

**UTE PASS BOARD OF COOPERATIVE
EDUCATIONAL SERVICES**

FINANCIAL STATEMENTS
With Independent Auditors' Report

For the Year Ended June 30, 2016



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By Justin L. Smith at 9:06 am, Dec 09, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ute Pass Board of Cooperative Educational Services

We have audited the accompanying financial statements of the governmental activities and each major fund of Ute Pass 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 District's 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Ute Pass 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 and required supplementary information as listed in the table of contents 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 Ute Pass Board of Cooperative Educational Services' 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 December 7, 2016, on our consideration of the Ute Pass 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 Ute Pass Board of Cooperative Educational Services' internal control over financial reporting and compliance

Hoelting & Company Inc.

Colorado Springs, Colorado
December 7, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information
June 30, 2016

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

The Ute Pass BOCES came into existence in May 2004 and began operations in August of that year. The initial members were Woodland Park School District RE-2 and Manitou Springs School District 14; Cripple Creek-Victor School District RE-1 joined in fiscal year 2005-2006. The BOCES was formed primarily to assist member districts to provide educational services to children identified in the Exceptional Children's Education Act by providing oversight of such programs and by distributing available state and federal grant monies.

Major Accounting Change

Governmental Accounting Standards Board (GASB) Statement No. 68 took effect last fiscal year. It requires the unfunded liability of the Colorado Public Employees Retirement Association (PERA) to be allocated to the financial statements of all PERA member governmental entities. The portion allocated to the BOCES exceeds \$1 million. This appears on paper to place the BOCES in a negative position (as if the BOCES would be responsible for somehow paying \$1 million in the event of PERA's default). In actuality, a default by PERA would impact current and future retirees in the form of reduced retirement benefits, so the BOCES is unsure why this change was instituted. Our Statement of Net Position and Statement of Activities reflect the mandated accounting change.

Financial Highlights

With the allocation of PERA's unfunded liability to the BOCES per GASB 68, the BOCES has a total net position of \$(1,128,312). This negative ending net position is directly related to the \$1,448,611 net pension (PERA) liability. Because the PERA unfunded liability so greatly skews net position of the government wide statements, the General Fund tends to provide a more accurate picture of financial results. At June 30, 2016, the General Fund reported an ending fund balance of \$11,918.

The BOCES distributed \$731,040 to member districts during the fiscal year ended June 30, 2016. In addition, the BOCES itself spent \$957,356 on instructional support of the three school districts.

Using the Basic Financial Statements

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

The statements then proceed to provide an increasingly detailed look at specific financial activities.

The first two statements are government-wide financial statements - the Statement of Net Position and the Statement of Activities. Both provide long and short-term information about the BOCES overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the BOCES operations in more detail. The governmental fund statements tell how general BOCES services were financed in the short term as well as what remains for future spending. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Financial Analysis of the BOCES as a Whole

The BOCES beginning fund balance on July 1, 2015 was \$11,638; ending fund balance was \$11,918 as of June 30, 2016. The BOCES cash position at year end was \$258,966.

Government-Wide Financial Statements

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

The two government-wide statements report the BOCES net position and how it has changed. Again, because of the pension allocation per GASB 68, it may be useful to look at fund balance; for a school district, the change in fund balance may serve as a useful indicator of whether the financial position of the district is improving or deteriorating. For a BOCES however, this is not as important because a purpose of the BOCES is to receive and distribute state and federal funds to its member districts. Monies retained by the BOCES that do not support centralized BOCES services have not been made available to the member school districts to support children.

In the Statement of Net Position and the Statement of Activities, the BOCES has one type of activity:

Governmental Activities – All of the BOCES' programs and services are reported here including instruction, support services, and grant activities.

