

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES

Financial Statements

Fiscal Year Ended June 30, 2017



RECEIVED

By the Office of the State Auditor at 10:50 am, Dec 14, 2017



Wall,
Smith,
Bateman Inc.

Certified Public Accountants

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
TABLE OF CONTENTS
June 30, 2017

	PAGE
Independent Auditors' Report	1
Management's Discussion and Analysis	i-vii
Basic Financial Statements	
<u>Government-Wide Financial Statements</u>	
Statement of Net Position	4
Statement of Activities	5
<u>Fund Financial Statements</u>	
Balance Sheet - Governmental Funds	6
Reconciliation of the Governmental Funds	
Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures and	
Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Statement of Revenues,	
Expenditures and Changes in Fund Balances	
to the Statement of Activities - Governmental Funds	9
Notes to the Basic Financial Statements	10
Required Supplementary Information	
Comparative Schedules of Revenues, Expenditures	
and Changes in Fund Balances - Budget and Actual -	
General Fund	25
Governmental Designated Purpose Grants Fund	26
Schedule of the District's Proportionate Share of the Net Pension Liability - PERA SCHDTF	
Pension Plan	27
Schedule of District Contributions - PERA SCHDTF Pension Plan	28
Supplementary Information	
Schedule of Expenditures of Federal Awards	29
Notes to the Schedule of Expenditures of Federal Awards	31
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 <i>Government Auditing Standards</i>	32
Independent Auditors' Report on Compliance for each Major Program and on Internal	
Control Over Compliance Required by the Uniform Guidance	34
Schedule of Findings and Questioned Costs	36
Auditor's Integrity Report	

INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

To the Board of Directors
San Juan Board of Cooperative Educational Services
Durango, Colorado

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the SJBOCES, 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, and pension information on pages i–vii and 25-28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the SJBOCES' basic financial statements. The Auditor's Integrity Report 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 (CFR) 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 Auditor's Integrity Report 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 Auditor's Integrity Report and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 04, 2017, on our consideration of the SJBOCES' 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 SJBOCES' internal control over financial reporting and compliance.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

December 04, 2017

San Juan Board of Cooperative Educational Services
Management's Discussion and Analysis
As of and for the fiscal year ended June 30, 2017

As management of the San Juan Board of Cooperative Educational Services (SJBoces), Durango, Colorado we offer readers of the SJBoces' annual financial report this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2017.

Financial Highlights

During fiscal year 2015, SJBoces adopted the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB statement No. 27, (GASB No. 68). It revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The SJBoces provides certain of its employees with pension benefits through the State's multiple employer cost-sharing Public Employees' Retirement Association (PERA) defined benefit retirement program.

GASB No. 68 requires cost-sharing employers participating in the PERA program, such as the SJBoces, to record their proportionate share, as defined in GASB No. 68, of PERA's unfunded pension liability. The SJBoces has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERA or the General Assembly. The Pension Liability recorded as of June 30, 2017 was \$25,771,902 compared to \$12,938,025 recorded on June 30, 2016 showing an increase of \$12,833,877. In FY16, the application of the required Governmental Accounting standards Board (GASB) test resulted in the liabilities being measured using the assumed rate of return of 7.50 percent. In FY17, application of the required GASB test triggered the need to use a blend of two rates – the assumed investment rate of return of 7.25 percent and a municipal bond index rate of 3.86 percent. This resulted in the use of a blended discount rate of 5.26 percent, which then increased the collective net pension liabilities by approximately \$17.9 billion state wide. Information regarding PERA's current funding status can be found in its Comprehensive Annual Financial Report.

- The net position (assets in excess of liabilities) of SJBoces at the close of the most recent fiscal year is (\$15,036,755) with (\$15,113,102) unrestricted and \$76,347 invested in capital assets. In comparison, at June 30, 2016 the net position of SJBoces was (\$10,698,652) with (\$10,759,779) unrestricted and \$61,127 invested in capital assets.
- SJBoces' total liabilities at June 30, 2017 were \$26,480,497 compared to \$13,290,731 at June 30, 2016. The most significant reason for this increase is due to the increase in Pension liability from \$12,938,025 to \$25,771,902.
- At the close of the current fiscal year, SJBoces' governmental funds reported combined ending fund balances of \$1,377,601 compared to \$1,391,613 at the close of the prior fiscal year; a decrease of (\$14,012).
- At the end of the current fiscal year, the governmental funds reported a total unassigned fund balance of \$748,654, assigned balance of \$562,993 and an additional \$65,954 reserved for prepaid items compared to \$777,523 unassigned, \$562,993 assigned and \$51,097 reserved for prepaid items at the close of the prior fiscal year.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an *introduction to the SJBoces basic financial statements*. The basic financial statements presented on pages 4 - 24 are comprised of three components: 1) SJBoces Wide Financial Statements 2) Fund Financial Statements, and 3) Notes to the Basic Financial Statements.

SJBoces-Wide Financial Statements

The SJBoces-wide financial statements are designed to provide the reader of the SJBoces' financial statement a broad overview of the financial activities in a manner similar to a private sector business. The SJBoces-Wide financial statements include the statement of net position and the statement of activities.

The *statement of net position* presents information about all of the SJBoces' assets and liabilities. The difference between assets and liabilities is reported as net position. *Over time changes in net position may serve as a useful indicator whether the financial position of the SJBoces is improving or deteriorating.*

The *statement of activities* presents information showing how the net position of the SJBOCES changed during the fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period.

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related legal requirements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific objectives. All of the funds of the SJBOCES are categorized as governmental.

Governmental funds account for essentially the same information reported in the governmental activities of the SJBOCES financial statements.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 10-24 of this report.

Financial Analysis of the SJBOCES

**San Juan BOCES experienced a decrease in the General fund balance from \$1,391,613 at the fiscal year end 2016 to 1,377,601 at the fiscal year end 2017, a total decrease of (\$14,012).

At the end of the 2017 fiscal year, SJBOCES shows a negative balance in total net position in the amount of \$(15,036,755). The negative balance is the amount by which total liabilities exceed assets. The SJBOCES' long-term obligation at June 30, 2017 totals \$8,823 as compensated absences payable to current employees. Additional information on these obligations can be found in Note 5. The total net position decreased \$4,338,103 from 2016. It is important to note, as previously stated, this decrease is a direct result of the mandate GASB 68 reporting requirement for the PERA Pension Liability of \$25,771,902.

