

cPa DIXON, WALLER & CO., INC.

SAN LUIS VALLEY BOARD OF
COOPERATIVE EDUCATIONAL
SERVICES
ALAMOSA, COLORADO
FINANCIAL STATEMENTS
JUNE 30, 2018

DIXON, WALLER & CO., INC.

TABLE OF CONTENTS

**SAN LUIS VALLEY BOARD OF
COOPERATIVE EDUCATIONAL
SERVICES**

FINANCIAL STATEMENTS

JUNE 30, 2018

	<u>Page</u>
Title Page	
Table of Contents	
Roster of Officials	
<u>FINANCIAL SECTION:</u>	
Independent Auditor's Report	1-2
Management's Discussion and Analysis.....	i-vii
<u>BASIC FINANCIAL STATEMENTS:</u>	
Government Wide Financial Statements:	
Statement of Net Position.....	3
Statement of Activities.....	4
Fund Financial Statements:	
Balance Sheet – Governmental Funds	5
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position	6
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Notes to Basic Financial Statements	9-39

REQUIRED SUPPLEMENTARY INFORMATION:

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual – Major Governmental Funds:

General Fund..... 40

Pension Trend Data:

Schedule of Proportionate Share of Net Pension Liability..... 41

Schedule of Cooperative Contributions - Pension..... 42

Other Post Employment Benefits (OPEB) Trend Data:

Schedule of Proportionate Share of Net OPEB Liability..... 43

Schedule of Cooperative Contributions – OPEB..... 44

COMBINING SCHEDULES:

Balance Sheet by Program – General Fund..... 45-46

Schedule of Revenues, Expenditures and Changes in Fund Balances – By Program..... 47-49

STATE REQUIRED SCHEDULES:

Auditor’s Integrity Report (Revenues, Expenditures, and Fund Balance by Fund 50

Bolded Balance Sheet..... 51-53

SINGLE AUDIT SECTION:

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*..... 54-55

Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance..... 56-57

Schedule of Findings and Questioned Costs 58-59

Summary of Prior Year Findings and Questioned Costs..... 60

Schedule of Expenditures of Federal Awards 61

Notes to Schedule of Expenditures of Federal Awards 62

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
BOARD OF DIRECTORS
June 30, 2018

BOARD OF DIRECTORS

Tina Freel	Chairman
Kurt Holland	Vice-Chairman
Jan DeSautell	Secretary
Logan Larsen	Treasurer
Bridget Kreutzer	Member
Joseph Arellano	Member
Damon Gibbons	Member
Misty Palacios	Member
Mona Lovato	Member
Brandon Thomas	Member
Joseph Baroz	Member
Keeli McCarty	Member
Gina Mitchell	Member
Walter Roybal	Member
Joyce Duran	Member

BOCES OFFICE STAFF

Nita S. McAuliffe	Executive Director
--------------------------	---------------------------

FINANCIAL SECTION

164 E. MAIN
TRINIDAD, COLORADO 81082
(719) 846-9241 FAX (719) 846-3352

INDEPENDENT AUDITOR'S REPORT

**Board of Directors
San Luis Valley Board of
Cooperative Educational Services
Alamosa, Colorado 81050**

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and post employment benefits trend data on pages i through vii and 40 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the San Luis Valley Board of Cooperative Educational Services' basic financial statements. The combining schedules and state required schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The combining schedules, state required schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules, state required schedules and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018 on our consideration of the San Luis Valley Board of Cooperative Educational Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Luis Valley Board of Cooperative Educational Services' internal control over financial reporting and compliance.

Sifton, Waller & Co., Inc.

November 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

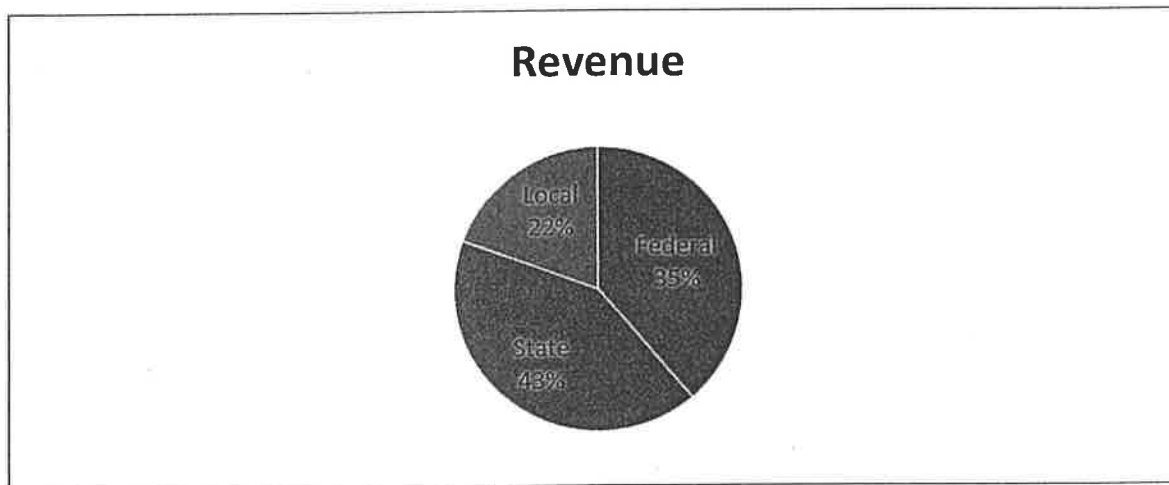
**SAN LUIS VALLEY BOCES – ALAMOSA, COLORADO
MANAGEMENT’S DISCUSSION AND ANYALYSIS (MD&A)
FISCAL YEAR ENDING JUNE 30, 2018**

As management of the San Luis Valley BOCES (BOCES), we offer readers of the BOCES’ financial statements this narrative overview and analysis of the financial activities of the BOCES for the fiscal year ending June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit. While GASB 34 requires responses to eight items that are included herein, we will start this MD&A with a review of key financial highlights.

Financial Highlights

The BOCES financial status is quite stable. The beginning fund balance on July 1, 2017 was \$949,225, and ending fund balance on June 30, 2018 was \$1,106,631; which is an increase of \$157,406.

The General Fund had total revenue of \$5,006,034. The sources of this revenue were \$1,770,275 (35%) from Federal sources; \$2,151,907 (43%) from State sources; and \$1,083,852 (22%) from local sources.



The Alternative Teacher Licensure Program remains a success with four candidates completing the program in 2017-2018. The Alternative Teacher Licensure Program provides an alternative option for local residents to earn a Colorado teacher’s license while on the job. The schools in the BOCES area utilize this option to find quality people who have knowledge and skills that can benefit students.

The BOCES received a four year EARSS (Expelled and at Risk Student Services) Grant with 2017 -2018 being the second year. A total of \$247,343 was received in the second year. The grant allows the BOCES to implement SEL (Social Emotional Learning); which is the process that is used to assist students to acquire and effectively apply the knowledge, attitudes and skills to understand emotions to establish and maintain positive relationships and make responsible decisions. Four districts within the San Luis Valley participated.

The board initiated no new construction projects during this fiscal year.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the BOCES' finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the BOCES is improving or declining.

The statement of activities presents information showing how the BOCES' net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the BOCES that are principally supported by district assessments and governmental revenues.

FINANCIAL HIGHLIGHTS

The District was required to implement GASB 75 in 2018 resulting in a net other post-employment benefit (OPEB) liability of \$396,066. Under GASB 75 the District's proportionate share of the OPEB liability of the Colorado state retirement system Health Care Trust Fund administered by the Public Employees Retirement Association, is recorded as a liability of the District. At implementation beginning equity is restated and deferred inflows, outflows and the net OPEB liability are reported. Beginning net position of governmental activities decreased as a result of this change.

Upon implementation of GASB 75, the beginning net position of governmental activities decreased \$411,364 to \$10,140,144 from \$9,728,780 at the end of the previous fiscal year. Fiscal year 2017 financial information has not been restated because some of the comparable information is not available

The BOCES was required to implement GASB 68 resulting in a net pension liability of \$17,344,127. Under GASB 68 the BOCES's proportionate share of the net pension liability of the Colorado state retirement system, the Public Employees Retirement Association, is recorded as a liability of the BOCES. At implementation beginning equity is restated and deferred inflows, outflows and the net pension liability are reported. Beginning net position of governmental activities decreased as a result of this change.