A summary of the BOCES Net Position is as follows:

Condensed Statement of Net Position as of June 30,

	2015	2016
Assets		
Cash and cash equivalents	\$ 205,727	\$ 258,966
Accounts receivable	-	3,142
Total Assets	<u>205,727</u>	<u>262,108</u>
Deferred (Pension) Outflows of Resources	<u>67,947</u>	<u>346,574</u>
Current Liabilities		
Accounts payable	(8,201)	(530)
Unearned revenues	202,290	250,720
Long Term Liabilities: Net Pension Liability	<u>1,122,178</u>	<u>1,448,611</u>
Total Liabilities	<u>1,316,267</u>	<u>1,698,801</u>
Deferred (Pension) Inflows of Resources		<u>38,193</u>
Net Positon: Unrestricted	<u>(1,042,593)</u>	<u>(1,128,312)</u>
Total Net Position	<u>\$ (1,042,593)</u>	<u>\$ (1,128,312)</u>

A summary of the BOCES' activity and changes in net position is as follows:

Condensed Statement of Activities for the year ended June 30,

	2015	2016
Revenues		
Program Revenue		
Operating Grants and Contributions	<u>\$ 2,034,168</u>	<u>\$ 1,688,396</u>
General Revenue		
Other Local Revenue	<u>569</u>	<u>280</u>
Total Revenues	<u>2,034,737</u>	<u>1,688,676</u>
Program Expenses		
Instruction	1,437,020	1,039,787
Supporting Services	<u>652,130</u>	<u>758,363</u>
Total Program Expenses	<u>2,089,150</u>	<u>1,798,150</u>
Change in Net Position	(54,413)	(109,474)
Net Position - Beginning, as restated	<u>(988,180)</u>	<u>(1,018,838)</u>
Net Position - Ending	<u>\$ (1,042,593)</u>	<u>\$ (1,128,312)</u>

Operating grants included funds from both state and federal sources. State grants amounted to \$874,786, and federal grant revenue was \$813,610.

Reporting the BOCES Most Significant Fund

The analysis of the BOCES major fund begins on page 3. Fund financial statements provide detailed information about the BOCES major fund. The BOCES only fund is the General Fund.

Governmental Funds. All of the BOCES activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the BOCES general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements of the Governmental Funds. The BOCES governmental fund is the General Fund. The General Fund accounts for all of BOCES instruction and support operations.

Fund Financial Statements

As of June 30, 2016, the BOCES governmental fund reported a fund balance of \$11,918. The fund balance at year end was the result of timing differences between receipt and disbursement of grant funds and amounts retained to cover BOCES administrative expenses.

Capital Assets

As of June 30, 2016 the BOCES had no capital assets.

Debt Administration

As of June 30, 2016 the BOCES had no long-term debt.

General Fund Budget

The Board of Director's adopts the BOCES budget in June of each year. Revisions are generally made in January when state and federal allocations are known. The adoption of supplemental budgets is allowed throughout the year when unanticipated additional revenues are received.

Growth and the Future of the BOCES

For fiscal year 2009 an Administrative Assistant was hired. The assistant works in all three school districts to compile and transmit data required by the Federal Government and the Colorado Department of Education. For FY 2010 money became available through the American Recovery and Reinvestment Act (ARRA). These funds were mostly spent over a two year period. In fiscal years 2010 & 2011 ARRA funds were used to hire an Autism Specialist and provided training to the specialist and other staff members. For FY 2012, the Director became a full time employee, a Visually Impaired Specialist was added, and the member districts valued the work of the Autism Specialist enough to continue the position even without

ARRA funds. For FY 2013, three Speech Language Pathologists (SLP's) were added to the BOCES staff, and for FY 2014, a fourth SLP was added. By FY 2016, the BOCES has also added Physical and Occupational Therapists, Transition and Medicaid coordinators, and has grown to 14 personnel.

All positions are funded by reducing the amount of funds flowed through to the districts. The districts agree to this because it has allowed them to reduce their own staffs in these specialties and/or allows for the better provision of services to children.

Requests for information

This financial report is designed to provide a general overview of the BOCES finances for all those with an interest in the BOCES finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Ute Pass BOCES, attn: Business Office, 405 El Monte Place, Manitou Springs, CO 80829.

