



GRAND VALLEY BOARD OF COOPERATIVE
EDUCATIONAL SERVICES

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2018

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

October 23, 2018

The Board of Directors
Grand Valley Board of Cooperative Educational Services
Grand Junction, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Grand Valley Board of Cooperative Educational Services as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Grand Valley Board of Cooperative Educational Services' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Grand Valley Board of Cooperative Educational Services' 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 Grand Valley Board of Cooperative Educational Services' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Grand Valley Board of Cooperative Educational Services as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund 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, pension schedules, and OPEB schedules 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 Grand Valley Board of Cooperative Educational Services' basic financial statements. The Combining Schedules – Non-Major Proprietary Funds, Schedule of Changes in Fiduciary Net Position, and Auditor's Integrity Report of the Colorado Department of Education are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Schedules – Non-Major Proprietary Funds, Schedule of Changes in Fiduciary Net Position, and Auditor's Integrity Report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

GRAND VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

As management of the Grand Valley Board of Cooperative Educational Services (GVBOCES), we offer readers of GVBOCES financial statements this narrative overview and analysis of the financial activities of GVBOCES for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements.

GVBOCES is a collaborative partnership effort between Mesa County Valley School District No. 51 and Colorado Mesa University as an effort to provide career and technical programs to students from both institutions. GVBOCES was founded in 1994 and student enrollment and programs have increased at a constant rate since the inception of GVBOCES.

Financial Highlights

- The liabilities and deferred inflows of resources of GVBOCES exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$1,311,446 (net position). Of this amount, \$548,016 is the net investment in capital assets leaving an unrestricted net position balance of (\$1,859,462).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$413,683.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of GVBOCES assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of GVBOCES is improving or deteriorating.

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

The government-wide financial statements distinguish functions of GVBOCES that are principally supported by intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of GVBOCES include instructional services, pupil services, general administration services, business administration services, and central support services. The business-type activities of the GVBOCES consist of a restaurant and a law enforcement training facility.

The government-wide financial statements include only GVBOCES itself, as GVBOCES has no component units.

The government-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. GVBOCES, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of GVBOCES can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

GVBOCES maintains one individual governmental fund, the General Fund, which is considered to be a major fund.

GVBOCES adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11-14 of this report.

Proprietary funds. GVBOCES maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. GVBOCES uses enterprise funds to account for its restaurant and law enforcement training facility operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among various functions of GVBOCES.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Restaurant and CLETC Enterprise Funds, which is considered to be major funds of the GVBOCES.

The basic proprietary funds financial statements can be found on pages 15-17 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support GVBOCES own programs.

GVBOCES uses an agency fund to account for resources held for student activities and groups.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-46 of this report.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of GVBOCES, liabilities and deferred inflows exceeded assets and deferred outflows by \$1,311,446 at the close of the most recent fiscal year.

GRAND VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES Net Position

	Governmental Activities 2017	Business-type Activities 2017	Governmental Activities 2018	Business-type Activities 2018	Total Activities 2017	Total Activities 2018
Current and Other Assets	585,155	24,044	442,343	4,935	609,199	447,278
Capital Assets	869,349	0	548,016	0	869,349	548,016
Deferred Outflows	1,025,205	0	787,144	0	1,025,205	787,144
Total	2,479,709	24,044	1,777,503	4,935	2,503,753	1,782,438
Current Liabilities	216,989	3,762	28,660	0	220,751	28,660
Noncurrent Liabilities	2,710,615	0	2,827,499	0	2,710,615	2,827,499
Deferred Inflows	149,591	0	237,725	0	149,591	237,725
Total	3,077,195	3,762	3,093,884	0	3,080,957	3,093,884
Net Position	(597,486)	20,282	(1,316,381)	4,935	(577,204)	(1,311,446)
Net Investment in Capital Assets	869,349	0	548,016	0	869,349	548,016
Unrestricted Net Position	(1,466,835)	20,282	(1,864,397)	4,935	(1,446,553)	(1,859,462)
Total Net Position	(597,486)	20,282	(1,316,381)	4,935	(577,204)	(1,311,446)

Of all GVBOCES assets, 55.1% reflect its investment in capital assets, less accumulated depreciation. GVBOCES uses these capital assets to provide services to students; consequently, these assets are not available for future spending. 44.0% of GVBOCES assets are cash and investments. 1.6% of GVBOCES liabilities represent accrued fringe benefits.

GRAND VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES **Changes in Net Position**

	Governmental Activities 2017	Business-type Activities 2017	Governmental Activities 2018	Business-type Activities 2018	Total Activities 2017	Total Activities 2018
Revenues						
Program Revenues						
Charges for Services	2,402,399	35,115	2,525,124	14,476	2,437,514	2,539,600
Grants/Contributions	623,839	12,000	340,071	12,000	635,839	352,071
General Revenues						
Investment Earnings	2,747	0	5,432	0	2,747	5,432
Transfers/Contributions	3,316	0	0	0	3,316	0
Total Revenues	3,032,301	47,115	2,870,627	26,476	3,079,416	2,897,103
Expenditures						
Instructional Services	1,748,147	0	2,051,951	0	1,748,147	2,051,951
Student Services	213,220	0	214,874	0	213,220	214,874
General / Administrative	459,753	0	475,136	0	459,753	475,136
Business Services	188,411	0	200,055	0	188,411	200,055
Central Support	834,832	0	583,445	0	834,832	583,445
Restaurant	0	22,110	0	526	22,110	526
CLETC	0	19,844	0	41,297	19,844	41,297
Total Expenses	3,444,364	41,954	3,525,461	41,823	3,486,318	3,567,284
Increase (Decrease) in Net Position	(412,063)	5,161	(654,834)	(15,347)	(406,902)	(670,181)
					Net Position July 1, 2017	(577,204)
					Increase (Decrease) in Net Position	(670,181)
					Change of accounting principle	(64,061)
					Net Position July 1, 2018	(1,311,446)

