



Northwest Colorado Board of
Cooperative Educational Services

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

June 30, 2018

CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT.....	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION.....	8
STATEMENT OF ACTIVITIES.....	9
BALANCE SHEET – GOVERNMENTAL FUNDS.....	10
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS.....	11
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND	12
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – DESIGNATED PURPOSE GRANTS FUND	13
NOTES TO FINANCIAL STATEMENTS.....	15
REQUIRED SUPPLEMENTARY INFORMATION	
PENSION SCHEDULES.....	42
OPEB SCHEDULES	44
SUPPLEMENTARY INFORMATION	
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BY PROGRAM – DESIGNATED PURPOSE GRANTS FUND	46
SINGLE AUDIT SECTION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	47
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	48
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	49
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	51
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	53
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	55
AUDITOR’S INTEGRITY REPORT	



Independent Auditor's Report

September 24, 2018

The Board of Directors
Northwest Colorado Board of Cooperative Educational Services
Steamboat Springs, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Northwest Colorado Board of Cooperative Educational Services (BOCES) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Northwest Colorado Board of Cooperative Educational Services as of June 30, 2018, and the respective changes in financial position thereof and the respective budgetary comparisons for the General Fund and major Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



The Board of Directors
Northwest Colorado Board of Cooperative Educational Services
Page Two

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 the BOCES' basic financial statements. The combining schedule; Auditors Integrity Report of the Colorado Department of Education; and schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2018 on our consideration of the BOCES' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BOCES' internal control over financial reporting and compliance.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
June 30, 2018

The discussion and analysis of the Northwest Colorado Board of Cooperative Educational Services (the "BOCES") financial performance provides an overall review of the BOCES' financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the BOCES' financial performance as a whole. Readers should also review the financial statements, financial statement footnotes, and budgetary comparison schedules to broaden their understanding of the BOCES' financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

The BOCES had a net position of \$(10,088,122) as of June 30, 2018 mostly due to the impact of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*. Under this accounting method, new effective June 30, 2015, the BOCES accrues a "Net Pension Liability" (NPL) related to its participation in Colorado PERA, a multiple-employer cost-sharing retirement plan that is underfunded. The NPL is unlike other liabilities reported on the Statement of Net Position, in that it is not due to be paid at a certain time nor can it be paid off under any accelerated schedule. Employer and employee contribution rates to PERA are not directly impacted by GASB's new reporting requirements. Employer contributions are set by the Colorado legislature through statutes that govern PERA.

For 2017-2018, the BOCES' net position decreased \$2,288,229 over the prior fiscal year, and additionally the prior year was restated by \$(302,373) due to a change in accounting principle under GASB Statement No 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Total governmental activity revenues decreased \$787,155 and governmental expenditures decreased \$474,970.

The BOCES maintained a fund balance in the General Fund of \$549,589, an increase of \$8,424 over the prior fiscal year. The Designated Purpose Grants Fund has a fund balance of \$0, a decrease of \$13,580 from the prior year.

Federal and State grant revenues accounted for 85% of the total governmental fund revenue for the year ending June 30, 2018. Local assessments were the next largest revenue source accounting for 13% of total revenues. Instruction costs represented 31% of total governmental fund expenditures and other pupil support services (student and instructional staff support) were another 59%.

Using the Basic Financial Statements

The basic financial statements consist of the Management's Discussion and Analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can first understand the BOCES as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

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

Financial Analysis of the BOCES as a Whole

At the end of the current fiscal year the liabilities and deferred inflows of the BOCES exceeded the assets and deferred outflows by \$10,088,122 compared to \$7,497,520 for the previous fiscal year, a decrease of \$2,288,229 in total net position mostly due to the implementation of GASB Statement No. 68.

Government-Wide Financial Statements

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

The two government-wide statements report the BOCES' net position and how it has changed. The change in net position is important because it tells the reader whether for the BOCES as a whole, the financial position of the BOCES has improved or diminished. The causes of this change may be the result of various factors, some financial, some not. Non-financial factors include facility conditions and required educational programs.

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

Governmental Activities - The majority of the BOCES' programs and services are reported here including general operations support services, instruction and support of consortia programs, and instruction and support of special education programs, plant operations and maintenance and pupil transportation.

A condensed summary of the BOCES' Statement of Net Position is as follows:

ASSETS AND DEFERRED OUTFLOWS	Governmental Activities	
	2018	2017
Current and Other Assets	\$ 949,149	\$ 1,208,841
Capital Assets	21,407	43,009
Total Assets	<u>970,556</u>	<u>1,251,850</u>
Deferred Outflows of Resources	3,833,478	4,969,946
Total Assets and Deferred Outflows	<u>4,804,034</u>	<u>6,221,796</u>
LIABILITIES		
Current Liabilities	399,560	654,096
Noncurrent Liabilities	13,492,029	12,603,147
Total Liabilities	<u>13,891,589</u>	<u>13,257,243</u>
Deferred Inflows of Resources	<u>1,000,567</u>	<u>462,073</u>
NET POSITION		
Net Investment in Capital Assets	21,407	43,009
Restricted	-	-
Unrestricted	(10,109,529)	(7,540,529)
Total Net Position	<u><u>\$(10,088,122)</u></u>	<u><u>\$(7,497,520)</u></u>

