

***East Central Board of Cooperative
Educational Services***
Limon, Colorado

Financial Statements

For the Year ended June 30, 2017



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Independent Auditors' Report

Board of Directors
East Central Board of Cooperative Educational Services
Limon, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of East Central Board of Cooperative Educational Services (the BOCES) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 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 auditors' 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, the major fund and the aggregate remaining fund information of the BOCES, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and historical pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a required 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 BOCES' basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* 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 other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2017, on our consideration of the BOCES' 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 the BOCES' internal control over financial reporting and compliance.

Lauer, Szabo & Associates, P. C.

Sterling, Colorado
November 17, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of **East Central BOCES** financial performance provides an overview of the East Central BOCES financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the East Central BOCES financial statements, which begin on page 10.

Financial Highlights

- The East Central BOCES' net position decreased by \$2,279,452 as a result of this year's operations. Net position of our governmental activities are (\$8,380,545) - Due to the new GASB 68 reporting requirements for BOCES PERA pension plan.
- During the year, the East Central BOCES had expenditures that were \$2,279,452 more than the \$8,591,775 dollars generated in grants and other revenues for governmental programs.
- Total cost of all of the East Central BOCES programs increased by \$198,868. Budgets are ever changing because of Grants coming and going through the BOCES.
- The general fund ending balance increased this year by \$167,446.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 10 and 12 – 13) provide information about the activities of the East Central BOCES as a whole and present a longer-term view of the East Central BOCES finances. Fund financial statements start on page 14, and consist solely of the General Fund. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The remaining statements provide financial information about activities for which the East Central BOCES acts solely as a trustee or agent for the benefit of those outside of the government.

Overview of Financial Statements

The discussion and analysis is intended to serve as an introduction to the East Central BOCES basic financial statements. The basic financial statements consist of four components: 1) Government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements and, 4) required supplementary information. This report also contains supplementary information in addition to the basic financial statements.

Reporting the BOCES as a Whole

Our analysis of the East Central BOCES as a whole begins on page 10. One of the most important questions asked about the East Central BOCES finances is, "Is the BOCES as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the BOCES as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the East Central BOCES net position and changes in them. You can think of the East Central BOCES net position - the difference between assets and liabilities - as one way to measure the East Central BOCES financial health, or financial position. Over time, increases or decreases in the East Central BOCES net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as the fiscal health of the State of Colorado, the fiscal health of the Federal Government and the competitive grant opportunities to assess the overall health of the BOCES.

In the Statement of Net Position and Statement of Activities, we report the Governmental activities only.

- Governmental activities-All of the East Central BOCES basic services are reported here, including Instructional and Supporting Services. State and Federal grants along with member assessments finance most of these activities.

Reporting the Activities of the East Central BOCES

Our analysis of the Activities of the East Central BOCES major fund, which consists of the General Fund, begins on page 14. The fund financial statements provide detailed information about the activities of the East Central BOCES as a whole. Some funds are required to be established by State law and by bond covenants.

Governmental funds –All of the East Central BOCES basic services are reported in the General fund, which focuses on how money flows into and out of the General fund and the balances left at year-end that are available for spending. 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 East Central 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 the East Central BOCES programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and The statement of Activities) and governmental funds in reconciliations on pages 15 & 17.

The East Central BOCES as Trustee

The BOCES is the trustee, or fiduciary, for the G. L. Andersen Scholarship fund. It is also responsible for other assets that-because of a trust arrangement-can be used only for the trust beneficiaries. All of the East Central BOCES fiduciary activities are reported in separate statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 18 and 19. We exclude these activities from the East Central BOCES other financial statements because the East Central BOCES cannot use these assets to finance its operations. The East Central BOCES is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The East Central BOCES as a Whole

As noted earlier, net position may serve over time as a useful indicator of the East Central BOCES financial position.

26% of the East Central BOCES assets are its investment in capital assets (e.g., land, buildings and equipment). The East Central BOCES uses these assets to provide instruction and related services to its students and its districts.

The following table provides a summary of the East Central BOCES net position (liabilities) as of June 30, 2017.

**Table 1
Net Position**

Governmental Activities	2017	2016
Current and other assets	\$ 2,050,929	\$1,864,628
Capital assets	\$ <u>708,692</u>	\$ <u>753,193</u>
Total assets	\$ 2,759,621	\$2,617,821
Deferred outflows of resources	\$ <u>6,370,494</u>	\$ <u>1,070,149</u>
Total Assets & deferrals	\$ <u>9,130,115</u>	\$ <u>3,687,970</u>
Long term liabilities	\$16,520,360	\$8,531,314
Other liabilities	\$ <u>566,895</u>	\$ <u>548,040</u>
Total liabilities	\$17,087,255	\$9,079,354
Deferred inflows of resources	\$ 423,405	\$ 709,709
Net position:		
Invested in capital assets	\$ 708,692	\$ 753,193
Unrestricted	\$ <u>(9,089,237)</u>	\$ <u>(6,854,286)</u>
Total net position	\$ <u>(8,380,545)</u>	\$ <u>(6,101,093)</u>

Net Position of the East Central BOCES governmental activities are (\$8,380,545). Unrestricted net position – the part of net position that can be used to finance day to day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, are (\$9,089,237).