- Revenues decreased 5.9%
- Expenses increased 2.3%
- Investment earnings increased 97.7%

Financial Analysis of the Government's Funds

As noted earlier, GVBOCES uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of GVBOCES *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing GVBOCES financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the GVBOCES governmental fund reported ending fund balance of \$413,683, an increase of \$45,517 in comparison with the prior year. *Unassigned fund balance* of \$413,683 is available for spending at the GVBOCES discretion.

The General Fund is the chief operating fund of the GVBOCES. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$413,683. See page 11 of this report for detail.

Proprietary funds. GVBOCES proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the CLETC Enterprise Fund amounted to \$4,935 as of June 30, 2018, a decrease of \$15,347.

General Fund Budgetary Highlights

The net decrease in General Fund Balance is \$413,683 less than budgeted. This is due to unspent reserve and due to capital expenditures coming in less than expected.

Capital Asset and Debt Administration

Capital assets. GVBOCES investment in capital assets for its governmental and business-type activities as of June 30, 2018 amounts to \$548,016 (net of accumulated depreciation). This investment in capital assets includes land and equipment.

GRAND VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

	Governmental Activities 2017	Business-type Activities 2017	Governmental Activities 2018	Business-type Activities 2018	Total Activities 2017	Total Activities 2018
Land	326,431	0	326,431	0	326,431	326,431
Buildings and Building Improvements	0	0	0	0	0	0
Equipment	542,918	0	221,585	0	542,918	221,585
Total Capital Assets	869,349	0	548,016	0	869,349	548,016

Long-term debt. At the end of the current fiscal year, GVBOCES had no outstanding long-term debt.

Requests for Information

This financial report is designed to provide a general overview of GVBOCES finances for all those with an interest in GVBOCES finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Manager, Grand Valley BOCES at 2508 Blichmann Avenue, Grand Junction, Colorado 81505.

Grand Valley Board of Cooperative Educational Services

STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets			
Cash and investments	\$ 432,115	\$ 4,935	\$ 437,050
Accounts receivable, less allowance for doubtful accounts of \$-0-	4,379	-	4,379
Due from other governments	5,849	-	5,849
Capital assets (net of accumulated depreciation)			
Land (non-depreciable)	326,431	-	326,431
Equipment	221,585	-	221,585
Total assets	990,359	4,935	995,294
Deferred outflows related to pension	784,720	-	784,720
Deferred outflows related to OPEB	2,424	-	2,424
Total deferred outflows of resources	787,144	-	787,144
Total assets and deferred outflows of resources	\$ 1,777,503	\$ 4,935	\$ 1,782,438
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities			
Accrued liabilities	\$ 1,277	\$ -	\$ 1,277
Unearned revenue	27,383	-	27,383
Non-current liabilities			
Compensated absences	45,009	-	45,009
Net pension liability	2,720,792	-	2,720,792
Net OPEB liability	61,698	-	61,698
Total liabilities	2,856,159	-	2,856,159
Deferred inflows related to pension	232,923	-	232,923
Deferred inflows related to OPEB	4,802	-	4,802
Total deferred inflows of resources	237,725	-	237,725
Net Position			
Net investment in capital assets	548,016	-	548,016
Unrestricted	(1,864,397)	4,935	(1,859,462)
Total net position	(1,316,381)	4,935	(1,311,446)
Total liabilities, deferred inflows of resources, and net position	\$ 1,777,503	\$ 4,935	\$ 1,782,438

The accompanying notes are an integral part of this statement.

Grand Valley Board of Cooperative Educational Services

STATEMENT OF ACTIVITIES

Year ended June 30, 2018

Function/Programs	Expenses	Program Revenues			Governmental Activities	Business-type Activities	Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
Governmental activities:							
Instructional services	\$ 2,051,951	\$ 1,244,015	\$ 134,221	\$ 205,850	\$ (467,865)	\$ -	\$ (467,865)
Support services:							
Pupil services	214,874	265,660	-	-	50,786	-	50,786
General administration	475,136	657,849	-	-	182,713	-	182,713
Business administration	200,055	156,403	-	-	(43,652)	-	(43,652)
Central support	583,445	201,197	-	-	(382,248)	-	(382,248)
Total support services	1,473,510	1,281,109	-	-	(192,401)	-	(192,401)
Total governmental activities	3,525,461	2,525,124	134,221	205,850	(660,266)	-	(660,266)
Business-type activities:							
Restaurant	526	-	-	-	-	(526)	(526)
CLETC	41,297	14,476	12,000	-	-	(14,821)	(14,821)
Total business-type activities	41,823	14,476	12,000	-	-	(15,347)	(15,347)
Total	<u>\$ 3,567,284</u>	<u>\$ 2,539,600</u>	<u>\$ 146,221</u>	<u>\$ 205,850</u>	<u>(660,266)</u>	<u>(15,347)</u>	<u>(675,613)</u>
General revenues:							
Interest earnings					5,432	-	5,432
Total general revenues					5,432	-	5,432
Change in net position					(654,834)	(15,347)	(670,181)
Net position at beginning of year					(597,486)	20,282	(577,204)
Change of accounting principle					(64,061)	-	(64,061)
Net position, beginning of year, restated					(661,547)	20,282	(641,265)
Net position at end of year					<u>\$ (1,316,381)</u>	<u>\$ 4,935</u>	<u>\$ (1,311,446)</u>

The accompanying notes are an integral part of this statement.