The beginning net position of governmental activities decreased \$3,191,966 (including restatement) to (\$12,935,494) from (\$9,728,780) at the end of the previous fiscal year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the BOCES, liabilities exceeded assets by \$12,935,494.

The largest portion of the BOCES' net position reflects its obligation for the BOCES portion of the net pension obligation for PERA.

The BOCES' financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Table 1. Net Position for the period ending June 30, 2018

This analysis will show a good comparison from the prior year Assets, since the implementation of GASB Statement 34.

Table 1 provides a summary of the BOCES' net position as of June 30, 2018.

Table 1		
	2017-2018	2016-2017
Current Assets	\$ 2,840,608	\$ 2,685,491
Capital Assets Net of Depreciation	\$ 61,427	\$ 52,673
Total Assets	\$ 2,902,035	\$ 2,738,164
Total Deferred Outflows	\$ 5,349,100	\$ 6,371,216
Current Liabilities	\$ 1,737,054	\$ 1,739,422
Long-Term Liabilities	\$ 17,794,079	\$ 16,623,928
Total Liabilities	\$ 19,531,133	\$ 18,363,350
Deferred Inflows	\$ 1,655,496	\$ 474,810
Net Investment in Capital Assets	\$ 46,679	\$ 49,517
Restricted	\$ -	\$ -
Unrestricted	\$ (12,982,173)	\$ (9,778,297)
Total Net Position	\$ (12,935,494)	\$ (9,778,297)

The BOCES' total revenues for the fiscal year ended June 30, 2018 were \$5,006,034. Table 2 below presents a summary of revenues and expenditures for the fiscal years ended June 30, 2018 and June 30, 2017.

Table 2. Revenue and Expenditures

	<u>2017-2018</u>	<u>2016-2017</u>
Revenues:		
Local Sources	\$ 1,083,852	\$1,027,461
State Sources	\$ 2,151,907	\$1,991,861
Federal Sources	\$ 1,770,275	\$1,851,975
Total Revenue	\$5,006,034	\$4,871,297
Expenditures:		
Instructional	\$2,148,106	\$2,017,926
Support Services:		
Students	\$1,342,855	\$1,262,277
Instructional Staff	\$631,465	\$678,792
School Administration	\$62,867	\$74,548
Business Services	\$247,006	\$271,984
Operations and Maintenance	\$40,621	\$53,772
Student Transportation	\$0	\$0
Central Office Support	\$167,895	\$146,537
Other Support	\$218,829	\$194,624
Community Service	\$577	\$41,965
Debt Service:		
Principal	\$3,155	\$3,156
Total Expenses	\$4,863,376	\$4,745,581
Capital Lease Proceeds	\$14,748	\$ -
Revenues Over (Under) Expenditures	\$157,406	\$125,716
Fund Balance, Beginning	\$949,225	\$823,509
Fund Balance, Ending	\$1,106,631	\$949,225

District assessments to the BOCES' 14 school districts for administration services were based on total student count using the prior year's October 1 funded pupil count. The total of these assessments was \$270,000. Each of the 14 districts contributes \$2,000 as a district buy-in and \$250 for building repair. The remainder of their assessment is determined by their percentage of the total student count.

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The financial position of the BOCES remained strong during the fiscal year. Monthly, the Executive Director and Finance Staff review financial reports to track expenditures within budget categories. Any problems noted are attended to immediately. Quarterly reports of the fiscal position of the BOCES are supplied to the Board of Directors as required by state law. The financial information is available online at www.slvboces.org.

The operations of the BOCES during the 2017-2018 fiscal year showed a wide variety of programs that were funded. The Department of Exceptional Student Services remains the largest operation in the BOCES with approximately 90 staff members. The Alternative Teacher Licensure Program served four teacher candidates.

During the 2017-2018 school year, the BOCES sponsored several staff development opportunities for personnel in the San Luis Valley. Trainings were attended by administrators, teachers, paraprofessionals and community members.

The BOCES also received IDEA Part B and Federal Preschool dollars for the 2017-2018 fiscal year and were able to continue to support the salaries of speech therapists, school psychologists, occupational therapists, physical therapists, an audiologist, special education teachers and paraprofessionals, as well as professional development, supplies, and equipment.

The BOCES continues to receive McKinney-Vento, Gifted & Talented, Right 4 Rural, Title III and various other federal and state funds to support students in the San Luis Valley during the 2017-2018 fiscal year. A new grant in the amount of \$5,000 for 2017-2018 was the Colorado Multi-tiered System of Supports (CO-MTSS) grant.

ANALYSIS OF FUND BALANCES AND TRANSACTIONS

Sufficient funds were available in July and August for accrued salaries and benefits. The beginning fund balance at the start of the fiscal year on July 1, 2017 was \$949,225. On June 30, 2018 the fund balance had increased to \$1,106,631. The BOCES continues to work toward maintaining a healthy fund balance.

BUDGET VARIANCE ANALYSIS

Since the Executive Director and Finance Staff review the budget reports monthly, there was no budget variance.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The BOCES had 7 vehicles that include mini-busses beginning in 2017-2018. The vehicles are mainly used by the Department of Exceptional Student Services Staff in their travels throughout the six county regions in the performance of their duties. The vehicles are also used by staff when attending trainings/conferences outside of the San Luis Valley. In addition, staff uses the vehicles to transport students to various activities.

A summary of the BOCES' Capital Assets is as follows:

2017-2018

	Balance 7/1/2017	Additions	Deletions	Balance 06/30/18
Depreciable Assets:				
Buildings and Site Improvements	\$70,274	\$0	\$0	\$70,274
Vehicles	\$225,000	\$0	\$0	\$225,000
Equipment	\$183,757	\$20,465	\$30,810	\$173,412
Total Depreciable Assets	\$479,031	\$20,465	\$30,810	\$468,686
Less Accumulated Depreciation for:				
Building & Site Improvement	\$39,414	\$3,096	\$0	\$42,510
Vehicles	\$224,999	\$0	\$0	\$224,999
Equipment	\$161,945	\$8,615	\$30,810	\$139,750
Total Accumulated Depreciation	\$426,358	\$11,711	\$30,810	\$407,259
Total Capital Assets, Net	\$52,673	\$8,754	\$0	\$61,427

2016-2017

	Balance 7/1/2016	Additions	Deletions	Balance 06/30/17
Depreciable Assets:				
Buildings and Site Improvements	\$70,274	\$0	\$0	\$70,274
Vehicles	\$258,919	\$0	\$33,919	\$225,000
Equipment	\$187,887	\$0	\$4,130	\$183,757
Total Depreciable Assets	\$517,080	\$0	\$38,049	\$479,031
Less Accumulated Depreciation for:				
Building & Site Improvement	\$36,318	\$3,096	\$0	\$39,414
Vehicles	\$258,918	\$0	\$33,919	\$224,999
Equipment	\$161,145	\$4,930	\$4,130	\$161,945
Total Accumulated Depreciation	\$456,381	\$8,026	\$38,049	\$426,358
Total Capital Assets, Net	\$60,699	(\$8,026)	\$0	\$52,673

There was no long-term debt.

MODIFIED APPROACH TO REPORT INFRASTRUCTURE ASSETS

This approach is not applicable to the BOCES.

CURRENTLY KNOWN FACTS HAVING EFFECT ON FINANCIAL POSITION

Member school districts of the BOCES are facing unstable enrollment, as well as having to continuously cut their budgets. Since there were extreme decreases in revenue at the district level, the BOCES was also required to make cuts in its budget.

The continual cost due to the increase in health insurance, PERA and other employee benefits continues to be a concern. Since the BOCES covers an 8000 square mile area, the fluctuating price of fuel and upkeep of vehicles is also a concern.