*The large influx in net position is due to the new GASB 68 reporting requirements.

Following is a summary of the East Central BOCES change in net position.

**Table 2
Changes in Net Position**

Governmental Activities	2017	2016
Revenues		
Charges for services	\$ 3,186,667	\$ 3,151,833
Operating Grants & Contributions	\$ 5,402,493	\$ 5,244,442
Earnings on Investments	\$ 2,615	\$ 2,412
Gain on disposal of Assets	\$ -	\$ -
Total Revenue	\$ 8,591,775	\$ 8,398,687
Expenses		
Instruction	\$ 5,853,234	\$ 4,658,057
Supporting Services	\$ 4,995,190	\$ 3,678,200
Unallocated Depreciation	\$ <u>22,803</u>	\$ <u>22,803</u>
Total governmental activities	\$ <u>10,871,227</u>	\$ <u>8,359,060</u>
Increase or Decrease in net position	\$ <u>(2,279,452)</u>	\$ <u>39,627</u>

The East Central BOCES General Fund

As the East Central BOCES completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a fund balance of \$1,484,034, which is \$167,446 above last year's total of \$1,316,588.

General Fund Budgetary Highlights

Over the course of the year, the BOCES Board revised the BOCES budget in January. These budget amendments fall into several different grant categories. With these adjustments, the actual change to appropriations (expenditures) was \$1,209,305 under the budgeted amounts.

One of the most significant variances in the revenue budget was an increase of \$460,194 in State Revenue. Most of this increase is due to revenue received for out of district tuition for high cost facility students. We write a grant to get reimbursed for these high cost students and we pass most of the grant money received on to the member districts with these high cost facility students. We had a decrease of \$270,348 in revenue due to receiving less Federal special education, Title I, Title II, and Title III funds.

The most significant variance in our expenditures is the purchased service line item with expenditures over budget by \$136,757. This included expenses for purchased service contracts for special service providers and independent contracts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The East Central BOCES investment in capital assets for its governmental activities as of June 30, 2017 amounts to \$708,692 (net of accumulated depreciation). This investment in capital assets included land, buildings, and improvements, equipment, construction in progress, and capital leases all with an original cost greater than \$5,000.

Capital asset additions during the current fiscal year include the following:

Buildings and improvements	\$ -0-
Equipment and vehicles	\$ 12,900

The East Central BOCES total capital assets at June 30, 2017 net of accumulated depreciation were as follows:

**Table 3
Capital Assets at Year-end
(Net of Depreciation)**

<u>Governmental Activities</u>	<u>2017 Totals</u>	<u>2016 Totals</u>	<u>% Chg.</u>
Land	\$ 68,000	\$ 68,000	0%
Buildings and improvements	\$496,498	\$519,301	-4%
Equipment and vehicles	\$144,194	\$165,892	-13%
Total Capital Assets	<u>\$708,692</u>	<u>\$753,193</u>	<u>-6%</u>

Additional information can be found on note C in the basic financial statements.

ECONOMIC FACTORS FOR THIS YEARS BUDGET AND NEXT YEAR'S BUDGETS

Changes in the fund balance of the BOCES can be explained by the ebb and flow of grants that flow through the BOCES to the Member Districts. The fund balance is not as much of a concern as cash flow needs. A year ago we adjusted the timing of our Title I payments to the member districts, which allowed our cash flow to be adequate.

Our budgeted decrease in beginning fund balance was \$138,906 for the 2016-17 budget year. But actually the fund balance increased by \$167,446. We had anticipated a decrease in the general fund, local special education, and VNETs fund balances. The increased fund balance can be attributed to the increase in Out-of-District high costs grant revenue that was received, not purchasing the technology equipment we thought we would need for VNETs and not having potential building maintenance costs we had budgeted for. We also worked hard to fill positions where possible with BOCES employee contracts rather than outside purchase service contracts which tend to be more expensive. By keeping a close eye on the budget we were able to balance the budget and have an increase in our fund balance.

For next year's budget we will continue to attempt to fill positions where possible with BOCES employee contracts rather than purchase service contracts. The 2017-18 budget reflects a salary freeze for our staff. The intent will once again be to develop a balanced budget with no deficit.

CONTACTING THE BOCES'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the East Central BOCES finances and to show the East Central BOCES accountability for the money it receives. If you have questions about this report or need additional financial information, contact the East Central BOCES Executive Director at our main office at 820 Second Street, Limon, Colorado.

Basic Financial Statements

The basic financial statements of the BOCES include the following:

Government-wide financial statements. The government-wide statements display information about the reporting government as a whole, except for its fiduciary activities.

Fund financial statements. The fund financial statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds.

Notes to the financial statements. The notes communicate information essential for fair presentation of the financial statements that is not displayed on the face of the financial statements. As such, the notes are an integral part of the basic financial statements.

Required supplementary information other than MD&A. Budgetary comparison schedules should be presented for the general fund and for each major special revenue fund that has a legally adopted budget.