The analysis below focuses on the Net Position (Table 1); Statements of Activities (Table 2)

TABLE 1

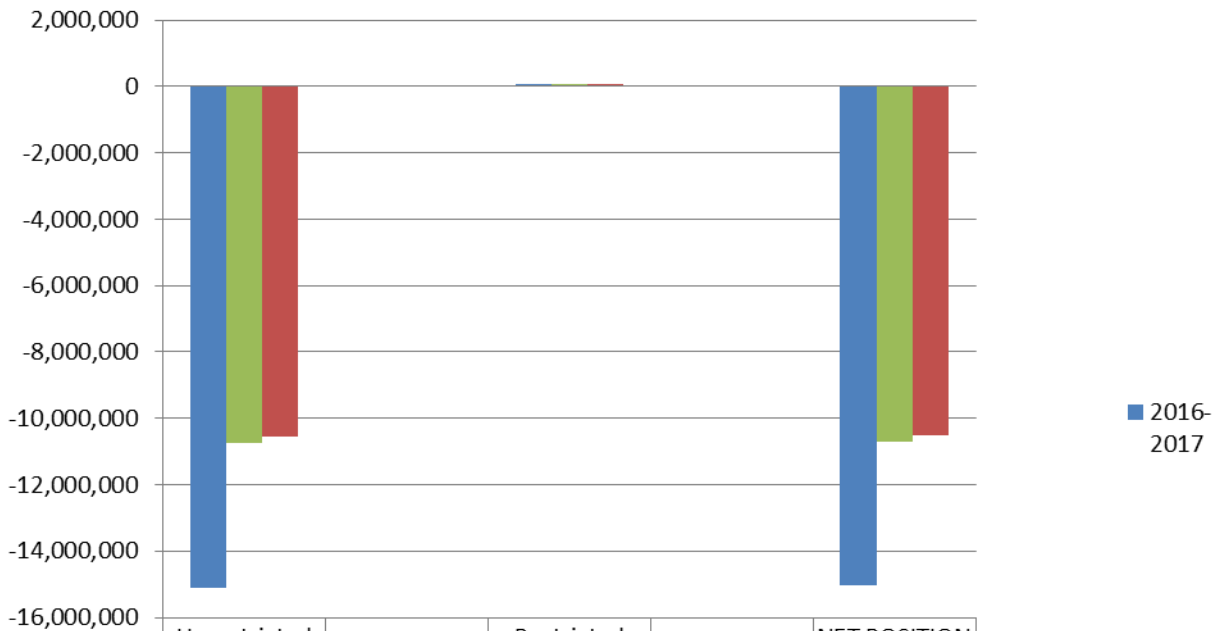
Condensed Statement of Net Position

	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 2,077,373	\$1,733,397
Capital Assets	76,347	61,127
Total Assets	<u>2,153,720</u>	<u>1,794,524</u>
Deferred Outflows of Resources		
Pensions	<u>9,546,392</u>	1,654,453
Total Deferred Outflow of Resources	9,546,392	1,654,453
Current Liabilities	699,772	341,784
Long-term Liabilities	<u>25,780,725</u>	<u>12,948,947</u>
Total Liabilities	26,480,497	13,290,731
Deferred Inflows of Resources		
Pensions	<u>256,370</u>	856,898
Total Deferred Inflow of Resources	256,370	856,898
Net Position:		
Net Investment in Capital Assets	76,347	61,127
Unrestricted	<u>(15,113,102)</u>	<u>(10,759,779)</u>
Total Net Position	<u><u>\$(15,036,755)</u></u>	<u><u>\$(10,698,652)</u></u>

TABLE 2
Condensed Statements of Activities

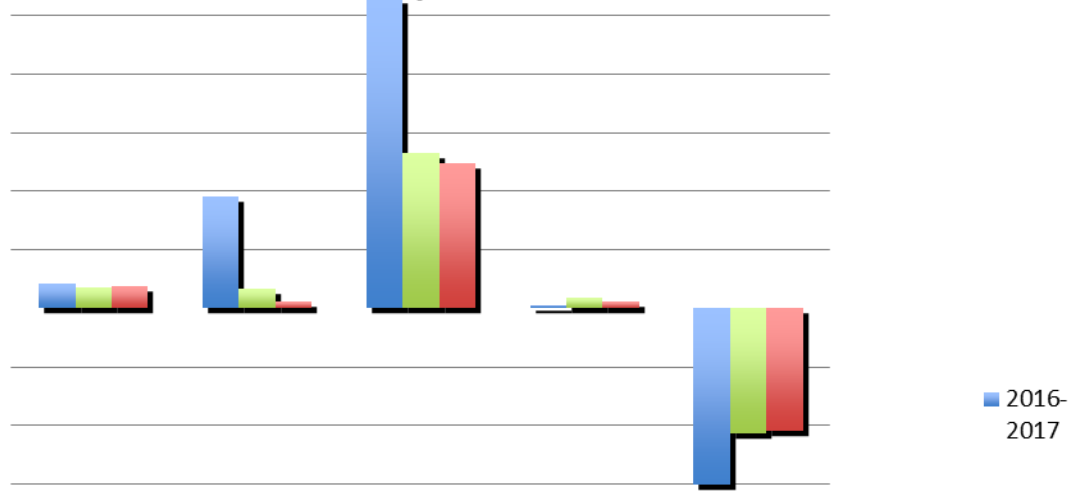
	<u>2017</u>	<u>2016</u>
Revenues:		
<u>Governmental Activities</u>		
Charges for services	\$ 1,473,176	\$ 1,413,825
Operating and capital grants & contributions	6,273,809	5,922,135
Total revenues	\$ 7,746,985	\$ 7,335,960
Expenses:		
<u>Governmental Activities</u>		
Instruction	\$ 4,571,990	\$ 2,546,469
Pupil Activities	4,802,711	2,793,644
Instructional Support	1,573,029	1,365,054
Business Services	384,556	165,004
Operations and Maintenance	265,259	90,929
General Administration	14,812	34,166
Central Services	475,518	545,692
Total Expenses	\$ 12,087,875	\$ 7,540,958
Net (Expense) Revenue:		
<u>Governmental Activities</u>	(4,340,890)	(204,998)
<u>General Revenues</u>		
Miscellaneous	2,787	1,090
Change in net position	(\$4,338,103)	(\$ 203,908)
Change in Accounting Principle		
Beginning net position	(10,698,652)	(10,494,744)
Ending net position	\$(15,036,755)	(\$ 10,698,652)