Questions regarding this report should be directed to the BOCES Business Manager at (719) 589-5851 or by mail at San Luis Valley BOCES, 2261 Enterprise Drive, Alamosa, CO 81101.

BASIC FINANCIAL STATEMENTS

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
STATEMENT OF NET POSITION
June 30, 2018

	<u>Primary Government</u>	
	<u>Governmental Activities</u>	<u>Total</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash	2,425,683	2,425,683
Investments	2,515	2,515
Accounts Receivable	20,690	20,690
Accrued Revenue	385,849	385,849
Prepaid	5,871	5,871
<u>Total Current Assets</u>	<u>2,840,608</u>	<u>2,840,608</u>
<u>Capital Assets</u>		
Depreciable Assets	468,686	468,686
Accumulated Depreciation	(407,259)	(407,259)
<u>Capital Assets Net of Depreciation</u>	<u>61,427</u>	<u>61,427</u>
<u>TOTAL ASSETS</u>	<u>2,902,035</u>	<u>2,902,035</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>		
Pension	5,334,273	5,334,273
Other Post Employment Benefits	14,827	14,827
<u>TOTAL DEFERRED OUTFLOW OF RESOURCES</u>	<u>5,349,100</u>	<u>5,349,100</u>
<u>LIABILITIES</u>		
<u>Current Liabilities:</u>		
Accounts Payable	60,631	60,631
Accrued Salaries and Benefits	422,785	422,785
Capital Lease – Current	3,077	3,077
Unearned Grant Payments	1,250,561	1,250,561
<u>Total Current Liabilities</u>	<u>1,737,054</u>	<u>1,737,054</u>
<u>Long-Term Liabilities:</u>		
Capital Lease	11,671	11,671
Net Pension Liability	17,344,127	17,344,127
Other Post Employment Benefits Liability	396,066	396,066
Compensated Absences	42,215	42,215
<u>Total Long-Term Liabilities</u>	<u>17,794,079</u>	<u>17,794,079</u>
<u>TOTAL LIABILITIES</u>	<u>19,531,133</u>	<u>19,531,133</u>
<u>DEFERRED INFLOW OF RESOURCES</u>		
Pension	1,636,245	1,636,245
Other Post Employment Benefits	19,251	19,251
<u>TOTAL DEFERRED INFLOW OF RESOURCES</u>	<u>1,655,496</u>	<u>1,655,496</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	46,679	46,679
Unrestricted	(12,982,173)	(12,982,173)
<u>TOTAL NET POSITION</u>	<u>(12,935,494)</u>	<u>(12,935,494)</u>

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

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2018

	<u>Program Revenues</u>			<u>Net (Expenses) Revenue</u>
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants and Contributions</u>	<u>and Changes in Net Position</u>
				<u>Primary Governmental Activities</u>
				<u>Total</u>
<u>FUNCTIONS/PROGRAMS</u>				
<u>Primary Governmental Activities</u>				
Instruction	2,149,034	2,177,602	-	28,568
Student Support	1,343,305	1,342,855	-	(450)
Instructional Staff	631,465	575,138	-	(56,327)
School Administration	63,350	62,867	-	(483)
Business Support	232,678	161,770	-	(70,908)
Operation & Maintenance	43,716	-	-	(43,716)
Student Transportation	-	-	-	-
Central Support	167,895	56,263	-	(111,632)
Other Support	218,829	218,829	-	-
Community Service	577	577	-	-
Pension and Post Employment Benefit Expense	2,949,090	-	-	(2,949,090)
Total Governmental Activities	<u>7,799,939</u>	<u>4,595,901</u>	<u>-</u>	<u>(3,204,038)</u>
<u>General Revenues</u>				
BOCES Administration			401,272	401,272
Earnings on Investments			8,861	8,861
Total General Revenues			<u>410,133</u>	<u>410,133</u>
Change in Net Position			(2,793,905)	(2,793,905)
Net Position, Beginning (as Restated)			(10,141,589)	(10,141,589)
Net Position, Ending			<u>(12,935,494)</u>	<u>(12,935,494)</u>

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

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2018

	<u>General Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>		
Cash	2,425,683	2,425,683
Investments	2,515	2,515
Accounts Receivable	20,690	20,690
Accrued Revenues	385,849	385,849
Prepaid	<u>5,871</u>	<u>5,871</u>
<u>Total Assets</u>	<u>2,840,608</u>	<u>2,840,608</u>
<u>LIABILITIES AND FUND BALANCES</u>		
<u>Liabilities:</u>		
Accounts Payable	60,631	60,631
Accrued Salaries Payable	422,785	422,785
Unearned Grant Payments	<u>1,250,561</u>	<u>1,250,561</u>
<u>Total Liabilities</u>	<u>1,733,977</u>	<u>1,733,977</u>
<u>Fund Balances:</u>		
Nonspendable		
Prepaid	5,871	5,871
Unassigned	<u>1,100,760</u>	<u>1,100,760</u>
<u>Total Fund Balances</u>	<u>1,106,631</u>	<u>1,106,631</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>2,840,608</u>	<u>2,840,608</u>

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

**SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION
June 30, 2018**

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

<u>TOTAL FUND BALANCE – GOVERNMENTAL FUNDS</u>	1,106,631
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$468,686 and the accumulated depreciation is \$407,259.	61,427
Long-Term Liabilities are not due and payable in the current period and, therefore, not reported in the fund:	
Capital Lease	(14,748)
Compensated Absences	(42,215)
	(56,963)
Net pension and other post employment benefits liabilities, along with associated deferred flows, are not recorded at the fund level:	
Net Pension Liability	(17,344,127)
Net Other Post Employment Benefits Liability	(396,066)
Deferred Outflows	5,349,100
Deferred Inflows	(1,655,496)
<u>TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES</u>	(12,935,494)

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

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2018

	<u>General Fund</u>	<u>Total Governmental Funds</u>
<u>REVENUES:</u>		
Local Revenues	1,083,852	1,083,852
State Revenues	2,151,907	2,151,907
Federal Revenues	<u>1,770,275</u>	<u>1,770,275</u>
<u>Total Revenues</u>	<u>5,006,034</u>	<u>5,006,034</u>
 <u>EXPENDITURES</u>		
Instruction	2,148,106	2,148,106
Supporting Services:		
Student	1,342,855	1,342,855
Instructional Staff	631,465	631,465
School Administration	62,867	62,867
Business	247,006	247,006
Operation & Maintenance	40,620	40,620
Student Transportation	-	-
Central Support	167,895	167,895
Other Support	218,829	218,829
Community Services	577	577
Debt Service:		
Principal Retirement	<u>3,156</u>	<u>3,156</u>
<u>Total Expenditures</u>	<u>4,863,376</u>	<u>4,863,376</u>
 <u>REVENUES OVER (UNDER) EXPENDITURES</u>	<u>142,658</u>	<u>142,658</u>
 <u>OTHER FINANCING SOURCES (USES)</u>		
Lease Purchase Proceeds	<u>14,748</u>	<u>14,748</u>
<u>Total Other Financing Sources (Uses)</u>	<u>14,748</u>	<u>14,748</u>
 <u>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</u>	<u>157,406</u>	<u>157,406</u>
 <u>FUND BALANCES, Beginning</u>	<u>949,225</u>	<u>949,225</u>
 <u>FUND BALANCES, Ending</u>	<u>1,106,631</u>	<u>1,106,631</u>

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

**SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2018**

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

<u>NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS</u>		157,406
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$2,500 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This the amount by which depreciation exceeded capital outlays in the current period.</p>		
Capital Outlays more than \$2,500	20,465	
Depreciation Expense	<u>(11,711)</u>	8,754
<p>Compensated absences do not use current financial resources and are not reported on the governmental fund financial statements but are recognized on the government-wide financial statements.</p>		
		617
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Lease Purchase Proceeds	(14,748)	
Lease Principal Payments	3,156	
Interest Expense	<u> -</u>	(11,592)
<p>The increase in net pension liability, along with the changes and amortizations of deferred flows associated with the net pension liability are not recorded at the fund level:</p>		
Pension Cost		(2,961,409)
Other Post Employment Benefit Cost		<u>12,319</u>
<u>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</u>		<u>(2,793,905)</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

A. Reporting Entity

Governmental Accounting Standards Board (GASB) Statement No. 14 (as amended by Statement No. 34, No. 39 and No. 61), "*The Financial Reporting Entity*" (GASB No. 14) describes the financial reporting entity as it relates to governmental accounting. According to this Statement, the financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations whose exclusion from the reporting entity's financial statements would cause those statements to be misleading or incomplete. Any organizations that can be described by these last two items are included with the primary government in the financial statements as component units.