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Cash	\$ 670,678
Investments	437,549
Grants receivable	648,971
Other receivable	293,731
Capital assets, net of depreciation	<u>708,692</u>
Total assets	2,759,621
Deferred outflows of resources	
Pension deferrals	<u>6,370,494</u>
Total deferred outflows of resources	<u>6,370,494</u>
Total assets and deferred outflows of resources	<u>\$ 9,130,115</u>
Liabilities	
Accounts payable	\$ 144,427
Accrued salaries and benefits	365,918
Unearned grant revenue	56,550
Noncurrent liabilities	
Due in more than one year	<u>16,520,360</u>
Total liabilities	17,087,255
Deferred inflows of resources	
Pension deferrals	<u>423,405</u>
Total deferred inflows of resources	423,405
Net position	
Net investment in capital assets	708,692
Unrestricted (deficit)	<u>(9,089,237)</u>
Total net position (deficit)	<u>(8,380,545)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 9,130,115</u>

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

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EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Statement of Activities
For the Year Ended June 30, 2017

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Instruction	\$ 5,853,234	\$ 1,642,288	\$ 3,320,796	\$ -
Supporting services	4,995,190	1,544,379	2,081,697	
Unallocated depreciation *	22,803			
 Total governmental activities	 <u>\$ 10,871,227</u>	 <u>\$ 3,186,667</u>	 <u>\$ 5,402,493</u>	 <u>\$ -</u>
		General revenues		
		Earnings on investments		
		Total general revenues		
		Change in net position		
		Net position (deficit) at beginning of year		
		Net position (deficit) at end of year		

* This amount excludes depreciation that is included in the direct expenses of the various programs.

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

Net (Expenses)
Revenues and
Changes in
Net Position

Total
Governmental
Activities

\$ (890,150)
(1,369,114)
(22,803)

(2,282,067)

2,615

2,615

(2,279,452)

(6,101,093)

\$ (8,380,545)

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Balance Sheet
Governmental Funds
June 30, 2017

	<u>General Fund</u>
Assets	
Cash	\$ 670,678
Certificates of deposit	437,549
Grants receivable	648,971
Other receivable	<u>293,731</u>
Total assets	<u><u>\$ 2,050,929</u></u>
Liabilities and fund balance	
Liabilities	
Accounts payable	\$ 144,427
Accrued salaries and benefits	365,918
Unearned grant revenue	<u>56,550</u>
Total liabilities	566,895
Fund balance	
Unassigned	<u>1,484,034</u>
Total fund balance	<u>1,484,034</u>
Total liabilities and fund balance	<u><u>\$ 2,050,929</u></u>

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

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2017

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

Total fund balance - governmental funds	\$ 1,484,034
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	708,692
Long-term liabilities and related deferred outflows and inflows of resources are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(10,573,271)</u>
Net position (deficit) of the governmental activities	<u>\$ (8,380,545)</u>

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

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2017

	<u>General Fund</u>
Revenues	
Local sources	\$ 3,189,282
State sources	2,816,250
Federal sources	<u>2,586,243</u>
Total revenues	8,591,775
Expenditures	
Instruction	4,878,136
Supporting services	<u>3,546,193</u>
Total expenditures	<u>8,424,329</u>
Excess of revenues over (under) expenditures	167,446
Fund balance at beginning of year	<u>1,316,588</u>
Fund balance at end of year	<u><u>\$ 1,484,034</u></u>

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

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

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

Net change in fund balance - governmental funds	\$ 167,446
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Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeded capital outlays in the current period.	(44,501)
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In the statement of activities, certain expenses related to the pension liabilities and related deferred outflows and inflows of resources, and compensated absences are measured by the amounts incurred or earned during the year. In the governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially, the amounts actually paid).	<u>(2,402,397)</u>
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Change in net position of governmental activities	<u><u>\$ (2,279,452)</u></u>
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The accompanying notes are an integral part of these financial statements.

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	<u>Private Purpose Trust Fund</u>
Assets	
Cash	\$ 2,457
Investments	<u>35,800</u>
Total assets	38,257
Liabilities	<u>-</u>
Net position	
Held in trust for scholarship recipients	<u>\$ 38,257</u>

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

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2017

	<u>Private Purpose Trust Fund</u>
Additions	
Earnings on investments	\$ 95
Total additions	95
Deductions	
Scholarship awards	<u> </u>
Total deductions	<u> </u>
Change in net position	95
Net position at beginning of year	<u>38,162</u>
Net position at end of year	<u>\$ 38,257</u>

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

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Notes to Financial Statements

Note A – Summary of significant accounting policies

This summary of the East Central Board of Cooperative Educational Services' significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The financial statements of the BOCES have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local government units and in accordance with the Colorado Department of Education's *Financial Policies and Procedures Handbook*. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the BOCES' accounting policies are described below.

A.1 – Reporting entity

The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The reporting entity's financial statements should present the funds of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

The BOCES has examined other entities that could be included as defined in number 2 and 3 above. Based on these criteria, the BOCES has no component units.

A.2 – Fund accounting

The BOCES uses funds to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types." The BOCES does not have any proprietary funds.

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked funds (special revenue funds), and the servicing of general long-term debt (debt service fund). The following is the BOCES' major governmental fund:

General Fund – The General Fund is the operating fund of the BOCES. It is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include state and federal grants, along with member assessments.

Expenditures include all costs associated with the daily operation of the BOCES.

