

**RIO BLANCO BOARD OF
COOPERATIVE EDUCATIONAL SERVICES
RANGELY, COLORADO**

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
June 30, 2018

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of Total Governmental Fund Balances to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	13
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Government Funds to the Statement of Activities	14
Notes to the Basic Financial Statements	15-41
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	42
Schedule of the BOCES' Proportionate Share of the Net Pension Liability	43
Schedule of the BOCES' Pension Contributions	44
Schedule of the BOCES' Proportionate Share of Net OPEB Liability	45
Schedule of the BOCES' Colorado PERA Health Care Trust Fund Contributions	46
Other Supplemental Information:	
Supplemental Schedule of Revenues and Other Financing Sources – Budget and Actual – General Fund	47
Supplemental Schedule of Expenditures and Other Financing Uses – Budget and Actual – General Fund	48
Colorado Department of Education Requirements:	
Electronic Financial Data Integrity Check Figures & Bolded Balance Sheet Report	49-52

Board of Directors
Rio Blanco Board of Cooperative Educational Services
Rangely, Colorado

INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of a Matter

The District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions*. As a result of the implementation of GASB Statement No. 75 as described in Note 13 of the financial statements, the District reported a restatement for the change in accounting principle. Our opinions are not modified with respect to the restatement.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, and the pension disclosure information, listed as "required supplementary information" in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rio Blanco Board of Cooperative Educational Services' basic financial statements. The schedules listed as "other supplemental information" in the table of contents are for purposes of additional analysis and are not a required part of the basic financial statements. The electronic financial data integrity check figures, bolded balance sheet report and related reconciliations are presented for purposes of additional analysis as required by the Colorado Department of Education, and are also not required part of the basic financial statements. This information is the responsibility of management and is 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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplemental Information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



MAGGARD & HOOD, P.C.
Glenwood Springs, Colorado
December 5, 2018

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Fiscal Year Ended June 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Rio Blanco Board of Cooperative Educational Services (BOCES) is incorporated under applicable Colorado Laws to provide programs and services assigned by its Board of Directors. Colorado's Boards of Cooperative Educational Services were established by the "Boards of Cooperative Services Act of 1965" as regional educational service units designed to provide supporting, instructional, administrative, facility, community, or any other services contracted by participating members. The Rio Blanco BOCES was established in 1976 and provides services to all schools in Rio Blanco County, Colorado, which include two public school districts, one centered in Meeker (RE-1) and one centered in Rangely (RE-4).

The discussion and analysis of the BOCES financial performance provides an overall review of its' financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the financial performance as a whole and should be read in conjunction with the basic financial statements and notes to enhance the reader's understanding of the overall financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2018 are as follows:

- The BOCES has implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in the current year which required a restatement of prior period Net Assets for the change in accounting principle. Similar to GASB Statement No. 68 which requires the reporting of the District's proportionate share of the total PERA net pension liability in its government-wide financial statements, GASB Statement No. 75 requires the reporting of its proportionate share of the total PERA Health Care Trust Fund (HCTF) net Other Post-Employment Benefits (OPEB) in its government-wide financial statements. As of June 30, 2018, the BOCES share of the PERA net pension liability is approximately \$10.16 million and the BOCES share of the PERA HCTF net OPEB liability is \$232 thousand.
- The BOCES overall net position is negative with governmental liabilities and deferred inflows of resources exceeding assets and deferred outflows of resources by \$7.6 million as a result of the application of GASB Statements No. 68 and No. 75 which are discussed in more detail on page 8 and in the notes to the financial statements. Fund level financial statements are not impacted by GASB 68 and GASB 75 reporting.
- The BOCES net position of governmental activities decreased by \$1.86 million, primarily due to the impacts of GASB Statements No. 68 and No. 75, which is a contrast to its changes in fund balance on a governmental fund basis which was a net change of \$0. A reconciliation of the differences between changes in governmental fund balances and changes in net position is found on page 14 and a discussion of the differences between the two accounting methodologies is discussed below.

USING THE BASIC FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Rio Blanco Board of Cooperative Educational Services as a financial whole, or as an entire operating activity.

The statement of net position and statement of activities provide information about the activities as a whole, presenting both an aggregate view of the Cooperative's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also report the Cooperative's operations in more detail than the government-wide statements by providing information about the most significant funds. For the Rio Blanco Board of Cooperative Educational Services, the General Fund is the most significant fund. The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2018

REPORTING ON THE COOPERATIVE AS A WHOLE

Statement of Net Position and Statement of Activities

While this report contains all funds used to provide programs and activities, the view of the Cooperative as a whole looks at all financial transactions and asks the question, "How did we do financially during the current fiscal year?" The statement of net position and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. The basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

The focus of the government-wide financial statements is on the overall financial position. These statements are constructed around the concept of a primary government, the Cooperative. The two statements report the Cooperative's net position and changes in therein. This change in net position is important because it identifies whether the financial position has improved or diminished. The cause of this change may be the result of many factors, some financial, some not. Non-financial factors include facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the Cooperative's operations are considered governmental activities:

Governmental Activities – Governmental activities are generally financed through taxes, intergovernmental revenues and other non-exchange revenues. Most of the Cooperative's programs and services are reported here including instruction, support services, operation and maintenance, and extracurricular activities.

FUND FINANCIAL STATEMENTS

Fund financial reports provide detailed information about the Cooperative's major funds. The Cooperative uses one major governmental fund, the General Fund, to account for all financial transactions. Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the Cooperative rather than the Cooperative as a whole.

The governmental fund focuses on how monies flow into and out of the fund and the balances left at fiscal year-end for spending in future periods. Governmental 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 Cooperative's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship, or differences, between governmental activities reported in the statement of net position and the statement of activities and the governmental funds is reconciled in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

SUPPLEMENTAL INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents supplemental information required by U.S. generally accepted accounting principles, as well as other supplemental information to assist the reader in a full understanding of the financial statements and additional schedules required by the Colorado Department of Education and Federal Funding agencies.