This Cooperative is not included in any other governmental "reporting entity" as defined in GASB No. 14 and does not include any other component unit as part of its "reporting entity". As required by accounting principles generally accepted in the USA, these basic financial statements present the Cooperative (the primary government) and its component units.

B. Government-Wide and Fund Financial Statements

The Government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Cooperative. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

Amounts reported as program revenues included 1) charges to customers or applicants for goods, services or privileges provided 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

All governmental fund types use the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 60 days after year-end.

Grants and entitlement revenues are recognized when compliance with matching requirements is met. A receivable is established when the related expenditures exceed revenue receipts.

Expenditures are recorded when the related fund liability is incurred with the exception of general obligation and capital lease debt service which is recognized when due and certain accrued sick and personal pay which are accounted for as expenditures when expected to be liquidated with expendable available financial resources.

When both restricted and unrestricted resources are available for use, it is the Cooperative's policy to use restricted resources first, then unrestricted resources, as they are needed.

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Fund Accounting

The accounts of the Cooperative are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major fund presented in the accompanying basic financial statements is as follows:

- **Major Governmental Fund**
 1. **General Fund** – the general operating fund of the Cooperative; used to account for all resources that are not required legally or by sound financial management to be accounted for in another fund.

E. Cash and Investments

Cash represents amounts on deposit with financial institutions or held by the Cooperative. The Cooperative is allowed to invest in the following types of investments: short-term certificates of deposit, repurchase agreements, money market deposit accounts, mutual funds, government pools, and U.S. Treasury Obligations. The Cooperative considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments are recorded at fair value in accordance with GASB Statement No. 72 *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

F. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts

Accumulated unpaid vacation and sick pay are not accrued in governmental funds (using the modified accrual basis of accounting). These amounts do not exceed normal year's accumulations. It is the policy of the Cooperative that no monetary payments will be made for unused sick leave upon termination.

Accrued vacation payable as of June 30, 2018, was \$42,215.

G. Encumbrances

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 employed as an extension of formal budgetary integration in the various funds. Encumbrances lapse at the end of the year.

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

H. Restricted Grants

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

I. Capital Assets

Capital assets, which include property, vehicles and equipment, are utilized for general Cooperative operations and are capitalized at actual or estimated cost. Donations of such assets are recorded at estimated fair value at the time of donation. Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Maintenance, repairs, and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized. When assets used in the operation of the governmental fund types are sold, the proceeds of the sale are recorded as revenues in the appropriate fund. The Cooperative does not capitalize interest on the construction of capital assets in governmental funds. However, the Cooperative does capitalize interest on the construction of capital assets in business-type activities.

The monetary threshold for capitalization of assets is \$2,500. The Cooperative capital assets are depreciated using the straight-line method over the estimated useful lives of the fixed assets (5-30 years). Depreciation of all capital assets is charged as an expense against their operations. Depreciation is recorded in the year of acquisition.

J. Long-Term Obligations

In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities in the applicable government activities. The Cooperative records long-term debt of governmental funds at the face value.

K. Use of Estimates

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

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. GASB Statement No. 54

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

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

1. Nonspendable such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
2. Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Directors (the Cooperative's highest level of decision-making authority).
4. Assigned fund balance classification is intended to be used by the government for specific purposes that do not meet the criteria to be classified as restricted or committed.
5. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Fund Balance Classification Policies and Procedures

Committed Fund Balance Policy:

The Cooperative's Committed Fund Balance is fund balance reporting required by the Board of Directors, either because of a Board Policy in the Board Policy Manual, or because of motions that passed at Board meetings.

Assigned Fund Balance Policy:

The Cooperative's Assigned Fund Balance is fund balance reporting occurring by Board Administration authority, under the direction of the Chief Business Officer.

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. GASB Statement No. 54 (Continued)

Order of Fund Balance Spending Policy

The Cooperative's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries.

First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then unrestricted fund balances are determined following the order of committed, assigned, and unassigned.

Fund Balance Classification by Fund:

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Nonspendable	5,871	5,871
Unassigned	<u>1,100,760</u>	<u>1,100,760</u>
<u>Total Fund Balances</u>	<u>1,106,631</u>	<u>1,106,631</u>

M. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position and the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 **RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The governmental funds balance sheet includes a reconciliation between *fund balances – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total government funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for governmental fund statements to the economic resources measurement and full accrual basis used for government-wide statements.

NOTE 3 **BUDGETARY INFORMATION**

Revenues and expenditures are controlled by budgetary accounting systems in accordance with various legal requirements. The budgeted revenues and expenditures represent the original adopted budget as subsequently adjusted by the Board of Education in accordance with Colorado School Laws. Budgets are generally prepared on the same basis as that used for accounting purposes.

The Cooperative has set procedures to be followed in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Executive Director submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public notices are released to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. The Executive Director is authorized to transfer budgeted amounts between categories within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
5. Formal budgetary integration should be employed as a management control device during the year for the General Fund.
6. The Budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 **CASH AND INVESTMENTS**

Deposits

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

At June 30, 2018, the Cooperative's bank balance and corresponding carrying balance were as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Insured (FDIC)	250,000	250,000
Uninsured, Collateralized under the Public Deposit Protection Act of the State of Colorado	<u>2,175,683</u>	<u>2,351,927</u>
<u>Total Cash and Deposits</u>	<u>2,425,683</u>	<u>2,601,927</u>

As presented above, deposits with a bank balance of \$2,351,927 and a carrying balance of \$2,175,683 as of June 30, 2018 are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 **CASH AND INVESTMENTS (continued)**

Investments

At June 30, 2018, the Cooperative had the following investments;

<u>Investment</u>	<u>Maturity</u>	<u>Value</u>	<u>Credit Risk</u>
COLOTRUST	41 Day Average	2,515	AAAm

Interest Rate Risk – The Cooperative does not have a formal investment policy that limits investment maturities for managing possible fair value losses due to increasing interest rates.

Credit Risk – State Law limits the type of investments allowable. The investment in COLOTRUST were rated AAAm by Stand & Poor's.

Concentration of Credit Risk – The Cooperative has no policy restricting the amount that can be invested in any issuer.

The Cooperative categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Cooperative has no recurring fair value measurements as of June 30, 2018:

- COLOTRUST Investment Pool

Investments in this external investment pool are reported at \$1 net asset value per share and are not subject to fair value measurement. The investment is reported at cost.

NOTE 5 **ACCRUED SALARIES AND BENEFITS**

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, at June 30, 2018, are estimated to be \$422,785. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 **PENSION PLAN**

Defined Benefit Pension Plan

Summary of Significant Accounting Policies

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

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

General Information about the Pension Plan

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

Benefits provided as of December 31, 2017. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. 24-51-602, 604, 1713, and 1714.

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

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 **PENSION PLAN (Continued)**

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

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

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

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

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

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

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

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 **PENSION PLAN (Continued)**

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

Contribution provisions as of June 30, 2018. Eligible employees and San Luis Valley Board of Cooperative Educational Services are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. 24-51-401, et seq. Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below.

	For the Year Ended December 31, 2017	For the Year Ended December 31, 2018
Employer Contribution Rate	10.15 %	10.15 %
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. 24-51-208 (1) (f)	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. 24-51-411	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. 24-51-411	5.000%	5.50%
Total Employer Contribution Rate to the SCHDTF	18.63%	19.13%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the San Luis Valley Board of Cooperative Educational Services is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from San Luis Valley Board of Cooperative Educational Services were \$474,010 for the year ended June 30, 2018.