Fiduciary Funds focus on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the BOCES under a trust agreement for individuals, private organizations or other governments and are therefore not available to support the BOCES' own programs. The BOCES has one private-purpose trust fund, the Andersen Scholarship Fund.

A.3 – Basis of presentation

Government-wide financial statements – The statement of net position and the statement of activities display information about the BOCES as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the BOCES that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with a brief explanation to better identify the relationship between the government-wide statements and the statements for governmental funds.

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the BOCES' governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the BOCES, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the BOCES.

Fund financial statements – Fund financial statements report detailed information about the BOCES. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The BOCES has only one governmental fund, the General Fund. Accordingly, no nonmajor funds are presented. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources management focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balance, which reports the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Fiduciary funds focus on net position and changes in net position and are reported using accounting principles similar to proprietary funds. The BOCES' fiduciary fund is presented in the fiduciary fund financial statements by type (private-purpose trust). Since by definition these assets are being held for the benefit of a third party and cannot be used to address the activities or obligations of the BOCES, this fund is not incorporated into the government-wide financial statements.

A.4 – Basis of accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

Revenues – exchange and non-exchange transactions – Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the BOCES, available means expected to be received within ninety days of fiscal year-end.

Nonexchange transactions, in which the BOCES receives value without directly giving equal value in return, include grants, entitlements and donations. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the BOCES must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the BOCES on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: interest, tuition and grants.

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 (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.

Unearned revenue – Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when resources are received by the BOCES before it has a legal claim to them, as when grant monies are received prior to meeting eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the BOCES has a legal claim to the resources, the liability for unearned revenue is removed and the revenue is recognized.

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

Expenditures – the measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

A.5 – Encumbrances

Encumbrance accounting is utilized by the BOCES to record purchase orders, contracts and other commitments for the expenditure of monies to assure effective budgetary control and accountability. Encumbrances outstanding at year-end are canceled and reappropriated in the ensuing year's budget.

A.6 – Capital assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets with a unit cost greater than \$5,000 are capitalized at cost (or estimated historical cost, if actual cost is not available) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received. Infrastructure assets, consisting of certain improvements other than buildings (such as parking facilities, sidewalks, landscaping and lighting systems) are capitalized along with other capital assets. Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not.

All reported capital assets are depreciated with the exception of land costs. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u>
Buildings and improvements	20-40 years
Furniture and equipment	5-10 years
Licensed vehicles	3-5 years

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.7 – Compensated absences

The BOCES has adopted personnel policies that provide for annual vacation, sick leave, and other compensated absences. The BOCES implemented a policy whereby a terminated employee may receive compensation for unused sick leave at a rate of \$50 per day (\$25 per day for para-professionals), as well as for unused vacation leave at their per diem rate.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “accrued compensated absences.” The noncurrent portion of the liability is not reported.

The amounts recorded as liabilities for all applicable compensated absences include salary-related payments associated with the payment of compensated absences, using the rates in effect at the balance sheet date.

A.8 – Accrued liabilities and long-term obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the noncurrent portion of compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources.

A.9 – Net position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are liabilities imposed on their use either through the enabling legislation adopted by the BOCES or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The BOCES applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.10 – Fund balance

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

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

Nonspendable, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned),

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the board of directors (the BOCES' highest level of decision-making authority),

Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned fund balance is the residual classification for the BOCES' general fund and includes all spendable amounts not contained in the other classifications.

Committed fund balance is established by a formal passage of a resolution. This is typically done through the adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the board of directors through adoption or amendment of the budget as intended for specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes).

When both restricted and unrestricted resources are available in governmental funds, the BOCES applies expenditures against restricted fund balance first, and followed by committed fund balance, assigned fund balance and unassigned fund balance.

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.11 – Extraordinary and special items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the board of directors and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the year.

Note B – Cash deposits and investments

Cash and deposits

Colorado State statutes govern the BOCES' deposits and investments of cash. The Public Deposit Protection Act (PDPA) for banks and savings and loans require state regulators to certify eligible depositories for public deposits. The PDPA requires eligible depositories with public deposits in excess of federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or Colorado local governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group and not held in any individual government's name. The fair value of the assets in the pool must be at least equal to 102% of the aggregate uninsured deposits.

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the BOCES' deposits may not be returned to it. The BOCES does not have a deposit policy for custodial credit risk. As of year-end, the BOCES had total deposits of \$1,543,066, of which \$658,708 was insured and \$884,358 was collateralized with securities held by the pledging institution's trust department or agent in the BOCES' name.

Investments

Authorized investments – Investment policies are governed by Colorado State Statutes and the BOCES' own investment policies and procedures. Investments of the BOCES may include:

- Obligations of the United States Government such as treasury bills, notes and bonds
- Certain international agency securities
- General obligation and revenue bonds of United States 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
- Guaranteed investment contracts

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Notes to Financial Statements

Note B – Cash deposits and investments (Continued)

At year-end, the BOCES had only investments in certificates of deposit.