A condensed Statement of Activities is as follows:

REVENUES	Governmental Activities	
	2018	2017
Program Revenues		
Charges for Services	\$ 405,361	\$ 402,147
Operating Grants and Contributions	3,169,944	3,960,313
Total Program Revenues	<u>3,575,305</u>	<u>4,362,460</u>
General Revenues		
Gain on Asset Disposal	14,000	-
Investment Earnings	276	267
Total Revenues	<u>3,589,581</u>	<u>4,362,727</u>
EXPENSES		
Instruction	1,596,267	1,730,555
Supporting Services	4,281,543	4,622,225
Total Expenses	<u>5,877,810</u>	<u>6,352,780</u>
CHANGE IN NET POSITION	(2,288,229)	(1,990,053)
NET POSITION, Beginning	(7,497,520)	(5,507,467)
Change in accounting principle	(302,373)	-
NET POSITION, Ending	<u><u>\$(10,088,122)</u></u>	<u><u>(7,497,520)</u></u>

Total revenues decreased by \$787,155, mostly due to the ending of the Math and Science Partnership SUMMIT grant, a competitive federal special education grant from the Colorado Department of Education, on 6/30/2017.

Reporting the BOCES' Most Significant Funds

The analysis of the BOCES' major funds begins on page 10. Fund financial reports provide detailed information about the BOCES' major funds. The BOCES' funds are the General and Designated Purpose Grants funds. Both of the funds are considered major.

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

Fund Financial Statements

As of June 30, 2018, the BOCES' governmental funds reported fund balances of \$549,589, which is a decrease of \$5,156 from the June 30, 2017 balances. The General Fund equity showed an increase of \$8,424 to a fund balance of \$549,589. The Designated Purpose Grants Fund equity decreased by \$13,580, for a fund balance of \$0. Total revenues decreased by \$787,155, mostly due to the ending of the Math and Science Partnership SUMMIT grant, a competitive federal special education grant from the Colorado Department of Education, on 6/30/2017.

Capital Assets

As of June 30, 2018 the BOCES had \$21,407 invested in vehicles and equipment. This amount represents a net decrease (including additions, deletions, and depreciation) of \$21,602 See Note C to the financial statements for more information.

Debt Administration

As of June 30, 2018 the BOCES' only long-term obligations were for accrued sick and vacation benefits.

Budget Process

The Board of Directors adopts the BOCES' original budget in June of each year. Changes are made on an ongoing basis for example when grant allocations are announced and staff changes are made for the new school year. A revised budget is adopted in January to incorporate changes made prior to that time. The adoption of supplemental budgets is allowed subsequently when unanticipated additional revenues are received. In the General Fund, revenues were over budget \$19,247, while expenditures were \$33,569 under budget. In the Designated Purpose Grants Fund, revenues were under budget \$8,689 and expenditures were under budget \$8,689.

Economic Factors and Next Year's Budget

The primary factor in budget considerations for the NW BOCES is the special education student count as this drives funding formulas from the State for ECEA and IDEA State and Federal special education grants. The total administrative unit special education pupil count increased slightly from December 1, 2016 to 2017 and we have budgeted income accordingly for fiscal year 2018-2019. The original budget for 2018-2019 was adopted by the Board in June.

Requests for Information

This financial report is designed to provide a general overview of the BOCES' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Northwest Colorado BOCES, P O Box 773390, Steamboat Springs, CO 80477.

Northwest Colorado Board of Cooperative Educational Services

STATEMENT OF NET POSITION

June 30, 2018

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Assets	
Cash	\$ 513,268
Receivables	435,881
Noncurrent assets	
Capital assets	21,407
	<u>970,556</u>
	Total assets
Deferred outflows of resources	
Deferred outflows related to other post employee benefits	10,789
Deferred outflows related to pensions	3,822,689
	<u>3,833,478</u>
	Total deferred outflows of resources
	<u>\$ 4,804,034</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
Liabilities	
Accounts payable	\$ 146,959
Accrued salaries and benefits	239,694
Unearned revenue	12,907
Noncurrent liabilities	
Net pension liability	13,184,140
Other post employee benefits	301,070
Accrued compensated absences	6,819
	<u>13,891,589</u>
	Total liabilities
Deferred inflows of resources	
Deferred inflows related to other post employee benefits	14,628
Deferred inflows related to pensions	985,939
	<u>1,000,567</u>
	Total deferred inflows of resources
Net position	
Net investment in capital assets	21,407
Unrestricted	(10,109,529)
	<u>(10,088,122)</u>
	Total net position
	<u>\$ 4,804,034</u>
	Total liabilities, deferred inflows of resources, and net position

The accompanying notes are an integral part of this statement.

