

cPa DIXON, WALLER & CO., INC.

SANTA FE TRAIL BOARD OF
COOPERATIVE EDUCATIONAL
SERVICES
LA JUNTA, COLORADO
FINANCIAL STATEMENTS
JUNE 30, 2018

DIXON, WALLER & CO., INC.

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**SANTA FE TRAIL BOARD OF
COOPERATIVE EDUCATIONAL SERVICES**

FINANCIAL STATEMENTS

JUNE 30, 2018

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**SANTA FE TRAIL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
BOARD OF DIRECTORS
June 30, 2018**

BOARD OF DIRECTORS

Mr. Bill Deal	President
Mr. Bob Bamber	Vice-President
Ms. Sharri Moreland	Secretary
Ms. Crystal Provost	Treasurer
Ms. Kristen Bickel	Member
Mr. Josh Weimer	Member

BOCES OFFICE STAFF

Sandy Malouff	Executive Director
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FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Santa Fe Trail Board of Cooperative Educational Services
La Junta, Colorado 81050**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Fe Trail 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 BOCES' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Fe Trail 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 37 through 41 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 Santa Fe Trail Board of Cooperative Educational Services' basic financial statements. The other 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 other 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 other schedules, state required schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, on our consideration of Santa Fe Trail 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 Santa Fe Trail Board of Cooperative Educational Services' internal control over financial reporting and compliance.



November 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

The Management Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, issued June, 1999. As management of the Santa Fe Trail BOCES, we offer readers of the BOCES' Annual Financial Report this narrative and analysis of the financial activities of the SFTBOCES for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information provided in the Independent Auditor's report.

The BOCES was required to implement GASB 75 resulting in a net other post-employment benefit (OPEB) liability of \$225,608. 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 BOCES. 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 \$191,839 to \$5,069,995 from \$4,878,156 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

Overview of the Financial Statements

A comparison to the prior year's activity is provided in this document. The basic financial statements consist of three components: 1) government-wide financial statements, 2) program financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide statements report information about the SFTBOCES as a whole using accounting methods similar to those used by private-sector businesses. The statement of net assets includes all of the SFTBOCES' assets and liabilities. The *statement of net assets* presents information on all of the SFTBOCES' assets and liabilities with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of changes in the financial position of the SFTBOCES.

Fund Financial Statements

A fund is a grouping of related accounts designed to keep control over resources segregated for specific activities or objectives. The fund financial statements provide more detailed information about the SFTBOCES' general fund. Funds are accounting devices that the SFTBOCES uses to keep track of specific sources of funding and spending for particular purposes. SFTBOCES uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

All of the SFTBOCES' basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the government fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the SFTBOCES' programs.

SFTBOCES maintains one governmental fund. Information is presented separately in the governmental fund, balance sheet, statement of revenues, expenditures and changes in fund balances for the General Fund.

SFTBOCES adopts an annual appropriated budget for the general fund. A budgetary comparison schedule for the general fund is included in the fund financial statements to demonstrate compliance with the adopted budget.

Proprietary Funds - NA

Fiduciary Funds - NA

Notes to the Financial Statements

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

Government-wide Financial Analysis

	2018	2017
Governmental Activities		
Assets:		
Cash and investments	\$ 688,564	\$ 698,037
Accounts receivable	\$ 152,456	\$ -
Accrued revenue	\$ 174,422	\$ 301,398
Capital assets	\$ 238,456	\$ 229,156
Accumulated Depreciation	\$ (193,093)	\$ (186,632)
Total Assets	\$ 1,060,805	\$ 1,041,959
Deferred Outflow of Resources		
Pensions	\$ 3,463,837	\$ 3,359,653
Other Post-Employment Benefits	\$ 19,896	\$ -
Total Deferred Outflow of Resources	\$ 3,483,733	\$ 3,359,653
Liabilities and Fund Balances:		
Accounts payable	\$ 195,217	\$ 239,846
Accrued salaries	\$ 232,678	\$ 221,503
Net Pension Obligation	\$ 9,879,607	\$ 8,555,531
Net Other Post-Employment Benefits Liability	\$ 225,608	-
Unearned Grants and Payments	\$ 218,206	\$ 214,657
Total Liabilities	\$ 10,751,316	\$ 9,231,537
Deferred Inflow of Resources		
Pensions	\$ 599,848	\$ 38,656
Other Post-Employment Benefits	\$ 3,774	-
Pension Inflows - Employer Level	\$ -	\$ 9,575
Total Deferred Inflow of Resources	\$ 603,622	\$ 48,231
Net Position:		
Net Investment in Capital Assets	\$ 45,363	\$ 42,524
Unrestricted	\$(6,855,763)	\$(4,920,680)
Total Net Position	\$(6,810,400)	\$(4,878,156)