The following table provides a reconciliation of cash and investments on the statement of net position:

Cash	\$ 673,135
Investments in certificates of deposit	<u>473,349</u>
Total	<u>\$ 1,146,484</u>
 <u>Statement of net position</u>	
Cash	\$ 670,678
Investments in certificates of deposit	<u>437,549</u>
Subtotal	1,108,227
 <u>Statement of fiduciary net position</u>	
Cash	2,457
Investments in certificates of deposit	<u>35,800</u>
Subtotal	<u>38,257</u>
Total	<u>\$ 1,146,484</u>

Note C – Capital assets

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 68,000	\$ -	\$ -	\$ 68,000
Capital assets, being depreciated:				
Buildings and improvements	912,105	-	-	912,105
Equipment and vehicles	<u>787,876</u>	<u>12,900</u>	<u>(14,000)</u>	<u>786,776</u>
Total capital assets, being depreciated	<u>1,699,981</u>	<u>12,900</u>	<u>(14,000)</u>	<u>1,698,881</u>
Total capital assets	1,767,981	12,900	(14,000)	1,766,881

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Notes to Financial Statements

Note C – Capital assets (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Buildings and improvements	(392,804)	(22,803)	-	(415,607)
Equipment and vehicles	<u>(621,984)</u>	<u>(34,598)</u>	<u>14,000</u>	<u>(642,582)</u>
Total accumulated depreciation	<u>(1,014,788)</u>	<u>(57,401)</u>	<u>14,000</u>	<u>(1,058,189)</u>
Governmental activities capital assets, net	<u>\$ 753,193</u>	<u>\$ (44,501)</u>	<u>\$ -</u>	<u>\$ 708,692</u>

Depreciation expense was charged to programs of the BOCES as follows:

Governmental activities

Instruction	\$ 802
Supporting services	33,796
Unallocated	<u>22,803</u>
Total	<u>\$ 57,401</u>

Note D – Accrued salaries and benefits

Salaries and benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned but not paid at year-end are estimated to be \$365,918. Accordingly, this accrued compensation is reflected as a liability in the accompanying financial statements.

Note E – Long-term debt

The following is a summary of the changes in long-term debt for the year:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within one year</u>
Governmental activities					
Compensated absences	\$ 37,450	\$ 275	\$ -	\$ 37,725	\$ -
Net pension liability	<u>8,493,864</u>	<u>7,988,771</u>	<u>-</u>	<u>16,482,635</u>	<u>-</u>
absences	<u>\$ 8,531,314</u>	<u>\$ 7,989,046</u>	<u>\$ -</u>	<u>\$ 16,520,360</u>	<u>\$ -</u>

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Notes to Financial Statements

Note E – Long-term debt (Continued)

The BOCES believes that the current portion of compensated absences is negligible and is therefore not reported. The liabilities for compensated absences and the net pension liability will be liquidated by the General Fund.

Note F – Defined benefit pension plan

Summary of significant accounting policies

Pensions. The BOCES participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General information about the pension plan

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

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. Section 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.

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Notes to Financial Statements

Note F – Defined benefit pension plan (Continued)

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

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

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

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

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

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, 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% of PERA's Annual Increase Reserve (AIR) 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.

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Notes to Financial Statements

Note F – Defined benefit 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 the BOCES are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. Section 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, <u>2016</u>	For the Year Ended December 31, <u>2017</u>
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. Section 24-51-208(1)(f) ¹	<u>(1.02)%</u>	<u>(1.02)%</u>
Amount apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization equalization disbursement (AED) as specified in C.R.S. Section 24-51-411 ¹	4.50%	4.50%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. Section 24-51-411 ¹	<u>4.50%</u>	<u>5.00%</u>
Total employer contribution rate to the SCHDTF ¹	<u><u>18.13%</u></u>	<u><u>18.63%</u></u>

¹ Rates are expressed as a percentage of salary as defined in C.R.S. Section 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 BOCES is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the BOCES were \$496,423 for the year ended.

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Notes to Financial Statements

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 year-end, the BOCES reported a liability of \$16,482,635 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The BOCES' proportion of the net pension liability was based on the BOCES' contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, the BOCES' proportion was 0.0554 percent, which was a decrease of 0.0001 percent from its proportion measured as of December 31, 2015.

For the year, the BOCES recognized pension expense of \$2,898,545. At year-end, the BOCES reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 206,280	\$ 157
Changes of assumptions or other inputs	5,348,271	74,566
Net difference between projected and actual earnings on pension plan investments	559,558	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	348,682
Contributions subsequent to the measurement date	<u>256,385</u>	<u>-</u>
Total	<u>\$ 6,370,494</u>	<u>\$ 423,405</u>

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Notes to Financial Statements

Note F – Defined benefit pension plan (Continued)

\$256,385 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 subsequent year. 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, _____	Amount
2018	\$ 2,180,901
2019	2,310,690
2020	1,193,615
2021	<u>5,498</u>
Totals	<u>\$ 5,690,704</u>

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial cost method, 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
Discount rate	7.50 percent
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

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Notes to Financial Statements

Note F – Defined benefit pension plan (Continued)

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA’s Board on November 18, 2016 and effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
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 used in the December 31, 2015 valuation 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. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 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.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA’s Board on November 18, 2016 to more closely reflect PERA’s actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability and roll-forward procedures.