Northwest Colorado Board of Cooperative Educational Services

STATEMENT OF ACTIVITIES

Year ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 1,596,267	\$ -	\$ 1,151,488	\$ (444,779)
Support services	4,281,543	405,361	2,018,456	(1,857,726)
Total governmental activities	<u>\$ 5,877,810</u>	<u>\$ 405,361</u>	<u>\$ 3,169,944</u>	<u>(2,302,505)</u>
General revenues:				
				14,000
				276
				<u>14,276</u>
				(2,288,229)
				(7,497,520)
				<u>(302,373)</u>
				<u>(7,799,893)</u>
				<u>\$ (10,088,122)</u>

The accompanying notes are an integral part of this statement.

Northwest Colorado Board of Cooperative Educational Services

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2018

With Comparative Totals for June 30, 2017

	General	Designated Purpose Grants	Total	
			2018	2017
ASSETS				
Cash	\$ 513,268	\$ -	\$ 513,268	\$ 86,813
Due from other fund	36,321	-	36,321	457,332
Accounts receivable	-	9,978	9,978	10,066
Grants receivable	-	425,903	425,903	1,111,962
Total assets	<u>\$ 549,589</u>	<u>\$ 435,881</u>	<u>\$ 985,470</u>	<u>\$ 1,666,173</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ -	\$ 146,959	\$ 146,959	\$ 306,792
Due to other fund	-	36,321	36,321	457,332
Accrued salaries and benefits	-	239,694	239,694	262,923
Unearned revenue	-	12,907	12,907	84,381
Total liabilities	-	435,881	435,881	1,111,428
Fund equity				
Assigned for vehicles	40,000	-	40,000	60,000
Assigned for program purposes	-	-	-	13,580
Unassigned	509,589	-	509,589	481,165
Total fund balance	<u>549,589</u>	-	<u>549,589</u>	<u>554,745</u>
Total liabilities and fund balance	<u>\$ 549,589</u>	<u>\$ 435,881</u>	<u>\$ 985,470</u>	<u>\$ 1,666,173</u>

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

Fund equity (as reported above)	\$ 549,589
Capital assets used in governmental activities are not financial resources; and are, therefore, not reported in the funds.	21,407
Net other post employee benefits and related deferred inflows and outflows of resources are not recorded in the funds.	(304,909)
Net pension liability and related deferred inflows and outflows of resources are not recorded in the funds.	(10,347,390)
Compensated absences are not due and payable in the current period; and therefore, are not reported in the funds	(6,819)
Net position of governmental activities	<u>\$ (10,088,122)</u>

The accompanying notes are an integral part of this statement.

Northwest Colorado Board of Cooperative Educational Services

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

Year Ended June 30, 2018

With Comparative Totals for the Year Ended June 30, 2017

	General	Designated	Total	
		Purpose Grants	2018	2017
Revenues				
Local sources	\$ 399,557	\$ 123,801	\$ 523,358	\$ 497,577
State sources	11,346	1,393,745	1,405,091	1,633,934
Federal sources	-	1,661,132	1,661,132	2,231,216
Total revenues	410,903	3,178,678	3,589,581	4,362,727
Expenditures				
Current				
Instruction	-	1,096,882	1,096,882	1,187,879
Student support	-	979,812	979,812	1,303,745
Instructional staff support	24,926	1,110,564	1,135,490	1,606,799
General administration	162,536	-	162,536	142,816
School administration	-	5,000	5,000	-
Business services	184,533	-	184,533	98,605
Central services	30,484	-	30,484	29,884
Total expenditures	402,479	3,192,258	3,594,737	4,369,728
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	8,424	(13,580)	(5,156)	(7,001)
Fund balance at beginning of year	541,165	13,580	554,745	561,746
Fund balance at end of year	\$ 549,589	\$ -	\$ 549,589	\$ 554,745

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

Net change in fund balances - total governmental funds	\$ (5,156)
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 capital outlays did not exceed depreciation in the current period. (\$0-\$21,602)	(21,602)
In the governmental funds, expenditures related to pension and OPEB obligations are measured by the amount of financial resources used, whereas in the statement of activities, they are measured on the accrual basis. This is the amount by which pension and OPEB expense in the statement of activities is more than that in the governmental funds.	(2,259,462)
In the governmental funds, expenditures for compensated absences are measured by the amount of financial resources used, whereas in the statement of activities, they are measured as the benefits are earned. This is the amount the liability increased this year.	(2,009)
Change in net position of governmental activities	<u>\$ (2,288,229)</u>

The accompanying notes are an integral part of this statement.

