
Uncompahgre Board of Cooperative Services

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the 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 BOCS' 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 BOCS' 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 Uncompahgre Board of Cooperative Services as of June 30, 2016, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Board of Directors
Uncompahgre Board of Cooperative Services
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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of activity – net pension liability, and schedule of activity – employer pension contributions in the preceding section 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Uncompahgre Board of Cooperative Services' basic financial statements. The Auditors Integrity Report of the Colorado Department of Education (the Report) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Report is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Chadwick, Steinkirchner, Davis & Co., P.C.

Uncompahgre Board of Cooperative Services

STATEMENT OF NET POSITION

June 30, 2016

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Assets	
Cash	\$ 258,899
Receivables	12,304
Capital assets (net of accumulated depreciation)	
Equipment	2,576
Total assets	<u>273,779</u>
Deferred outflows of resources	
Pension contributions made after the measurement date	21,225
Pension difference between expected and actual experience	9,320
Pension net difference between projected and actual investment earnings	60,714
Total deferred outflows of resources	<u>91,259</u>
Total assets and deferred outflows of resources	<u>\$ 365,038</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
Liabilities	
Unearned revenue	\$ 63,727
Non-current liabilities	
Net pension liability	708,127
Total liabilities	<u>771,854</u>
Deferred inflows of resources	
Pension changes of assumptions or other inputs	10,007
Pension change in proportionate share of NPL	47,502
Total deferred inflows of resources	<u>57,509</u>
Net position	
Net investment in capital assets	2,576
Unrestricted	(466,901)
Total net position	<u>(464,325)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 365,038</u>

The accompanying notes are an integral part of this statement.

Uncompahgre Board of Cooperative Services

STATEMENT OF ACTIVITIES

Year ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 354,187	\$ 178,308	\$ 124,793	\$ (51,086)
Support services	743,295	5,000	740,116	1,821
Total governmental activities	<u>\$ 1,097,482</u>	<u>\$ 183,308</u>	<u>\$ 864,909</u>	<u>(49,265)</u>
General revenues:				
				37
				<u>37</u>
				(49,228)
				<u>(415,097)</u>
				<u>\$ (464,325)</u>

The accompanying notes are an integral part of this statement.

Uncompahgre Board of Cooperative Services

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2016

ASSETS	<u>General</u>
Cash	\$ 258,899
Grants receivable	<u>12,304</u>
Total assets	<u>\$ 271,203</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Unearned revenue	\$ 63,727
Total liabilities	<u>63,727</u>
Fund equity	
Restricted	2,257
Unassigned	<u>205,219</u>
Total fund balance	<u>207,476</u>
Total liabilities and fund balance	<u>\$ 271,203</u>
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
Fund equity as reported above	\$ 207,476
Capital assets are not recorded in the funds	2,576
The amount by which deferred outflows of resources are less than deferred inflows of resources, both of which are not recorded in the funds (\$21,225+\$60,714+\$9,320-\$47,502-\$10,007)	33,750
Net pension liability is not due and payable in the current period and, therefore, is not reported in the funds	<u>(708,127)</u>
Net position of governmental activities	<u>\$ (464,325)</u>

The accompanying notes are an integral part of this statement.

Uncompahgre Board of Cooperative Services

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

Year ended June 30, 2016

	<u>General</u>
Revenues	
Local sources	\$ 188,226
State sources	493,063
Federal sources	366,928
Interest revenue	37
	<u>1,048,254</u>
Expenditures	
Current	
Instruction	354,187
Support services	726,998
Capital outlay	6,915
	<u>1,088,100</u>
	EXCESS OF REVENUES OVER (UNDER) EXPENDITURES
	(39,846)
Fund balance at beginning of year	<u>247,322</u>
Fund balance at end of year	<u><u>\$ 207,476</u></u>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net Change in Fund Balances - Governmental Funds	\$ (39,846)
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation. This is the amount by which current year depreciation exceeded current year capital asset additions. (\$0 - \$859)	(859)
In the governmental funds, expenditures related to pension obligations are measured by the amount of financial resources used (essentially, the amounts actually paid to the pension plan), whereas in the statement of activities, they are measured on full accrual basis. This is the amount by which pension expense in the statement of activities was more than pension expenditures in the governmental funds.	<u>(8,523)</u>
Change in net position of governmental activities	<u><u>\$ (49,228)</u></u>

The accompanying notes are an integral part of this statement.