REVENUES & EXPENDITURES BY SOURCE		
REVENUES	2018	2017
Program Revenues		
Charges for Services	\$ 574,599	\$ 373,933
Operating Grants & Contributions	\$ 2,107,604	\$ 1,969,946
General Revenues		
BOCES Administration	\$ 471,134	\$ 425,609
Earnings on Investments	\$ 0	\$ 0
TOTAL REVENUES	\$ 3,153,337	\$ 2,769,488
EXPENDITURES		
Instructional Services	\$ 1,073,833	\$ 1,006,106
Supporting Services		
Students	\$ 865,294	\$ 789,438
Instructional Staff	\$ 801,888	\$ 647,237
General Administration	\$ 179,772	\$ 107,249
Business	\$ 67,179	\$ 63,388
Operation & Maintenance of Facilities	\$ 108,421	\$ 114,960
Other Uses	\$ 8,199	\$ 7,020
Capital Outlay		
Pension Amortization	\$ 1,789,156	\$ 1,405,467
TOTAL EXPENDITURES	\$ 4,893,742	\$ 4,140,865
CHANGE IN NET ASSETS	\$ (1,740,405)	\$ (1,371,377)
Beginning Net Assets	\$ (5,069,995)	\$ (3,506,779)
Ending Net Assets	\$ (6,810,400)	\$ (4,878,156)

The assets of the SFTBOCES are classified as current assets and capital assets. Cash, accounts receivables, inventories and accrued revenue are current assets. These assets are available to provide resources for the near-term operations of the SFTBOCES. Capital assets are used in the operation of the SFTBOCES. These assets include land, a building, and equipment.

At the end of the current fiscal year, the liabilities of the SFTBOCES exceeded its assets by \$6,810,400. This represents the SFTBOCES pension obligation, which is required by GASB. In the past, the pension obligation was calculated by PERA and included in PERA's financial statements. It continues to be calculated by PERA; however, it is now included in our financial statements. This is not a debt, but for record keeping purposes only.

	Total Cost of Service	Net Cost of Service
Instructional Services	1,073,833	(66,527)
Student	865,294	(65,998)
Instructional Staff	801,888	(107,223)
General Administration	179,772	(72,534)
Business	67,179	(67,179)
Operation & Maintenance of Facilities	108,421	(39,063)
Other Uses	8,199	(3,859)
Pension Expense	<u>1,789,156</u>	<u>(1,789,156)</u>
Total	4,893,742	(2,211,539)

Financial Analysis of the Government's Funds

The focus of the SFTBOCES' governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the SFTBOCES' financing requirements. In particular, unreserved fund balance may serve as a useful measure of the SFTBOCES' net resources available for spending at the end of the fiscal year.

The combined general fund is the major governmental fund of the SFTBOCES. The combined general fund under GASB 34 reporting requirements includes the general fund with the following programs:

- BOCES Administration
- Special Education
- Gifted & Talented
- Gifted & Talented Right4Rural Grant
- EARSS Grant
- School Counselor Grant
- Implementation of Student Education Priorities
- Colorado Education Initiative Grant
- IDEA Part B
- IDEA Preschool
- Post-Graduation Outcomes Grant

At the end of the fiscal year, the combined general fund shows an ending fund balance of \$369,341, an increase of \$45,912 from the previous fiscal year.

General Fund Budgetary Highlights

SFTBOCES' budget is prepared according to Colorado law and is based on accounting for transactions under generally accepted accounting principles. The only budgeted fund is the General Fund.

SFTBOCES began budget development for the 2017-18 fiscal year in April, 2017 with preliminary analysis of salary requirements and budget changes. After reviewing district projections and the most current revenue assumptions, the SFTBOCES Business Manager and Executive Director prepared a preliminary budget. The preliminary budget was presented to the SFTBOCES Board of Directors on May 24, 2017. Adoption of the original 2017-18 SFTBOCES budget occurred on June 21, 2017. A revised budget was approved by the SFTBOCES board on June 6, 2018.

Difference between the original budget and final revised budget totaled an increase of \$221,490 and can be briefly summarized as follows:

EARSS Grant-Addition of \$2,800
 Gifted & Talented Universal Screening & Quality Personnel Grant-Addition of \$23,615
 CEI Accelerator II Project Grant-Addition of \$50,000
 Indicator 14 Post-School Graduate Interviews-Addition of \$565
 Increase in the Beginning Fund Balance-Addition of \$144,510

Capital Assets and Debt Administration

SFTBOCES’ investment in capital assets for governmental activities as of June 30, 2017 amount to \$186,632 (total of accumulated depreciation). This investment in capital assets includes land, a building and office and instructional equipment all with an original cost greater than \$5000.

Net of Accumulated Depreciation		
	2018	2017
Land & Sites	\$ 5,710	\$ 5,710
Building	\$ 33,741	\$ 36,814
Vehicles	\$ -	\$ -
Equipment	\$ 6,461	\$ 0
TOTALS	\$ 45,912	\$ 42,524

In accordance with Board policy, there were capital asset additions during the current fiscal year greater than \$5,000.

As of June 30, 2018 SFTBOCES did not have any bonded debt outstanding.

Economic Factors and Next Year's Budgets

At the time these financial statements were prepared and audited, the SFTBOCES was aware of the following existing circumstances that could significantly affect its financial health in the future.