Northwest Colorado Board of Cooperative Educational Services

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

Year Ended June 30, 2018
With Comparative Totals for the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	2017 Actual
Revenues					
Local sources					
Interest	\$ 250	\$ 250	\$ 276	\$ 26	\$ 267
Local assessments	310,966	310,966	310,966	-	303,383
Other	67,726	69,440	88,315	18,875	60,291
	<u>378,942</u>	<u>380,656</u>	<u>399,557</u>	<u>18,901</u>	<u>363,941</u>
State sources					
Grants	11,000	11,000	11,346	346	11,346
	<u>11,000</u>	<u>11,000</u>	<u>11,346</u>	<u>346</u>	<u>11,346</u>
Total revenues	<u>389,942</u>	<u>391,656</u>	<u>410,903</u>	<u>19,247</u>	<u>375,287</u>
Expenditures					
Support services - Instructional staff					
PS - Professional	30,000	35,000	21,597	13,403	23,820
PS - Other	2,715	2,715	2,529	186	2,715
Supplies	21,681	13,525	800	12,725	34,036
Capital outlay	-	-	-	-	19,999
	<u>54,396</u>	<u>51,240</u>	<u>24,926</u>	<u>26,314</u>	<u>80,570</u>
Support services - General administration					
Salaries	112,500	112,500	112,500	-	104,177
Benefits	30,770	30,770	32,412	(1,642)	28,312
PS - Other	6,500	6,500	14,794	(8,294)	8,177
Other	3,000	3,000	2,830	170	2,150
	<u>152,770</u>	<u>152,770</u>	<u>162,536</u>	<u>(9,766)</u>	<u>142,816</u>
Support services - Business services					
Salaries	221,420	221,420	221,742	(322)	221,123
Benefits	76,756	77,456	70,862	6,594	71,259
PS - Professional	28,210	34,160	30,451	3,709	32,109
Supplies	10,500	10,500	13,774	(3,274)	13,432
PS - Property	1,000	1,000	328	672	328
PS - Other	45,542	48,092	45,624	2,468	45,191
Capital outlay	8,000	7,000	6,943	57	8,811
Other	(206,191)	(201,020)	(205,191)	4,171	(293,648)
	<u>185,237</u>	<u>198,608</u>	<u>184,533</u>	<u>14,075</u>	<u>98,605</u>
Support services - Central services					
PS - Other	38,847	33,430	30,484	2,946	29,884
	<u>38,847</u>	<u>33,430</u>	<u>30,484</u>	<u>2,946</u>	<u>29,884</u>
Total expenditures	<u>431,250</u>	<u>436,048</u>	<u>402,479</u>	<u>33,569</u>	<u>351,875</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(41,308)</u>	<u>(44,392)</u>	<u>8,424</u>	<u>52,816</u>	<u>23,412</u>
Fund balance at beginning of year	-	-	541,165	541,165	517,753
Fund balance at end of year	<u>\$ (41,308)</u>	<u>\$ (44,392)</u>	<u>\$ 549,589</u>	<u>\$ 593,981</u>	<u>\$ 541,165</u>

The accompanying notes are an integral part of this statement.

Northwest Colorado Board of Cooperative Educational Services
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DESIGNATED PURPOSE GRANTS FUND - BUDGET AND ACTUAL

Year Ended June 30, 2018
 With Comparative Totals for the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	2017 Actual
Revenues					
Local sources					
Local assessments	\$ -	\$ -	\$ -	\$ -	\$ 4,301
Other	100,779	105,779	123,801	18,022	129,335
	<u>100,779</u>	<u>105,779</u>	<u>123,801</u>	<u>18,022</u>	<u>133,636</u>
State sources					
ECEA	1,049,423	1,099,029	1,102,213	3,184	1,118,212
Gifted and Talented	110,262	113,615	113,615	-	112,428
Day Treatment	200,000	-	-	-	261,215
Other	120,000	190,824	177,917	(12,907)	130,733
	<u>1,479,685</u>	<u>1,403,468</u>	<u>1,393,745</u>	<u>(9,723)</u>	<u>1,622,588</u>
Federal sources					
Title programs	16,221	14,974	18,727	3,753	69,197
i3 SEED	583,431	623,273	607,545	(15,728)	453,238
IDEA Part B	929,533	929,533	930,193	660	1,008,333
Carl Perkins Vocational Ed	100,000	79,754	74,081	(5,673)	117,800
MSP SUMMIT	-	-	-	-	552,062
IDEA Preschool	30,586	30,586	30,586	-	30,586
	<u>1,659,771</u>	<u>1,678,120</u>	<u>1,661,132</u>	<u>(16,988)</u>	<u>2,231,216</u>
Total revenues	<u>3,240,235</u>	<u>3,187,367</u>	<u>3,178,678</u>	<u>(8,689)</u>	<u>3,987,440</u>
Expenditures					
Instruction					
Salaries	448,255	468,528	470,351	(1,823)	465,352
Benefits	165,051	167,047	165,769	1,278	172,847
PS - Professional	63,000	61,568	63,842	(2,274)	65,562
PS - Other	368,019	402,732	396,920	5,812	475,626
Other	5,000	-	-	-	8,492
	<u>1,049,325</u>	<u>1,099,875</u>	<u>1,096,882</u>	<u>2,993</u>	<u>1,187,879</u>

The accompanying notes are an integral part of this statement.