Three Year Restricted vs Unrestricted



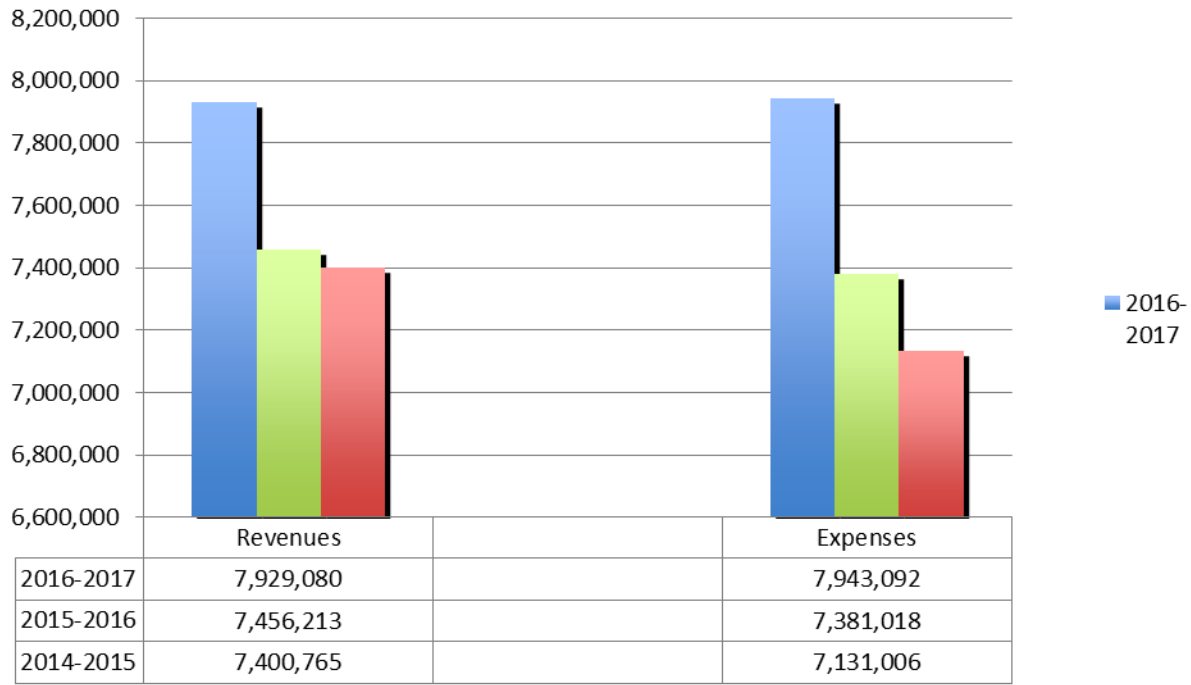
	Unrestricted		Restricted		NET POSITION
2016-2017	-15,113,102		76,347		-15,036,755
2015-2016	-10,759,779		61,127		-10,698,652
2014-2015	-10,559,691		64,947		-10,494,744

Three Year Comparisons Net Position

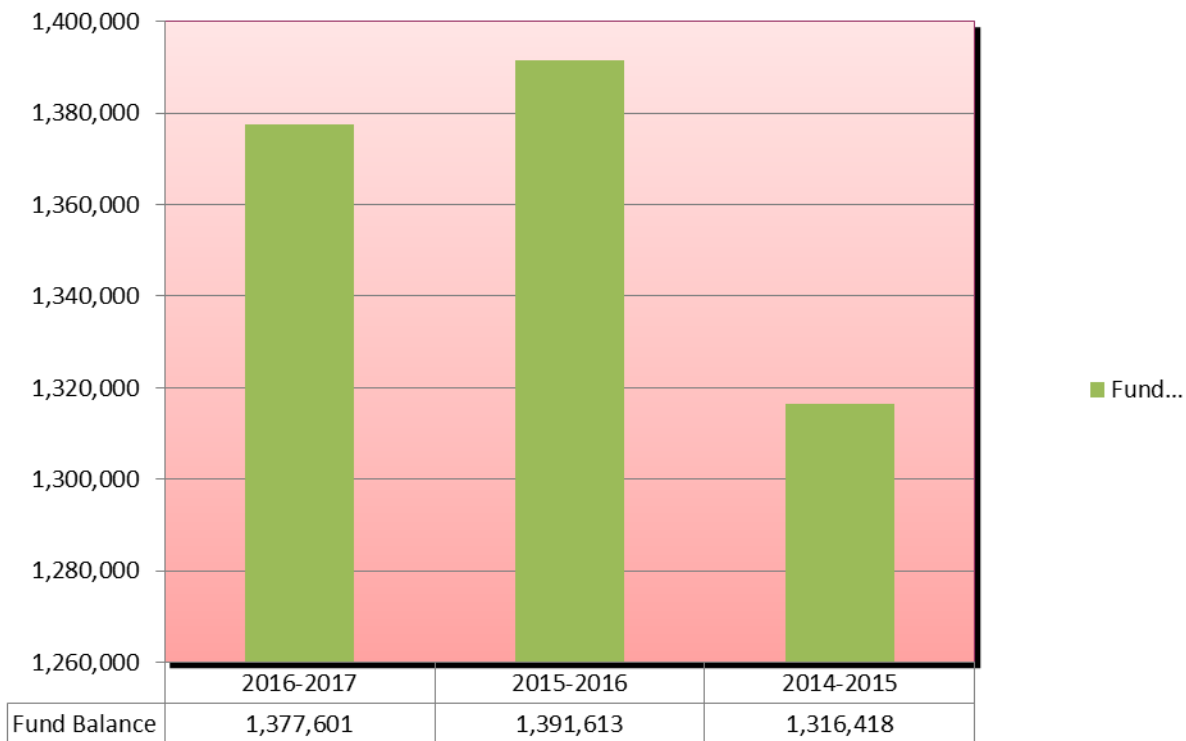


	Assets	Deferred Outflows of Resources	Liabilites	Deferred Inflows of Resources	NET POSITION
2016-2017	2,153,720	9,546,392	26,480,497	256,370	-15,036,755
2015-2016	1,794,524	1,654,453	13,290,731	856,898	-10,698,652
2014-2015	1,859,925	623,068	12,361,054	616,683	-10,494,744