Grand Valley Board of Cooperative Educational Services

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2018

		Total Governmental Funds
ASSETS	General	
Cash and investments	\$ 432,115	\$ 432,115
Accounts receivable, less allowance for doubtful accounts of \$-0-	4,379	4,379
Due from other governments	5,849	5,849
Total assets	<u>\$ 442,343</u>	<u>\$ 442,343</u>
LIABILITIES AND FUND EQUITY		
Liabilities		
Accrued liabilities	\$ 1,277	\$ 1,277
Unearned revenue	27,383	27,383
Total liabilities	<u>28,660</u>	<u>28,660</u>
Fund equity		
Unassigned	413,683	413,683
Total fund equity	<u>413,683</u>	<u>413,683</u>
Total liabilities and fund equity	<u>\$ 442,343</u>	<u>\$ 442,343</u>
Fund equity (as reported above)		\$ 413,683

Amounts reported for governmental activities in the
Statement of Net Position are different because:

Capital assets are not recorded in the funds	548,016
The amount by which deferred outflows of resources are less than deferred inflows of resources, both of which are not recorded in the funds	549,419
Net pension and OPEB liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(2,782,490)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds	<u>(45,009)</u>
Net position of governmental activities	<u>\$ (1,316,381)</u>

The accompanying notes are an integral part of this statement.

Grand Valley Board of Cooperative Educational Services

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

Year ended June 30, 2018

	General	Total Governmental Funds
Revenues		
Local sources	\$ 2,730,977	\$ 2,730,977
State sources	134,221	134,221
Interest revenue	5,432	5,432
Total revenues	<u>2,870,630</u>	<u>2,870,630</u>
Expenditures		
Current		
Instructional services		
Vocational education	1,519,034	1,519,034
Support services	1,300,579	1,300,579
Capital outlay	5,500	5,500
Total expenditures	<u>2,825,113</u>	<u>2,825,113</u>
Excess of revenues over (under) expenditures	45,517	45,517
Fund balance at beginning of year	<u>368,166</u>	<u>368,166</u>
Fund balance at end of year	<u>\$ 413,683</u>	<u>\$ 413,683</u>

The accompanying notes are an integral part of this statement.

Grand Valley Board of Cooperative Educational Services

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2018

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

Net change in fund balances - total governmental funds	\$ 45,517
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 and reported as depreciation expense. This is the amount by which depreciation was more than capital outlay in the current period (\$41,715-\$5,500).	(36,215)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations) is to decrease net position	(285,118)
In the governmental funds, expenditures related to pension and OPEB obligations are measured by the amount of financial resources used (essentially, the amounts actually paid to the plan), whereas in the statement of activities, they are measured on full accrual basis. This is the amount by which pension and OPEB expense in the statement of activities was more than pension and OPEB expenditures in the governmental funds.	(375,640)
In the governmental funds, expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid to employees), whereas in the statement of activities, they are measured as the benefits are earned by employees during the year. This is the amount the liability for compensated absences decreased during the year.	<u>(3,378)</u>
Change in net position of governmental activities	<u>\$ (654,834)</u>

The accompanying notes are an integral part of this statement.

Grand Valley Board of Cooperative Educational Services

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

Year ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Local sources				
Charges for services - contracts	\$ 2,436,908	\$ 2,421,859	\$ 2,670,334	\$ 248,475
Interest	1,388	2,580	5,432	2,852
Miscellaneous	34,500	65,225	60,643	(4,582)
	<u>2,472,796</u>	<u>2,489,664</u>	<u>2,736,409</u>	<u>246,745</u>
State sources				
Educational Priorities grant	120,546	111,715	134,221	22,506
	<u>120,546</u>	<u>111,715</u>	<u>134,221</u>	<u>22,506</u>
Federal sources				
Carl Perkins grant	315,250	-	-	-
	<u>315,250</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>2,908,592</u>	<u>2,601,379</u>	<u>2,870,630</u>	<u>269,251</u>
Expenditures				
Current				
Instructional - vocational education	1,648,196	1,334,567	1,519,034	(184,467)
Support services				
Pupil services	312,122	256,992	189,656	67,336
General administration	354,525	408,494	419,374	(10,880)
Business administration	180,444	177,944	176,577	1,367
Central support	561,739	558,199	514,972	43,227
Appropriated reserve	268,760	49,802	-	49,802
	<u>3,325,786</u>	<u>2,785,998</u>	<u>2,819,613</u>	<u>(33,615)</u>
Capital outlay				
Legislative - equipment	182,174	183,548	5,500	178,048
	<u>182,174</u>	<u>183,548</u>	<u>5,500</u>	<u>178,048</u>
Total expenditures	<u>3,507,960</u>	<u>2,969,546</u>	<u>2,825,113</u>	<u>144,433</u>
Excess of revenues over (under) expenditures	<u>(599,368)</u>	<u>(368,167)</u>	<u>45,517</u>	<u>413,684</u>
Fund balance at beginning of year	<u>599,368</u>	<u>368,167</u>	<u>368,166</u>	<u>(1)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 413,683</u>	<u>\$ 413,683</u>

The accompanying notes are an integral part of this statement.