Northwest Colorado Board of Cooperative Educational Services
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 DESIGNATED PURPOSE GRANTS FUND - BUDGET AND ACTUAL

Year Ended June 30, 2018
 With Comparative Totals for the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	2017 Actual
Students					
Salaries	636,575	651,687	656,761	(5,074)	678,698
Benefits	218,729	223,969	219,627	4,342	225,798
PS - Professional	169,284	44,870	35,027	9,843	234,964
PS - Property	8,000	8,000	5,000	3,000	5,715
PS - Other	111,203	35,712	37,586	(1,874)	98,966
Supplies	18,350	18,100	20,811	(2,711)	54,604
Other	-	5,000	5,000	-	5,000
	1,162,141	987,338	979,812	7,526	1,303,745
Instructional staff					
Salaries	406,691	415,066	414,155	911	471,415
Benefits	128,382	130,182	124,821	5,361	145,217
PS - Other	287,776	355,169	353,491	1,678	586,959
Other	191,191	186,020	195,191	(9,171)	274,209
Supplies	19,717	22,297	22,906	(609)	48,429
	1,033,757	1,108,734	1,110,564	(1,830)	1,526,229
School administration					
Other	5,000	5,000	5,000	-	-
	5,000	5,000	5,000	-	-
Total expenditures	3,250,223	3,200,947	3,192,258	8,689	4,017,853
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(9,988)	(13,580)	(13,580)	-	(30,413)
Fund balance at beginning of year	-	-	13,580	13,580	43,993
Fund balance at end of year	\$ (9,988)	\$ (13,580)	\$ -	\$ 13,580	\$ 13,580

The accompanying notes are an integral part of this statement.

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Northwest Colorado Board of Cooperative Educational Services (BOCES) operates under Colorado Revised Statutes providing educational and educational support services for its six member school districts, as well as other surrounding districts in northwestern Colorado. The Board members are appointed by the Boards of the six member districts, with one from each school district Board, which consist of Steamboat Springs, Hayden, South Routt, East Grand, West Grand, and North Park School districts.

The accounting policies of the BOCES conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies consistently applied in the preparation of the financial statements:

1. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, the BOCES' management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards. Based upon the application of these criteria, no governmental organizations are includable with the BOCES' reporting entity.

2. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information of the BOCES as a whole. The reporting information includes all of the activities of the BOCES. These statements are used to distinguish between the governmental and business-type activities of the BOCES. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The BOCES does not have any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the BOCES' governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include fees and charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues that are not classified as program revenues are presented as general revenues. The effects of interfund activity have been eliminated from the government-wide financial statements.

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Financial Statements

The fund financial statements provide information about BOCES' funds. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds would be aggregated and reported as non-major funds. The BOCES presently does not treat any of its funds as non-major.

3. Fund Accounting

The BOCES reports the following major governmental funds:

General Fund – This fund is the general operating fund of the BOCES and is used to account for all financial transactions not accounted for elsewhere. Major revenue sources include member assessments and limited grant funding.

Special Revenue Fund – Designated Purpose Grants Fund – This fund accounts for the majority of the grant activity of the BOCES.

4. Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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. Non-exchange transactions in which the BOCES gives (or receives) value without directly receiving (or giving) equal value in exchange, includes grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The BOCES considers all revenues reported in the governmental funds to be available if they can be used to satisfy current obligations as of year-end. These revenues could include federal, state, and local grants, and some charges for services. Grants are only recognized to the extent allowable expenditures have been incurred. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Under the terms of grant agreements, the BOCES funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted fund balance available to finance the programs. It is the BOCES' policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

5. Budgets and Budgetary Accounting

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

- Budgets are required by state law for all funds. By May 31, the Executive Director submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year end.
- Prior to June 30, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level.
- Revisions that alter the total expenditures of any fund must be approved by the Board.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted or amended by the Board. Although both an original budget and final budget are presented for both funds, the final budget is not the result of a supplemental appropriation, but is the result of a budget re-adoption as allowed by State statutes.

6. Assets, Liabilities and Fund Equity

Cash - The BOCES pools cash resources of its various funds in order to facilitate the management of cash. Cash is pooled in interest bearing accounts, which are comprised of savings accounts and money market accounts that are legally authorized. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

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

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets – Capital assets used in governmental activities operations are shown on the government-wide financial statements. These assets are not shown in the governmental funds and are therefore listed as a reconciling item between the two presentations. Property and equipment acquired or constructed for governmental fund operations are recorded as expenditures in the fund making the expenditure and capitalized at cost in the government-wide presentation. No depreciation has been provided on capital assets in the governmental funds.

Property and equipment is stated at cost. Where cost could not be determined from available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their estimated fair market value at the date of transfer.

Depreciation has been provided over the estimated useful lives of the asset in the government-wide presentation. Depreciation is calculated using the straight-line method over the following useful lives:

Vehicles	3 years
Other Equipment	5 years

Unearned Revenues – The unearned revenues include governmental grants and other donations which have not yet been earned as service has not been provided or the terms have not been met.

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

Operating Reserve – Maintaining a fiscal year-end fund balance as an operating reserve in the general fund is a beneficial and sound financial management practice. The Board assigns to the executive director the responsibility of accumulating and maintaining a general fund balance amounting to two months of the BOCES' current fiscal year expenditures for all funds, excluding flow-through and grants with a limited time frame, per the adopted budget, as an operating reserve. This does not include fund balance assigned for vehicle replacement or other purposes than working capital.