Three Year Revenues and Expenses Governmental Funds



Three Year Comparison Fund Balance



Budgetary Highlights

The fiscal year 2016-2017 revised budget adopted by the San Juan BOCES Board was \$8,302,312 of which \$5,818,809 was allocated to the General Fund and \$2,483,503 from Federal Grant Funds. A Salary Step increase was Board approved. No changes were made to the salary schedules.

ECEA budgeted dollars from the state in the General Fund was \$2,577,401, local districts membership to ECEA added another \$500,000 for a total of \$3,077,407 not including the SWAP Local Resource Teacher Flow Through funds of \$182,099. Seven member districts received a total of \$255,717 for high cost reimbursements, while the SJBOCES retained \$67,786 for SJBOCES provided Educational Interpreter High Cost reimbursement.

ECEA Gifted allocation was \$178,886 of which \$162,721 flowed through to the districts; the remaining dollars were used to support .25 FTE of the Gifted Ed Coordinator.

The Colorado Education Initiative (CEI) 2016-2017 budget was \$68,155. \$37,600 was carryover from the previous year. At the close of the 2016-2017 fiscal year, \$28,122 was overspent but was offset by \$40,000 check that was received in 2017.2018.

The SJBOCES Implementing State Education Priorities Grant (HB 1345) was awarded \$147,802. Carryover to 2017.2018 was \$45,958. SJBOCES has been awarded an additional \$134,378 for 2017-2018.

Additional Grants awarded in 2016 -2017 were:

- Gifted Ed Screening and Personnel Grant in the amount of \$30,382 to provide funding for Gifted screening tests for 2nd and 6th Grades in the amount of \$14,213 and partial salary and benefits in the amount of \$16,169 for the Gifted Ed Coordinator.

Total actual expenditures in the General Fund were \$5,537,429 with a net deficit of (\$14,012). A variety of factors influenced actual expenditures compared to budget.

- ECEA closed over budget by \$23,109 due mostly to overspend of \$37,930 in professional services in relation to the hard to fill positions such as DHOH and Vision Services, a travel overspend of \$10,133 related to mileage reimbursement for travel throughout the region to cover all school districts, offset by savings in salary/benefits of (\$22,360) with the vacancies of the hard to fill positions mentioned above.
- Local Preschool tuition including 1:1 paraprofessionals exceeded budget by \$5,575.
- The Admin budget closed approximately \$17,940 under budget because indirect costs of \$24,000 were not taken.
- Academic Contests closed \$1,361 over budget, which was absorbed by costs savings in the Admin budget.
- The deficit is reasonable considering an office move, a change in Leadership in Finance, and additional costs associated with Durango 9-R separation from San Juan BOCES.

Economic Factors and Next Year's Budget

Economic factors of concern for the next year:

- Durango 9-R has applied to CDE to become an administrative unit and Mancos School District has applied to CDE for separation from San Juan BOCES to join the Durango 9-R administrative unit. If approved this change would take effect July 1, 2018. The economic impact will only continue to grow and be felt in addition to the separation of Durango 9-R as of July 1, 2017.
- The economic impact of Durango 9-R's departure is being felt by San Juan BOCES in relation to being able to attract competent/licensed staff to cover the rest of the region.
- Continued increased numbers of preschoolers with severe disabilities being identified requiring increased need for 1:1 aides and the costs associated with staffing those positions and preschool placement related to their IEPs
- Continued costs associated with staff mileage, training and professional development
- Competitive salary standards for recruitment and retention of specialized staff
- The continued annual increases to PERA employer's contributions
- Health insurance premium increases
- Increased levels of identified children with significant needs
- The Indirect Cost Rate has increased from 7.52% to 7.21% for 2017-2018.

The 2017-2018 budget reflects a preliminary total budget of 6,834,982; consisting of General Fund budget of \$4,940,513 and Federal Grant Fund budget of \$1,894,469. As a reminder, the SWAP budget shifted to the General Fund as it is under the Colorado Department of Labor and Employment; no longer a Federal Award. District member contributions total \$732,453 for the 2017–2018 budget, reflecting a decrease from 2016-2017 in relation to the separation of Durango 9-R.

Overall the San Juan BOCES' service levels remain in capacity to meet the needs of serving students in the nine member districts.

Request for Information

This financial report is designed to provide a general overview of the SJBOCES' finances for all those with an interest in the SJBOCES. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Mandi Birge, Director Business Services
San Juan Board of Cooperative Educational Services
162 Stewart Street, Suite A
Durango, CO 81303

BASIC FINANCIAL STATEMENTS

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES

STATEMENT OF NET POSITION

June 30, 2017

	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents (Note 2)	\$ 1,600,308
Accounts Receivable	47,443
Due from Other Governments	363,668
Prepaid Items	65,954
Depreciable Capital Assets, Net (Note 4)	76,347
TOTAL ASSETS	2,153,720
DEFERRED OUTFLOWS OF RESOURCES	
Pensions (Note 8)	9,968,828
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,968,828
LIABILITIES	
Accounts Payable	28,254
Unearned Grant Revenue	671,518
Compensated Absences Payable (Note 5)	8,823
Pension Liability (Note 8)	25,771,902
TOTAL LIABILITIES	26,480,497
DEFERRED INFLOWS OF RESOURCES	
Pensions (Note 8)	256,370
TOTAL DEFERRED INFLOWS OF RESOURCES	256,370
NET POSITION	
Net Investment in Capital Assets	76,347
Unrestricted	(14,690,666)
TOTAL NET POSITION	\$ (14,614,319)

The accompanying notes are an integral part of this financial statement.