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2018

THE COOPERATIVE AS A WHOLE

The perspective of the statement of net position is of BOCES as a whole. Following is a summary of the net position for the current compared to the prior fiscal year:

	Governmental Activities	
	2018	(Restated) 2017
<u>ASSETS:</u>		
Current and Other Assets	\$ 573,822	\$ 634,989
Capital Assets, Net	25,540	-
TOTAL ASSETS	599,362	634,989
 <u>DEFERRED OUTFLOWS OF RESOURCES:</u>		
Related to Pensions	3,080,236	3,747,834
Related to OPEBs	9,280	-
TOTAL DEFERRED OUTFLOWS	3,089,516	3,747,834
 <u>LIABILITIES:</u>		
Current & Other Liabilities	469,500	530,667
Net Pension Liability	10,169,065	9,329,531
Net OPEB Liability	232,219	223,484
TOTAL LIABILITIES	10,870,784	10,083,682
 <u>DEFERRED INFLOWS OF RESOURCES:</u>		
Pensions, Net of Accumulated Amortization	415,826	42,152
OPEB, Net of Accumulated Amortization	3,906	-
TOTAL DEFERRED INFLOWS	419,732	42,152
 <u>NET POSITION:</u>		
Invested in Capital Assets, Net of Related Debt	25,540	-
Restricted	-	-
Unrestricted	(7,627,178)	(5,743,011)
TOTAL NET POSITION	\$ (7,601,638)	\$ (5,743,011)

The Statement of Net Position includes BOCES' proportionate share of the unfunded liability in the Public Employees Retirement Association (PERA) future retiree pension and PERA Health Care Trust Fund (OPEB). The overall net position also reflects BOCES investment in capital assets (i.e., its' equipment which currently has no outstanding debt) that is used to provide services and, therefore, represents assets that are not available for future spending. The negative unrestricted net position balance merely represents that there are *long-term* obligations, including pensions, in excess of *currently* available resources.

See further discussion of the BOCES as a whole on the following pages.

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2018

THE COOPERATIVE AS A WHOLE – CONTINUED

The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The Cooperative's services are primarily financed by Federal, State and local operating grants and contributions. The following detail reflects the total cost of services supported by program revenues and general revenues, resulting in the overall change in net position for the current fiscal year.

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>(Restated) 2017</u>
<u>REVENUES</u>		
Program Revenues:		
Grants & Contributions	\$ 2,620,145	\$ 2,612,892
General Revenues:		
Investment Income	1	12
Other Revenues	3,713	2,559
Total General Revenues	<u>3,714</u>	<u>2,571</u>
TOTAL REVENUES	<u>2,623,859</u>	<u>2,615,463</u>
<u>EXPENSES</u>		
Instruction	1,687,464	1,689,669
Support Services:		
Student Based	347,033	214,051
Instructional Staff	234,846	334,915
General Administration	76,181	134,922
Business Services	222,371	217,898
Central Support Services	30,424	24,007
Assessment Refund	-	-
Unallocated PERA Actuarial Adjustment	1,880,806	1,498,493
Unallocated OPEB Actuarial Adjustment	<u>3,361</u>	<u>223,484</u>
TOTAL EXPENSES	<u>4,482,486</u>	<u>4,337,439</u>
INCREASE (DECREASE) IN NET POSITION	<u>\$ (1,858,627)</u>	<u>\$ (1,721,976)</u>

The majority of the Cooperative's funding comes from State and Federal Grants. For the fiscal year 2018, the net position of the Cooperative's governmental activities decreased by approximately \$1.86 million, attributable to BOCES' proportionate share of the current year State PERA & OPEB Actuarial Adjustments.

Net Cost of Providing Services

As indicated above, the statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The following table summarizes the information from the statement of activities, reflecting the total cost of program services and the remaining net cost of program services supported by general revenues:

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Instruction	\$ 1,687,464	\$ 1,689,669	\$ (30,204)	\$ 5,269
Support Services:				
Student Based	347,033	214,051	6,228	(109,477)
Instructional Staff	234,846	334,915	(16,100)	92,999
General Administration	76,181	134,922	14,264	4,504
Business Services	222,371	217,898	3,986	9,275
Central Support Services	30,424	24,007	-	-
Assessment Refund	-	-	-	-
Unallocated PERA Actuarial Adjustment	1,880,806	1,498,493	1,880,806	1,498,493
Unallocated OPEB Actuarial Adjustment	<u>3,361</u>	<u>223,484</u>	<u>3,361</u>	<u>223,484</u>
Total	<u>\$ 4,482,486</u>	<u>\$ 4,337,439</u>	<u>\$ 1,862,341</u>	<u>\$ 1,724,547</u>

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2018

THE COOPERATIVE'S GENERAL FUND

The Cooperative uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds are accounted for using the modified accrual basis of accounting. The Cooperative's single governmental fund, the general fund, had current year revenues and other financing sources of \$2,623,859 and an equivalent amount of current year expenditures and other financing uses of \$2,623,859. The remaining fund balance of \$104,322 is the amount available for future spending.

GENERAL FUND BUDGETING HIGHLIGHTS

The Cooperative's procedures in establishing the budgetary data reflected in the financial statements is summarized in *Note 1(E)* of the financial statements. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). The Cooperative uses a line-item based budget which is designed to control expenditures, but provide flexibility for overall budgetary management. Schedules showing the budget amounts compared with amounts actually paid or received are provided in the supplemental information of the financial statements.

For the General Fund, actual revenues and other financing sources of \$2,623,859 were below final budgetary expectations of \$2,759,781 by \$135,922.

The General Fund's corresponding actual expenditures and other financing uses of \$2,623,859 were \$135,922 less than the final appropriated balance of \$2,759,781.

The Board of Directors and Cooperative management continue to strive to budget appropriate amounts for each individual line item. It is not anticipated that this year's budgetary variances will have a significant impact on future services or liquidity. The overall savings are indicative of the efforts to provide services in the most economical manner. This year's savings will have a positive impact on future year's fund balances.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2018, the Cooperative had \$25,540 invested in capital assets. Additional information on capital assets can be found in Note 3 of the financial statements. The following reflects balances of the current compared to the prior fiscal year:

	Governmental Activities	
	2018	2017
<i>Net of Depreciation:</i>		
Transportation Equipment	\$ 25,540	\$ -
	\$ 25,540	\$ -

Debt

As of June 30, 2018 the Cooperative had no outstanding debt. Other long-term obligations consist of the Cooperative's proportionate share of the Net Pension Liability and Net OPEB Liability (see further discussion in the accompanying notes to the financial statements).

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended June 30, 2018

CURRENT ISSUES, ECONOMIC CONDITION AND OUTLOOK

Financial support of the Cooperative is derived from local, state and federal educational sources. The board sets an annual budget that designates expenditures for all instructional and support areas needed for the agency. Federal and state funding is applied to the costs with the balance coming from the local districts based upon the services received by that district. The director of special education, with input from the district administrators, determines the instructional and support staff needed to implement the special education programs within their service area. The districts then contribute amounts for needed services from the administrative unit on an actual cost basis. Historically, the Cooperative has been successful in meeting the special education needs of the two member districts. Changes in the number of severe needs students is a factor that will affect the need for additional resources and may require future budget constraints.