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Notes to Financial Statements

Note F – Defined benefit pension plan (Continued)

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustment for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Notes to Financial Statements

Note F – Defined benefit pension plan (Continued)

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, including long-term historical data, estimates inherent in current market data, and 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 by the investment consultant 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 18, 2016 adoption of the current 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. equity – large cap	21.20%	4.30%
U.S. equity – small cap	7.42%	4.80%
Non U.S. equity – developed	18.55%	5.20%
Non U.S. equity – emerging	5.83%	5.40%
Core fixed income	19.32%	1.20%
High yield	1.38%	4.30%
Non U.S. fixed income - developed	1.84%	0.60%
Emerging market debt	0.46%	3.90%
Core real estate	8.50%	4.90%
Opportunity fund	6.00%	3.80%
Private equity	8.50%	6.60%
Cash	<u>1.00%</u>	0.20%
Total	<u><u>100.00%</u></u>	

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Notes to Financial Statements

Note F – Defined benefit pension plan (Continued)

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 7.25%.

Discount rate. The discount rate used to measure the total pension liability was 5.26 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:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- 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 3.50%.
- 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 and effective as of the measurement date, including current and estimate 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.

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Notes to Financial Statements

Note F – 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 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 assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent.

As of the prior measurement date, the projection test indicated the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent, 2.24 percent higher compared to the current measurement date.

Sensitivity of the BOCES' proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26 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 (4.26 percent) or 1-percentage-point higher (6.26 percent) than the current rate:

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Notes to Financial Statements

Note F – Defined benefit pension plan (Continued)

	1% Decrease <u>(4.26%)</u>	Current Discount <u>(5.26%)</u>	1% Increase <u>(6.26%)</u>
Proportionate share of the net pension liability	<u>\$ 20,726,384</u>	<u>\$ 16,482,635</u>	<u>\$ 13,026,255</u>

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.

Payables to the pension plan

The BOCES did not report any payables to the pension plan at year-end.

Note G – Defined contribution pension plan

Voluntary Investment Program

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

Funding policy. The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The BOCES does not offer matching contributions to its employees. Employees are immediately vested in their own contributions and investment earnings. For the year, program members contributed \$61,137 for the Voluntary Investment Program.

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Notes to Financial Statements

Note H – Other postemployment benefits

Health Care Trust Fund

Plan description. The BOCES 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, selfinsure 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 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 BOCES 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 BOCES 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 fiscal years ended June 30, 2017, 2016 and 2015, the BOCES' contributions to the HCTF were \$26,094, \$24,957 and \$24,941, respectively, equal to their required contributions for each year.

Note I – 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; injuries to employees; and natural disasters. The BOCES participates in the Colorado School Districts Self-Insurance Pool (the Pool). The Pool's objectives are to provide participating members defined property and liability coverages through self-insurance and excess insurance purchased from commercial companies. The BOCES pays an annual contribution to the Pool for its insurance coverages. The BOCES' contribution for the year was \$11,844. The BOCES continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage or the deductible in any of the past three fiscal years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Notes to Financial Statements

Note J - Commitments and contingencies

Federal and state funding

The BOCES receives revenues from various federal and state grant programs which are subject to final review and approval by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the BOCES expects such amounts, if any, to be immaterial.

TABOR Amendment

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer's Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The BOCES may be subject to the Tabor Amendment. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitation may be required to be refunded unless the BOCES member districts decide to retain the revenue. The BOCES feels it is exempt from the Amendment because it receives no direct taxes and is a joint venture of its member districts.

Required Supplementary Information

Budgetary comparison schedules are presented for the General Fund and each major Special Revenue Fund. The BOCES does not have any special revenue funds.

General Fund – The General Fund accounts for all transactions of the BOCES not required to be accounted for in other funds. This fund represents an accounting of the BOCES' ordinary operations financed primarily from property and specific ownership taxes and state aid. It is the most significant fund in relation to the BOCES' overall operations.

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 2,956,163	\$ 3,104,399	\$ 3,189,282	\$ 84,883
State sources	2,300,599	2,356,056	2,816,250	460,194
Federal sources	2,811,168	2,856,591	2,586,243	(270,348)
Total revenues	8,067,930	8,317,046	8,591,775	274,729
Expenditures				
Salaries	2,548,474	2,599,165	2,611,818	(12,653)
Employee benefits	901,624	912,560	911,007	1,553
Purchased services	3,953,732	4,291,567	4,428,324	(136,757)
Supplies and materials	311,830	301,250	249,061	52,189
Property	173,835	186,469	135,402	51,067
Other	164,537	164,942	88,717	76,225
Appropriated reserves	1,157,260	1,177,681		1,177,681
Total expenditures	9,211,292	9,633,634	8,424,329	1,209,305
Excess of revenues over (under) expenditures	\$ (1,143,362)	\$ (1,316,588)	167,446	\$ 1,484,034
Fund balance at beginning of year			1,316,588	
Fund balance at end of year			\$ 1,484,034	

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Schedule of the BOCES' Proportionate Share of the Net Pension Liability ¹
June 30, 2017

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
BOCES' proportion of the net pension liability	0.0553594039%	0.0555361657%	0.0598505374%
BOCES' proportionate share of the net pension liability	\$ 16,482,635	\$ 8,493,864	\$ 8,111,758
BOCES' covered-employee payroll	\$ 2,558,218	\$ 2,446,798	\$ 2,445,187
BOCES' proportionate share of the net pension liability as a percentage of its covered-employee payroll	644.30%	347.14%	331.74%
Plan fiduciary net position as a percentage of the total pension liability	43.10%	59.20%	62.84%

¹ Information is not available prior to June 30, 2015. In future reports, additional years will be added until 10 years of historical data are presented.