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net</u>
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>	<u>(Expenses) Revenues and Changes in Net Position</u>
Primary Government:					Primary Government
Governmental Activities:					
Instructional	\$ 4,447,449	\$ 437,421	\$ 3,814,409	\$ 23,800	\$ (171,819)
Pupil Support Services	4,593,697	722,443	2,131,561	-	(1,739,693)
Instructional Staff Support	1,518,553	-	304,039	-	(1,214,514)
Business Services	368,771	13,312	-	-	(355,459)
Operations and Maintenance	246,639	-	-	-	(246,639)
General Administration	14,812	-	-	-	(14,812)
Central Supporting Services	475,518	300,000	-	-	(175,518)
Total Governmental Activities	\$ 11,665,439	\$ 1,473,176	\$ 6,250,009	\$ 23,800	(3,918,454)
		General Revenues - Misc			2,787
		Change in Net Position			(3,915,667)
		Net Position, Beginning of Year			(10,698,652)
		Net Position, End of Year			\$ (14,614,319)

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2017

	<u>GENERAL FUND</u>	<u>GOVERNMENTAL DESIGNATED PURPOSE GRANTS FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,600,308	\$ -	\$ 1,600,308
Accounts Receivable	47,443	-	47,443
Due From Other Governments	47,114	316,554	363,668
Due From Other Funds (Note 3)	316,079	-	316,079
Prepaid Items	65,954	-	65,954
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 2,076,898</u>	<u>\$ 316,554</u>	<u>\$ 2,393,452</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 27,779	\$ 475	\$ 28,254
Due to Other Funds (Note 3)	-	316,079	316,079
Unearned Grant Revenue	671,518	-	671,518
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	<u>699,297</u>	<u>316,554</u>	<u>1,015,851</u>
FUND BALANCE			
Nonspendable - Prepaid Items	65,954	-	65,954
Assigned	562,993	-	562,993
Unassigned	748,654	-	748,654
	<hr/>	<hr/>	<hr/>
TOTAL FUND BALANCE	<u>1,377,601</u>	<u>-</u>	<u>1,377,601</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,076,898</u>	<u>\$ 316,554</u>	<u>\$ 2,393,452</u>

The accompanying notes are an integral part of this financial statement.

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION
June 30, 2017

TOTAL GOVERNMENTAL FUND BALANCES \$ 1,377,601

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds.

Building	\$	57,000	
Equipment		134,323	
Less: Accumulated Depreciation		(114,976)	
Total Capital Assets, Net			76,347

Elimination of interfund receivables and payables between governmental funds.

Due from Governmental Designated Purpose Grants Fund		316,079	
Due to General Fund		(316,079)	-

Deferred results and contributions to pension plans made after the measurement date are recorded as expenditures in the governmental funds but must be deferred in the statement of net position.

9,968,828

Long term liabilities, including compensated absences, are not due in the current period and therefore are not reported in the funds.

Compensated Absences			(8,823)
----------------------	--	--	---------

Net pension liabilities are not due and payable in the current period and are not reported in the funds.

(25,771,902)

Certain amounts related to the net pension liability are deferred and amortized over time. These are not reported in the funds.

(256,370)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ (14,614,319)**

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	<u>GENERAL FUND</u>	<u>GOVERNMENTAL DESIGNATED PURPOSE GRANTS FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES			
Intergovernmental			
Local	\$ 2,044,886	\$ -	\$ 2,044,886
Intermediate	96,278	-	96,278
State	3,379,466	-	3,379,466
Federal	-	2,405,663	2,405,663
Other	2,787	-	2,787
TOTAL REVENUES	<u>5,523,417</u>	<u>2,405,663</u>	<u>7,929,080</u>
EXPENDITURES			
Instructional	2,405,271	645,541	3,050,812
Supporting Services			
Pupil Support Services	1,868,423	1,010,077	2,878,500
Instructional Staff Support	482,489	718,600	1,201,089
Business Services	235,121	4,738	239,859
Operations and Maintenance	88,983	-	88,983
General Administration	8,331	-	8,331
Central Supporting Services	448,811	26,707	475,518
TOTAL EXPENDITURES	<u>5,537,429</u>	<u>2,405,663</u>	<u>7,943,092</u>
NET CHANGE IN FUND BALANCE	<u>(14,012)</u>	<u>-</u>	<u>(14,012)</u>
Fund Balances, Beginning of Year	<u>1,391,613</u>	<u>-</u>	<u>1,391,613</u>
Fund Balances, End of Year	<u>\$ 1,377,601</u>	<u>\$ -</u>	<u>\$ 1,377,601</u>

The accompanying notes are integral part of this financial statement.

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (14,012)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the capital asset activity recorded in the current period.

Capital Outlay	\$ 23,800	
Depreciation Expense	<u>(8,580)</u>	
		15,220

Governmental funds do not report compensated absences unless they are current and payable. The increase in compensated absences is recorded on the statement of activities.		2,099
---	--	-------

Certain items reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. This item consists of the change in pension expense.		<u>(3,918,974)</u>
--	--	--------------------

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (3,915,667)

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

SJBOCES is a regional education service unit organized under the *Board of Cooperative Services Act of 1965* – Colorado Revised Statutes 22-5-101 through 117. The nine member school districts are located in Southwestern Colorado. The SJBOCES Board of Directors (Board) is the basic level of government, which has financial accountability and control over all activities related to the SJBOCES operations. The SJBOCES receives funding from local, state, and federal government sources and must comply with the commitment requirements of these funding source entities. However, the SJBOCES is not included in any other governmental “reporting entity” as defined by the GASB pronouncement since Board members are appointed by each member school government and have decision-making authority, the power to designate management, the ability to significantly influence operations, and have primary accountability of fiscal matters. In addition, there are no component units, as defined in GASB Statements 14, 39, and 61, required to be included in the SJBOCES reporting entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental Activities* are supported by intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. The policy of SJBOCES is to not allocate indirect expenses to functions in the Statement of Activities. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter (i.e., within 60 days) to pay liabilities in the current period. Expenditures are generally recorded

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

All revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

General Fund – This is the SJBOCES’ primary operating fund. It accounts for all financial resources of SJBOCES, except those required to be accounted for in another fund.