BASIC FINANCIAL STATEMENTS

UTE PASS BOARD OF COOPERATIVE EDUCATIONAL SERVICES
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS

Current assets		
Cash and cash equivalents	\$	258,966
Accounts receivable		3,142
		3,142
Total assets		262,108

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension outflows		346,574
		346,574
Total deferred outflows of resources		346,574

LIABILITIES

Current liabilities		
Accounts payable		(530)
Unearned revenues		250,720
Long-term liabilities		
Net Pension liability		1,448,611
		1,448,611
Total liabilities		1,698,801

DEFERRED INFLOWS OF RESOURCES

Deferred pension inflows		38,193
		38,193
Total deferred inflows of resources		38,193

NET POSITION

Unrestricted		(1,128,312)
		(1,128,312)
Total net position		\$ (1,128,312)

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

**UTE PASS BOARD OF COOPERATIVE EDUCATIONAL SERVICES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities			
Instruction	\$ 1,039,787	\$ 1,496,129	\$ 456,342
Supporting services	758,363	192,267	(566,096)
Total governmental activities	<u>\$ 1,798,150</u>	<u>\$ 1,688,396</u>	(109,754)
General revenues:			
Other local revenue			<u>280</u>
Change in net position			(109,474)
Net position - beginning, as restated			<u>(1,018,838)</u>
Net position - ending			<u>\$ (1,128,312)</u>

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

UTE PASS BOARD OF COOPERATIVE EDUCATIONAL SERVICES
BALANCE SHEET
JUNE 30, 2016

ASSETS

Cash and cash equivalents	\$ 258,966
Accounts receivable	3,142
	<hr/>
Total assets	262,108
	<hr/>

LIABILITIES

Liabilities:

Accounts payable	(530)
Unearned revenues	250,720
	<hr/>
Total liabilities	250,190
	<hr/>

FUND BALANCE

Unassigned	11,918
	<hr/>
Total liabilities and fund balance	\$ 262,108
	<hr/> <hr/>

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

UTE PASS BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance of Governmental Funds	\$ 11,918
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred outflows of resources.	346,574
Net pension liability is not due and payable in the current period and, therefore, is not reported in the funds.	(1,448,611)
Other long-term liabilities are not due and payable in the current period and, therefore, are reported as deferred inflows of resources.	<u>(38,193)</u>
Total Net Position of Governmental Activities	<u><u>\$ (1,128,312)</u></u>

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

UTE PASS BOARD OF COOPERATIVE EDUCATIONAL SERVICES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
JUNE 30, 2016

REVENUES

Local sources	
Other income	\$ <u>280</u>
Total local sources	<u>280</u>
State sources	
ECEA	682,519
Gifted and talented	72,622
Other state sources	<u>119,645</u>
Total state sources	<u>874,786</u>
Federal sources	
IDEA Part B	762,046
IDEA Preschool	22,877
Other federal sources	<u>28,687</u>
Total federal sources	<u>813,610</u>
Total revenues	<u>1,688,676</u>
 EXPENDITURES	
Instruction	1,001,061
Supporting services	<u>687,335</u>
Total expenditures	<u>1,688,396</u>
Net change in fund balance	280
Fund balance - beginning	<u>11,638</u>
Fund balance - ending	<u><u>\$ 11,918</u></u>

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

**UTE PASS BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RECONCILIATION OF THE STATEMENT OF
REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE 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 Balance of Governmental Funds	\$	280
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		<u>(109,754)</u>
Change in Net Position of Governmental Activities	\$	<u><u>(109,474)</u></u>

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

NOTES TO FINANCIAL STATEMENTS

UTE PASS BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Ute Pass Board of Cooperative Educational Services (the BOCES) conform to generally accepted accounting policies as applicable to governments. The more significant accounting policies established in GAAP and used by the BOCES are discussed below.

A. REPORTING ENTITY

The inclusion or exclusion of component units is based on a determination of the elected official's financial accountability to their constituents, and whether the financial reporting entity follows the same accountability. Further, the financial statements of the reporting entity should enable the reader to distinguish between the primary government (including its blended component units, which are in substance, part of the primary government) and discretely presented component units. The criteria used for determining whether an entity should be included, either blended or discretely presented, includes but is not limited to fiscal dependency, imposition of will, legal standing, and the primary recipient of services.