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Schedule of BOCES Contributions ¹
June 30, 2017

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 496,423	\$ 458,837	\$ 437,527
Contributions in relation to the contractually required contribution	<u>(496,423)</u>	<u>(458,837)</u>	<u>(437,527)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BOCES' covered-employee payroll	\$ 2,558,218	\$ 2,446,798	\$ 2,445,187
Contributions as a percentage of covered-employee payroll	19.41%	18.75%	17.89%

¹ Information is not available prior to June 30, 2015. In future reports, additional years will be added until 10 years of historical data are presented.

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Notes to the Required Supplementary Information

Note A – Budgetary data

The BOCES adheres to the following procedures in compliance with Colorado Revised Statutes, establishing the budgetary data in the financial statements:

1. Budgets are required by state law for all funds. Prior to May 31, the executive director submits to the board of directors a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. Prior to June 30, the budget is adopted by formal resolution.
3. Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between departments within any fund and reallocation of budget line items within any department in the General Fund rests with the executive director. Revisions that alter the total expenditures of any fund must be approved by the board of directors.
4. Budgets for all funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the board of directors throughout the year.
6. Appropriations lapse at year-end.

Note B – Factors affecting trends in amounts reported in the pension schedules

Information about factors that significantly affect trends in the amounts reported in the Schedule of the BOCES' Proportionate Share of the Net Pension Liability and the Schedule of BOCES Contributions is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

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Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

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General Fund

The General Fund accounts for all transactions of the BOCES not required to be accounted for in other funds. This fund represents an accounting of the BOCES' ordinary operations financed primarily from federal, state and local aid. It is the most significant fund in relation to the BOCES' overall operations. The accompanying schedule is included to provide a greater level of detail to the reader of the financial statements.

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
General Fund
Schedule of Revenues and Expenditures by Program
For the Year Ended June 30, 2017

	BOCES General	Grant 3130	Grant 3150	Grant 3183	Grant 3187
Revenues					
Local sources	\$ 1,149,961	\$ 2,029,721	\$ 9,600		
State sources		2,334,545	209,950	\$ 2,000	\$ 8,384
Federal sources					
Total revenues	1,149,961	4,364,266	219,550	2,000	8,384
Expenditures					
Salaries	402,223	1,173,099	41,648		
Employee benefits	125,124	410,073	13,267		
Purchased services	443,703	2,603,577	159,217	2,000	8,384
Supplies and materials	65,553	80,975	5,418		
Property	8,317	24,682			
Other	7,492	1,963			
Total expenditures	1,052,412	4,294,369	219,550	2,000	8,384
Excess of revenues over (under) expenditures	\$ 97,549	\$ 69,897	\$ -	\$ -	\$ -

Grant 3192	Grant 3204	Grant 3228	Grant 4010	Grant 4011	Grant 4027	Grant 4173
\$ 6,175	\$ 231,335	\$ 23,861	\$ 781,094	\$ 49,500	\$ 1,334,642	\$ 41,704
6,175	231,335	23,861	781,094	49,500	1,334,642	41,704
	73,066		21,300	26,600	738,522	27,000
426	25,088		9,616	11,913	263,881	10,425
5,749	105,280	11,972	700,352	8,794	270,239	1,918
	4,522	11,889	3,188	2,193	62,000	2,361
	23,379		46,638			
6,175	231,335	23,861	781,094	49,500	1,334,642	41,704
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(Continued)

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
General Fund
Schedule of Revenues and Expenditures by Program
For the Year Ended June 30, 2017

(Continued)	Grant 4365	Grant 4367	Grant 5048	Grant 7365	Grant 7855
Revenues					
Local sources					
State sources					
Federal sources	\$ 41,004	\$ 148,458	\$ 168,070	\$ 5,384	\$ 16,387
Total revenues	41,004	148,458	168,070	5,384	16,387
Expenditures					
Salaries	11,510	75,550	21,300		
Employee benefits	5,479	26,098	9,617		
Other purchased services	22,883	31,628	36,661	5,079	10,888
Supplies	327	6,742	3,588	305	
Property			96,904		5,499
Other objects	805	8,440			
Total expenditures	41,004	148,458	168,070	5,384	16,387
Excess of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

Total

\$ 3,189,282
2,816,250
2,586,243

8,591,775

2,611,818
911,007
4,428,324
249,061
135,402
88,717

8,424,329

\$ 167,446

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Budgetary Comparison Schedule – Fiduciary Fund

These funds focus on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds.

Private-purpose trust funds – These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

- Andersen Scholarship Fund – This fund is used to record the financial transactions related to the administration of a scholarship trust that is used to award scholarships to area students.