Governmental Designated Purpose Grants Fund - This fund is used to account for revenues and expenditures associated with Federal grants.

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

Deposits and Investments

SJBOCES considers all highly liquid investment purchases with an original maturity of three months or less to be cash equivalents. The SJBOCES pools all cash on an entity-wide basis for management and investment purposes. Each fund has an interest in the pool, which is available upon demand.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “interfund receivables/payables” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”. Interfund receivables/payables within governmental activities are eliminated in the statement of net position.

All other interfund transactions are operating transfers.

Capital Assets

Capital assets, which include land, building, and equipment, are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value at the date of donation.

The capitalization level for capital assets is \$5,000 in all funds. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Buildings, improvements, and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	50
Equipment	5-10

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (as either an expense or expenditure) until that period.

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

Certain amounts related to pensions must be deferred.

Compensated Absences

Each employee of SJBOCES may accumulate a total of 18 days of vacation leave, depending upon position. However, employees are paid for the accumulated vacation leave upon retirement. SJBOCES accrues a liability for compensated absences, which meet the following criteria:

- SJBOCES' obligation relating to employee rights to receive compensation for future absences is attributable to employee services already rendered.
- The obligation relates to rights that vest or accumulate.
- Payment of the compensation is probable.
- The amount can be reasonably estimated.

SJBOCES budgets the available financial resources for that year's anticipated payments for compensated absences. The entire unpaid liability for these compensated absences for the governmental funds is recorded at the government-wide level.

Accrued Salaries

Salaries and benefits to teachers and certain other employees are paid over a twelve-month period from August 1 to July 31, but are earned over a school year of approximately nine months. All salaries were paid before year-end, therefore, there were no accrued liabilities at June 30, 2017.

Unearned Revenue

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

Pensions

The District 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.

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is displayed in the following three components:

- *Net investment in capital assets* – consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets consist of assets that have limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- *Unrestricted* – consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Fund Balance

Fund balances are reported by classification based on the extent to which SJBOCES is bound to honor constraints for the specific purposes on which amounts in the fund can be spent. Fund balances are classified in one of the following five categories:

- *Nonspendable Fund Balance* – amounts that cannot be spent because they are not in spendable form – such as inventory and prepaid items.
- *Restricted Fund Balance* – amounts restricted due to constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance* – amounts that can only be used for specific purposes as a result of constraints imposed through adopted resolution of the Board of Directors. Committed amounts cannot be used for any other purpose unless the Board removes those constraints by taking the same type of action. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
- *Assigned Fund Balance* – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- *Unassigned Fund Balance* – amounts that are available for any purpose; positive amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted net position/fund balance is available, SJBOCES considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, SJBOCES considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Directors has provided otherwise in its commitment or assignment actions.

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from these estimates. SJBOCES believes the techniques and assumptions used in establishing these estimates are appropriate.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. All annual appropriations lapse at fiscal year-end. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year.

Budgets are required by Colorado State Statute for all funds. During April, the Executive Director submits to the Board a proposed budget for all funds for the fiscal year commencing the following July 1. Public hearings are conducted by the Board to obtain comments. Prior to June 30, a preliminary budget is adopted by formal resolution. Prior to January 31 of the following year, a final budget is adopted by formal resolution.

Formal budgetary integration is employed as a management control device during the year for the governmental funds. The appropriated budget is prepared by fund. The SJBOCES department heads may not make transfers of appropriations. The legal level of control is the fund level.

Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances and reserves as established by the Board. Variances between budget and actual result from the non-expenditure of reserves, nonoccurrence of anticipated events, scheduling of capital projects, and normal operating variances.

NOTE 2 CASH AND CASH EQUIVALENTS

Deposits

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

The SJBOCES must report deposits that are uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the entity's name. As of June 30, 2017, the SJBOCES had no such balances.

At June 30, 2017, SJBOCES cash deposits had a carrying balance and bank balance as follows:

	Carrying Balance	Bank Balance
Cash on Hand and in Banks	\$ 1,600,308	\$ 1,737,707
Total Deposits	\$ 1,600,308	\$ 1,737,707

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the SJBOCES' deposits may not be returned to it. At June 30, 2017, \$1,237,707 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through PDPA.

SJBOCES does not have a policy relating to interest rate risk.

Investments

The SJBOCES has no investments as of June 30, 2017, and has disclosed custodial credit risk. The investment policy states that the Executive Director has the ability to invest funds not immediately needed in accordance with Colorado School Law.

NOTE 3 INTERFUND RECEIVABLES/PAYABLES

Due to/from other funds are recorded at the fund level and are eliminated, where possible. Amounts are a result of pooled cash transactions. At the fund level at June 30, 2017, interfund receivables/payables are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Governmental Designated Purpose Grants Fund	\$ 316,079

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in the governmental capital assets for the year ended June 30, 2017:

Governmental Activities

	Balance 6/30/2016	Additions	Deletions	Balance 6/30/2017
Depreciable Assets:				
Building	\$ 57,000	\$ -	\$ -	\$ 57,000
Equipment	155,687	23,800	(45,164)	134,323
Accumulated Depreciation	(151,560)	(8,580)	45,164	(114,976)
Totals	\$ 61,127	\$ 15,220	\$ -	\$ 76,347

Depreciation is allocated to the General Administration function on the Statement of Activities.

In June 2011, the SJBOCES entered into an Intergovernmental Agreement for joint ownership of real property with the Dolores School District, RE-4A, a related party. The SJBOCES and the District are tenants in common, each having an equal undivided one-half interest in the property. The SJBOCES interest is \$57,000 in the building with accumulated depreciation of \$6,840.

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the SJBOCES for the year ended June 30, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Compensated Absences	\$ 10,922	\$ -	\$ 2,099	\$ 8,823	\$ -

NOTE 6 TAX, SPENDING, AND DEBT LIMITATION

In November of 1992, Colorado voters approved a State Constitutional Amendment, referred to as the Taxpayer’s Bill of Rights (TABOR), containing tax, spending, and debt limitations on state and local governments. The amendment is complex and subject to judicial interpretation.