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

At June 30, 2018, the San Luis Valley Board of Cooperative Educational Services reported a liability of \$17,344,127 for its proportionate share of the net pension liability. The net pension liability for the SCHDTF was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The San Luis Valley Board of Cooperative Educational Services proportion of the net pension liability was based on San Luis Valley Board of Cooperative Educational Services 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 San Luis Valley Board of Cooperative Educational Services proportion was 0.0536 percent, which was a decrease of 0.0021 percent from its proportion measured as of December 31, 2016.

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 **PENSION PLAN (Continued)**

For the year ended June 30, 2018, the San Luis Valley Board of Cooperative Educational Services recognized pension expense of \$2,961,409. At June 30, 2018, the San Luis Valley Board of Cooperative Educational Services reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	318,885	-
Changes of assumptions or other inputs	4,428,600	(28,103)
Net difference between projected and actual earnings on pension plan investments	343,839	(1,024,959)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	(583,183)
Contributions subsequent to the measurement date	242,949	N/A
Total	5,334,273	(1,636,245)

\$242,949 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2019	2,297,762
2020	1,402,083
2021	11,473
2022	(256,239)
2023	-
Thereafter	-

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 6 **PENSION PLAN (Continued)**

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

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

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

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

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

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

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

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.

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 6 **PENSION PLAN (Continued)**

The long-term expected return on pension 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 current 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%.

Discount rate. The discount rate used to measure the total pension liability was 5.26 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- 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%.

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 **PENSION PLAN (Continued)**

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

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

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 **PENSION PLAN (Continued)**

Sensitivity of the San Luis Valley Board of Cooperative Educational Services 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 (6.78 percent) than the current rate:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	21,908,583	17,344,127	13,624,617

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

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

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

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

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

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 **PENSION PLAN (Continued)**

At June 30 2018, the San Luis Valley Board of Cooperative Educational Services reported a liability of \$17,344,127 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 San Luis Valley Board of Cooperative Educational Services'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%	7,835,926

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 \$8,096,347 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

Defined Contribution Pension Plan

Voluntary Investment Program

Plan Description – Employees of the San Luis Valley Board of Cooperative Educational Services 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 which includes additional information on the Voluntary Investment Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings. For the year ended June 30, 2018, program members contributed \$39,807.

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7

OTHER POST EMPLOYMENT BENEFITS

Defined Benefit And Other Post Employment Benefit (OPEB) Plan

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

Plan Plan description. Eligible employees of the San Luis Valley Board of Cooperative Educational Services are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7

OTHER POST EMPLOYMENT BENEFITS (Continued)

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

PERA Benefit Structure

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

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

DPS Benefit Structure

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

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

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.

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 **OTHER POST EMPLOYMENT BENEFITS (Continued)**

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the San Luis Valley Board of Cooperative Educational Services is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from San Luis Valley Board of Cooperative Educational Services were \$25,605 for the year ended June 30, 2018.

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

At June 30, 2018, the San Luis Valley Board of Cooperative Educational Services reported a liability of \$396,066 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 San Luis Valley Board of Cooperative Educational Services proportion of the net OPEB liability was based on San Luis Valley Board of Cooperative Educational Services 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 San Luis Valley Board of Cooperative Educational Services proportion was 0.0305 percent, which was a decrease of 0.0011 percent from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the San Luis Valley Board of Cooperative Educational Services recognized OPEB expense of \$(12,319). At June 30, 2018, the San Luis Valley Board of Cooperative Educational Services 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	1,873	-
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(6,626)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	(12,625)
Contributions subsequent to the measurement date	12,954	N/A
Total	14,827	(19,251)

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 **OTHER POST EMPLOYMENT BENEFITS (Continued)**

\$12,954 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2019	(4,445)
2020	(4,444)
2021	(4,446)
2022	(4,444)
2023	367
Thereafter	34

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

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

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

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 **OTHER POST EMPLOYMENT BENEFITS (Continued)**

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

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

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

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

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

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

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 **OTHER POST EMPLOYMENT BENEFITS (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 will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.**
- **Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.**

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 **OTHER POST EMPLOYMENT BENEFITS (Continued)**

- 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.

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

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

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

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 OTHER POST EMPLOYMENT BENEFITS (Continued)

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	385,169	396,066	409,191

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.

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 **OTHER POST EMPLOYMENT BENEFITS (Continued)**

- 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 San Luis Valley Board of Cooperative Educational Services proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	445,303	396,066	354,041

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

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 **INTERGOVERNMENTAL AGREEMENTS**

Not reflected in the accompanying financial statements is the various Districts' participation in the San Luis Valley Board of Cooperative Educational Services (Cooperative). The Cooperative is an organization that provides member districts educational services at a shared lower cost per district.

The Districts have one member on the Board. This Board has full authority for all budgeting and financing of the Cooperative.

The Cooperative is not a component unit of the participating Districts as the oversight responsibility is minimal, there is no financial interdependency, the Districts do not have the ability to significantly influence the operations of the Cooperative and the Districts are not accountable for fiscal matters of the Cooperative.

NOTE 9 **SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

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

NOTE 10 **CONTINGENCIES - TAX, SPENDING LIMITATIONS**

The Cooperative has determined that it is not subject to amendment 1, commonly known as the Taxpayers Bill of Rights (TABOR) based on the following:

1. A Cooperative is not independently subject to the spending and revenue limits imposed by Amendment 1. Cooperative revenues and spending may therefore fluctuate independent of the restrictions imposed by the Amendment. However, contributions by member Cooperatives and by the state will be subject to the spending limits imposed by the Amendment at the time the transfer is made to the Cooperative account.
2. A Cooperative may enter into multiple-year financial obligations, as those obligations are defined in Amendment 1, only to the extent and in the manner to which its member school Cooperatives are permitted under Amendment 1 to enter into such financial obligations.
3. The Cooperative need not maintain an emergency reserve as required by Amendment 1 for local government entities.

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 10 CONTINGENCIES - TAX, SPENDING LIMITATIONS (Continued)

4. The Cooperative is not a local government under Amendment 1 because its activities and authority are not confined to a specific geographical area within the state, it addresses matters of statewide concern, and it was created by a statewide vote of the electorate. The board is decidedly not a private entity. Nor is it as presently constituted an "enterprise" under Amendment 1. While the board is not an "agency" of the state, the Cooperative conclude that the best reading of Amendment 1 is to exclude from state fiscal year spending limits only those entities that are nongovernmental, and the board is essentially governmental in nature. This interpretation of Amendment 1 is the interpretation that "reasonably restrains most of the growth of government".

NOTE 11 CAPITAL ASSETS

A summary of changes in capital assets is as follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>Depreciable Assets:</u>				
Buildings	70,274	-	-	70,274
Equipment	183,757	20,465	30,810	173,412
Transportation	<u>225,000</u>	<u>-</u>	<u>-</u>	<u>225,000</u>
<u>Total Depreciable Assets</u>	<u>479,031</u>	<u>20,465</u>	<u>30,810</u>	<u>468,686</u>
<u>Less Accumulated</u>				
<u>Depreciation for:</u>				
Buildings	39,414	3,096	-	42,510
Equipment	161,945	8,615	30,810	139,750
Transportation	<u>224,999</u>	<u>-</u>	<u>-</u>	<u>224,999</u>
<u>Total Accumulated</u>				
<u>Depreciation</u>	<u>426,358</u>	<u>11,711</u>	<u>30,810</u>	<u>407,259</u>
<u>Total Capital Assets, Net</u>	<u>52,673</u>	<u>8,754</u>	<u>-</u>	<u>61,427</u>
<u>Governmental Activities:</u>				
Instruction				1,545
Support – Students				450
School Administration				483
Business				6,137
Operation and Maintenance				<u>3,096</u>
<u>Total Depreciation Expense – Governmental Activities</u>				<u>11,711</u>

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 12 RISK MANAGEMENT

The Cooperative is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The Cooperative maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 13 CAPITAL LEASES

Changes in Long-term debt:

Following is a summary of long-term debt transactions during the fiscal year 2018.