- Continuing fluctuation in student enrollment in member districts
- Changes in Special Education IDEA revenues and other federal funding
- Changes in State ECEA revenue
- The addition and discontinuation of various grants

Requests for Information

This financial report is designed to provide for all those with an interest in the SFTBOCES, a general overview of the SFTBOCES' finances and to demonstrate the SFTBOCES' accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Dottie Burnett, Business Manager
Santa Fe Trail BOCES
P.O. Box 980
302 Colorado Avenue
La Junta, CO 81050
719-383-2623 ext. 216

BASIC FINANCIAL STATEMENTS

SANTA FE TRAIL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
STATEMENT OF NET POSITION
June 30, 2018

	<u>Governmental Activities</u>	<u>Total</u>
<u>ASSETS</u>		
Cash and Equivalents	688,564	688,564
Accounts Receivable	152,456	152,456
Accrued Revenue	174,422	174,422
Capital Assets	238,456	238,456
Accumulated Depreciation	<u>(193,093)</u>	<u>(193,093)</u>
<u>Total Assets</u>	<u>1,060,805</u>	<u>1,060,805</u>
 <u>DEFERRED OUTFLOW OF RESOURCES</u>		
Pensions	3,463,837	3,463,837
Other Post Employment Benefits	<u>19,896</u>	<u>19,896</u>
<u>Total Deferred Outflow of Resources</u>	<u>3,483,733</u>	<u>3,483,733</u>
 <u>LIABILITIES</u>		
Accounts Payable	195,217	195,217
Accrued Salaries	232,678	232,678
Net Pension Liability	9,879,607	9,879,607
Net OPEB Liability	225,608	225,608
Unearned Grants and Payments	<u>218,206</u>	<u>218,206</u>
<u>Total Liabilities</u>	<u>10,751,316</u>	<u>10,751,316</u>
 <u>DEFERRED INFLOW OF RESOURCES</u>		
Pensions	599,848	599,848
Other Post Employment Benefits	<u>3,774</u>	<u>3,774</u>
<u>Total Deferred Inflow of Resources</u>	<u>603,622</u>	<u>603,622</u>
 <u>NET POSITION</u>		
Net Investment in Capital Assets	45,363	45,363
Unrestricted	<u>(6,855,763)</u>	<u>(6,855,763)</u>
<u>Total Net Position</u>	<u>(6,810,400)</u>	<u>(6,810,400)</u>

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

SANTA FE TRAIL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2018

	Program Revenues		Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position Governmental Activities	
Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants and Contributions	Total	Total
FUNCTIONS					
Instructional Services	1,073,833	317,947	689,359	-	(66,527)
Supporting Services:					
Students	865,294	100,018	699,278	-	(65,998)
Instructional Staff	801,888	81,351	613,314	-	(107,223)
General Administration	179,772	44,619	62,619	-	(72,534)
Business	67,179	-	-	-	(67,179)
Operation & Maintenance of Facilities	108,421	28,858	40,500	-	(39,063)
Other Uses	8,199	1,806	2,534	-	(3,859)
Capital Outlay	-	-	-	-	-
Pension & OPEB Cost	1,789,156	-	-	-	(1,789,156)
Total Governmental Activities	4,893,742	574,599	2,107,604	(2,211,539)	(2,211,539)
	General Revenues	BOCES Administration		471,134	471,134
		Other Revenues		-	-
	Total General Revenues			471,134	471,134
		Change in Net Position		(1,740,405)	(1,740,405)
		Net Position, Beginning (as Restated)		(5,069,995)	(5,069,995)
		Net Position, Ending		(6,810,400)	(6,810,400)

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

SANTA FE TRAIL 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 and Equivalents	688,564	688,564
Accounts Receivable	152,456	152,456
Accrued Revenue	<u>174,422</u>	<u>174,422</u>
<u>Total Assets</u>	<u>1,015,442</u>	<u>1,015,442</u>
<u>LIABILITIES AND FUND BALANCES</u>		
<u>Liabilities:</u>		
Accounts Payable	195,217	195,217
Accrued Salaries	232,678	232,678
Unearned Revenue:		
Local Sources	209,819	209,819
Other Governments	<u>8,387</u>	<u>8,387</u>
<u>Total Liabilities</u>	<u>646,101</u>	<u>646,101</u>
<u>Fund Balances:</u>		
Assigned	-	-
Unassigned	<u>369,341</u>	<u>369,341</u>
<u>Total Fund Balances</u>	<u>369,341</u>	<u>369,341</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>1,015,442</u>	<u>1,015,442</u>

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

**SANTA FE TRAIL 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:

TOTAL FUND BALANCE – GOVERNMENTAL FUNDS	369,341
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$238,456 and the accumulated depreciation is \$193,093.	45,363
The portion of the net pension obligation for PERA is reported on the statement of net position is not reported as a liability in the funds.	(9,879,607)
The portion of the net OPEB obligation is reported on the statement of net position is not reported as a liability in the funds.	(225,608)
Deferred flows for contributions made toward the net pension liability from December 31, 2017 until June 30, 2018 is not reported in the funds.	144,509
Deferred flows for contributions made toward the net OPEB liability from December 31, 2017 until June 30, 2018 is not reported in the funds.	7,705
Net Deferred Pension Flows – Plan Level	2,300,285
Net Deferred Pension Flows – Employer Level	419,195
Net Deferred OPEB Flows – Plan Level	(2,707)
Net Deferred OPEB Flows – Employer Level	<u>11,124</u>
<u>TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES</u>	<u>(6,810,400)</u>