PERA – NET PENSION AND OPEB LIABILITIES

According to Colorado PERA, the overall statewide collective net pension liability for the PERA School Division Trust Fund is \$32.3 billion, an increase of approximately \$2.5 billion from the prior year. This and the effect of other actuarial changes (primarily the net difference between actual and projected pension investment earnings), have increased the District's proportionate share of the collective net pension liability. In addition, the new reporting requirements of GASB Statement No. 75 reflect an increase to the Cooperative's proportionate share of the collective net OPEB liability whereas the overall statewide collective PERA Health Care Trust Fund net OPEB liability increased from \$1.29 billion to \$1.3 billion.

As indicated in Note 14 of the financial statements, during the 2018 legislative session, the Colorado General Assembly passed significant pension reform with the goal of eliminating the unfunded actuarial accrued liability and reaching a 100 percent funded ratio within the next 30 years.

It is important to note that the requirements for the reporting of the proportionate share of the net pension and net OPEB liabilities do not necessarily reflect the financial condition of a governmental entity because the liabilities cannot be made immediately due and payable. Furthermore, the Cooperative has no legal obligation to fund PERA's unfunded accrued actuarial liability nor does the Cooperative have any ability to affect funding, benefits or annual required contribution decisions made by PERA in administering the defined pension plan. It is also important to note that the reporting requirements have no impact on the Cooperative's fund level financial statements which are used for internal and budgetary use; rather, the change only effects the Cooperative's government-wide financial statement reporting (a long-term perspective) in the year-end audited financial statements.

See the accompanying financial statement notes for the full disclosures related to PERA and OPEB.

CONTACTING THE COOPERATIVE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our residents, customers, taxpayers, investors, and creditors with a general overview of the Cooperative's finances and to show the Cooperative's accountability for the money it receives. If you have any questions regarding this report or need additional information, please contact the:

Rio Blanco Board of Cooperative Educational Services
Attn: Business Office
402 W. Main Street
Rangely, Colorado 81648
Tel: (970) 675-2064
Fax: (970) 675-5023

GOVERNMENT-WIDE FINANCIAL STATEMENTS

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

STATEMENT OF NET POSITION

June 30, 2018

	<u>Governmental Activities</u>
ASSETS:	
Cash and Cash Equivalents	\$ 324,569
Receivables:	
Intergovernmental Grants	247,538
Other Receivables	<u>1,715</u>
TOTAL ASSETS	<u>573,822</u>
CAPITAL ASSETS:	
Capital Assets, Net of Depreciation	<u>25,540</u>
TOTAL CAPITAL ASSETS	<u>25,540</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Outflows Related to Pensions	3,080,236
Deferred Outflows Related to OPEBs	<u>9,280</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>3,089,516</u>
LIABILITIES:	
Accounts Payable	15,274
Accrued Salaries and Benefits	244,015
Unearned Revenues	210,211
Noncurrent Liabilities –	
Net Pension Liability	10,169,065
Net OPEB Liability	<u>232,219</u>
TOTAL LIABILITIES	<u>10,870,784</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred Inflows Related to Pensions	415,826
Deferred Inflows Related to OPEBs	<u>3,906</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>419,732</u>
NET POSITION:	
Invested in Capital Assets, Net of Related Debt	25,540
Unrestricted	<u>(7,627,178)</u>
TOTAL NET POSITION	<u><u>\$ (7,601,638)</u></u>

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

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2018

	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>
		<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
GOVERNMENTAL ACTIVITIES:				
Instruction	\$ 1,687,464	\$ 1,717,668	\$ -	\$ 30,204
General Support Services:				
Student Based	347,033	340,805	-	(6,228)
Instructional Staff	234,846	219,020	31,926	16,100
General Administration	76,181	61,917	-	(14,264)
Business Support Services	222,371	218,385	-	(3,986)
Central Support Services	30,424	30,424	-	-
Unallocated PERA Actuarial Adjustment	1,880,806	-	-	(1,880,806)
Unallocated OPEB Actuarial Adjustment	<u>3,361</u>	<u>-</u>	<u>-</u>	<u>(3,361)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 4,482,486</u>	<u>\$ 2,588,219</u>	<u>\$ 31,926</u>	<u>(1,862,341)</u>
		GENERAL REVENUES:		
				3,713
				<u>1</u>
				<u>3,714</u>
				(1,858,627)
				<u>(5,743,011)</u>
				<u>\$ (7,601,638)</u>

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

FUND FINANCIAL STATEMENTS

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	<u>General Fund</u>
ASSETS:	
Cash and Cash Equivalents	\$ 324,569
Receivables:	
Intergovernmental Grants	247,538
Other Receivables	<u>1,715</u>
TOTAL ASSETS	<u><u>\$ 573,822</u></u>
LIABILITIES AND FUND EQUITY:	
Liabilities:	
Accounts Payable	\$ 15,274
Accrued Salaries and Benefits	244,015
Unearned Revenues	<u>210,211</u>
Total Liabilities	<u>469,500</u>
Fund Equity:	
Unassigned	<u>104,322</u>
Total Fund Equity	<u>104,322</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 573,822</u></u>

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

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
June 30, 2018

TOTAL GOVERNMENTAL FUND BALANCES \$ 104,322

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

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Governmental Capital Assets	\$ 31,925	
Less Accumulated Depreciation	<u>(6,385)</u>	25,540

Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds:

Net Pension Liability	\$ (10,169,065)	
Net OPEB Liability	(232,219)	
Deferred Outflows of Resources	3,089,516	
Deferred Inflows of Resources	<u>(419,732)</u>	<u>(7,731,500)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (7,601,638)

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

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2018

	<u>General Fund</u>
REVENUES:	
Local Sources	\$ 1,581,045
State Sources	596,828
Federal Sources	445,986
Interest Earned	<u>-</u>
TOTAL REVENUES	<u>2,623,859</u>
EXPENDITURES:	
Instruction	1,687,464
Supporting Services:	
Student Based	347,033
Instructional Staff	260,386
General Administration	76,181
Business Support Services	222,371
Central Support Services	<u>30,424</u>
TOTAL EXPENDITURES	<u>2,623,859</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-
FUND BALANCE - BEGINNING OF YEAR	<u>104,322</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 104,322</u></u>

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

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS \$ -

Amounts reported for governmental activities on the Statement of Activities are different because of the following:

Governmental Funds report capital outlays as expenditures; however, on the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense.

Current Period Capital Outlay	\$	31,925	
Current Period Depreciation		<u>(6,385)</u>	25,540

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in Net Pension Liability	\$	(839,534)	
Change in Net OPEB Liability		(8,735)	
Change in Deferred Outflows		(658,318)	
Change in Deferred Inflows		<u>(377,580)</u>	<u>(1,884,167)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (1,858,627)

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

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Rio Blanco Board of Cooperative Educational Services (BOCES) are prepared in accordance with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Cooperative is discussed below.