The BOCES has no component units for which either discrete or blended presentation is required.

B. BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds.

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 primary government. *Governmental activities*, are normally are supported by intergovernmental revenues and other nonexchange transactions.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

C. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the government's funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained by the BOCES is consistent with legal and managerial requirements.

The emphasis of fund financial statements is on major governmental funds. The BOCES reports one major governmental fund:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

UTE PASS BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Grants and similar items are recognized as revenue in the fiscal year in which 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. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal 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 generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt are reported as other financing sources, and acquisitions of capital leased assets are reported as other financing uses.

Those revenues susceptible to accrual are interest revenue and charges for services. Other revenues are not susceptible to accrual because, generally, they are not measurable until received in cash. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

E. ASSET, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE

Cash and cash equivalents

Cash and cash equivalents include cash on hand and in the bank and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables

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

Unearned revenues

Unearned revenues include governmental grants that have been received, but not yet earned, since service has not been provided.

UTE PASS BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSET, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE (CONTINUED)

Pensions

Ute Pass 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.

Deferred outflows/inflows of resources

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

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

Net position flow assumption

The BOCES may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the BOCES' policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

Fund balance flow assumption

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

UTE PASS BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSET, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE (CONTINUED)

Fund balance classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the BOCES is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available to be used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the BOCES intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The BOCES would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

F. ESTIMATES

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

UTE PASS BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

1. At the May board meeting of the Board of Directors, the Executive Director submits a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at Board of Directors meetings to obtain taxpayers comments.
3. Prior to June 30, the budget is adopted by the Board of Directors.
4. Any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
5. Formal budgetary integration is employed as a management control device during the year.
6. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts in this report are as originally adopted or amended.
7. All original and supplemental appropriations for all funds lapse at the end of the fiscal year.

NOTE 3 – DEPOSITS AND INVESTMENTS

Cash Deposits with Financial Institutions

Custodial credit risk-deposits—The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

UTE PASS BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Cash Deposits with Financial Institutions (Continued)

The carrying amount of the BOCES' deposits at June 30, 2016 was \$258,966 and the bank balances were \$266,866. Of the bank balances, \$250,000 was covered by federal deposit insurance and \$16,866 was uninsured but collateralized in accordance with the provisions of the Colorado Public Deposit Protection Act (PDPA). The collateral is pooled and held in a trust for all uninsured deposits as a group.

Investments

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

- ◆ Obligations of the United States and certain U.S. government agencies' securities;
- ◆ Certain international agencies' securities;
- ◆ General obligation and revenue bonds of U.S. local government entities;
- ◆ Bankers' acceptances of certain banks;
- ◆ Certain commercial paper;
- ◆ Local government investment pools;
- ◆ Written repurchase agreements collateralized by certain authorized securities;
- ◆ Certain money market fund;
- ◆ Guaranteed investment contracts.

Credit Risk—State law limits investments to those described above. The BOCES does not have an investment policy that would further limit its investment choices.

Investment interest rate risk—The BOCES has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, other than those limitations by state statute.

NOTE 4 - RISK MANAGEMENT

The BOCES is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers' compensation; general liability; unemployment; and employee benefit expenses related to health programs. The BOCES participates in the Colorado School District Self Insurance Pool. The Pool insures property and liability exposures through contributions made by member districts. The BOCES does not maintain an equity interest in the self-insurance pool. The BOCES is insured for unemployment compensation and has a deductible for property insurance.

The BOCES carries commercial insurance for all other risks of loss, including errors and omissions and property. Settled claims resulting from these risks have not exceeded the insurance coverage for each of the past three years.

UTE PASS BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. Eligible employees of the Ute Pass 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/investments/pera-financial-reports.

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

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

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

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.