The operating reserve is intended to serve as a "rainy day" fund and will be used only for an unexpected loss of revenue or extraordinary expenditure. Expenditures from this reserve shall be reported to the Board. If any part of the operating reserve defined above is used in any fiscal year to cover an unexpected loss of revenue or an extraordinary expenditure, funds will be reallocated to restore the year-end fund balance in the operating reserve before any other budget allocations in the subsequent fiscal year, unless the Board approves otherwise. The Board appropriates this reserve to meet cash flow requirements.

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Compensated Absences

Vacation, Sick Leave, and Other Compensated Absences – Certain BOCES’ employees are entitled to vacation based on their length of employment. Unused vacation at June 30 may be used by December 31. These compensated absences are recognized as current salary costs when paid by governmental funds. A long-term liability has been recorded in the government-wide financial statements for the accrued compensated absences. Compensated absences are expected to be liquidated with revenues of the General Fund. Unused vacation will be paid upon termination. No payment is made for unused sick leave upon termination; therefore no liability has been recorded.

8. Use of Estimates

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

9. Interfund Balances

Due To and Due from Other Funds. During the course of its operations, the BOCES has transactions between funds to provide cash flow until receivables are received. 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.

10. Pensions

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

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*.

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

11. Adoption of GASB 75

For the year ended June 30, 2018, the BOCES 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*.

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

BOCES 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 – CASH AND INVESTMENTS

Deposits

The BOCES’ deposit policy is in accordance with CRS 11-10.5-101, The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution’s internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At June 30, 2018, all of the BOCES’ deposits as shown below were either insured by federal depository insurance or collateralized under PDPA; and, are therefore not deemed to be exposed to custodial credit risk.

	<u>Bank Balance</u>	<u>Carrying Balance</u>
FDIC Insured	\$ 250,000	\$ 250,000
PDPA Collateralized	<u>311,023</u>	<u>263,268</u>
Total Cash and Investments	<u>\$ 561,023</u>	<u>\$ 513,268</u>

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE B – CASH AND INVESTMENTS – CONTINUED

Investments

Credit Risk

Colorado statutes specify in which instruments units of local government may invest, which include:

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

The BOCES' investment policy limits its investments to those allowed by Colorado Revised Statute 24-75-601.1 as described above.

Concentration of Credit Risk

The BOCES places no limit on the amount that may be invested in any one issuer.

Interest Rate Risk

Colorado Statutes require that no investment may have a maturity in excess of five years from the date of purchase unless authorized by the local board. The BOCES does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, other than those contained in state statutes.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the BOCES will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2018, the BOCES did not have any investments requiring safekeeping.

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE C – CAPITAL ASSETS

Activity for the BOCES' capital assets is summarized below:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
Governmental Activities:				
Capital assets being depreciated				
Vehicles	\$ 83,743	\$ –	\$ 22,854	\$ 60,889
Equipment	<u>17,081</u>	<u>–</u>	<u>–</u>	<u>17,081</u>
Total capital assets	100,824	–	22,854	77,970
Accumulated depreciation				
Vehicles	42,698	20,295	22,854	40,139
Equipment	<u>15,117</u>	<u>1,307</u>	<u>–</u>	<u>16,424</u>
Total accumulated depreciation	<u>57,815</u>	<u>21,602</u>	<u>22,854</u>	<u>56,563</u>
Capital assets, net	<u>\$ 43,009</u>	<u>\$ 21,602</u>	<u>\$ –</u>	<u>\$ 21,407</u>
Depreciation charged to Supporting Services	<u>\$ 21,602</u>			

The BOCES' policy is to capitalize and inventory annually all capital assets with a unit value of or greater than \$5,000 and an estimated useful life of greater than one year.

NOTE D – ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from September to August, but are earned during a school year of approximately nine to ten months. The accrued compensation is reflected as a liability in the financial statements of the appropriate funds. The salaries and benefits earned, but unpaid, as of June 30, 2018, were allocated as follows:

ECEA	\$ 94,691
IDEA Part B	134,589
IDEA Preschool	6,711
Gifted	<u>3,703</u>
Total Grants Funds	<u>\$ 239,694</u>

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE E – NONCURRENT OBLIGATIONS

The BOCES noncurrent obligations consist of the following:

	Balance <u>June 30, 2017</u>	Net Change	Balance <u>June 30, 2018</u>
Net OPEB obligation	\$ –	\$ 301,070	\$ 301,070
Net pension liability	12,598,337	585,803	13,184,140
Accrued compensated absences	<u>4,810</u>	<u>2,009</u>	<u>6,819</u>
	<u>\$ 12,603,147</u>	<u>\$ 888,882</u>	<u>\$ 13,492,029</u>

NOTE F – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

Benefits provided 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.

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:

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

- 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.

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 BOCES 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:

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

	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 BOCES is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the BOCES were \$348,295 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 BOCES reported a liability of \$13,184,140 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.

The BOCES proportion of the net pension liability was based on the BOCES 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 BOCES proportion was .040772 percent, which was a decrease of .00154 from its proportion measured as of December 31, 2016.

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

For the year ended June 30, 2018, the BOCES recognized pension expense of \$2,605,222. At June 30, 2018, the BOCES reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$242,401	\$–
Changes of assumptions or other inputs	3,366,401	21,362
Net difference between projected and actual earnings on pension plan investments	–	517,754
Changes in proportion and differences between contributions recognized and proportionate share of contributions	38,244	446,823
Contributions subsequent to the measurement date	175,643	N/A
Total	\$3,822,689	\$985,939

\$175,643 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:

Year ended June 30, 2018:	
2019	\$ 1,864,264
2020	1,015,800
2021	(24,177)
2022	(194,780)
2023	–
Thereafter	–

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

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.
-
- **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.

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

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:

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%.

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

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.
- 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.

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

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 BOCES proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 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	\$16,653,812	\$13,184,140	\$10,356,754

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.

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

- 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 BOCES reported a liability of \$13,184,140 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 BOCES 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.

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%	\$ 5,956,480

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 \$6,154,439 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

General Information about the OPEB Plan

Plan description. Eligible employees of the BOCES 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.

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.

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

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.

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 BOCES is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the BOCES were \$18,942 for the year ended June 30, 2018.

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

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

At June 30, 2018, the BOCES reported a liability of \$301,070 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 BOCES proportion of the net OPEB liability was based on BOCES 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 BOCES proportion was .02317 percent, which was a decrease of .0009 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the BOCES recognized OPEB expense of \$21,477. At June 30, 2018, the BOCES reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$1,424	\$–
Net difference between projected and actual earnings on OPEB plan investments	–	5,037
Changes in proportion and differences between contributions recognized and proportionate share of contributions	–	9,591
Contributions subsequent to the measurement date	9,365	N/A
Total	\$10,789	\$14,628

\$9,365 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:

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

Year ended June 30, 2018:	
2019	\$(2,863)
2020	(2,863)
2021	(2,863)
2022	(2,863)
2023	(1,604)
Thereafter	(148)

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:

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.

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

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:

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.

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

- **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.
- **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.

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

- 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.

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%	

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

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

Sensitivity of the BOCES 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	\$292,787	\$301,070	\$311,047

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.

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

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.

Sensitivity of the BOCES 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	\$338,497	\$301,070	\$269,125

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 – DEFINED CONTRIBUTION PENSION PLAN

Voluntary Investment Program

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

Funding policy. The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their contributions and investment earnings. The BOCES did not make any contributions to the 401(k) Plan for the year ended June 30, 2018.

Northwest Colorado Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE I – COMMITMENTS AND CONTINGENCIES

Claim and Judgments – The BOCES participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the BOCES may be required to reimburse the grantor government. As of June 30, 2018, significant amounts of grant expenditures have not been audited but the BOCES believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the BOCES.

Tabor Amendment – In November 1992, Colorado voters passed the Tabor Amendment (Amendment 1) to the State Constitution which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded unless the BOCES' member districts decide to retain the revenue. The BOCES believes it is exempt from the Tabor Amendment because it receives no direct taxes and is a joint venture of district members.

NOTE J – RISK MANAGEMENT

The BOCES is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The BOCES carries commercial coverage for these risks.

Settled claims resulting from these risks have not exceeded BOCES' coverage in any of the past three years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

NOTE K – CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2017, the BOCES 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 BOCES 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 \$(302,373), from (\$7,497,520) to (\$7,799,893).

NOTE L – BUDGET VIOLATIONS

There are no instances where the BOCES' expenditures exceeded appropriations for the year ended June 30, 2018.

Northwest Colorado 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	0.044772%	\$ 6,068,055	\$ 1,875,609	324%	63%
December 31, 2015	0.046376%	7,092,952	2,021,075	351%	59%
December 31, 2016	0.042313%	12,598,337	1,876,604	671%	43%
December 31, 2017	0.040772%	13,184,140	1,866,404	706%	44%

Northwest Colorado 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	\$ 332,589	\$ 332,589	\$ -	\$ 1,968,051	16.90%
June 30, 2016	341,991	341,991	-	1,930,215	17.72%
June 30, 2017	343,403	343,403	-	1,868,537	18.38%
June 30, 2018	348,295	348,295	-	1,857,047	18.76%

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.

Northwestern CO 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	0.02317%	\$ 301,070	\$ 1,866,404	16%	18%

Northwestern CO 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	\$ 18,942	\$ 18,942	\$ -	\$ 1,857,047	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.

Northwest Colorado Board of Cooperative Educational Services

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BY PROGRAM
DESIGNATED PURPOSE GRANTS FUND

Year ended June 30, 2018

	ECEA	Gifted and Talented	Day Treatment	IDEA Part B	Carl Perkins	Preschool	Implement State Ed Priorities	Title Funds	Literacy	Routt CEO	i3 SEED	Total
Revenues												
Local sources	\$ 20,080	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,137	\$ 52,584	\$ 123,801
State sources	1,102,213	113,615	-	-	-	-	177,917	-	-	-	-	1,393,745
Federal sources	-	-	-	929,533	74,081	30,586	-	18,727	660	-	607,545	1,661,132
Total revenues	1,122,293	113,615	-	929,533	74,081	30,586	177,917	18,727	660	51,137	660,129	3,178,678
Expenditures												
Current												
Instruction	620,056	113,615	-	212,407	74,081	30,586	-	-	-	46,137	-	1,096,882
Support services												
Students	293,594	-	5,000	661,831	-	-	-	18,727	660	-	-	979,812
Instructional staff	208,643	-	8,580	55,295	-	-	177,917	-	-	-	660,129	1,110,564
School administration	-	-	-	-	-	-	-	-	-	5,000	-	5,000
Total expenditures	1,122,293	113,615	13,580	929,533	74,081	30,586	177,917	18,727	660	51,137	660,129	3,192,258
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES												
	-	-	(13,580)	-	-	-	-	-	-	-	-	(13,580)
Beginning fund balance	-	-	13,580	-	-	-	-	-	-	-	-	13,580
Ending fund balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Northwest Colorado Board of Cooperative Educational Services

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2018

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Number</u>	<u>2018 Amount of Award Expended</u>
U.S. Department of Education			
Direct			
Investing in Innovation (i3) Fund	84.411	5411	\$ 607,545
Passed Through Colorado Community College System			
Career and Technical Education – Basic Grants to States	84.048	4048	74,081
Passed Through Colorado Department of Education			
Special Education – Grants to States	84.027	4027/5027	930,193
Special Education – Preschool Grants	84.173	4173	30,586
English Language Acquisition State Grants	84.365	4365	<u>18,727</u>
			<u>979,506</u>
Total U.S. Department of Education			<u>1,661,132</u>
Total federal expenditures			<u>\$ 1,661,132</u>
Special Education Cluster			\$ 960,779
84.027 Special Education – Grants to States			
84.173 Special Education – Preschool Grants			

The accompanying notes are an integral part of this schedule.

Northwest Colorado Board of Cooperative Educational Services

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2018

NOTE A – GENERAL

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Northwest Colorado Board of Cooperative Educational Services. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

The disclosure relating to subgranting does not apply to the BOCES.

NOTE B – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting.

NOTE C – INDIRECT COST RATE

The BOCES did not elect to use the 10 percent de minimis indirect cost rate.



**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

September 24, 2018

To the Board of Directors
Northwest Colorado Board of Cooperative Educational Services
Steamboat Springs, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Northwest Colorado Board of Cooperative Educational Services (BOCES) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements, and have issued our report thereon dated September 24, 2018.

Internal Control Over Financial Reporting

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

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

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



Board of Directors
Northwest Colorado Board of Cooperative Educational Services
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the BOCES' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the BOCES' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BOCES' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



**Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control over Compliance Required by the Uniform Guidance**

September 24, 2018

To the Board of Directors
Northwest Colorado Board of Cooperative Educational Services
Steamboat Springs, Colorado

Report on Compliance for Each Major Federal Program

We have audited Northwest Colorado Board of Cooperative Educational Services' (BOCES) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the BOCES' major federal programs for the year ended June 30, 2018. The BOCES' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the BOCES' compliance.



Board of Directors
Northwest Colorado Board of Cooperative Educational Services
Page Two

Opinion on Each Major Federal Program

In our opinion, the Northwest Colorado Board of Cooperative Educational Services complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

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

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

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

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

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

Northwest Colorado Board of Cooperative Educational Services

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unmodified Opinion

Internal control over financial reporting:

Material weakness(es) identified? _____ yes ✓ no

Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes ✓ none reported

Noncompliance material to financial statements noted? _____ yes ✓ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes ✓ no

Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes ✓ none reported

Type of auditor's report issued on compliance for major programs:

Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? _____ yes ✓ no

Identification of major programs:

CFDA
Number(s)

Name of Federal Program or Cluster

84.027/84.173

Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee? _____ ✓ yes _____ no

Northwest Colorado Board of Cooperative Educational Services

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2018

SECTION II – FINDINGS UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

There are no findings required to be reported under Generally Accepted Government Auditing Standards.

SECTION III – FINDINGS AND QUESTIONED COSTS UNDER THE UNIFORM GUIDANCE

There are no findings or questioned costs required to be reported under the Uniform Guidance.

Northwest Colorado Board of Cooperative Educational Services

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2018

Findings for the year ended June 30, 2017.

There were no findings or questioned costs reported for the year ended June 30, 2017.



Colorado Department of Education
Auditors Integrity Report
 District: 9095 - NORTHWEST COLO BOCES
 Fiscal Year 2017-18
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental				
10 General Fund	541,165	410,902	402,478	549,589
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	541,165	410,902	402,478	549,589
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	13,580	3,178,678	3,192,258	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	554,745	3,589,580	3,594,736	549,589
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34 Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	0	0	0	0
FINAL				

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