A. Financial Reporting Entity

The Rio Blanco Board of Cooperative Educational Services is organized under the laws of the State of Colorado and is governed by a twelve member Board of Directors comprised of school board members from each participating district who are empowered to direct, and are responsible to the electorate for, the services and programs provided. Policy is in place adjusting voting percentages of the Board to ensure equal representation of each district. Administrative control is given to the executive director of the BOCES who is responsible to the Board, and superintendents of the participating districts participate as ex-officio members with no voting privileges. All special education staff working in the districts are BOCES employees and under the direct supervision of the executive director. In all non-special education matters BOCES staff are subject to the building principal and district superintendent as per the regulations and policies of each participating district. The BOCES has on file with the Colorado Department of Education a variance to CRS 3.01(1)(a) regarding pupil membership and size, which is requested each year due to several factors (remote location, travel distance within county, local control issues, etc.) which prevent the unit from joining with other special education administrative units. The Board is solely responsible for the Cooperative's budget adoption process. BOCES meets the criteria of a primary government; its Board is the publicly elected governing body; it is a legally separate entity; and it is fiscally independent.

The Governmental Accounting Standards Board (GASB) has specified the criteria to be used in defining a governmental entity for financial reporting purposes. The reporting entity consists of (a) the primary government and (b) organizations for which the Cooperative is financially accountable. The Cooperative is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the Cooperative. Consideration is also given to other organizations that are fiscally dependent. Organizations for which the nature and significance of their relationship with the Cooperative are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity. Based on these criteria, the Cooperative's financial statements do not include any component units, nor do they exclude any potential component units requiring inclusion in the Cooperative's reporting entity. The Cooperative is not a component unit of any other governmental reporting entity. The Cooperative's financial statements include the accounts of all operations.

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

The Cooperative's basic financial statements consist of government-wide statements, including a statement of net position and statement of activities, and fund financial statements which provide a more detailed level of financial information.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the entity as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

FUND FINANCIAL STATEMENTS

Governmental Funds are those through which most governmental functions of are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between the governmental fund assets and liabilities is reported on the balance sheet as fund balance.

C. Fund Accounting

Governmental accounting systems are organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations based upon the purposes for which they are to be spent and by the means by which spending activities are controlled. The Cooperative has one major governmental fund, the General Fund:

General Fund – The General Fund is used to account for all financial resources, except those required to be accounted for in another fund, when applicable. The General Fund balance is available for any purpose provided it is expended or transferred according to general statutory laws.

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus and Basis of Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with operations are included on the statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Government-wide financial statements are prepared using the accrual basis of accounting.

FUND FINANCIAL STATEMENTS

Governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflect the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and governmental fund statements. Governmental funds use the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus)

BASIS OF ACCOUNTING

While the measurement focus identifies *which* transactions and events should be recorded on the financial statements, the basis of accounting determines *when* transactions and economic events are reflected in financial statements.

Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Under the modified accrual basis of accounting, revenues are recorded when they are both measurable and available (often referred to as *susceptible to accrual*). Revenues are measurable when they are subject to reasonable estimation, while the available criterion is satisfied when revenues are collectible during the period and the actual collection will occur either (a) during the current period or (b) after the end of the period but in time to pay fund liabilities. The Cooperative considers revenues to be available if they are expected to be collected within 60 days of the end of the year.

Non-exchange transactions, in which the Cooperative receives value without directly giving equal value in return, include grants, entitlements and donations. Grants, entitlements, and interest are recorded when they are susceptible to accrual. Expenditure-based grants are recorded as revenue when the conditions of the grants are satisfied. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources, except unmatured interest on general long-term debt is recorded when due, when applicable.

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgets and Budgetary Accounting

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

- Budgets are required by Colorado Budget Law for all funds. The BOCES legally adopted annual budgets for all of the Cooperative's funds.
- Prior to June 30, the budgets are adopted and appropriations made by formal resolution for the ensuing fiscal year commencing July 1. A public hearing on the proposed budget is held by the Board prior to adoption of the budget.
- Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all funds.
- Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the total budget of any fund. Budget amounts included in the financial statements are based on the final, legally amended budget.
- Appropriations lapse at the end of each year, and the Cooperative's Board may adopt supplemental appropriations during the year.
- Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation is utilized by the Cooperative for management purposes and internal budgetary control during the year, but is not used for financial reporting purposes. Encumbrances outstanding at year end are closed out and the fund balance is not reserved for any encumbrances outstanding.

F. Assets, Liabilities and Fund Equity/Net Position

- 1) Cash and Investments – The policy in determining which items are treated as cash equivalents include cash, demand deposits, treasury bills and other short-term, highly liquid investments that are readily convertible to cash and have original maturities of three months or less. Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost which approximates fair value. Securities traded on a national or international exchange are valued at the last quoted market price. Cash deposits are reported at carrying amounts which reasonably estimates fair value.

See additional required disclosures for cash and investments in *Note 2*.

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

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities and Fund Equity/Net Position - continued

3) Net Position and Fund Balances –

In the government-wide financial statements, net position is classified in the following categories:

Invested in Capital Assets, Net of Related Debt – this category groups all capital assets into one component. Accumulated depreciation and the outstanding debt balances that are attributable to (already invested in) the acquisition, construction or improvement of these assets reduce this category.

Restricted – assets are reported as *restricted* when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by various enabling legislation.

Unrestricted – represents the amount which is not restricted for any purpose. It is the policy to first apply restricted resources when an expense is incurred for which both restricted and unrestricted assets are available.

In the fund financial statements, fund balances of governmental funds are classified in the following categories:

Nonspendable – amounts that cannot be spent because they are either in non-spendable form such as inventory and prepaid expenses, or legally or contractually required to be maintained intact such as the corpus of permanently restricted funds to be retained in perpetuity. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale, when applicable.

Restricted – when constraints are placed on the use of resources either (a) externally imposed by creditors or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (the Board of Education). These amounts cannot be changed except by taking the same type of action employed to previously commit these amounts.

Assigned – amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the governing body itself, or a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

Unassigned – the residual for the general fund. It is the policy to first apply restricted resources when an expense is incurred for which both restricted and unrestricted assets are available.

At June 30, Net Position/Fund Balances were all Unrestricted/Unassigned.

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities and Fund Equity/Net Position - continued

- 4) Capital Assets – Capital assets purchased or acquired with an original cost in excess of the capitalization threshold of \$5,000 (set by the Board) are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives, when applicable:

Buildings & Improvements	25-50 years
Administrative Software Systems	20 years
Equipment	5 years

- 5) Accrued Liabilities and Long-term Obligations – All payables, accrued liabilities and long-term obligations are reported on the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Accrued Salaries and Benefits – Salaries of teachers and other contracted personnel are accrued as required by the Revised Financial Policies and Procedures Handbook. Teachers' salaries are typically paid over a twelve-month period but are earned over a period of approximately nine months. This results in an outstanding liability at the end of the fiscal year with the incremental change charged to expenditures. The accrued PERA and Medicare related to these salaries are shown as a current liability.