Grand Valley Board of Cooperative Educational Services

STATEMENT OF FUND NET POSITION -
PROPRIETARY FUNDS

June 30, 2018

		Total Non-major Enterprise Funds
ASSETS		
Cash and cash equivalents		\$ 4,935
	Total assets	\$ 4,935
NET POSITION		
Unrestricted		\$ 4,935
	Total liabilities and net position	\$ 4,935

The accompanying notes are an integral part of this statement.

Grand Valley Board of Cooperative Educational Services

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS

Year ended June 30, 2018

	Total Non-major Enterprise Funds
Operating revenues	
Charges for services	\$ 14,476
Contributions	12,000
Total revenues	26,476
Operating expenses	
Supplies and miscellaneous	2,016
Contract services	33,073
Utilities	6,734
Total operating expenses	41,823
	Change in net position (15,347)
Net position beginning of year	20,282
Net position end of year	\$ 4,935

The accompanying notes are an integral part of this statement.

Grand Valley Board of Cooperative Educational Services

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Year ended June 30, 2018

	Total Non-major Enterprise Funds
Cash flows from operating activities	
Cash received from customers	\$ 26,666
Cash paid to other funds	(5,710)
Cash paid to suppliers	(41,823)
Net cash provided (used) by operating activities	(20,867)
Increase (decrease) in cash	(20,867)
Cash at beginning of year	25,802
Cash at end of year	\$ 4,935
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (15,347)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities	
(Increase) decrease in accounts receivable	190
Increase (decrease) in due to other funds	(5,710)
Total adjustments	(5,520)
Net cash provided (used) by operating activities	\$ (20,867)

The accompanying notes are an integral part of this statement.

Grand Valley Board of Cooperative Educational Services

STATEMENT OF FIDUCIARY NET POSITION
STUDENT BODY ACTIVITY AGENCY FUND

June 30, 2018

ASSETS

Cash	\$ 84,141
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Total assets	\$ 84,141
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LIABILITIES

Due to student groups	\$ 84,141
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Total liabilities	\$ 84,141
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The accompanying notes are an integral part of this statement.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. The Reporting Entity

The Grand Valley Board of Cooperative Educational Services (B.O.C.E.S.) is a local educational service unit organized under the "Board of Cooperative Services Act of 1965" - Colorado Revised Statutes 22-5-101 through 117. The B.O.C.E.S. serves one member school district and one member institution of higher education in western Colorado.

The B.O.C.E.S. is the primary government and has no component units.

2. Government-wide and Fund Financial Statements

The B.O.C.E.S. basic financial statements include both government-wide (reporting the B.O.C.E.S. as a whole) and fund financial statements (reporting the B.O.C.E.S. major funds). Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the later are excluded from the government-wide financial statements. Major governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Government-wide Financial Statements

In the government-wide Statement of Net Position, the governmental activities columns are reported on a full accrual, economic resource basis, which recognizes all long-term assets and deferred outflows of resources as well as long-term debt, obligations, and deferred inflows of resources. B.O.C.E.S. net position is reported in two parts: net investment in capital assets and unrestricted net position.

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

Fund Financial Statements

The financial transactions of the B.O.C.E.S. are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses.

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

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives.

The B.O.C.E.S. reports the following governmental funds:

GOVERNMENTAL FUNDS

General Fund The General fund is the B.O.C.E.S. general operating fund and is used to account for all financial transactions not accounted for elsewhere. Major revenue sources include grants, contracts, and state funding. Expenditures include all costs associated with specific contracts entered into by the B.O.C.E.S.

PROPRIETARY FUNDS

Food Service Fund. The food service fund was used to account for the activities of the restaurant and catering services of the educational unit. The fund was intended to be self-supporting through user charges. The fund was terminated at the beginning of fiscal year 2018 and the activity is now included in the General Fund.

Colorado Law Enforcement Training Center (CLETC) Fund. The CLETC fund is used to account for activities related to the drive track maintained by the educational unit. The fund is supported through annual payments made by three outside government agencies that use the drive track and also by user charges.

The B.O.C.E.S. also reports the following fiduciary fund:

Agency (Student Body Activity) Fund This fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations or budgetary accounting. However, the Colorado State Auditor's Office has determined that an annual budget and appropriation be adopted by the Board of Education. See Note A7 for the budget presentation. Assets and liabilities are measured on the accrual basis of accounting.

4. Basis of Accounting and Measurement Focus

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Basis of Accounting and Measurement Focus – Continued

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 to finance expenditures of the current period. For this purpose, the B.O.C.E.S. considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recognized when the related fund liability is incurred.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund activity is not eliminated in the fund financial statements.

The Proprietary funds use the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The proprietary funds are accounted for on a cost of services (capital maintenance) measurement focus. The statement of net position for these funds includes all current and non-current assets and liabilities (net position). Unrestricted net position is the only component of fund equity. The operating statement summarizes cost of services for the period and reflects the change in net position.

5. Budget Adoption Process

In June, the Board of Directors adopts the budget for the following fiscal year. The Board may amend or adopt supplemental budgets during the budget year. A supplemental budget was appropriated by the Board for the year ended June 30, 2018 which decreased the Enterprise Funds' budgets from \$53,351 to \$44,282 and decreased the General Fund budget from \$3,507,960 to \$2,969,546.