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

SANTA FE TRAIL 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 Sources	1,045,733	1,045,733
State Sources	1,224,108	1,224,108
Federal Sources	883,496	883,496
<u>Total Revenues</u>	<u>3,153,337</u>	<u>3,153,337</u>
 <u>EXPENDITURES</u>		
Instruction	1,073,833	1,073,833
Supporting Services:		
Students	865,294	865,294
Instructional Staff	801,888	801,888
General Administration	173,311	173,311
Business	67,179	67,179
Operation & Maintenance of Facilities	117,721	117,721
Other Uses	8,199	8,199
<u>Total Expenditures</u>	<u>3,107,425</u>	<u>3,107,425</u>
 <u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	 45,912	 45,912
 <u>FUND BALANCES, Beginning</u>	 <u>323,429</u>	 <u>323,429</u>
 <u>FUND BALANCES, Ending</u>	 <u>369,341</u>	 <u>369,341</u>

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

**SANTA FE TRAIL 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:

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS **45,912**

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 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.

	9,300	
Capital outlays more than \$5,000		
Depreciation Expense	<u>(6,461)</u>	2,839

The statement of activities reports net pension liability which is not reported in the fund financial statements.

	(1,324,076)	
Change in net pension liability		
Change in net OPEB liability	(13,841)	
Deferred flows from net pension liability	(447,433)	
Deferred flows from net OPEB liability	<u>(3,806)</u>	

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **(1,740,405)**

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

NOTES TO BASIC FINANCIAL STATEMENTS

SANTA FE TRAIL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Santa Fe Trail 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 Statements 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.

SANTA FE TRAIL 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 unassigned 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.

SANTA FE TRAIL 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, deferred flows, 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 funds presented in the accompanying basic financial statements are as follows:

• **Major Governmental Funds**

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 District. The District 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 District 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.

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.

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 a liability – unearned grants.

SANTA FE TRAIL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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

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. It is the Cooperatives policy to capitalize assets costing \$5,000 or more.

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. The Cooperative does not have a material liability for compensated absences payable at June 30, 2018.

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.

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).

SANTA FE TRAIL 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

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 School Board, 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.

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>Fund</u>	<u>General Fund</u>	<u>Total Governmental Funds</u>
Assigned	-	-
Unassigned	<u>369,341</u>	<u>369,341</u>
<u>Total Fund Balances</u>	<u>369,341</u>	<u>369,341</u>

SANTA FE TRAIL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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

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.

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 Directors 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.

SANTA FE TRAIL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 3 **BUDGETARY INFORMATION (Continued)**

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).

NOTE 4 **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>438,564</u>	<u>1,000,313</u>
<u>Total Cash and Deposits</u>	<u>688,564</u>	<u>1,250,313</u>

As presented above, deposits with a bank balance of \$1,000,313 and a carrying balance of \$438,564 as of June 30, 2018 are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

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 \$232,678. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

SANTA FE TRAIL 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. Santa Fe Trail 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 Santa Fe Trail 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:

SANTA FE TRAIL 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.

SANTA FE TRAIL 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 Santa Fe Trail 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 Santa Fe Trail Board of Cooperative Educational Services is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Santa Fe Trail Board of Cooperative Educational Services were \$282,220 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 Santa Fe Trail Board of Cooperative Educational Services reported a liability of \$9,879,607 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 Santa Fe Trail Board of Cooperative Educational Services proportion of the net pension liability was based on Santa Fe Trail 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 Santa Fe Trail Board of Cooperative Educational Services proportion was 0.0305 percent, which was an increase of 0.0018 percent from its proportion measured as of December 31, 2016.

SANTA FE TRAIL 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 Santa Fe Trail Board of Cooperative Educational Services recognized pension expense of \$1,771,509. At June 30, 2018, the Santa Fe Trail 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	181,644	-
Changes of assumptions or other inputs	2,522,631	(16,008)
Net difference between projected and actual earnings on pension plan investments	195,858	(583,840)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	419,195	-
Contributions subsequent to the measurement date	144,509	N/A
Total	3,463,837	(599,848)

\$144,509 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	1,741,763
2020	1,050,506
2021	73,172
2022	(145,961)
2023	-
Thereafter	-

SANTA FE TRAIL 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.

SANTA FE TRAIL 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%.

SANTA FE TRAIL 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.

SANTA FE TRAIL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 **PENSION PLAN (Continued)**

Sensitivity of the Santa Fe Trail 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	12,479,624	9,879,607	7,760,890

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.