G. Deferred Outflows and Inflows of Resources

The statement of net position and fund balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources, when applicable. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as revenue in future periods.

H. Unearned Revenue

Unearned Revenues consist of revenue received before all eligibility requirements or allocable expenditures have been met or incurred.

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Pensions

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

J. Post-Employment Benefits Other Than Pensions (OPEB)

The BOCES participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple employer defined benefit OPEB plan administered by the Public Employees' Retirement Association of Colorado (PERA). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the HCTF administered by PERA and additions to/deductions from the HCTF's fiduciary net position have been determined on the same basis as they are reported by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value.

K. Fair Values of Financial Instruments

The BOCES has a number of financial instruments, including cash and equivalents, receivables, and accounts payable, none of which are held for trading purposes. The BOCES estimates that fair values of its financial instruments at year end do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet.

L. Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Board recognizes the importance of prudent and profitable investment of monies and its responsibility in overseeing the Cooperative's financial program. It is the policy to invest public funds in a manner which will ensure the safety of funds, ensure that adequate funds are available at all times to meet the financial obligations when due, ensure a market rate of return on the funds available for investment throughout the budget cycle, and ensure that all funds are deposited and invested in accordance with all federal, state and local statutes governing the investment of public funds. This policy applies to the investment of all financial assets of all funds of the Cooperative over which it exercises financial control.

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States and certain U.S. governmental agency securities, including securities issued by FNMA (federal national mortgage association), GNMA (governmental national mortgage association), FHLMC (federal home loan mortgage corporation), the federal farm credit bank, the federal land bank, the export-import bank, and by the Tennessee Valley authority, and certain international agency securities, including the World Bank.
- General obligation and revenue bonds of U.S. local government entities, the District of Columbia, and territorial possessions of the U.S. rated in the highest two rating categories by two or more nationally recognized rating agencies.
- Bankers' acceptances of certain banks
- Certain securities lending agreements
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed Investment contracts
- Local government investment pools
- The investing local government's own securities including certificates of participation and lease obligations.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. The eligible depository is required to pledge to the Colorado Division of Banking a pool of collateral having a market value that at all times exceeds 102 percent of uninsured aggregate public deposits. The eligible collateral is determined by the PDPA, which includes obligations of the United States, the State of Colorado, Local Colorado governments, and obligations secured by first lien mortgages on real property located in the state. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The State Regulatory Commission for banks and financial services is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. There is no custodial credit risk for public deposits collateralized under PDPA.

At June 30, 2018 there were bank balances of \$529,374 of which \$250,000 was covered by FDIC insurance and \$279,374 by PDPA as described above. The following is a summary of cash and cash equivalents as of June 30, 2018:

Checking and Savings	\$ 529,374
Less Outstanding Items	<u>(204,805)</u>
Total Cash and Cash Equivalents	<u>\$ 324,569</u>

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Risk Disclosures

Additional investment and deposit disclosures for credit risk, interest rate risk, and foreign currency risk, as required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, are included in the notes below.

To minimize custodial credit risk, or the risk that an insurer or other counterparty to an investment will not fulfill its obligations, state law limits investments to those where the issuer is rated in one of the three highest rating categories by one or more nationally recognized organizations that rate such issuers. The concentration of credit risk, or the risk of loss attributed to the magnitude of a government's investment in a single issuer, occurs when deposits are not diversified. The Cooperative's policy places no limit on the amount it may invest in any one issuer; however the Cooperative maintains general guidelines for investments to ensure proper diversification by security type and institution. All investments are issued or explicitly guaranteed by securities of the U.S. government, or insured by the Public Depository Protection Act, or are investments in mutual fund or external investment pools, and therefore are not subject to concentration of credit risk.

Interest rate risk is the extent to which changes in interest rates will adversely affect the fair value of an investment. The Cooperative maintains an investment policy that limits investment maturities to three years as means of managing its exposure to fair value losses arising from increasing interest rates and to avoid undue concentration in any sector of the yield curve. Exceptions to this structure may be allowed where maturities can be structured to accommodate readily identifiable cash flows. There are no investments subject to interest rate risk at June 30, 2018.

The Cooperative was not subject to foreign currency risk as of June 30, 2018.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>Balances June 30, 2017</u>	<u>Additions</u>	<u>Reclassify/ Dispositions</u>	<u>Balances June 30, 2018</u>
Transportation Equipment	\$ -	\$ 31,925	\$ -	\$ 31,925
Total Capital Assets	-	31,925	-	31,925
<i>Less Accumulated Depreciation:</i>				
Transportation Equipment	-	(6,385)	-	(6,385)
Total Accumulated Depreciation	-	(6,385)	-	(6,385)
<u>GOVERNMENTAL ACTIVITIES</u>				
CAPITAL ASSETS, NET	<u>\$ -</u>	<u>\$ 25,540</u>	<u>\$ -</u>	<u>\$ 25,540</u>

Depreciation expense of \$6,385 was charged to the instructional staff function/program in the Statement of Activities.

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 4- JOINTLY GOVERNED ORGANIZATION

The Rio Blanco Board of Cooperative Educational Services (BOCES) is a jointly governed organization of two regional school districts, with each member district appointing members to the BOCES board of directors whom are in control of budgeting and finance. The districts do not meet the criteria for inclusion within the reporting entity of the BOCES due to the lack of an ongoing financial interest.

NOTE 5- DEFINED BENEFIT PENSION PLAN

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*.

General Information about the Pension Plan

Eligible employees of the District are provided with pensions through the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Public Employees' Retirement Association (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 (CAFR) 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. Section 24-51-602, 604, 1713 and 1714.

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

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

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 5- DEFINED BENEFIT PENSION PLAN (continued)

Benefits Provided as of December 31, 2017 - continued

It is possible for employees participating in the SCHDTF to have earned service credit under the Denver Public Schools (DPS) Benefit Structure while working for a previous employer; therefore the DPS Benefit Structure is shown below, where the lifetime retirement benefit for all eligible retiring employees under the DPS Benefit Structure is the greater of the:

- *Highest average salary multiplied by 2.5 percent and the 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% of the highest average salary and cannot exceed the maximum benefit allowed by the 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 benefits earned. If eligible, the member may receive a match of either 50% or 100% 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 (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 (and all benefit recipients of the DPS benefit structure receive an annual increase of 2%) unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% 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% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF.