6. Budgeted Level of Expenditures

Expenditures may not legally exceed appropriations at the fund level. Administrative control is maintained through the use of detailed line-item budgets. Budgets must be amended at the fund level by the Board of Directors. At year-end, all appropriations lapse in accordance with Colorado statutes.

7. Budgetary Basis of Accounting

Appropriated budgets are adopted by the Board of Directors for all funds. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Budgetary Basis of Accounting – Continued

The following is a presentation of final budget to actual for the Food Service fund for the year ended June 30, 2018.

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating revenues	\$ —	\$ —	\$ —
Operating expenditures	<u>(526)</u>	<u>(526)</u>	<u>—</u>
Change in net position	(526)	(526)	—
Net position, beginning	<u>4,321</u>	<u>526</u>	<u>(3,795)</u>
Net position, ending	<u>\$ 3,795</u>	<u>\$ —</u>	<u>\$ (3,795)</u>

The following is a presentation of final budget to actual for the CLETC fund for the year ended June 30, 2018.

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating revenues	\$ 24,000	\$ 26,476	\$ 2,476
Operating expenditures	<u>(43,756)</u>	<u>(41,297)</u>	<u>2,459</u>
Net earnings (loss)	(19,756)	(14,821)	4,935
Net position, beginning	<u>19,756</u>	<u>19,756</u>	<u>—</u>
Net position, ending	<u>\$ —</u>	<u>\$ 4,935</u>	<u>\$ 4,935</u>

In order to comply with Colorado statutes, a Cash Basis budget and appropriation was adopted for the Agency (Student Body Activity) fund. The following is a presentation of Budget to Actual for the Agency (Student Body Activity) fund for the year ended June 30, 2018.

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Beginning assets	\$ 96,450	\$ 96,450	\$ —
Cash receipts	<u>200,000</u>	<u>164,018</u>	<u>(35,982)</u>
Cash available	296,450	260,468	(35,982)
Cash disbursements	<u>200,000</u>	<u>176,327</u>	<u>23,673</u>
Ending assets	<u>\$ 96,450</u>	<u>\$ 84,141</u>	<u>\$ (12,309)</u>

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by B.O.C.E.S. as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost if purchased or constructed and donated capital assets are recorded at their estimated fair market value on the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment of B.O.C.E.S. are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Equipment	8-30
Vehicles and software	5-7
Computers and office equipment	5

9. Future Compensated Absences

In Governmental Fund Types, the costs for compensated absences are recognized when payments are made to employees. A long-term liability for accrued vacation and sick leave benefits at June 30, 2018, has been recorded in the governmental-wide financial statements, representing the B.O.C.E.S. commitment to fund such costs from the General fund. Payment for any of the accrued benefits will occur in subsequent years and be made from future resources.

10. Related Parties

A substantial amount of the funds for facilities and personnel for the B.O.C.E.S. are currently provided by Mesa County Valley School District No. 51 (the District) and Colorado Mesa University (the University). The District and the University organized the B.O.C.E.S. and each appoints two of the seven Board members, with the other three Board members selected from the community. The District has a contract with the B.O.C.E.S. to provide funding and support.

11. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

12. Interfund Balances

Due To and Due From Other Funds. During the course of its operations, the B.O.C.E.S. has numerous transactions between funds to finance operations and provide services. To the extent that certain transactions between funds had not been paid or received as of June 30, 2018, balances of interfund amounts receivable or payable have been recorded.

13. Pensions

B.O.C.E.S. 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.

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. Governmental accounting standards require the net pension liability and related amounts of the SCHDTF for financial reporting purposes be measured using the plan provisions in effect as of the SCHDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled *Changes between the measurement date of the net pension liability and June 30, 2018*.

14. Adoption of GASB 75

For the year ended June 30, 2018, the B.O.C.E.S. adopted the provisions of Statement of Governmental Accounting Standards (GASB Statement) No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

15. Defined Benefit Other Post Employment Benefit Plan (OPEB)

B.O.C.E.S. participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE B – DEPOSITS AND INVESTMENTS

At June 30, 2018, the carrying value of deposits with financial institutions was \$168,059. Cash consists of the following:

Cash on hand	\$ 70
Cash in demand accounts	<u>168,059</u>
Total cash	<u>\$ 168,129</u>

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

At June 30, 2018, the B.O.C.E.S. cash deposits had a bank balance as follows:

	<u>Bank Balance</u>
Insured deposits	<u>\$ 235,553</u>
Total deposits	<u>\$ 235,553</u>

State statutes authorize the B.O.C.E.S. to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of the State of Colorado or of any county, school district, and certain towns and cities therein, notes or bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, certain repurchase agreements, and local government investment pools.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE B – DEPOSITS AND INVESTMENTS – CONTINUED

At June 30, 2018, the B.O.C.E.S. had \$9,626 and \$343,437 invested in the Colorado Government Liquid Asset Trust (COLOTRUST) and the Colorado Surplus Asset Fund Trust (CSAFE) respectively, investment vehicles established for local governmental entities in Colorado to pool surplus funds for investment purposes. At June 30, 2018, the approximate market value of the B.O.C.E.S.'s investments is \$353,063. Both COLOTRUST and CSAFE were rated AAAM by Standard & Poor's Corporation.