UTE PASS BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

General Information about the Pension Plan (Continued)

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

Contributions. Eligible employees and Ute Pass 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 Ute Pass Board of Cooperative Educational Services is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Ute Pass Board of Cooperative Educational Services were \$90,940 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 Ute Pass Board of Cooperative Educational Services reported a liability of \$1,448,611 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The Ute Pass Board of Cooperative Educational Services proportion of the net pension liability was based on Ute Pass Board of Cooperative Educational Services contributions to the SCHDTF for the calendar year 2014 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the Ute Pass Board of Cooperative Educational Services' proportion was 0.0094715751 percent, which was an increase of 0.0011918682 percent from its proportion measured as of December 31, 2014.

UTE PASS BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended June 30, 2016, the Ute Pass Board of Cooperative Educational Services recognized pension expense of \$54,982. At June 30, 2016, the Ute Pass Board of Cooperative Educational Services reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 19,129	\$ 60
Changes of assumptions or other inputs	-	20,472
Net difference between projected and actual earnings on pension plan investments	123,172	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	154,857	17,661
Contributions subsequent to the measurement date	49,416	-
Total	\$ 346,574	\$ 38,193

\$49,416 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:	
2017	\$ 88,805
2018	\$ 84,819
2019	\$ 60,083
2020	\$ 25,258

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

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

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

UTE PASS BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 – 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.

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

UTE PASS BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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%.

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 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.

UTE PASS BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 – DEFINED BENEFIT 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 Ute Pass 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-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$1,877,823	\$ 1,448,611	\$ 1,091,586

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

NOTE 6 – POSTEMPLOYMENT HEALTHCARE BENEFITS

Health Care Trust Fund

Plan description. The Ute Pass 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.

UTE PASS BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6 – POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Funding policy. The Ute Pass 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 Ute Pass 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 Ute Pass Board of Cooperative Educational Services contributions to the HCTF were \$5,224, \$3,740, and \$3,175, respectively, equal to their required contributions for each year.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The BOCES has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Management believes disallowances, if any, will be immaterial.

Tabor Amendment

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

NOTE 8 – COLORADO SCHOOL DISTRICT/BOCES, AUDITOR’S INTEGRITY REPORT

The School Finance Act requires inclusion of the Colorado School District/BOCES, Electronic Financial Data Integrity Check Figures as a supplement schedule to the audited financial statements. The Report is based on a prescribed basis of accounting that demonstrates compliance with the financial policies and procedures of the Colorado Department of Education.

NOTE 9 – PRIOR PERIOD ADJUSTMENT

During the year, it was determined that pension contributions subsequent to the measurement date and other pension outflows totaling \$23,755 were not included in the statement of net position. To correct this oversight, the beginning net position for governmental activities of a deficit \$1,042,593, as originally reported, has been increased to a deficit \$1,018,838.

REQUIRED SUPPLEMENTARY INFORMATION

UTE PASS BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND COVERED PAYROLL
JUNE 30, 2016

	<u>2013</u>	<u>2014</u>	<u>2015</u>
BOCES' proportion of the net pension liability (asset)	0.0078932415%	0.0082797069%	0.0094715751%
BOCES' proportionate share of the net pension liability (asset)	\$ 1,006,781	\$ 1,122,178	\$ 1,448,611
BOCES' covered-employee payroll	\$ 318,202	\$ 346,860	\$ 412,769
BOCES' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	316.40%	323.52%	350.95%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%

* The amounts presented for each fiscal year were determined as of 12/31.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

UTE PASS BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF EMPLOYER'S STATUTORY PAYROLL CONTRIBUTIONS AND COVERED PAYROLL
JUNE 30, 2016

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$ 49,417	\$ 56,989	\$ 71,533
Contributions in relation to the contractually required contribution	<u>(49,417)</u>	<u>(56,989)</u>	<u>(71,533)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BOCES' covered-employee payroll	\$ 318,202	\$ 346,860	\$ 412,769
Contributions as a percentage of covered-employee payroll	15.53%	16.43%	17.33%

* The amounts presented for each fiscal year were determined as of 12/31.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