Disability benefits are available for eligible employees once they reach 5 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 show 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.

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 5- DEFINED BENEFIT PENSION PLAN - continued

Contributions Provisions as of June 30, 2018

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

For contributions made during the Year Ended:	December 31, 2018	December 31, 2017
Employer Contribution Rate	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. Sec 24-51-208(1)(f)	(1.02)%	(1.02)%
Amount apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Sec 24-51-411	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. Sec 24-51-411	5.50%	5.00%
Total Employer Contribution Rate to the SCHDTF	19.13%	18.63%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$276,530 during the year ended June 30, 2018.

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 6 - PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2018, the District reported a liability of \$10,169,065 for its proportionate share of the net pension liability. The net pension liability 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 District's proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the District's proportion was 0.0314476876%, which was an increase of 0.001130583% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$2,157,336. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 186,966	\$ -
Changes of assumptions or other inputs	2,596,540	16,477
Net difference between projected and actual earnings on pension plan investments	-	399,349
Changes in proportion and differences between contributions recognized and proportionate share of contributions	154,978	-
Contributions subsequent to the measurement date	141,752	-
TOTAL	\$ 3,080,236	\$ 415,826

The amount of \$141,752 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of 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 for changes in proportion and differences between contributions recognized and proportionate share of contributions will be recognized in pension expenses as follows:

<u>Year Ended June 30,</u>	<u>Outflows</u>	<u>Inflows</u>
2019	\$ 103,271	\$ -
2020	49,029	-
2021	2,678	-
2022	-	-
2023	-	-
Thereafter	-	-

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 6 - PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS
- continued

Actuarial Assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following 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.

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.

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 6 - PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS - continued

Actuarial Assumptions - continued

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the 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%.

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 6 - PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS - continued

Actuarial Assumptions - continued

Discount Rate

The discount rate used to measure the total pension liability was 4.78%. 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.

Based on the above actuarial cost method and assumptions, the projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a discount rate of 4.78 percent.

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 6 - PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS - continued

Actuarial Assumptions - continued

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 District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 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:

Sensitivity of the Net Pension Liability	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate Share of the Net Pension Liability	\$12,845,258	\$10,169,065	\$7,988,272

Pension Plan Fiduciary Net Position

Detailed information about the SCHDTF’s fiduciary net position is available in PERA’s comprehensive annual financial report 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 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 the plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

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

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 6 - PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS
- continued

At June 30, 2018, the District reported a liability of \$10,169,065 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 District's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

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%	\$4,594,295

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 \$4,746,983 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

NOTE 7 - DEFINED CONTRIBUTION PENSION PLAN: Voluntary Investment Program

Plan Description

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

Funding Policy

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The District currently has no matching contributions for covered salary as determined by the Internal Revenue Service. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2018 program members contributed \$1,200.

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 8 - DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN

General Information about the OPEB Plan

Eligible employees of the District are provided with OPEB through the Health Care Trust Fund (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 administration of the premium subsidies. 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 on 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 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. Section 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.

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 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.

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 8 - DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN - continued

PERA Benefit Structure - continued

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. Sec 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.

It is possible for employees to have earned service credit under the Denver Public Schools (DPS) Benefit Structure while working for a previous employer. Under the 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 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 District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$14,938 for the year ended June 30, 2018.

NOTE 9 - OPEB LIABILITIES, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

At June 30, 2018, the District reported a liability of \$232,219 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 District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the District's proportion was 0.0178684616%, which was an increase of 0.0000575002% from its proportion measured at December 31, 2016.

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 9 - OPEB LIABILITIES, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB - continued

For the year ended June 30, 2018, the District recognized OPEB expense of \$18,298. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,098	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	3,885
Changes in proportion and differences between contributions recognized and proportionate share of contributions	623	21
Contributions subsequent to the measurement date	7,559	-
TOTAL	\$ 9,280	\$ 3,906

The amount of \$7,559 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:

<u>Year Ended June 30,</u>	<u>Outflows</u>	<u>Inflows</u>
2019	\$ 122	\$ 4
2020	123	4
2021	122	4
2022	123	4
2023	122	4
Thereafter	11	1

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
DPS PERACare Medicare plans & Medicare Part A premiums	N/A

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 9 - OPEB LIABILITIES, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB - continued

Actuarial Assumptions - continued

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 capital health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A. Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys on conjunction with actual plan experience (if credible), building block models and heuristics developed by 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 HCCTF.

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

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

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

Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 9 - OPEB LIABILITIES, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB - continued

Actuarial Assumptions - continued

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 would qualify for the "No Part A Subsidy" when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the "No Part A Subsidy" but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

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

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 9 - OPEB LIABILITIES, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB - continued

Actuarial Assumptions - continued

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA’s Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and 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 weighing 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%.

Sensitivity of the District’s Proportionate Share of the net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or higher than the current rates:

<i>Sensitivity of the Net OPEB Liability to Changes in Health Care Cost Trend Rates</i>	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	\$ 225,829	\$ 232,219	\$ 239,914

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 9 - OPEB LIABILITIES, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB - continued

Discount Rate

The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017 measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

<i>Sensitivity of the Net OPEB Liability To Changes in the Discount Rate</i>	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net OPEB Liability	\$ 261,087	\$ 232,219	\$ 207,579

OPEB Plan Fiduciary Net Position

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

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 - RISK MANAGEMENT

The Cooperative is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors and omissions; injuries to employees; or acts of God. The Cooperative maintains commercial insurance for all risks of loss. There have been no significant reductions in coverage from prior year and settled claims have not exceeded coverage in any of the past three years.

NOTE 11 - CONTINGENCIES

The Cooperative 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. If expenditures are disallowed due to noncompliance with grant program regulations, the Cooperative may be required to reimburse the grantor government. As of June 30, 2018 the Cooperative was not aware of any amounts to be refunded to the Colorado Department of Education. The Cooperative believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the Cooperative.

NOTE 12 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Compliance

The Cooperative appears to be in compliance with all other material legal, contractual and accounting provisions, as prescribed by Federal and State laws and statutes.

B. TABOR Amendment – Tax, Spending and Debt Limitations

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado constitution. TABOR contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all Colorado local governments. The initial base for local government spending and revenue limits was June 30, 1993 Fiscal Year Spending. Future spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing a tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government. Except for bond refinancing at a lower interest rate or adding employees to existing pension plans, TABOR specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or without irrevocably pledging present cash reserves for all future payments. TABOR requires local governments to establish Emergency Reserves at least 3% of Fiscal Year Spending (excluding bonded debt service and expenditures of Federal Awards). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases.