The B.O.C.E.S. categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles and GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. COLOTRUST and CSAFE each operate like a 2a-7 external investment pool and investments in the pool are valued at \$1 net asset value (NAV) per share. The underlying investments held by CSAFE, and the B.O.C.E.S.' investment in CSAFE, are valued at amortized cost which approximates fair value; there are no limitations on withdrawals. The underlying investments held by COLOTRUST are valued at fair market value.

The total investments are as follows:

COLOTRUST	\$ 9,626
CSAFE	<u>343,437</u>
	<u>\$ 353,063</u>

Interest rate risk – The B.O.C.E.S. does not have a formal policy limiting investment maturities, other than that established by state statute of five years that would help manage its exposure to fair value losses from increasing interest rates.

NOTE C – MAJOR REVENUES

The B.O.C.E.S. received 63% and 22% of its general fund revenue for the year ended June 30, 2018, from contracts with Mesa County Valley School District No. 51 and with Colorado Mesa University, respectively.

NOTE D – CAPITAL ASSETS

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Land	\$ 326,431	\$ –	\$ –	\$ 326,431
Depreciable capital assets:				
Equipment	<u>1,425,672</u>	<u>201,933</u>	<u>526,744</u>	<u>1,100,861</u>
Total depreciable capital assets	1,425,672	201,933	526,744	1,100,861
Accumulated depreciation				
Equipment	<u>(882,754)</u>	<u>(100,111)</u>	<u>(103,589)</u>	<u>(879,276)</u>
Total accumulated depreciation	(882,754)	(100,111)	(103,589)	(879,276)
Depreciable capital assets, net	<u>542,918</u>	<u>101,822</u>	<u>423,155</u>	<u>221,585</u>
Capital assets, net	<u>\$ 869,349</u>	<u>\$ 101,822</u>	<u>\$ 423,155</u>	<u>\$ 548,016</u>

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE D – CAPITAL ASSETS – CONTINUED

Capital outlay accounts are used to record expenditures made for items, which have a useful life of more than one year. Capital expenditures made in the General fund are recorded as instructional or support services for presentation in this financial statement. Not all capital outlay expenditures become actual additions to capital assets.

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

Instructional services	\$ 37,163
Central support	4,552
Total depreciation expense for governmental activities	<u>\$ 41,715</u>

NOTE E – LONG-TERM LIABILITIES

The B.O.C.E.S. long-term liabilities consists of the following:

	Balance June 30, 2017	Additions (Reductions)	Balance June 30, 2018
Future compensated absences	\$ 41,632	\$ 3,377	\$ 45,009
Net pension liability	2,668,983	51,809	2,720,792
Net OPEB liability	–	61,698	61,698
	<u>\$ 2,710,615</u>	<u>\$ 116,884</u>	<u>\$ 2,827,499</u>

NOTE F – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. Eligible employees of the B.O.C.E.S. 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 as of December 31, 2017. 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.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

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.

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

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

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

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

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF.

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

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

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

Contributions provisions as of June 30, 2018: Eligible employees and the B.O.C.E.S. 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	For the Year Ended December 31, 2018
Employer contribution rate ¹	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%	(1.02)%
Amount apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	5.00%	5.50%
Total employer contribution rate to the SCHDTF¹	18.63%	19.13%

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 B.O.C.E.S. is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the B.O.C.E.S. were \$78,651 for the year ended June 30, 2018.

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

At June 30, 2018, the B.O.C.E.S. reported a liability of \$2,720,792 for its proportionate share of the net pension liability. The net pension liability for the SCHDTF was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total pension liability to December 31, 2017.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

The B.O.C.E.S. proportion of the net pension liability was based on the B.O.C.E.S. contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the B.O.C.E.S. proportion was .008 percent, which was a decrease of .0006 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the B.O.C.E.S. recognized pension expense of \$454,276. At June 30, 2018, the B.O.C.E.S. reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$50,024	\$–
Changes of assumptions or other inputs	694,720	4,409
Net difference between projected and actual earnings on pension plan investments	–	106,848
Changes in proportion and differences between contributions recognized and proportionate share of contributions	–	121,666
Contributions subsequent to the measurement date	39,976	N/A
Total	\$784,720	\$232,923

\$39,976 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

Year ended June 30, 2018:	
2019	\$ 357,237
2020	205,038
2021	(10,256)
2022	(40,198)
2023	–
Thereafter	–

Actuarial assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

A discount rate of 4.78 percent was used in the roll-forward calculation of the total pension liability to the measurement date of December 31, 2017.

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

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

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

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

- **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 based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

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.

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 for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

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

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
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 4.78 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- 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 contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

- 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 Bond Buyer, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a discount rate of 4.78 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.86 percent were used in the discount rate determination resulting in a discount rate of 5.26 percent, 0.48 percent higher compared to the current measurement date.

Sensitivity of the B.O.C.E.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 4.78 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 (3.78 percent) or 1-percentage-point higher (5.78 percent) than the current rate:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	\$3,436,823	\$2,720,792	\$2,137,309

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

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.