The management of SJBOCES believes it does not meet the definition of a governmental entity under the guidelines of TABOR and, therefore, is not subject to the provisions of this amendment. However, the SJBOCES has made certain interpretations of the amendment’s language in order to reach this conclusion.

NOTE 7 CONTINGENCIES

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the SJBOCES expects such amounts, if any, to be immaterial.

NOTE 8 DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

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

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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

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

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

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

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

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

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

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

Contributions. Eligible employees and the District are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31,	
	2017	2016
Employer Contribution Rate	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	-1.02%	-1.02%
Amount Apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	5.00%	4.50%
Total Employer Contribution Rate to the SCHDTF	18.63%	18.13%

¹Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$744,734, for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$25,771,902 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 District's proportion of the net pension liability was based on District contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, District's proportion was 0.087 percent, which was an increase of 0.002 from its proportion measured as of December 31, 2015.

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

For the year ended June 30, 2017, the District recognized pension expense of \$3,918,974. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	322,188	227
Changes of assumptions or other inputs	8,362,445	116,217
Net difference between projected and actual earnings on pension plan investments	861,759	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	139,926
Contributions subsequent to the measurement date	422,436	-
Total	\$ 9,968,828	\$ 256,370

\$422,436 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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,	
2018	\$ 3,586,309
2019	3,786,417
2020	1,908,697
2021	8,596
Thereafter	-

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
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

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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 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 percent – 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 roll-forward procedures.

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.

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

Healthy post-retirement mortality assumptions reflect the RP-2014 White Collar Employee 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 adjustments 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 change, 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.

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.

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

As of the November 18, 2016 adoption of the long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<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	1.00%	0.20%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

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 estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

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

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 District's 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:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	\$ 32,407,340	\$ 25,771,902	\$ 20,367,580

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.

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 9 OTHER POST-EMPLOYMENT BENEFITS

Health Care Trust Fund

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

Funding Policy – The District 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 District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2017, 2016, and 2015, the District contributions to the HCTF were \$41,261, \$38,566, and \$36,498, respectively, equal to their required contributions for each year.

NOTE 10 RISK OF LOSS

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

NOTE 11 SUBSEQUENT EVENT

The Colorado Department of Education approved the separation of Durango School District 9-R from the San Juan Board of Cooperative Educational Services effective July 1, 2017, and the District became its own administrative unit. Education services previously provided by the BOCES will be provided directly by the District in the future.

REQUIRED SUPPLEMENTARY INFORMATION

A budgetary comparison schedule is required for the General Fund and, if applicable, each of the SJBOCES' major special revenue funds. In addition, pension plan contributions and the District's proportionate share of the net pension liability is required to supplement the basic financial statements.

General Fund

The General Fund is used to account for resources traditionally associated with the government, which are not required legally or by sound financial management to be accounted for in another fund.

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES

COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCE - BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2017

	2017			2016	
	BUDGETED AMOUNTS		Actual	Variance with Final Budget Favorable (Unfavorable)	Actual
	ORIGINAL	FINAL			
REVENUES					
Local	\$ 2,337,549	\$ 2,387,587	\$ 2,044,886	\$ (342,701)	\$ 1,521,798
Intermediate	-	-	96,278	96,278	95,431
State	3,380,771	3,471,222	3,379,466	(91,756)	3,234,030
Other	-	-	2,787	2,787	1,090
TOTAL REVENUES	5,718,320	5,858,809	5,523,417	(335,392)	4,852,349
EXPENDITURES					
Instructional Services	2,670,964	2,722,638	2,405,271	317,367	1,844,806
Supporting Services:					
Pupil Support Services	1,559,782	1,590,417	1,868,423	(278,006)	1,446,924
Instructional Staff Support	686,223	710,616	482,489	228,127	669,875
Business Services	241,401	239,610	235,121	4,489	174,456
Operations and Maintenance	96,000	89,000	88,983	17	90,929
General Administration	6,000	9,000	8,331	669	32,120
Central Supporting Services	457,950	497,528	448,811	48,717	518,044
TOTAL EXPENDITURES	5,718,320	5,858,809	5,537,429	321,380	4,777,154
NET CHANGE IN FUND BALANCE	-	-	(14,012)	(14,012)	75,195
Fund Balance, Beginning of year	1,391,613	1,391,613	1,391,613	-	1,316,418
Fund Balance, End of year	\$ 1,391,613	\$ 1,391,613	\$ 1,377,601	\$ (14,012)	\$ 1,391,613

Notes to Required Supplementary Information:

The basis of budgeting is the same as GAAP.

The schedule is presented on the GAAP basis.

Governmental Designated Purpose Grants Fund

The Governmental Designated Purpose Grants Fund is used to account for revenues and expenditures associated with Federal and State grants.

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
GOVERNMENTAL DESIGNATED PURPOSE GRANTS FUND
For the Year Ended June 30, 2017

	2017			2016	
	BUDGETED AMOUNTS		Actual	Variance with Final Budget Favorable (Unfavorable)	Actual
	ORIGINAL	FINAL			
REVENUES					
Intergovernmental					
Federal Sources	\$ 2,564,054	\$ 2,466,788	\$ 2,405,663	\$ (61,125)	\$ 2,603,864
TOTAL REVENUES	2,564,054	2,466,788	2,405,663	(61,125)	2,603,864
EXPENDITURES					
Instructional	677,513	654,157	645,541	8,616	614,431
Supporting Services:					
Pupil Support Services	1,071,564	1,001,570	1,010,077	(8,507)	1,224,572
Instructional Staff Support	634,489	779,573	718,600	60,973	751,009
Business Services	154,738	4,738	4,738	-	1,981
Central Supporting Services	25,750	26,750	26,707	43	11,871
TOTAL EXPENDITURES	2,564,054	2,466,788	2,405,663	61,125	2,603,864
NET CHANGE IN FUND BALANCE	-	-	-	-	-
Fund Balance, Beginning of year	-	-	-	-	-
Fund Balance, End of year	\$ -	\$ -	\$ -	\$ -	\$ -

Notes to Required Supplementary Information:

The basis of budgeting is the same as GAAP.
The schedule is presented on the GAAP basis.