SANTA FE TRAIL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 **PENSION PLAN (Continued)**

At June 30 2018, the Santa Fe Trail Board of Cooperative Educational Services reported a liability of \$9,879,607 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 Santa Fe Trail Board of Cooperative Educational Services' proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	4,463,521

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately \$4,611,862 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 Santa Fe Trail 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 \$14,775.

SANTA FE TRAIL 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. Santa Fe Trail 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 Santa Fe Trail 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.

SANTA FE TRAIL 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.

SANTA FE TRAIL 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 Santa Fe Trail Board of Cooperative Educational Services is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Santa Fe Trail Board of Cooperative Educational Services were \$15,245 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 Santa Fe Trail Board of Cooperative Educational Services reported a liability of \$225,608 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 Santa Fe Trail Board of Cooperative Educational Services proportion of the net OPEB liability was based on Santa Fe Trail 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 Santa Fe Trail Board of Cooperative Educational Services proportion was 0.0173 percent, which was an increase of 0.001 percent from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the Santa Fe Trail Board of Cooperative Educational Services recognized OPEB expense of \$17,647. At June 30, 2018, the Santa Fe Trail 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	1,067	-
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(3,774)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	11,124	-
Contributions subsequent to the measurement date	7,705	N/A
Total	19,896	(3,774)

**SANTA FE TRAIL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2018

NOTE 7 OTHER POST EMPLOYMENT BENEFITS (Continued)

\$7,705 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	1,451
2020	1,451
2021	1,451
2022	1,452
2023	2,395
Thereafter	217

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.

SANTA FE TRAIL 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.

SANTA FE TRAIL 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.**

SANTA FE TRAIL 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:

**SANTA FE TRAIL 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 Santa Fe Trail 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	219,401	225,608	233,085

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.

SANTA FE TRAIL 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 Santa Fe Trail 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	253,655	225,608	201,670

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.

SANTA FE TRAIL 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 Santa Fe Trail Board of Cooperative Educational Services (BOCES). The BOCES 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 BOCES 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 BOCES and the Districts are not accountable for fiscal matters of the BOCES.

NOTE 9 SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Claims and Judgments - The Cooperative participates in a number of federal, state and county 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 District 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 BOCES is not independently subject to the spending and revenue limits imposed by Amendment 1. BOCES revenues and spending may therefore fluctuate independent of the restrictions imposed by the Amendment. However, contributions by member districts and by the state will be subject to the spending limits imposed by the Amendment at the time the transfer is made to the BOCES account.
2. A BOCES 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 districts are permitted under Amendment 1 to enter into such financial obligations.
3. The BOCES need not maintain an emergency reserve as required by Amendment 1 for local government entities.
4. The BOCES 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 BOCES 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".

SANTA FE TRAIL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 **CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>Capital Assets Not Being Depreciated</u>				
Land	5,710	-	-	5,710
<u>Capital Assets Being Depreciated:</u>				
Buildings & Site Improvements	138,038	-	-	138,038
Equipment & Vehicles	85,408	9,300	-	94,708
<u>Total Capital Assets Being Depreciated</u>	<u>223,446</u>	<u>9,300</u>	<u>-</u>	<u>232,746</u>
<u>Less Accumulated Depreciation for:</u>				
Building &				
Site Improvements	101,222	6,461	-	107,683
Equipment & Vehicles	85,410	-	-	85,410
<u>Total Accumulated Depreciation</u>	<u>186,632</u>	<u>6,461</u>	<u>-</u>	<u>193,093</u>
<u>Total Capital Assets Being</u>				
<u>Depreciated, Net</u>	<u>36,814</u>	<u>2,839</u>	<u>-</u>	<u>39,653</u>
<u>Governmental Activities Capital</u>				
<u>Assets, Net</u>	<u>42,524</u>	<u>2,839</u>	<u>-</u>	<u>45,363</u>

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

<u>Governmental Activities</u>	
Instruction	-
General Administration	6,461
	<u>6,461</u>

NOTE 12 **RISK MANAGEMENT**

The BOCES 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 BOCES 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 **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.

SANTA FE TRAIL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 13 **COLORADO SCHOOL DISTRICT SELF INSURANCE POOL (Continued)**

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 are recorded as expenditures.

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's 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)	<u>3,302,677</u>
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>235,606</u>
Capital Contributions from Members	-
Unassigned Surplus	<u>30,618,689</u>

NOTE 14 **LITIGATION**

None.

NOTE 15 **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 their portion of any post employment benefit (OPEB) liability, and related deferred flows. The beginning net position of \$(4,878,156) has been changed by the net OPEB liability at June 30, 2017 of \$211,767 and related deferred flows of \$19,928, resulting in a restated beginning net position of \$(5,069,995).

REQUIRED SUPPLEMENTARY INFORMATION

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.