Changes between the measurement date of the net pension liability and June 30, 2018

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates by 0.25 percent on July 1, 2019.
- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Directs the state to allocate \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the other divisions eligible for the direct distribution.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

At June 30, 2018, the B.O.C.E.S. reported a liability of \$2,720,792 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the B.O.C.E.S. proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	\$ 1,229,230

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately \$1,270,083 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

General Information about the OPEB Plan

Plan description. Eligible employees of the B.O.C.E.S. are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, 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 the premium subsidies. 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. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

DPS Benefit Structure

The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

Contributions. Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the B.O.C.E.S. is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the B.O.C.E.S. were \$4,249 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the B.O.C.E.S. reported a liability of \$61,698 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The B.O.C.E.S. proportion of the net OPEB liability was based on B.O.C.E.S. contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the B.O.C.E.S. proportion was .005 percent, which was a decrease of .0003 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the B.O.C.E.S. recognized OPEB expense of \$4,264. At June 30, 2018, the B.O.C.E.S. reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$292	\$–
Net difference between projected and actual earnings on OPEB plan investments	–	1,032
Changes in proportion and differences between contributions recognized and proportionate share of contributions	–	3,770
Contributions subsequent to the measurement date	2,132	N/A
Total	\$2,424	\$4,802

\$2,132 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30, 2018:	
2019	\$(942)
2020	(942)
2021	(942)
2022	(942)
2023	(684)
Thereafter	(58)

Actuarial assumptions. The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

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 in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.00 percent for 2017, gradually rising to 4.25 percent in 2023
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

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NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

Year	PERACare Medicare Plans	Medicare Part A Premiums
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024+	5.00%	4.25%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 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 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

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

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

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NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

- **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 based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA’s actuary, as needed.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

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NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

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.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, 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 for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
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%.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

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NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

Sensitivity of the B.O.C.E.S. proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	\$60,000	\$61,698	\$63,742

Discount rate. The discount rate used to measure the total OPEB liability was 7.25 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 health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.
- 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%.
- 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. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- 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.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits 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 HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

Sensitivity of the B.O.C.E.S. proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$69,367	\$61,698	\$55,151

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

NOTE H – TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The B.O.C.E.S. believes it is in compliance with the requirements of the amendment. However, the B.O.C.E.S. has made certain interpretations of the amendment's language in order to determine its compliance.

NOTE I – RISK MANAGEMENT

The B.O.C.E.S. is a member of the Colorado School District Self-Insurance Pool (the Pool), which operates as a risk-sharing public entity pool comprised of various school districts and other related public educational entities within the State of Colorado. The Pool provides the B.O.C.E.S. with various types of insurance. During the year ended June 30, 2018, the B.O.C.E.S. paid \$18,704 in premiums to the Pool. In the event of the impairment or insolvency of the Pool, the B.O.C.E.S. may be assessed such amounts as may be necessary to ensure the solvency of the Pool. The likelihood of an event of this type occurring is remote.

The Colorado Compensation Insurance Authority provides worker's compensation insurance coverage. Commercial insurance companies are used to provide coverage for health, life, and other employee insurance programs maintained by the B.O.C.E.S.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE J – RELATED PARTY SERVICES

The B.O.C.E.S. receives the services of Colorado Mesa University administrative personnel and of faculty for post-secondary class offerings. The expenditures related to these services are included in the financial statements of Colorado Mesa University and amounted to \$3,080,509 for the year ended June 30, 2018.

NOTE K – CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2017, the B.O.C.E.S. retroactively changed its method of accounting for OPEB contributions and related obligations to conform to GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Under the new accounting method, the B.O.C.E.S. accrues a net OPEB liability related to its participation in a multiple employer cost sharing OPEB plan. The effect of the change decreased beginning net position for 2018 by \$64,061, from (\$597,486) to (\$661,547).

Grand Valley Board of Cooperative Educational Services

SCHEDULE OF ACTIVITY - NET PENSION LIABILITY

June 30, 2018

	Employer proportion of NPL	Employer proportionate share of NPL	Employer covered payroll	Employer proportionate share of NPL as a percentage of covered payroll	Pension plan's fiduciary net position as a percentage of total pension liability
<u>Measurement date:</u>					
December 31, 2014	0.01039%	\$ 1,407,908	\$ 390,084	361%	63%
December 31, 2015	0.00937%	1,432,711	374,810	382%	59%
December 31, 2016	0.00896%	2,668,983	381,217	700%	43%
December 31, 2017	0.00841%	2,720,792	403,859	674%	44%

Grand Valley Board of Cooperative Educational Services

SCHEDULE OF ACTIVITY - EMPLOYER PENSION CONTRIBUTIONS

June 30, 2018

	Required employer contribution	Employer contributions recognized by the plan	Difference	Employer covered payroll	Contributions as a percentage of employer covered payroll
June 30, 2015	\$ 69,767	\$ 69,767	\$ -	\$ 389,915	18%
June 30, 2016	70,640	70,640	-	372,840	19%
June 30, 2017	72,942	72,942	-	387,576	19%
June 30, 2018	78,651	78,651	-	416,568	19%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

For the measurement period ended December 31, 2016, the discount rate changed from 7.5% to 5.26%. This change significantly affected the total plan net pension liability and the employer share of the net pension liability. There were no other changes in benefit terms, size or composition of the population covered by the benefit terms, or assumptions used that significantly affect trends in the amounts reported.