<u>Governmental Funds</u>	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2018</u>	<u>Current Amount Due</u>
General Fund:					
Xerox 5845					
APT Copier	3,156	-	3,156	-	-
 Xerox C8045					
Copier	-	<u>14,748</u>	-	<u>14,748</u>	<u>3,077</u>
Total	<u>3,156</u>	<u>14,748</u>	<u>3,156</u>	<u>14,748</u>	<u>3,077</u>
			Current Liability	<u>3,077</u>	
			Non-Current Liability	<u>11,671</u>	
			Total	<u>14,748</u>	

During fiscal year 2014, the Cooperative entered a capital lease to acquire a copier. The lease term was for 60 months with no interest. The lease agreement was paid off as of June 30, 2018.

On June 11, 2018, the Cooperative entered into a lease to acquire a copier. The lease term is for 60 months with interest at 1.674% per annum. Payments are to begin July 10, 2018.

Annual debt service requirements to maturity for the lease purchase agreements are as follows:

	<u>Xerox C8045 Copier</u>		
<u>Fiscal Year</u>	<u>Annual Payment</u>	<u>Principal</u>	<u>Interest</u>
2019	3,077	2,852	225
2020	3,077	2,900	177
2021	3,077	2,948	129
2022	3,077	2,998	79
2023	<u>3,077</u>	<u>3,050</u>	<u>27</u>
	15,385	<u>14,748</u>	<u>637</u>
Less Amount Representing Interest	<u>(637)</u>		
Present Value of Future Minimum Payments	<u>14,748</u>		

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 14 **COLORADO SCHOOL DISTRICT SELF INSURANCE POOL**

The Cooperative belongs to the Colorado School District's Self-Insurance Pool. The Pool was established by the Colorado Association of School Boards (CASB) to provide insurance coverage to participants in the areas of General Liability, Errors and Omissions, Automobile Liability, Auto Physical Damage, Auto Personal Injury Protection, Real and Personal Property, Crime, Workers' Compensation and other coverage. The Board of Directors is composed of eight persons; seven of whom are appointed by the Board of Directors of CASB and the Executive Director of CASB. The Pool is managed by an independent manager chosen by the Board of Directors. Each member's initial contribution and subsequent contributions are determined by the Pool based on factors including, but not limited to, the Aggregate Pool claims, the cost of Administrative and other operating expenses, the number of participants, the adequacy of both Operating and Reserve Funds and other factors touching on the status of the Pool or an individual participant, and as approved by the Colorado Insurance Commissioner.

As the Cooperative did not exercise oversight responsibility nor have sufficient control over Pool activities, the Pool is not a component unit of the Cooperative and only the Cooperative's share of contributions to the Pool is recorded as expenditures in the general fund.

The Cooperative's share in the Pool is not determinable from current information, but is estimated to be less than 1%. The Cooperative's share, if calculated, would not be material to the Pool's financial information at June 30, 2018.

An audited summary of the Colorado School District Self-Insurance Pool financial information at June 30, 2017 and for the six months then ended (latest information available) follows:

Total Assets	<u>42,273,940</u>
Total Liabilities	<u>11,655,251</u>
Total Equity	<u>30,618,689</u>
Revenue	7,429,394
Underwriting Expenses	<u>4,126,717</u>
Underwriting Gain (Loss)	3,302,677
Net Investment Income	276,653
Other Income	-
Net Income (Loss) Before Dividend	<u>3,579,330</u>
Dividend	-
Net Income	<u>3,579,330</u>
Transfer of Capital Contributions	-
Change in Non Admitted Assets	<u>253,606</u>
Capital Contributions from Members	-
Unassigned Surplus	<u>30,618,689</u>

NOTE 15 **LITIGATION**

None.

NOTE 16 **RESTATEMENT OF BEGINNING NET POSITION**

The net position of the governmental activities has been restated to reflect the implementation of GASB Statement 75. That statement requires that the Cooperative report its portion of any post employment benefit (OPEB) liability, and related deferred flows. The beginning net position of \$(9,728,780) has been changed by the net OPEB liability at June 30, 2017 of \$(410,237) and related deferred flows of \$(2,572), resulting in a restated beginning net position of \$(10,141,589).

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISONS

PENSION TREND DATA

OTHER POST EMPLOYMENT BENEFITS TREND DATA

MAJOR GOVERNMENTAL FUNDS

General Fund

The General Fund accounts for all transactions of the Cooperative not accounted for in other funds. This fund represents an accounting for the Cooperative's ordinary operations financed from property taxes and other general revenues. It is the most significant fund in relation to the Cooperative's overall operations.

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL
Fiscal Year Ended June 30, 2018

	<u>Budgeted Amounts</u> <u>Original & Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget-</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>REVENUES</u>			
Local Revenues	1,134,778	1,083,852	(50,926)
State Revenues	2,269,124	2,151,907	(117,217)
Federal Revenues	<u>2,047,069</u>	<u>1,770,275</u>	<u>(276,794)</u>
<u>TOTAL REVENUES</u>	<u>5,450,971</u>	<u>5,006,034</u>	<u>(444,937)</u>
<u>EXPENDITURES</u>			
Instruction	<u>2,346,552</u>	<u>2,148,106</u>	<u>198,446</u>
Supporting Services:			
Students	1,529,259	1,342,855	186,404
Instructional Staff	731,626	631,465	100,161
School Administration	69,485	62,867	6,618
Business Services	455,685	247,006	208,679
Operations & Maintenance	100,500	40,620	59,880
Student Transportation	8,478	-	8,478
Central Support	303,574	167,895	135,679
Other Support	243,420	218,829	24,591
Community Services	3,050	577	2,473
Debt Service:			
Principal	-	<u>3,156</u>	<u>(3,156)</u>
<u>Total Support Services</u>	<u>3,445,077</u>	<u>2,715,270</u>	<u>729,807</u>
<u>Appropriated Reserve</u>	<u>608,567</u>	<u>-</u>	<u>608,567</u>
<u>TOTAL EXPENDITURES</u>	<u>6,400,196</u>	<u>4,863,376</u>	<u>1,536,820</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(949,225)</u>	<u>142,658</u>	
<u>OTHER FINANCING SOURCES (USES)</u>			
Lease Purchase Proceeds	-	<u>14,748</u>	<u>14,748</u>
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>	<u>-</u>	<u>14,748</u>	<u>14,748</u>
<u>REVENUES AND OTHER SOURCES OVER</u> <u>(UNDER) EXPENDITURES AND OTHER (USES)</u>	<u>(949,225)</u>	<u>157,406</u>	
<u>FUND BALANCES – Beginning</u>	<u>949,225</u>	<u>949,225</u>	
<u>FUND BALANCES – Ending</u>	<u>-</u>	<u>1,106,631</u>	

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

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
For The Last 10 Fiscal Years (As Available)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
BOCES proportion of the net pension liability (asset)	0.0536%	0.0557%	0.0578%	0.0583%	0.0640%	-	-	-	-	-
BOCES proportionate share of the net pension liability (asset)	\$17,344,127	\$16,581,096	\$8,846,937	\$7,905,008	\$8,158,167	-	-	-	-	-
BOCES covered-employee payroll	\$2,510,253	\$2,425,018	\$2,656,275	\$2,434,682	\$2,499,725	-	-	-	-	-
BOCES proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	691%	684%	333%	325%	326%	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	43.96%	43.13%	59.2%	62.80%	64.06%	-	-	-	-	-

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

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF COOPERATIVE CONTRIBUTIONS - PENSION
For The Last 10 Fiscal Years (As Available)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contributions	\$ 474,010	\$ 445,809	\$ 471,295	\$ 411,120	\$ 399,388	\$ 397,824	-	-	-	-
Contributions in relation to the contractually required contributions	<u>\$ (474,010)</u>	<u>\$ (445,809)</u>	<u>\$ (471,295)</u>	<u>\$ (411,120)</u>	<u>\$ (399,388)</u>	<u>\$ (397,824)</u>	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
BOCES covered-employee payroll	\$2,510,253	\$2,425,018	\$2,656,275	\$2,434,682	\$2,499,725	\$2,637,941	-	-	-	-
Contributions as a percentage of covered-employee payroll	18.88%	18.38%	17.74%	16.89%	15.98%	15.08%	-	-	-	-