Uncompahgre Board of Cooperative Services

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

Year ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Intergovernmental				
Local sources	\$ 183,308	\$ 186,708	\$ 188,226	\$ 1,518
State sources	480,841	489,324	493,063	3,739
Federal sources	387,393	387,393	366,928	(20,465)
Interest	35	35	37	2
Total revenues	<u>1,051,577</u>	<u>1,063,460</u>	<u>1,048,254</u>	<u>(15,206)</u>
Expenditures				
Current				
Instruction	382,855	384,634	354,187	30,447
Support services				
Students	318,364	320,368	320,219	149
Instructional staff	143,560	143,560	137,236	6,324
General administration	19,500	19,500	13,914	5,586
Business	61,816	61,816	61,791	25
Central	64,470	64,470	48,233	16,237
Other	174,340	182,440	145,605	36,835
Capital outlay	6,800	6,800	6,915	(115)
Total expenditures	<u>1,171,705</u>	<u>1,183,588</u>	<u>1,088,100</u>	<u>95,488</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(120,128)	(120,128)	(39,846)	80,282
Fund balance at beginning of year	<u>120,128</u>	<u>120,128</u>	<u>247,322</u>	<u>127,194</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 207,476</u>	<u>\$ 207,476</u>

The accompanying notes are an integral part of this statement.

Uncompahgre Board of Cooperative Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

Uncompahgre Board of Cooperative Services operates under Colorado Revised Statutes providing educational and educational support services for the five member school districts in Montrose, Ouray, and San Miguel counties.

The accounting policies of Uncompahgre Board of Cooperative Services (the BOCS), conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies consistently applied in the preparation of the financial statements.

2. Reporting Entity

For financial reporting purposes, the BOCS includes all funds and activities for which the BOCS exercises financial accountability. The Board members are appointed by the Boards of the five member districts, with one from each school district Board, which consist of the Ouray, Ridgway, Telluride, Norwood and West End School districts. The BOCS board has decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. The BOCS is not a component unit of any other entity and does not have any component units which require inclusion in the basic financial statements.

3. Government-wide and Fund Financial Statements

The BOCS' basic financial statements include both government-wide (reporting the BOCS as a whole) and fund financial statements (reporting the BOCS major fund). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. Currently, the BOCS has only governmental activities.

Government-wide Financial Statements

In the government-wide Statement of Net Position, the governmental activities columns are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide focus is on the sustainability of the BOCS as an entity and the change in the BOCS's net position resulting from the current year's activities.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Financial Statements

The financial transactions of the BOCS are reported in an individual fund in the fund financial statements. The fund is accounted for by providing a separate set of self balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures.

The fund focus is on current available resources and budget compliance.

4. Fund Accounting

The BOCS uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. At this time the BOCS only uses governmental funds.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The BOCS reports the following major governmental fund:

General Fund – The General Fund is used to account for all financial resources of the BOCS.

5. Measurement Focus and Basis of Accounting

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements.

Long-Term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Uncompahgre Board of Cooperative Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

Amounts reported as program revenues include 1) charges to the member districts for services provided, and 2) operating grants and contributions.

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

6. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as contributions awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available.

7. Use of Estimates

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

8. Budgets and Budgetary Accounting

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

- Budgets are required by state law for all funds. By May 31, the Executive Director submits to the Board a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Prior to June 30, the budget is adopted by formal resolution.

Uncompahgre Board of Cooperative Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- Expenditures may not legally exceed appropriations at the fund level.
- Revisions that alter the total expenditures of any fund must be approved by the Board.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted or as revised by the Board. Two supplemental appropriations were approved during the year increasing budgeted expenditures from \$1,171,705 to \$1,183,588.
- Budget amendments increasing fund appropriations must be approved by the Board.

9. Capital Assets

Capital assets are reported in the applicable governmental activities columns in the Government-wide Financial Statements. The BOCS defines capital assets as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Currently, the BOCS has one capital asset in excess of \$5,000.

Depreciation is computed using the straight-line method over estimated useful lives, as follows:

	<u>Years</u>
Buildings	10
Equipment	5-10
Vehicles and software	5-7
Computers and office equipment	5

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

10. Assets, Liabilities and Fund Equity

Cash. Cash is held in interest-bearing and noninterest-bearing accounts which are comprised of demand and savings accounts and are available to meet current operating requirements.

Receivables. No allowance for doubtful accounts has been provided in the accompanying financial statements since substantially all accounts are deemed by management to be collectible.

Uncompahgre Board of Cooperative Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Equity. The fund balance for the governmental fund is reported in five categories: nonspendable, restricted, committed, assigned, and unassigned. The BOCS does not currently have any funds that are nonspendable, committed, or assigned. The Board has not established a policy regarding the authorization to assign amounts to specific purposes; however, the Board, as a matter of practice, has authorized itself to assign amounts to specific purposes. Also as a matter of practice, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first. When an expenditure is incurred for which amounts in any unrestricted fund balance classification could be used, assigned fund balances are spent first. The BOCS has not formally adopted a policy setting forth a minimum fund balance amount.

11. Pensions

BOCS 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.

NOTE B – CASH AND INVESTMENTS

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 the uninsured public deposits as a group. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

Cash consists of the following:

Cash in bank	<u>\$ 258,899</u>
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Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest including obligations of the United States and certain U.S. government agency securities; certain international agency securities; general obligation and revenue bonds of U.S. local government entities; bankers' acceptances of certain banks; commercial paper; local government investment pools; written repurchase agreements collateralized by certain authorized securities; certain money market funds; and guaranteed investment contracts.