Pensions

These schedules are presented to illustrate the requirements to show information for ten years. However, until a full 10-year trend is compiled, the SJBOCES will present information for those years for which information is available.

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
PERA SCHDTF PENSION PLAN
For the Years Ended June 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.0865588%	0.0845938%	0.0875694%	0.0941855%
District's proportionate share of the net pension liability (asset)	\$ 25,771,902	\$ 12,938,025	\$ 11,868,602	\$ 12,013,329
District's covered payroll	\$ 3,884,912	\$ 3,686,579	\$ 3,661,445	\$ 3,796,913
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	663%	351%	324%	316%
Plan fiduciary net position as a percentage of the total pension liability	43.1%	59.2%	62.8%	64.1%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled the District presents information for those years for which information is available.

Notes to Required Supplementary Information:

See Note 8 in the accompanying Notes to the Basic Financial Statements for changes to assumptions or other inputs used.

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF DISTRICT CONTRIBUTIONS
PERA SCHDTF PENSION PLAN
For the Years Ended June 30,

	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 744,734	\$ 672,103	\$ 606,027	\$ 606,750	\$ 571,743	\$ 478,001	\$ 430,964
Contributions in relation to the contractually required contribution	<u>(744,734)</u>	<u>(672,103)</u>	<u>(606,027)</u>	<u>(606,750)</u>	<u>(571,743)</u>	<u>(478,001)</u>	<u>(430,964)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	4,045,222	3,551,070	3,350,851	3,545,082	3,544,552	3,149,385	3,227,426
Contributions as a percentage of covered payroll	18.41%	18.93%	18.09%	17.12%	16.13%	15.18%	13.35%

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled the District presents information for those years for which information is available.

Notes to Required Supplementary Information:

See Note 8 in the accompanying Notes to the Financial Statements for changes to assumptions or other inputs used.

SUPPLEMENTARY INFORMATION

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2017

Federal Agency Prefix	CFDA Three Digit Extension	Federal Program Name	Amount Expended	Cluster Name	Federal Program Total	Cluster Total	Loan/Loan Guarantee	If no (Direct Award), Name of Pass-through Entity	If no (Direct Award), Identifying Number Assigned by the Pass-through Entity, if assigned	Federal Award Passed Through to Subrecipients
84	027	SPECIAL EDUCATION - GRANTS TO STATES	\$2,131,561	SPECIAL EDUCATION CLUSTER (IDEA)	\$2,133,361	\$2,180,375	N	COLORADO DEPARTMENT OF EDUCATION	4027	N
84	173	SPECIAL EDUCATION - PRESCHOOL GRANTS	\$47,014	SPECIAL EDUCATION CLUSTER (IDEA)	\$47,014	\$2,180,375	N	COLORADO DEPARTMENT OF EDUCATION	4173	N
84	027	SPECIAL EDUCATION - GRANTS TO STATES	\$1,800	SPECIAL EDUCATION CLUSTER (IDEA)	\$2,133,361	\$2,180,375	N	COLORADO DEPARTMENT OF EDUCATION	5027	N
84	323	SPECIAL EDUCATION- STATE PERSONNEL DEVELOPMENT	\$7,115	N/A	\$7,115		N	COLORADO DEPARTMENT OF EDUCATION	5323	N
84	243	CARL D. PERKINS VOCATIONAL AND APPLIED TECHNOLOGY ACT, TITLE II	\$73,735	N/A	\$73,735		N	STATE BOARD OF COMMUNITY COLLEGES	5243	N

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Federal Agency Prefix	CFDA Three Digit Extension	Federal Program Name	Amount Expended	Cluster Name	Federal Program Total	Cluster Total	Loan/Loan Guarantee	If no (Direct Award), Name of Pass-through Entity	If no (Direct Award), Identifying Number Assigned by the Pass-through Entity, if assigned	Federal Award Passed Through to Subrecipients
84	184	SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - NATIONAL PROGRAMS	\$28,707	N/A	\$28,707		N	COLORADO DEPARTMENT OF EDUCATION	5184	N
84	206	JAVITS GIFTED AND TALENTED STUDENTS EDUCATION	\$40,196	N/A	\$40,196		N	COLORADO DEPARTMENT OF EDUCATION	5203	N
Total Expenditures			\$2,330,128							

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of San Juan Board of Cooperative Educational Services under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of San Juan Board of Cooperative Educational Services, it is not intended to and does not present the financial position or changes in net position of San Juan Board of Cooperative Educational Services.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available, however no federal funds were passed through to other entities during fiscal year 2017. San Juan Board of Cooperative Educational Services did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance for the year ended June 30, 2017.

**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**



Wall,
Smith,
Bateman Inc.

To the Board of Directors
San Juan Board of Cooperative Educational Services
Durango, 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 and each major fund of the San Juan Board of Cooperative Educational Services (SJBACES), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the SJBACES' basic financial statements, and have issued our report thereon dated December 04, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the SJBACES' 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

Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

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.

A handwritten signature in blue ink that reads "Wall, Smith, Bateman Inc." in a cursive style.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

December 04, 2017

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



Wall,
Smith,
Bateman Inc.

To the Board of Directors
San Juan Board of Cooperative Educational Services
Durango, Colorado

Report on Compliance for Each Major Federal Program

We have audited the San Juan Board of Cooperative Educational Services' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the SJBOCES' 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 SJBOCES' 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 SJBOCES' 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 SJBOCES' compliance.

Opinion on Each Major Federal Program

In our opinion, the SJBOCES, 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.

Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

Report on Internal Control over Compliance

Management of the SJBOCES 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 SJBOCES 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 SJBOCES 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.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

December 04, 2017

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

_____ yes X no

Identification of major programs:

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

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

Auditee qualified as a low-risk auditee? X yes _____ no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Prior Year Audit Findings

None



Colorado Department of Education

Auditors Integrity Report

District: 9050 - SAN JUAN BOCES

Fiscal Year 2016-17

Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	1,391,613	5,523,416	5,537,430	1,377,599
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	1,391,613	5,523,416	5,537,430	1,377,599
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	1	2,405,664	2,405,664	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	1,391,614	7,929,080	7,943,094	1,377,599
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	0	0	0	0

FINAL