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF PROPORTIONATE SHARE OF NET OTHER POST EMPLOYMENT BENEFITS (OPEB) LIABILITY
For The Last 10 Fiscal Years (As Available)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
BOCES proportion of the net OPEB liability (asset)	0.03048%	0.03164%	-	-	-	-	-	-	-	-
BOCES proportionate share of the net OPEB liability (asset)	\$396,066	\$410,237	-	-	-	-	-	-	-	-
BOCES covered-employee payroll	\$2,510,253	\$2,421,105	-	-	-	-	-	-	-	-
BOCES proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	15.78%	16.94%	-	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total OPEB liability	17.53%	16.71%	-	-	-	-	-	-	-	-

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

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF COOPERATIVE CONTRIBUTIONS - OPEB
For The Last 10 Fiscal Years (As Available)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contributions	\$ 25,605	\$ 24,695	-	-	-	-	-	-	-	-
Contributions in relation to the contractually required contributions	<u>\$ (25,605)</u>	<u>\$ (24,695)</u>	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	-	-	-	-	-	-	-	-
BOCES covered-employee payroll	\$2,510,253	\$2,421,105	-	-	-	-	-	-	-	-
Contributions as a percentage of covered-employee payroll	1.02%	1.02%	-	-	-	-	-	-	-	-

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

COMBINING SCHEDULES – GENERAL FUND

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
COMBINING BALANCE SHEET BY PROGRAM – GENERAL FUND
June 30, 2018

<u>Accounts Program</u>	<u>Cash</u>	<u>Investments</u>	<u>Accounts Receivable</u>	<u>Accrued Revenues</u>	<u>Prepaid Expenditures</u>	<u>Total</u>
Administration	1,084,345	2,515	18,764	-	5,871	1,111,495
BOCES Grant	122,260	-	-	-	-	122,260
Kelly Herrsink Memorial	10,415	-	-	-	-	10,415
SB 191 Educator Evaluation	9,768	-	-	-	-	9,768
Special Projects	76,204	-	-	-	-	76,204
Expelled & At Risk	48,950	-	-	-	-	48,950
Gifted Ed Universal Screening	-	-	-	-	-	-
Right 4 Rural Javigs G&T	(5,802)	-	-	13,037	-	7,235
Special Education	1,034,681	-	1,521	-	-	1,036,202
Gifted and Talented State	16,800	-	-	-	-	16,800
Migrant Education	32,492	-	-	-	-	32,492
IDEA PART B	(152,928)	-	405	319,707	-	167,184
IDEA PART B Increasing Achieve	4,845	-	-	-	-	4,845
IDEA Preschool	3,728	-	-	1,464	-	5,192
McKinney Vento Federal	(11,538)	-	-	11,538	-	-
Title III ELL	11,298	-	-	-	-	11,298
Read to Achieve	105,323	-	-	-	-	105,323
School Counselor	38,123	-	-	-	-	38,123
Title II A Teacher Quality	1,100	-	-	-	-	1,100
SWAP	(34,491)	-	-	40,103	-	5,612
La Gente Federal	10,255	-	-	-	-	10,255
TANF	19,855	-	-	-	-	19,855
Total	<u>2,425,683</u>	<u>2,515</u>	<u>20,690</u>	<u>385,849</u>	<u>5,871</u>	<u>2,840,608</u>

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

<u>Accrued Salaries Payable</u>	<u>Accounts Payable</u>	<u>Deferred Revenue</u>	<u>Fund Balance</u>	<u>Total</u>
2,206	2,658	-	1,106,631	1,111,495
9,112	500	112,648	-	122,260
-	-	10,415	-	10,415
-	-	9,768	-	9,768
-	-	76,204	-	76,204
15,678	23,276	9,996	-	48,950
-	-	-	-	-
1,980	5,255	-	-	7,235
221,610	6,353	808,239	-	1,036,202
-	16,800	-	-	16,800
-	-	32,492	-	32,492
167,007	177	-	-	167,184
-	-	4,845	-	4,845
5,192	-	-	-	5,192
-	-	-	-	-
-	-	11,298	-	11,298
-	-	105,323	-	105,323
-	-	38,123	-	38,123
-	-	1,100	-	1,100
-	5,612	-	-	5,612
-	-	10,255	-	10,255
-	-	19,855	-	19,855
<u>422,785</u>	<u>60,631</u>	<u>1,250,561</u>	<u>1,106,631</u>	<u>2,840,608</u>

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

**SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
 AND CHANGES IN FUND BALANCES – BY PROGRAM
 Fiscal Year Ended June 30, 2018**

<u>Program</u>	<u>REVENUES</u>			
	<u>Local</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>
Administration	410,133	-	-	410,133
BOCES Grant	-	174,226	-	174,226
Gifted Ed Univeral Screening	-	28,897	-	28,897
Right 4 Rural Javigs G&T	-	-	36,390	36,390
Local Regional Training	15,109	-	-	15,109
SB 191 Educator Evaluation	-	-	-	-
Kelly Herrsink Memorial	-	-	-	-
Special Projects	3,634	-	-	3,634
ELO Grant	4,045	-	-	4,045
La Gente Local	40	-	-	40
Parent Institute	-	-	-	-
Special Education	650,891	1,289,533	-	1,940,424
Fin Literacy	-	400	-	400
Expelled & At Risk	-	240,603	-	240,603
Gifted and Talented State	-	183,498	-	183,498
Migrant Education	-	-	-	-
IDEA Part B	-	-	1,644,724	1,644,724
IDEA Part B Increasing Achieve	-	-	-	-
IDEA Preschool	-	-	34,638	34,638
McKinny Vento Local	-	-	-	-
McKinny Vento Federal	-	-	36,540	36,540
McKinny VCF	-	-	-	-
Title III ELL	-	-	17,983	17,983
Read to Achieve	-	15,921	-	15,921
School Counselor	-	-	-	-
Title II A Teacher Quality	-	-	-	-
SWAP	-	218,829	-	218,829
La Gente Federal	-	-	-	-
TANF	-	-	-	-
Total	<u>1,083,852</u>	<u>2,151,907</u>	<u>1,770,275</u>	<u>5,006,034</u>

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

**SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
 AND CHANGES IN FUND BALANCES – BY PROGRAM
 Fiscal Year Ended June 30, 2018**

<u>Program</u>	<u>EXPENDITURES</u>					
	<u>Instruction</u>	<u>Student</u>	<u>Instructional Staff</u>	<u>School Admin.</u>	<u>Business Services</u>	<u>Operation & Maintenance</u>
Administration	-	-	56,327	-	55,740	40,620
BOCES Grant	-	-	158,898	-	15,328	-
Gifted Ed Universal Screening	-	-	1,302	-	-	-
Right 4 Rural Javigs G&T	-	-	31,595	-	4,795	-
Local Regional Training	-	-	15,109	-	-	-
SB 191 Educator Evaluation	-	-	-	-	-	-
Kelly Herrsink Memorial	-	-	-	-	-	-
Special Projects	-	-	3,634	-	-	-
ELO Grant	-	-	4,045	-	-	-
La Gente Local	-	-	-	-	-	-
Parent Institute	-	-	-	-	-	-
Special Education	1,005,546	891,344	43,534	-	-	-
Fin Literacy	-	-	-	-	400	-
Expelled & At Risk	-	121,019	105,621	-	1,696	-
Gifted and Talented State	76,906	37,045	66,567	-	2,500	-
Migrant Education	-	-	-	-	-	-
IDEA Part B	1,024,706	262,291	136,116	62,867	158,207	-
IDEA Part B Increasing Achieve	-	-	-	-	-	-
IDEA Preschool	31,111	-	-	-	3,527	-
McKinny Vento Local	-	-	-	-	-	-
McKinny Vento Federal	2,149	31,156	-	-	3,235	-
McKinny VCF	-	-	-	-	-	-
Title III ELL	7,688	-	8,717	-	1,578	-
Read to Achieve	-	-	-	-	-	-
School Counselor	-	-	-	-	-	-
Title II A Teacher Quality	-	-	-	-	-	-
SWAP	-	-	-	-	-	-
La Gente Federal	-	-	-	-	-	-
TANF	-	-	-	-	-	-
Total	<u>2,148,106</u>	<u>1,342,855</u>	<u>631,465</u>	<u>62,867</u>	<u>247,006</u>	<u>40,620</u>