UTE PASS BOARD OF COOPERATIVE EDUCATIONAL SERVICES
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
JUNE 30, 2016

	<u>Budgeted Amounts</u>		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources				
Other income	\$ -	280	\$ 280	\$ -
Total local sources	-	280	280	-
State sources				
ECEA	\$ 698,587	\$ 746,891	\$ 682,519	\$ (64,372)
Gifted and talented	75,000	72,662	72,622	(40)
Other state sources	100,273	130,536	119,645	(10,891)
Total state sources	873,860	950,089	874,786	(75,303)
Federal sources				
IDEA Part B	726,832	745,126	762,046	16,920
IDEA Preschool		22,877	22,877	
Other federal sources	55,558	41,010	28,687	(12,323)
Total federal sources	782,390	809,013	813,610	4,597
Total revenues	1,656,250	1,759,382	1,688,676	(70,706)
EXPENDITURES				
Instruction				
Salaries	192,496	195,075	194,863	212
Employee benefits	53,952	54,805	54,615	190
Purchased services	742,454	753,940	751,583	2,357
Total instruction	988,902	1,003,820	1,001,061	2,759
Supporting services				
Student support				
Salaries	245,237	248,800	248,252	548
Employee benefits	99,031	100,964	100,249	715
Purchased services	523	425	529	(104)
Supplies	8,248	4,645	8,349	(3,704)
Total student support	\$ 353,039	\$ 354,834	\$ 357,379	\$ (2,545)

See the accompanying Independent Auditors' Report.

UTE PASS BOARD OF COOPERATIVE EDUCATIONAL SERVICES
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
JUNE 30, 2016

	<u>Budgeted Amounts</u>		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Supporting services (continued)				
Instructional staff				
Salaries	107,828	\$ 109,700	\$ 109,154	\$ 546
Employee benefits	32,550	33,480	32,950	530
Purchased services	136,069	214,565	137,742	76,823
Supplies	10,972	12,973	11,107	1,866
Capital outlay	4,558	5,500	4,614	886
Total instructional staff	<u>291,977</u>	<u>376,218</u>	<u>295,567</u>	<u>80,651</u>
General administration				
Purchased services	4,223	4,775	4,275	500
Total general administration	<u>4,223</u>	<u>4,775</u>	<u>4,275</u>	<u>500</u>
Business services				
Purchased services	21,928	22,657	22,198	459
Supplies	-	800	-	800
Total business services	<u>21,928</u>	<u>23,457</u>	<u>22,198</u>	<u>1,259</u>
Central services				
Purchased services	7,820	7,916	7,916	-
Total central services	<u>7,820</u>	<u>7,916</u>	<u>7,916</u>	<u>-</u>
Total supporting services	<u>678,987</u>	<u>767,200</u>	<u>687,335</u>	<u>79,865</u>
Total expenditures	<u>1,667,889</u>	<u>1,771,020</u>	<u>1,688,396</u>	<u>82,624</u>
Change in fund balance	(11,639)	(11,638)	280	11,918
Fund balance - beginning	<u>11,639</u>	<u>11,638</u>	<u>11,638</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,918</u>	<u>\$ 11,918</u>

See the accompanying Independent Auditors' Report.

EXPENDITURES OF FEDERAL AWARDS

**UTE PASS BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Education				
Passed Through Colorado Department of Education				
<i>Special Education Cluster</i>				
Special Education: Grants to States IDEA Part B	84.027	4027		\$ 762,046
Special Education: Preschool Grants	84.173	4173		<u>22,877</u>
Total Federal Awards				<u><u>\$ 784,923</u></u>

See the accompanying independent auditors' report.

UTE PASS BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COST RATE

Ute Pass Board of Cooperative Educational Services has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



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*

To the Board of Education
Ute Pass Board of Cooperative Educational Services

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 Ute Pass 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 Ute Pass Board of Cooperative Educational Services' basic financial statements, and have issued our report thereon dated December 7, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2016-001.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 2016-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ute Pass Board of Cooperative Educational Services's 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.

Hoelting & Company, Inc.