Grand Valley Board of Cooperative Educational Services

SCHEDULE OF ACTIVITY - NET OPEB LIABILITY

June 30, 2018

	Employer proportion of NOPEBL	Employer proportionate share of NOPEBL	Employer covered payroll	Employer proportionate share of NOPEBL as a percentage of covered payroll	OPEB plan's fiduciary net position as a percentage of total OPEB liability
<u>Measurement date:</u>					
December 31, 2017	0.00475%	\$ 61,698	\$ 403,859	15%	18%

Grand Valley Board of Cooperative Educational Services

SCHEDULE OF ACTIVITY - EMPLOYER OPEB CONTRIBUTIONS

June 30, 2018

	Required employer contribution	Employer contributions recognized by the plan	Difference	Employer covered payroll	Contributions as a percentage of employer covered payroll
June 30, 2018	\$ 4,249	\$ 4,249	\$ -	\$ 416,568	1%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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

Grand Valley Board of Cooperative Educational Services

COMBINING SCHEDULE OF FUND NET POSITION -
NON-MAJOR PROPRIETARY FUNDS

June 30, 2018

	Enterprise Funds		Total Non-major Enterprise Funds
	Restaurant	CLETC	
ASSETS			
Cash and cash equivalents	\$ -	\$ 4,935	\$ 4,935
Total assets	<u>\$ -</u>	<u>\$ 4,935</u>	<u>\$ 4,935</u>
NET POSITION			
Unrestricted	\$ -	\$ 4,935	\$ 4,935
Total liabilities and net position	<u>\$ -</u>	<u>\$ 4,935</u>	<u>\$ 4,935</u>

Grand Valley Board of Cooperative Educational Services

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - NON-MAJOR PROPRIETARY FUNDS

Year ended June 30, 2018

	Enterprise Funds		Total Non-major Enterprise Funds
	Restaurant	CLETC	
Operating revenues			
Charges for services	\$ -	\$ 14,476	\$ 14,476
Contributions	-	12,000	12,000
Total revenues	-	26,476	26,476
Operating expenses			
Supplies and miscellaneous	526	1,490	2,016
Contract services	-	33,073	33,073
Utilities	-	6,734	6,734
Total operating expenses	526	41,297	41,823
Change in net position	(526)	(14,821)	(15,347)
Net position beginning of year	526	19,756	20,282
Net position end of year	\$ -	\$ 4,935	\$ 4,935

Grand Valley Board of Cooperative Educational Services

COMBINING SCHEDULE OF CASH FLOWS -
NON-MAJOR PROPRIETARY FUNDS

Year ended June 30, 2018

	Enterprise Funds		Total Non-major Enterprise Funds
	Restaurant	CLETC	
Cash flows from operating activities			
Cash received from customers	\$ 190	\$ 26,476	\$ 26,666
Cash paid to other funds	(5,710)	-	(5,710)
Cash paid to suppliers	(526)	(41,297)	(41,823)
Net cash provided (used) by operating activities	(6,046)	(14,821)	(20,867)
Increase (decrease) in cash	(6,046)	(14,821)	(20,867)
Cash at beginning of year	6,046	19,756	25,802
Cash at end of year	\$ -	\$ 4,935	\$ 4,935
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (526)	\$ (14,821)	\$ (15,347)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	190	-	190
Increase (decrease) in due to other funds	(5,710)	-	(5,710)
Total adjustments	(5,520)	-	(5,520)
Net cash provided (used) by operating activities	\$ (6,046)	\$ (14,821)	\$ (20,867)

Grand Valley Board of Cooperative Educational Services

SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
STUDENT BODY ACTIVITY AGENCY FUND

Year ended June 30, 2018

	Balances July 1, 2017	Additions	Deletions	Balances June 30, 2018
ASSETS				
Cash	\$ 92,688	\$ 164,018	\$ 172,565	\$ 84,141
Due from other funds	3,762	-	3,762	-
Total assets	<u>\$ 96,450</u>	<u>\$ 164,018</u>	<u>\$ 176,327</u>	<u>\$ 84,141</u>
LIABILITIES				
Due to student groups	\$ 89,720	\$ 164,018	\$ 169,597	\$ 84,141
Due to other funds	6,730	-	6,730	-
Total liabilities	<u>\$ 96,450</u>	<u>\$ 164,018</u>	<u>\$ 176,327</u>	<u>\$ 84,141</u>



Colorado Department of Education
Auditors Integrity Report
 District: 9135 - GRAND VALLEY BOCES
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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	168,167	2,870,629	2,825,113	413,684
18	Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19	Colorado Preschool Program Fund	0	0	0	0
	Sub- Total	368,167	2,870,629	2,825,113	413,684
11	Charter School Fund	0	0	0	0
20 26-29	Special Revenue Fund	0	0	0	0
21	Food Service Spec Revenue Fund	0	0	0	0
22	Govt Designated-Purpose Grants Fund	0	0	0	0
23	Pupil Activity Special Revenue Fund	0	0	0	0
24	Full Day Kindergarten Mill Levy Override	0	0	0	0
25	Transportation Fund	0	0	0	0
31	Bond Redemption Fund	0	0	0	0
39	Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41	Building Fund	0	0	0	0
42	Special Building Fund	0	0	0	0
43	Capital Reserve Capital Projects Fund	0	0	0	0
46	Supplemental Cap Const Tech, Main Fund	0	0	0	0
	Totals	368,167	2,870,629	2,825,113	413,684
Proprietary					
50	Other Enterprise Funds	20,282	26,475	41,822	4,935
64 (63)	Risk-Related Activity Fund	0	0	0	0
60,65-69	Other Internal Service Funds	0	0	0	0
	Totals	20,282	26,475	41,822	4,935
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	89,720	164,018	169,597	84,141
79	GASB 34 Permanent Fund	0	0	0	0
85	Foundations	0	0	0	0
	Totals	89,720	164,018	169,597	84,141

FINAL

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