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

EXPENDITURES						Lease	Revenues	Fund	Fund
<u>Trans- portation</u>	<u>Central Support</u>	<u>Other Support</u>	<u>Community Services</u>	<u>Debt Service</u>	<u>Total</u>	<u>Proceeds</u>	<u>Over (Under) Expenditures</u>	<u>Balance Beginning</u>	<u>Balance Ending</u>
-	111,632	-	-	3,156	267,475	14,748	157,406	949,225	1,106,631
-	-	-	-	-	174,226	-	-	-	-
-	27,595	-	-	-	28,897	-	-	-	-
-	-	-	-	-	36,390	-	-	-	-
-	-	-	-	-	15,109	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	3,634	-	-	-	-
-	-	-	-	-	4,045	-	-	-	-
-	-	-	40	-	40	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	1,940,424	-	-	-	-
-	-	-	-	-	400	-	-	-	-
-	12,267	-	-	-	240,603	-	-	-	-
-	480	-	-	-	183,498	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	537	-	1,644,724	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	34,638	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	36,540	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	17,983	-	-	-	-
-	15,921	-	-	-	15,921	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	218,829	-	-	218,829	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	<u>167,895</u>	<u>218,829</u>	<u>577</u>	<u>3,156</u>	<u>4,863,376</u>	<u>14,748</u>	<u>157,406</u>	<u>949,225</u>	<u>1,106,631</u>

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

STATE REQUIRED SCHEDULES

Auditor's Integrity Report (Revenues, Expenditures, and Fund Balance by Fund)

Bolded Balance Sheet



Colorado Department of Education
Auditors Integrity Report
 District: 9055 - SAN LUIS VALLEY 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	949,225	5,020,782	4,863,376	1,106,631
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub-Total	949,225	5,020,782	4,863,376	1,106,631
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
FINAL				0



Colorado Department of Education
Bolded Balance Sheet Report
 District: 9055 - SAN LUIS VALLEY 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)	2,428,197	0	0	0	0	0	0	0	0	0	0	0	0	0	2,428,197
Intergovernmental Accounts Rec (8141)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Grants Accounts Receivable (8142)	385,849	0	0	0	0	0	0	0	0	0	0	0	0	0	385,849
Other Receivables (8151-8154,8161)	20,690	0	0	0	0	0	0	0	0	0	0	0	0	0	20,690
Prepaid Expenses 8181,8182)	5,871	0	0	0	0	0	0	0	0	0	0	0	0	0	5,871
Total Assets	2,840,608	0	0	0	0	0	0	0	0	0	0	0	0	0	2,840,608

	Governmental						Proprietary					Fiduciary			
	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
LIABILITIES & FUND EQUITY															
LIABILITIES															
Other Payables (7421-7423)	60,632	0	0	0	0	0	0	0	0	0	0	0	0	0	60,632
Accrued Expenses (7461)	422,785	0	0	0	0	0	0	0	0	0	0	0	0	0	422,785
Unearned Revenue (7481)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Grants Deferred Revenue (7482)	1,250,561	0	0	0	0	0	0	0	0	0	0	0	0	0	1,250,561
Total Liabilities	1,733,977	0	0	0	0	0	0	0	0	0	0	0	0	0	1,733,977

Proprietary

Governmental

Fiduciary

FUND EQUITY	Governmental										Proprietary					Fiduciary			
	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				
Non-spendable Fund Balance 6710	5,871	0	0	0	0	0	0	0	0	0	0	0	0	0	5,871				
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	1,100,760	0	0	0	0	0	0	0	0	0	0	0	0	0	1,100,760				
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	1,106,631	0	0	0	0	0	0	0	0	0	0	0	0	0	1,106,631				

Total Liabilities & Fund Equity	Governmental										Proprietary					Fiduciary			
	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				
2,840,608	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,840,608				

For Each Fund Type: Do Assets=Liability+Fund Equity

Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

SINGLE AUDIT SECTION

164 E. MAIN
TRINIDAD, COLORADO 81082
(719) 846-9241 FAX (719) 846-3352

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Board of Directors
San Luis Valley Board of Cooperative Educational Services
Alamosa, Colorado 81050**

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Dixon, Waller & Co., Inc.

November 30, 2018

164 E. MAIN
TRINIDAD, COLORADO 81082
(719) 846-9241 FAX (719) 846-3352

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

**Board of Directors
San Luis Valley Board of Cooperative Educational Services
Alamosa, Colorado 81050**

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of San Luis Valley Board of Cooperative Educational Services' compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Aiton, Walker & Co., Inc.

November 30, 2018

**SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

SUMMARY OF AUDITOR'S RESULTS:

Report

An unmodified report has been issued on the financial statements of San Luis Valley Board of Cooperative Educational Services.

Internal Control – Financial Statements

No conditions were disclosed by the audit that are considered to be a material weakness. No significant deficiencies not considered a material weakness were identified.

Noncompliance – Financial Statements

No instances of noncompliance in amounts material to the financial statements of San Luis Valley Board of Cooperative Educational Services were disclosed by the audit.

Internal Control – Federal Awards

No conditions were disclosed in the audit that are considered to be a material weaknesses. No significant deficiencies not considered a material weakness were identified.

Report on Compliance - Major Programs

An unmodified report has been issued on San Luis Valley Board of Cooperative Educational Services compliance for major programs.

Audit Findings

Audit findings requiring disclosure in accordance with 2CFR Section 200.516(a) were not disclosed by the audit.

Major Programs

IDEA Part B	CFDA#	84.027
IDEA Preschool	CFDA#	84.173

Dollar Threshold to Distinguish Type A and Type B Programs

\$750,000.

Qualification as low-risk auditee

The Cooperative did not qualify as a low-risk auditee for fiscal year 2017/2018.

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

(Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

**SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SUMMARY OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

PRIOR AUDIT - FEDERAL AWARDS

None

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>CDE Code</u>	<u>Expenditures</u>
<u>Special Education Cluster (IDEA)-Cluster</u>			
<u>Department of Education</u>			
(Passed through Colorado Department of Education)			
Special Education—Grants to States			
Special Education—Grants to States	84.027	4027	<u>1,644,724</u>
<u>Total Special Education – Grants to States</u>			<u>1,644,724</u>
Special Education—Preschool Grants			
Special Education—Preschool Grants	84.173	4173	<u>34,637</u>
<u>Total Special Education—Preschool Grants</u>			<u>34,637</u>
<u>Total Special Education Cluster</u>			<u>1,679,361</u>
 <u>Other Programs</u>			
<u>Department of Education</u>			
Education for Homeless Children and Youth	84.196	5196	36,540
Javits Gifted and Talented Students Education	84.206	5206	36,390
English Language Acquisition State Grants	84.365	4365	<u>17,984</u>
<u>Total Department of Education</u>			<u>90,914</u>
<u>Total Other Programs</u>			<u>90,914</u>
 <u>TOTAL EXPENDITURES OF FEDERAL AWARDS</u>			 <u>1,770,275</u>

The accompanying notes are an integral part of this schedule.

SAN LUIS VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

NOTE 1 **Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the San Luis Valley Board of Cooperative Educational Services and is presented on the modified accrual basis of accounting. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

NOTE 2 **INDIRECT COST RATES**

All grants being charged indirect cost have been received from the Colorado Department of Education. The Department calculates an allowable indirect cost rate for individual sub-recipients and mandates that the rate be used as the maximum for the recovery of indirect cost. The BOCES has recovered indirect cost from grant funds at an amount no greater than that allowed by the Colorado Department of Education and has not elected to use the 10% de minimis indirect cost rate allowed by Uniform Guidance.

NOTE 3 **SUBRECIPIENT PAYMENTS**

No amounts of federal financial assistance were passed through to subrecipients in the year ended June 30, 2018.