Colorado Springs, Colorado
December 7, 2016



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

To the Board of Education
Ute Pass Board of Cooperative Educational Services

Report on Compliance for Each Major Federal Program

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

Auditors' Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Ute Pass 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 Ute Pass 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 Ute Pass 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ute Pass 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.

Ute Pass Board of Cooperative Educational Services' response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Ute Pass Board of Cooperative Educational Services' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Hoelting & Company Inc.

Colorado Springs, Colorado
December 7, 2016

**UTE PASS BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Section I—Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs?

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
CFDA 84.027 & 84.173	Special Education Cluster

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

Auditee qualified as low-risk auditee? yes no

**UTE PASS BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Section II—Financial Statement Findings

2016-001 Reconciling Grant Activity

Criteria: Grant revenues should not be recognized until they can be matched with qualifying expenditures.

Condition: All grant receipts were recorded as revenue even though all receipts could not be matched to qualifying expenditures.

Context: This was noted through audit procedures performed on the reconciliation of grant activity. All federal grants were affected.

Effect: Grant revenues were overstated and deferred revenue was understated.

Cause: Year-end closing procedures have not been appropriately designed and implemented.

Recommendation: Management should develop year-end closing procedures that provide for review of transactions and balances for appropriate accounting treatment and should define the responsibilities of performing those procedures.

Management response: Management is taking the necessary steps to ensure that year-end closing procedures are adequately designed, implemented and monitored as staffing allows.

2016-002 Segregation of Duties

Criteria: Financial reporting duties involving the recording, reconciliation and review of financial information should be segregated between staff members.

Condition: Certain procedures involving the recording, reconciliation and review of financial information were not segregated during the year.

Context: This finding was noted during procedures to understand and test control procedures.

Effect: Increased risk of misstatement due to error or fraud.

Cause: Limitations of staff availability.

Recommendation: Duties should be segregated where possible and compensating controls should be considered in areas where segregation is not possible.

Management response: Management will segregate duties where possible and will consider possible compensating controls where segregation is not possible.

**UTE PASS BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Section III—Findings and Questioned Costs for Federal Awards

No findings reported.

**UTE PASS BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

The Summary Schedule of Prior Audit Findings (the Summary) summarizes the status of the audit findings reported in the Ute Pass Board of Cooperative Educational Services Schedule of Findings and Questioned Costs for the year ended June 30, 2015. If the prior audit finding was fully addressed, the Summary indicates that the corrective action described in the prior audit report was taken or that corrective action is no longer needed. Otherwise, the Summary references the page number of the June 30, 2016 single audit report where a repeat recommendation, description of the planned corrective action, or reason for not implementing the recommendation is presented.

<u>Finding Number</u>	<u>CFDA Number</u>	<u>Program/Cluster Title</u>	<u>Finding</u>	<u>Status of Finding</u>
2012-001	N/A	N/A	Reconciling Grant Activity	Not corrected. See page 31.
2012-002	N/A	N/A	Segregation of Duties	Not corrected. See page 31.

STATE COMPLIANCE

HC
Hoelting & Company, Inc.
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON
COLORADO SCHOOL DISTRICT/BOCES
AUDITOR'S INTEGRITY REPORT**

To the Board of Education
Ute Pass Board of Cooperative Educational Services

We have audited the financial statements of the governmental activities, and each major fund of Ute Pass Board of Cooperative Educational Services, as of and for the year ended June 30, 2016, which collectively comprise Ute Pass Board of Cooperative Educational Services' basic financial statements, and our report thereon dated December 7, 2016, which expressed an unmodified opinion on those financial statement, appears as listed in the table of contents.

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

Hoelting & Company Inc.

Colorado Springs, Colorado
December 7, 2016



Colorado Department of Education
Auditors Integrity Report
 District: 9165 - UTE PASS 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	11,638	1,688,676	1,688,396	11,918
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	11,638	1,688,676	1,688,396	11,918
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
21 Food Service Spec Revenue Fund	0	0	0	0
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	0	0	0	0
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
Totals	0	0	0	0
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	0	0	0	0

FINAL

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