SANTA FE TRAIL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
Fiscal Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	882,618	882,618	1,045,733	163,115
State Sources	1,116,373	1,193,353	1,224,108	30,755
Federal Sources	835,741	835,741	883,496	47,755
<u>Total Revenues</u>	<u>2,834,732</u>	<u>2,911,712</u>	<u>3,153,337</u>	<u>241,625</u>
<u>EXPENDITURES</u>				
Instruction	1,683,032	1,760,012	1,073,833	686,179
Supporting Services	1,262,422	1,246,197	2,025,393	(779,196)
Other Uses	282,854	443,589	8,199	435,390
<u>Total Expenditures</u>	<u>3,228,308</u>	<u>3,449,798</u>	<u>3,107,425</u>	<u>342,373</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	(393,576)	(538,086)	45,912	
<u>FUND BALANCES – Beginning</u>	<u>393,576</u>	<u>538,086</u>	<u>323,429</u>	
<u>FUND BALANCES – Ending</u>	<u>–</u>	<u>–</u>	<u>369,341</u>	

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

**SANTA FE TRAIL 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)	0.0305%	0.0287%	0.0283%	0.0279%	0.0283%	-	-	-	-	-
BOCES proportionate share of the net pension liability (asset)	\$9,879,607	\$8,555,531	\$4,329,199	\$3,785,534	\$3,613,152	-	-	-	-	-
BOCES covered-employee payroll	\$1,494,592	\$1,293,988	\$1,187,141	\$1,101,359	\$1,062,971	-	-	-	-	-
BOCES proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	661%	661%	365%	344%	340%	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	43.96%	48.13%	59.20%	62.80%	64.06%	-	-	-	-	-

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

SANTA FE TRAIL 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	\$ 282,220	\$ 237,845	\$ 210,481	\$ 133,259	\$ 141,329	\$ 134,478	-	-	-	-
Contributions in relation to the contractually required contributions	<u>\$ (282,220)</u>	<u>\$ (237,845)</u>	<u>\$ (210,481)</u>	<u>\$ (133,259)</u>	<u>\$ (141,329)</u>	<u>\$ (134,478)</u>	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
BOCES covered-employee payroll	\$1,494,592	\$1,293,988	\$1,187,141	\$1,101,359	\$1,062,971	\$1,119,906	-	-	-	-
Contributions as a percentage of covered-employee payroll	18.88%	18.38%	17.73%	12.10%	13.30%	12.01%	-	-	-	-

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

**SANTA FE TRAIL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF PROPORTIONATE SHARE OF NET 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)	0.0174%	0.0163%	-	-	-	-	-	-	-	-
BOCES proportionate share of the net OPEB liability (asset)	\$225,608	\$211,767	-	-	-	-	-	-	-	-
BOCES covered-employee payroll	\$1,494,592	\$1,293,988	-	-	-	-	-	-	-	-
BOCES proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	15.09%	16.37%	-	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total OPEB liability	17.53%	16.72%	-	-	-	-	-	-	-	-

The accompanying notes are an integral part of these financial statements.
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**SANTA FE TRAIL 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	\$ 15,245	\$ 13,199	-	-	-	-	-	-	-	-
Contributions in relation to the contractually required contributions	<u>\$ (15,245)</u>	<u>\$ (13,199)</u>	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	-	-	-	-	-	-	-	-
BOCES covered-employee payroll	\$1,494,592	\$1,293,988	-	-	-	-	-	-	-	-
Contributions as a percentage of covered-employee payroll	1.02%	1.02%	-	-	-	-	-	-	-	-

OTHER SCHEDULES

**SANTA FE TRAIL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
COMBINING BALANCE SHEET – GENERAL FUND
June 30, 2018**

	<u>BOCES Administration</u>	<u>Prof. Education</u>	<u>Special Education</u>	<u>Gifted & Talented</u>	<u>EARRS</u>
<u>ASSETS</u>					
Cash and Equivalents	264,356	(1,913)	403,850	21,897	8,666
Accounts Receivable	101,967	8,550	41,939	-	-
Accrued Revenue	-	-	<u>101,139</u>	-	-
<u>Total Assets</u>	<u>366,323</u>	<u>6,637</u>	<u>546,928</u>	<u>21,897</u>	<u>8,666</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	2,119	-	170,430	17,896	-
Accrued Salaries	1,500	-	166,679	4,001	8,666
Deferred Revenue:					
Local Sources	-	-	209,819	-	-
Other Governments	-	-	-	-	-
<u>Total Liabilities</u>	<u>3,619</u>	<u>-</u>	<u>546,928</u>	<u>21,897</u>	<u>8,666</u>
<u>Fund Balances</u>					
Assigned	-	-	-	-	-
Unassigned	<u>362,704</u>	<u>6,637</u>	-	-	-
<u>Total Fund Balances</u>	<u>362,704</u>	<u>6,637</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total Liabilities and Fund Balances</u>	<u>366,323</u>	<u>6,637</u>	<u>546,928</u>	<u>21,897</u>	<u>8,666</u>