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Andersen Scholarship Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Earnings on investments	\$ 100	\$ 100	\$ 95	\$ (5)
Total revenues	100	100	95	(5)
Expenditures				
Scholarship awards	2,000			-
Total expenditures	2,000	-	-	-
Excess of revenues over (under) expenditures	\$ (1,900)	\$ 100	95	\$ (5)
Net position at beginning of year			38,162	
Net position at end of year			\$ 38,257	

Single Audit Section

The Single Audit Section contains the following:

- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- Independent Auditors' 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*
- Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance
- Schedule of Findings and Questioned Costs

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<u>U.S. Department of Agriculture:</u>				
Direct program				
Distance Learning and Telemedicine Loans and Grants	10.855	N/A	\$ -	\$ 16,387
Total U.S. Department of Agriculture				16,387
<u>U.S. Department of Education:</u>				
Pass-through programs from:				
Colorado Department of Education:				
Title I Grants to Local Educational Agencies	84.010	4010	-	781,094
English Language Acquisition Grants	84.365	4365	-	41,004
English Language Acquisition Grants	84.365	7365	-	5,384
Improving Teacher Quality State Grant	84.367	4367	-	148,458
Total Colorado Department of Education				975,940
Colorado Community College and Occupational Education System:				
Vocational Education - Basic Grants to States	84.048	5048	-	168,070
Total U.S. Department of Education				168,070
<u>Special Education Cluster (IDEA):</u>				
U.S. Department of Education:				
Pass-through programs from:				
Colorado Department of Education:				
Special Education - Grants to States	84.027	4027	-	1,334,642
Special Education - Preschool Grants	84.173	4173	-	41,704
Total Special Education Cluster (IDEA)				1,376,346
Total Expenditures of Federal Awards				\$ 2,536,743

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Notes to Schedule of Expenditures of Federal Awards

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of East Central Board of Cooperative Educational Services and is presented on the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Grant and entitlement revenues are recognized to the extent of related expenditures or when compliance with matching requirements are met. A receivable is established when the related expenditures exceed revenue receipts and an unearned grant revenue account is established when receipts exceed the related expenditures. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CRF) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B – Indirect Cost Rate

The B●CES did not elect to use the 10% de minimis indirect cost rate.

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**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

Board of Directors
East Central Board of Cooperative Educational Services
Limon, Colorado

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, the major fund, and the aggregate remaining fund information of East Central Board of Cooperative Educational Services (the BOCES), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements, and have issued our report thereon dated November 17, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the BOCES' 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.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
November 17, 2017



**Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Directors
East Central Board of Cooperative Educational Services
Limon, Colorado

Report on Compliance for Each Major Program

We have audited the East Central Board of Cooperative Educational Services' (the BOCES) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the BOCES' major federal programs for the year ended June 30, 2017. The BOCES' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the BOCES' 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 the BOCES' 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 the BOCES' compliance.

Opinion on Each Major Federal Program

In our opinion, the BOCES 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, 2017.

Report on Internal Control over Compliance

Management of the BOCES 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 the BOCES' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the BOCES' internal control over compliance.

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

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

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

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
November 17, 2017

EAST CENTRAL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Summary of audit results

1. The auditors' report expresses an unmodified opinion on the basic financial statements of the East Central Board of Cooperative Educational Services (the BOCES).
2. No significant deficiencies relating to the audit of the basic financial statements are reported in the Independent Auditors' 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*.
3. No instances of noncompliance material to the basic financial statements of the BOCES were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for the BOCES expresses an unmodified opinion on all major federal programs.
6. The audit did not disclose any findings relative to the major federal award program of the BOCES.
7. The program tested as major was:

Title I Grants to Local Educational Agencies	CFDA No. 84.010
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8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The BOCES qualified as a low-risk auditee.

Findings - Financial statement audit

We noted no findings that are required to be reported under *Government Auditing Standards*.

Findings and Questioned Costs

We noted no findings or questioned costs that are required to be reported in accordance with the Uniform Guidance.

Prior year findings

There were no findings or questioned costs reported for the year ended June 30, 2016.

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**Colorado Department of Education
Supplementary Schedule**

Auditors' integrity report – This fiscal-year report is required by the Colorado Department of Education to maintain statewide consistency in financial reporting. This report is also used to gather financial data that could affect future state funding.

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Independent Auditors' Report on Auditors' Integrity Report

Board of Directors
East Central Board of Cooperative Educational Services
Limon, Colorado

We have audited the financial statements of East Central Board of Cooperative Educational Services (the BOCES) as of and for the year ended June 30, 2017, and our report thereon dated November 17, 2017, which expressed an unmodified opinion on those financial statements, appears on pages 1-3. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Auditors' Integrity Report is presented for purposes of additional analysis and is not a required part of the 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.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
November 17, 2017



Colorado Department of Education
Auditors Integrity Report
 District: 9025 - EAST CENTRAL BOCES
 Fiscal Year 2016-17
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6SS0*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6SS0*) Ending Fund Balance
Governmental				
10 General Fund	1,316,588	8,591,776	8,424,329	1,484,034
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub-Total	1,316,588	8,591,776	8,424,329	1,484,034
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap. Const, Tech, Main, 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
46 Supplemental Cap Const, Tech, Main, 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	38,162	95	0	38,257
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	38,162	95	0	38,257

FINAL