Uncompahgre Board of Cooperative Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE C – COMMITMENTS AND CONTINGENCIES

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may be disallowed by the grantor and cannot be determined at this time although the BOCS expects such amounts, if any, to be immaterial.

TABOR

In November of 1992 Colorado voters passed the TABOR Amendment to the State Constitution which limits state and local government tax powers and imposes spending limitations. TABOR is subject to judicial interpretations, but the BOCS believes it is exempt because it receives no taxes and is a jointly governed service organization.

NOTE D – CAPITAL ASSETS

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Equipment	\$ 6,010	\$ –	\$ –	\$ 6,010
Accumulated depreciation	2,575	859	–	3,434
Capital assets, net	<u>\$ 3,435</u>	<u>\$ 859</u>	<u>\$ –</u>	<u>\$ 2,576</u>

Depreciation expense is charged to the support services function in the amount of \$859.

NOTE E – RISK MANAGEMENT

The BOCS is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors, and omissions; and natural disasters for which the BOCS carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years.

NOTE F – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

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

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

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

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

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

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

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

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. 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%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% 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% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF.

Uncompahgre Board of Cooperative Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

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

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions. Eligible employees and BOCS 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% of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

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

¹Rates 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 BOCS is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from BOCS were \$38,571 for the year ended June 30, 2016.

Uncompahgre Board of Cooperative Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

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

At June 30, 2016, the BOCS reported a liability of \$708,127 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 BOCS proportion of the net pension liability was based on the BOCS 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 BOCS proportion was .00463%, which was a decrease of .0002 from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the BOCS recognized pension expense of \$47,094. At June 30, 2016, the BOCS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 9,351	\$ 31
Changes of assumptions or other inputs	–	10,007
Net difference between projected and actual earnings on pension plan investments	60,714	–
Changes in proportion and differences between contributions recognized and proportionate share of contributions	–	47,502
Contributions subsequent to the measurement date	21,225	–
Total	<u>\$ 91,290</u>	<u>\$ 57,540</u>

\$21,225 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2016:	
2017	(7,650)
2018	(3,000)
2019	10,829
2020	12,346
2021	–
Thereafter	–

Uncompahgre Board of Cooperative Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

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

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation 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.

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.

Uncompahgre Board of Cooperative Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

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.

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 November 15, 2013 adoption of the long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov’t/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

Uncompahgre Board of Cooperative Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

Discount Rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- 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.
- 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.

Uncompahgre Board of Cooperative Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

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 BOCS proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$917,940	\$708,127	\$533,602

Pension Plan Fiduciary Net Position. Detailed information about the SCHDTF’s fiduciary net position is available in PERA’s comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE G – POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description. The BOCS 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 BOCS is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the BOCS are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. The BOCS contributions to HCTF for the years ended June 30, 2016, 2015, and 2014, were \$2,215, \$1,994, and \$1,832, respectively, equal to the required contributions for each year.

Uncompahgre Board of Cooperative Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE H – FUND EQUITY

Fund equity has certain restrictions at June 30, 2016 as follows:

Restricted for Autism program	\$ 1,741
Restricted for early access program	<u>516</u>
Total restricted fund balance	<u>\$ 2,257</u>

Uncompahgre Board of Cooperative Services

SCHEDULE OF ACTIVITY - NET PENSION LIABILITY

June 30, 2016

	Employer proportion of NPL	Employer proportionate share of NPL	Employer covered payroll	Employer proportionate share of NPL as a percentage of covered payroll	Pension plan's fiduciary net position as a percentage of total pension liability
<u>Measurement date:</u>					
December 31, 2014	0.004845%	\$ 656,724	\$ 202,992	324%	62.8%
December 31, 2015	0.004630%	708,127	201,775	351%	59.2%

Uncompahgre Board of Cooperative Services

SCHEDULE OF ACTIVITY - EMPLOYER PENSION CONTRIBUTIONS

June 30, 2016

	Required employer contribution	Employer contributions recognized by the plan	Difference	Employer covered payroll	Contributions as a percentage of employer covered payroll
June 30, 2015	\$ 33,031	\$ 33,031	\$ -	\$ 195,470	16.90%
June 30, 2016	38,571	38,571	-	217,161	17.76%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1: Factors that Significantly Affect Trends in the Amounts Reported

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or assumptions used that significantly affect trends in the amounts reported.

Colorado Department of Education
Auditors Integrity Report
 District: 9145 - UNCOMPAGRE BOCES
 Fiscal Year 2015-16
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental				
10 General Fund	247,321	1,648,254	1,088,100	207,476
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub-Total	247,321	1,048,254	1,088,100	207,476
11 Charter School Fund	0	0	0	0
20,25-29 Special Revenue Fund	0	0	0	0
21 Food Service Special Revenue Fund	0	0	0	0
22 Grant Designated Purpose Grants Fund	0	0	0	0
23 Public 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 Retirement 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 (E) Risk Related Activity Fund	0	0	0	0
60-65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Public Activity Agency Fund	0	0	0	0
79 GASB 34 Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	0	0	0	0
FINAL				

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