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

<u>Colo. Ed Initiative</u>	<u>School Counselor</u>	<u>State Ed Priorities</u>	<u>Javits G & T</u>	<u>IDEA Part B</u>	<u>IDEA Preschool</u>	<u>Indicator 14</u>	<u>Total</u>
3,715	-	8,934	(41,143)	16,353	3,849	-	688,564
-	-	-	-	-	-	-	152,456
-	-	-	47,190	26,093	-	-	174,422
<u>3,715</u>	<u>-</u>	<u>8,934</u>	<u>6,047</u>	<u>42,446</u>	<u>3,849</u>	<u>-</u>	<u>1,015,442</u>
654	-	3,608	510	-	-	-	195,217
-	-	-	5,537	42,446	3,849	-	232,678
-	-	-	-	-	-	-	209,819
<u>3,061</u>	<u>-</u>	<u>5,326</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,387</u>
<u>3,715</u>	<u>-</u>	<u>8,934</u>	<u>6,047</u>	<u>42,446</u>	<u>3,849</u>	<u>-</u>	<u>646,101</u>
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>369,341</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>369,341</u>
<u>3,715</u>	<u>-</u>	<u>8,934</u>	<u>6,047</u>	<u>42,446</u>	<u>3,849</u>	<u>-</u>	<u>1,015,442</u>

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

**SANTA FE TRAIL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GENERAL FUND
Fiscal Year Ended June 30, 2018**

	<u>BOCES Administration</u>	<u>Prof. Education</u>	<u>Special Education</u>	<u>Gifted & Talented</u>	<u>EARRS</u>
Revenues:					
Local Sources	462,016	9,118	574,599	-	-
State Sources	-	-	806,411	143,115	96,550
Federal Sources	-	-	-	-	-
Total Revenues	<u>462,016</u>	<u>9,118</u>	<u>1,381,010</u>	<u>143,115</u>	<u>96,550</u>
Expenditures:					
Instruction	66,527	-	764,165	17,896	75,682
Supporting Services:					
Students	65,997	-	240,388	-	-
Instructional Staff	95,885	11,339	195,521	125,219	20,868
General Administration	66,073	-	107,238	-	-
School Administration	-	-	-	-	-
Business	67,179	-	-	-	-
Operation and Maintenance of Facilities	48,363	-	69,358	-	-
Other Uses	3,859	-	4,340	-	-
Total Expenditures	<u>413,883</u>	<u>11,339</u>	<u>1,381,010</u>	<u>143,115</u>	<u>96,550</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	48,133	(2,221)	-	-	-
Fund Balances - Beginning	<u>314,571</u>	<u>8,858</u>	-	-	-
Fund Balances - Ending	<u>362,704</u>	<u>6,637</u>	-	-	-

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

<u>Colo. Ed Initiative</u>	<u>School Counselor</u>	<u>State Ed Priorities</u>	<u>Javits G & T</u>	<u>IDEA Part B</u>	<u>IDEA Preschool</u>	<u>Indicator 14</u>	<u>Total</u>
-	-	-	-	-	-	-	1,045,733
46,939	9,725	121,368	-	-	-	-	1,224,108
-	-	-	47,190	811,952	23,789	565	883,496
<u>46,939</u>	<u>9,725</u>	<u>121,368</u>	<u>47,190</u>	<u>811,952</u>	<u>23,789</u>	<u>565</u>	<u>3,153,337</u>
-	-	-	-	125,774	23,789	-	1,073,833
-	-	-	-	558,909	-	-	865,294
46,939	9,725	121,368	47,190	127,269	-	565	801,888
-	-	-	-	-	-	-	173,311
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	67,179
-	-	-	-	-	-	-	117,721
-	-	-	-	-	-	-	8,199
<u>46,939</u>	<u>9,725</u>	<u>121,368</u>	<u>47,190</u>	<u>811,952</u>	<u>23,789</u>	<u>565</u>	<u>3,107,425</u>
-	-	-	-	-	-	-	45,912
-	-	-	-	-	-	-	323,429
-	-	-	-	-	-	-	369,341

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

STATE REQUIRED SCHEDULES

Colorado Department of Education
Auditors Integrity Report
 District 9150 - SANTA FE TRAIL BOCES
 Fiscal Year 2017-18
 Colorado School District/BOCES



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	323,429	3,153,337	3,107,425	369,341
18 Risk Mgmt. Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub-Total	323,429	3,153,337	3,107,425	369,341
11 Charter School Fund	0	0	0	0
2025-29 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
68,55-66 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



Colorado Department of Education
Bolded Balance Sheet Report
 District: 9150 - SANTA FE TRAIL BOCES
 Fiscal Year 2017-18
 Colorado School District/BOCES

	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
Cash and Investments (8100-8104,8111)	688,564	0	0	0	0	0	0	0	0	0	0	0	0	0	688,564
Grants Accounts Receivable (8142)	174,422	0	0	0	0	0	0	0	0	0	0	0	0	0	174,422
Other Receivables (8151-8154,8161)	152,456	0	0	0	0	0	0	0	0	0	0	0	0	0	152,456
Total Assets	1,015,442	0	0	0	0	0	0	0	0	0	0	0	0	0	1,015,442

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 53-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
LIABILITIES & FUND EQUITY															
LIABILITIES															
Other Payables (7421-7423)	195,217	0	0	0	0	0	0	0	0	0	0	0	0	0	195,217
Accrued Expenses (7461)	232,678	0	0	0	0	0	0	0	0	0	0	0	0	0	232,678
Unearned Revenue (7481)	209,818	0	0	0	0	0	0	0	0	0	0	0	0	0	209,818
Grants Deferred Revenue (7482)	8,387	0	0	0	0	0	0	0	0	0	0	0	0	0	8,387
Total Liabilities	646,101	0	0	0	0	0	0	0	0	0	0	0	0	0	646,101