The Cooperative's management believes it is exempt from the restrictions of TABOR because it receives no taxes and is a jointly governed service organization; however, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 13 - RESTATEMENT OF NET ASSETS

For the year Ended June 30, 2018, the District has adopted the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions (GASB No. 75), which is effective for financial statements beginning after June 15, 2017. GASB No. 75 revises and establishes new financial reporting requirements for most governments that provide post-employment benefits other than pensions (OPEB). GASB No. 75 requires cost-sharing employers participating in the Health Care Trust Fund (HCTF) administered by the Public Employees' Retirement Association of Colorado (PERA) to record their proportionate share, as defined in GASB No. 75, of the HCTF's net OPEB liability.

For the District, the effect of implementing this standard was to change how it accounts and reports the net OPEB liability. Implementation of the standard results in a restatement of prior period government-wide net position as shown below:

Net Position at June 30, 2017 as Previously Reported	\$ (5,519,527)
Cumulative Effect of GASB No 75 Net OPEB Liability	<u>(223,484)</u>
Net Position at June 30, 2017 as Restated	<u>\$ (5,743,011)</u>

NOTE 14 - SUBSEQUENT EVENTS

Management of the Rio Blanco Board of Cooperative Educational Services has evaluated events subsequent to June 30, 2018 through the issuance date of this report. There has been no material event noted during this period that would either impact the results reflected in this report of the Cooperative's results going forward.

- 1) 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 including an estimate of the impact on the District's share of the net pension liability if SB-200 had been enacted on December 31, 2017 are included in Note 6.
- 2) In the November 2018 election, voters approved a mill levy override that will raise \$1.2 million annually that the District will earmark for retaining and recruiting teachers and staff, maintaining small class sizes, programming and general operations.

There has been no other material event noted during this period that would either impact the results reflected in this report or the District's results going forward.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES
FOR THE GENERAL FUND

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND

For the Fiscal Year Ended June 30, 2018

	GENERAL FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Local Sources	\$ 1,811,573	\$ 1,811,573	\$ 1,581,045	\$ (230,528)
State Sources	456,073	456,073	596,828	140,755
Federal Sources	492,135	492,135	445,986	(46,149)
Interest Earned	-	-	-	-
	<u>2,759,781</u>	<u>2,759,781</u>	<u>2,623,859</u>	<u>(135,922)</u>
EXPENDITURES:				
Instruction	1,698,369	1,698,369	1,687,464	10,905
Supporting Services:				
Student Based	397,458	397,458	347,033	50,425
Instructional Staff	255,836	255,836	260,386	(4,550)
General Administration	174,086	174,086	76,181	97,905
Business Administration	203,020	203,020	222,371	(19,351)
Central Support Services	31,012	31,012	30,424	588
	<u>2,759,781</u>	<u>2,759,781</u>	<u>2,623,859</u>	<u>135,922</u>
Excess of Revenues Over (Under) Expenditures	-	-	-	
FUND BALANCE – BEGINNING	<u>104,322</u>	<u>104,322</u>	<u>104,322</u>	<u>-</u>
FUND BALANCE – ENDING	<u>\$ 104,322</u>	<u>\$ 104,322</u>	<u>\$ 104,322</u>	<u>\$ -</u>

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE BOCES' PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

AND

SCHEDULE OF THE BOCES' PENSION CONTRIBUTIONS

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF THE BOCES' PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2018

<u>Colorado PERA:</u>	<u>Reporting Fiscal Year / (Measurement Date)</u>			
	<u>2018 / (2017)</u>	<u>2017 / (2016)</u>	<u>2016 / (2015)</u>	<u>2015 / (2014)</u>
District's proportion of the Net Pension Liability	0.0314476876%	0.0313346293%	0.0290973622%	0.0288278502%
District's proportionate share of the Net Pension Liability	\$ 10,169,065	\$ 9,329,531	\$ 4,450,236	\$ 3,907,142
District's covered-employee payroll	\$ 1,452,920	\$ 1,406,353	\$ 1,268,054	\$ 1,207,679
District's proportionate share of the Net Pension Liability as a percentage of its covered employee payroll	700%	663%	351%	324%
Plan fiduciary net position as a percentage of the total pension liability	43.96%	43.13%	59.16%	62.84%

NOTE: This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, the District is presenting information for those years for which information is available.

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF THE BOCES' PENSION CONTRIBUTIONS
JUNE 30, 2018

	Reporting Fiscal Year			
	2018	2017	2016	2015
<u>Colorado PERA:</u>				
Statutorily Required Contribution	\$ 276,530	\$ 263,587	\$ 245,039	\$ 212,468
District Contributions in relation to the statutorily required contribution	<u>276,530</u>	<u>263,587</u>	<u>245,039</u>	<u>212,468</u>
District contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,464,467	\$ 1,433,755	\$ 1,381,550	\$ 1,187,225
District's contributions as a percentage of covered-employee payroll	18.88%	18.38%	17.74%	17.90%

NOTE: This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, the District is presenting information for those years for which information is available.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

AND

SCHEDULE OF THE DISTRICT'S PERA COLORADO HEALTH CARE TRUST FUND CONTRIBUTIONS

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
JUNE 30, 2018

<u>Colorado PERA HCTF:</u>	<u>Reporting Fiscal Year / (Measurement Date)</u>	
	<u>2018 / (2017)</u>	<u>2017 / (2016)</u>
District's proportion of the Net OPEB Liability	0.0178684616%	0.0178109614%
District's proportionate share of the Net OPEB Liability	\$ 232,219	\$ 230,925
District's covered-employee payroll	\$ 1,452,920	\$ 1,406,353
District's proportionate share of the Net OPEB Liability as a percentage of its covered employee payroll	15.98%	16.42%
Plan fiduciary net position as a percentage of the total pension liability	17.53%	16.72%

NOTE: This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, the District is presenting information for those years for which information is available.

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF THE DISTRICT'S PERA COLORADO HEALTH CARE TRUST FUND CONTRIBUTIONS
JUNE 30, 2018

	Reporting Fiscal Year	
	2018	2017
<u>Colorado PERA:</u>		
Contractually Required Contribution	\$ 14,938	\$ 14,624
District Contributions in relation to the contractually required contribution	14,938	14,624
District contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 1,464,467	\$ 1,433,755
District's contributions as a percentage of covered-employee payroll	1.02%	1.02%

NOTE: This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, the District is presenting information for those years for which information is available.