Fiduciary

Proprietary

Governmental

FUND EQUITY	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	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restricted Fund Balance 6720	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TABOR 3% Emergency Reserve 6721	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TABOR Multi-Year 6722	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
District Emergency Reserve (letter of credit or real estate) 6723	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Colorado Preschool Program (CPP) Reserve 6724	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Full-Day Kindergarten Reserve 6725	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Risk-Related / Restricted Capital Reserve 6726	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BEST Capital Reserve 6727	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Committed Fund Balance 6750	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Assigned Fund Balance 6760	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unassigned Fund Balance 6770	369,341	0	0	0	0	0	0	0	0	0	0	0	0	0	369,341
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	369,341	0	0	0	0	0	0	0	0	0	0	0	0	0	369,341

	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Total Liabilities & Fund Equity	1,015,442	0	0	0	0	0	0	0	0	0	0	0	0	0	1,015,442

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

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***

To the Board of Directors
Santa Fe Trail Board of Cooperative Educational Services
La Junta, 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, each major fund and the aggregate remaining fund information of Santa Fe Trail 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 Santa Fe Trail 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 Santa Fe Trail 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 Santa Fe Trail Board of Cooperative Educational Services' internal control. Accordingly, we do not express an opinion on the effectiveness of the Santa Fe Trail 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. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (See item 2018-001)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Santa Fe Trail 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.

Dejeu, 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**

To the Board of Directors
Santa Fe Trail Board of Cooperative Educational Services
La Junta, Colorado 81050

Report on Compliance for Each Major Federal Program

We have audited Santa Fe Trail 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 Santa Fe Trail Board of Cooperative Educational Services' major federal programs for the year ended June 30, 2018. Santa Fe Trail 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 Santa Fe Trail 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 Santa Fe Trail 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 Santa Fe Trail Board of Cooperative Educational Services' compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Santa Fe Trail 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 Santa Fe Trail 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 Santa Fe Trail 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.

Reynolds, Waller & Co., Inc.

November 30, 2018

SANTA FE TRAIL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS:

FINANCIAL STATEMENTS

Auditor's Report

An unmodified report has been issued on the financial statements of Santa Fe Trail Board of Cooperative Educational Services.

Internal Control Over Financial Reporting

No significant deficiencies or material weaknesses were identified.

Noncompliance Material to Financial Statements

No instances of noncompliance in amounts material to the financial statements of Santa Fe Trail Board of Cooperative Educational Services were disclosed by the audit.

FEDERAL AWARDS

Internal Control Over Major Programs

No significant deficiencies or material weaknesses were identified.

Auditor's Report on Compliance for Major Programs

An unmodified report has been issued on Santa Fe Trail Board of Cooperative Educational Services compliance for major programs.

Audit Findings

No findings requiring disclosure in accordance with 2 CFR Section 200.516(a) were disclosed by the audit.

Major Programs

Special Education Cluster (IDEA)

Dollar Threshold to Distinguish Type A and Type B Programs

\$750,000.

Qualification as low-risk auditee

The Santa Fe Trail Board of Cooperative Educational Services did not qualify as a low-risk auditee for the fiscal year ended June 30, 2018.

**SANTA FE TRAIL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

(Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS

Item 2018-001

Santa Fe Trail Board of Cooperative Educational Services has an inherent problem it shares with other entities in that it has a limited number of personnel performing accounting and administrative functions. Therefore, a proper separation of duties and responsibilities is not possible.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

**SANTA FE TRAIL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2018**

There are no prior audit findings requiring disclosure.

**SANTA FE TRAIL 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>State Code Number</u>	<u>Provided To Subrecipient</u>	<u>Expenditures</u>
<u>SPECIAL EDUCATION CLUSTER (IDEA)-CLUSTER</u>				
<u>U.S. Department of Education</u>				
(Passed through Colorado Department of Education)				
Special Education Grants to State – IDEA Part B	84.027	4027	-	811,952
Special Education Grants to State – Indicator 14	84.027	5027	-	565
Special Education Grants to State – Preschool	84.173	4173	-	<u>23,789</u>
<u>TOTAL SPECIAL EDUCATION CLUSTER (IDEA)-CLUSTER</u>			<u>-</u>	<u>836,306</u>
<u>OTHER PROGRAMS</u>				
<u>U.S. Department of Education</u>				
(Passed through Colorado Department of Education)				
Javits Gifted and Talented Students Education	84.206	4206	-	<u>47,190</u>
<u>TOTAL OTHER PROGRAMS</u>			<u>-</u>	<u>47,190</u>
<u>TOTAL EXPENDITURES OF FEDERAL AWARDS</u>			<u>-</u>	<u>883,496</u>

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

SANTA FE TRAIL BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE 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 Santa Fe Trail 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 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.