OTHER SUPPLEMENTAL INFORMATION

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES – BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2018

REVENUES:	Budget	Actual	Variance Favorable (Unfavorable)
<i>Revenue from Local Sources:</i>			
District Contributions	\$ 1,798,379	\$ 1,577,331	\$ (221,048)
Other Local Grants and Contributions	13,194	3,714	(9,480)
Total Revenue from Local Sources	1,811,573	1,581,045	(230,528)
<i>Revenue from State Sources:</i>			
ECEA	229,702	387,107	157,405
Gifted and Talented	35,237	35,237	-
Other State Sources	191,134	174,484	(16,650)
Total Revenue from State Sources	456,073	596,828	140,755
<i>Revenue from Federal Sources:</i>			
IDEA Part B	303,199	237,909	(65,290)
IDEA Preschool	13,593	13,593	-
Carl Perkins	-	22,874	22,874
Medicaid	30,000	26,267	(3,733)
SWAP Grant	145,343	145,343	-
Total Revenue from Federal Sources	492,135	445,986	(46,149)
Interest Earned	-	-	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 2,759,781	\$ 2,623,859	\$ (135,922)

RIO BLANCO BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES – BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2018

EXPENDITURES:	Budget	Actual	Variance Favorable (Unfavorable)
<i>INSTRUCTION:</i>			
Salaries	\$ 931,011	\$ 905,839	\$ 25,172
Employee Benefits	510,651	447,748	62,903
Purchased Services	148,395	167,184	(18,789)
Supplies and Materials	35,347	9,460	25,887
Capital Outlay	-	-	-
Other Expenditures - Contingency	72,965	157,233	(84,268)
<i>TOTAL INSTRUCTION</i>	<u>1,698,369</u>	<u>1,687,464</u>	<u>10,905</u>
<i>SUPPORTING SERVICES:</i>			
Student Support:			
Salaries	245,202	213,409	31,793
Employee Benefit	118,313	116,515	1,798
Purchased Services	11,000	9,743	1,257
Supplies and Materials	18,943	6,698	12,245
Capital Outlay	4,000	668	3,332
Subtotal	<u>397,458</u>	<u>347,033</u>	<u>50,425</u>
Instructional Staff:			
Salaries	110,340	110,678	(338)
Employee Benefits	56,782	30,735	26,047
Purchased Services	76,094	62,345	13,749
Supplies and Materials	5,620	11,927	(6,307)
Capital Outlay	-	33,468	(33,468)
Other Expenditures	7,000	11,233	(4,233)
Subtotal	<u>255,836</u>	<u>260,386</u>	<u>(4,550)</u>
General Administration:			
Salaries	108,512	54,256	54,256
Employee Benefits	47,574	1,958	45,616
Purchased Services	18,000	19,967	(1,967)
Subtotal	<u>174,086</u>	<u>76,181</u>	<u>97,905</u>
Business Administration:			
Salaries	110,312	105,907	4,405
Employee Benefits	71,608	99,791	(28,183)
Purchased Services	9,100	5,654	3,446
Supplies and Materials	12,000	11,019	981
Capital Outlay	-	-	-
Subtotal	<u>203,020</u>	<u>222,371</u>	<u>(19,351)</u>
Central Support Services:			
Purchased Services	31,012	30,424	588
Subtotal	<u>31,012</u>	<u>30,424</u>	<u>588</u>
<i>TOTAL SUPPORTING SERVICES</i>	<u>1,061,412</u>	<u>936,395</u>	<u>125,017</u>
<i>OTHER:</i>			
Assessment Refund	-	-	-
<i>TOTAL OTHER:</i>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL APPROPRIATION	<u>\$ 2,759,781</u>	<u>\$ 2,623,859</u>	<u>\$ 135,922</u>

COLORADO DEPARTMENT OF EDUCATION REQUIREMENTS

ELECTRONIC FINANCIAL DATA
INTEGRITY CHECK FIGURES

AND

BOLDED BALANCE SHEET REPORT



Colorado Department of Education
Auditors Integrity Report
 District: 9125 - RIO BLANCO 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	104,322	2,623,859	2,623,860	104,322
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	104,322	2,623,859	2,623,860	104,322
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
21 Food Service Spec Revenue Fund	0	0	0	0
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	0	0	0	0
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	0	0	0	0
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	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



Colorado Department of Education

Bolded Balance Sheet Report

District: 9125 - RIO BLANCO BOCES

Fiscal Year 2017-18

Colorado School District/BOCES

ASSETS	Governmental					Proprietary					Fiduciary			Totals	
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45,47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79		Foundations Fund 85
Cash and Investments (8100-8104,8111)	323,357	0	0	0	0	0	0	0	0	0	0	0	0	0	323,357
Cash with Fiscal Agent (8105)	1,212	0	0	0	0	0	0	0	0	0	0	0	0	0	1,212
Intergovernmental Accounts Rec (8141)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Grants Accounts Receivable (8142)	247,538	0	0	0	0	0	0	0	0	0	0	0	0	0	247,538
Other Receivables (8151-8154,8161)	1,715	0	0	0	0	0	0	0	0	0	0	0	0	0	1,715
Total Assets	573,822	0	0	0	0	0	0	0	0	0	0	0	0	0	573,822

	Governmental						Proprietary					Fiduciary			
LIABILITIES & FUND EQUITY															
LIABILITIES	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Other Payables (7421-7423)	15,274	0	0	0	0	0	0	0	0	0	0	0	0	0	15,274
Accrued Expenses (7461)	244,015	0	0	0	0	0	0	0	0	0	0	0	0	0	244,015
Grants Deferred Revenue (7482)	210,211	0	0	0	0	0	0	0	0	0	0	0	0	0	210,211
Total Liabilities	469,500	0	0	0	0	0	0	0	0	0	0	0	0	0	469,500

Governmental

Proprietary

Fiduciary

FUND EQUITY	Governmental						Proprietary					Fiduciary		Totals	
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79		Foundations Fund 85
Non-spendable Fund Balance 6710	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restricted Fund Balance 6720	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TABOR 3% Emergency Reserve 6721	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TABOR Multi-Year 6722	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
District Emergency Reserve (letter of credit or real estate) 6723	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Colorado Preschool Program (CPP) Reserve 6724	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Full-Day Kindergarten Reserve 6725	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Risk-Related / Restricted Capital Reserve 6726	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BEST Capital Reserve 6727	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Committed Fund Balance 6750	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Assigned Fund Balance 6760	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unassigned Fund Balance 6770	104,322	0	0	0	0	0	0	0	0	0	0	0	0	0	104,322
Invested in Capital Assets, Net of Related Debt 6790	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restricted Net Assets 6791	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unrestricted Net Assets 6792	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prior Period Adjustment 6880	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Fund Equity	104,322	0	0	0	0	0	0	0	0	0	0	0	0	0	104,322
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Total Liabilities & Fund Equity	573,822	0	0	0	0	0	0	0	0	0	0	0	0	0	573,822
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk related activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	
For Each Fund Type: Do Assets=Liability+Fund Equity	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes