

**ADAMS COUNTY BOARD OF
COOPERATIVE EDUCATIONAL SERVICES
FINANCIAL STATEMENTS
JUNE 30, 2017**

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

BOARD OF DIRECTORS

Patrick Day, President – Adams and Weld Counties School District 27J

Max Math, Vice President, – Westminster Public Schools

Cindy Croisant, Director – Mapleton Public Schools

Kathy Plomer, Director – Adams 12 Five Star Schools

ADMINISTRATION

Eric Wiant – Executive Director

Danielle Sullivan – Insurance Manager

Michael Sowder – Risk Manager/Director of Safety and Environmental Health

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor’s Report	I
Management’s Discussion and Analysis	IV
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	1
Statement of Activities – Governmental Activities.....	2
Fund Financial Statements	
Balance Sheet – Governmental Fund	3
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	6
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	7
Notes to the Financial Statements	8
Required Supplementary Information	
Schedule of the Proportionate Share of the Net Pension Liability.....	28
Schedule of Employer Contributions	29
Information for Oversight Agencies	
Colorado Department of Education Auditor’s Integrity Report	30



Dazzio & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Adams County Board of Cooperative Educational Services
Adams County, Colorado

We have audited the accompanying financial statements of the governmental activities and the major fund of the Adams County Board of Cooperative Educational Services as of and for the year June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

8200 South Quebec Street, Suite A3259, Centennial, Colorado 80112

303-905-0809 • info@dazziocpa.com

• Member American Institute of Certified Public Accountants • Member Colorado Society of Certified Public Accountants •

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Adams County Board of Cooperative Educational Services, as of June 30, 2017, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages IV-IX, the Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Employer Contributions on pages 28 and 29, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Adams County Board of Cooperative Educational Services' basic financial statements. The Colorado Department of Education Auditor's Integrity Report is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Colorado Department of Education Auditor's Integrity Report is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Colorado Department of Education Auditor's Integrity Report is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Duggio & Associates, P.C.

October 17, 2017



Rocky Mountain Risk

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Management's Discussion and Analysis

As management of the Adams County Board of Cooperative Educational Services (BOCES), we offer readers of the BOCES financial statements this narrative overview and analysis of the financial activities of the BOCES for the fiscal year ended June 30, 2017.

The members are Mapleton Public Schools, Adams 12 Five Star Schools, Adams County School District 27J and Westminster Public Schools.

The Self Insurance Pool went through a rebranding process including changing its name to Rocky Mountain Risk Insurance Group, and as part of that name change Adams County BOCES will be using Rocky Mountain Risk as a DBA.

Financial Highlights

- During the year ended June 30, 2017 the BOCES' net position decreased \$413,078 from a deficit of \$1,051,352 to a deficit of \$1,464,430.
- In 2015, the BOCES implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires cost-sharing employers participating in the PERA program, such as the BOCES, to record their proportionate share, as defined in Statement No. 68, of PERA's unfunded pension liability. The BOCES' proportionate share of PERA's unfunded liability increased \$1,095,445 to \$2,272,718 at June 30, 2017.
- As of the close of the current fiscal year, the BOCES General Fund reported a total fund balance of \$25,782, a decrease of \$44,383 from prior year, due to a planned spenddown of the BOCES fund balance.
- Total current assets decreased \$39,617 from prior year.
- At June 30, 2017, the General Fund reports assigned fund balance of \$25,782.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements identify functions of the BOCES that are principally to be supported by the Rocky Mountain Risk Insurance Group management fees. The governmental activities of the BOCES include the management and operation of the Self Insurance Pool for its member school districts and providing risk management and safety services to the members.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The BOCES, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The BOCES only has a general fund, which is a governmental fund.

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

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

The BOCES maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the fund.

The BOCES Board of Directors adopts an annual appropriated budget for its general fund for the daily operations and activities of the BOCES. A budgetary comparison statement has been provided for this fund in the *basic financial statements* to demonstrate compliance with this budget.

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

Government-wide Financial Analysis

A comparative analysis of current and prior year balances is included. The BOCES' liabilities/deferred inflows of resources exceeded assets/deferred outflows of resources by \$1,464,430 at the close of the most recent fiscal year. \$2,136 is invested in capital assets at year-end.

**Adams County Board of Cooperative Educational Services
Summary of Net Position**

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets	\$ 54,946	\$ 94,450
Capital Assets	2,136	2,249
Total Assets	<u>57,082</u>	<u>96,699</u>
Deferred Outflows of Resources	<u>876,139</u>	<u>151,559</u>
Liabilities		
Long-term Liabilities	2,272,718	1,177,273
Other Liabilities	95,899	86,694
Total Liabilities	<u>2,368,617</u>	<u>1,263,967</u>
Deferred Inflows of Resources	<u>29,034</u>	<u>35,643</u>
Net Position		
Net Investment in Capital Assets	2,136	2,249
Unrestricted	<u>(1,466,566)</u>	<u>(1,053,601)</u>
Total Net Position	<u>\$ (1,464,430)</u>	<u>\$ (1,051,352)</u>

The BOCES' net position decreased \$413,078 partly due to planned spenddown and also due to the effect of GASB 68 reporting.

Revenue for 2017 increased \$37,570 from 2016. The increase was due mainly to the withdrawal of District 14 from the BOCES and the increase in the lease agreement. Total expenses increased \$309,998. The increase in expenses was primarily due to the effect of GASB 68.

**Adams County Board of Cooperative Educational Services
Summary of Changes in Net Position**

	<u>2017</u>	<u>2016</u>
Revenues		
Program Revenues		
Contract Revenue	\$ 559,000	\$ 519,026
EAP Revenue	145,653	148,057
Total Revenues	<u>704,653</u>	<u>667,083</u>
Expenses		
General Government	972,078	659,676
EAP Program	145,653	148,057
Total Expenses	<u>1,117,731</u>	<u>807,733</u>
Change in Net Position	(413,078)	(140,650)
Net Position - Beginning	<u>(1,051,352)</u>	<u>(910,702)</u>
Net Position - Ending	<u>\$ (1,464,430)</u>	<u>\$ (1,051,352)</u>

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the BOCES general fund reported ending fund balance of \$25,782, all of which is assigned to a particular purpose. Factors concerning the finances of the

General Fund have already been addressed in the discussion of the BOCES' government-wide activities.

General Fund Budgetary Highlights

General Fund revenues budgeted were \$721,574 and actual revenues were \$704,653. The BOCES budgeted expenditures of \$757,098 for the year ended June 30, 2017. Actual expenditures were \$749,036, a positive variance of \$8,062. The variance was with salaries and benefits and purchases services which experienced positive variances totaling \$10,328.

Capital Assets

The BOCES added a laptop computer in Fiscal Year 2017.

Long-Term Debt

At the end of the current fiscal year, the BOCES had no outstanding general obligation bond indebtedness.

The Future of the BOCES

Adams County BOCES will continue to support the strategic vision priorities established by the BOCES membership.

Adams County BOCES is strategically positioned to meet the ever-challenging needs of the Members in providing insurance and risk management services that are unparalleled. As we look to the future the key to our success is partnering with key stakeholders internally and externally to meet the challenges of the future.

Economics Factors and Next Year's Budget and Rates

Adams County BOCES provides high quality programs and services through partnerships and collaboration which support the priorities of member districts and enrich educational opportunities for students. The 2017-2018 budget addresses the major projects for the ensuing school year and provides an adequate level of funding.

Adams County School District 14 is no longer a member of the BOCES effective July 1, 2014. Adams 12 Five Star School will no longer be a member effective July 1, 2017. The 2017 - 2018 budget reflects the amount Adams 12 will pay for the administration of tail claims. This will have a financial impact to the remaining three members in subsequent years.

Requests for Information

This financial report is designed to provide a general overview of the Adams County BOCES' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Adams County BOCES, 1400 W. 122nd Avenue, Suite 110 Westminster CO 80234.

BASIC FINANCIAL STATEMENTS

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities
Assets	
Cash	\$ 42,781
Accounts Receivable	12,165
Capital Assets, Net	2,136
Total Assets	<u>57,082</u>
Deferred Outflows of Resources	
Deferred Outflows of Resources Related to Pensions	<u>876,139</u>
Liabilities	
Accounts Payable	14,833
Accrued Liabilities	14,331
Compensated Absences	66,735
Noncurrent Liabilities - Net Pension Liability	<u>2,272,718</u>
Total Liabilities	<u>2,368,617</u>
Deferred Inflows of Resources	
Deferred Inflows of Resources Related to Pensions	<u>29,034</u>
Net Position	
Investment in Capital Assets	2,136
Unrestricted	<u>(1,466,566)</u>
Total Net Position	<u><u>\$ (1,464,430)</u></u>

The notes to the financial statements are an integral part of this statement

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017**

Function/Program Activities	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
General Government	\$ 972,078	\$ 559,000	\$ -	\$ (413,078)
EAP Program	145,653	145,653	-	-
Total	\$ 1,117,731	\$ 704,653	\$ -	(413,078)
		Change in Net Position		(413,078)
		Net Position - Beginning		(1,051,352)
		Net Position - Ending		\$ (1,464,430)

The notes to the financial statements are an integral part of this statement

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2017

	General Fund
Assets	
Cash	\$ 42,781
Accounts Receivable	12,165
Total Assets	<u>\$ 54,946</u>
Liabilities	
Accounts Payable	\$ 14,833
Accrued Liabilities	14,331
Total Liabilities	<u>29,164</u>
Fund Balance	
Assigned for Board Projects	17,500
Assigned for Compensated Absences	8,282
Total Fund Balance	<u>25,782</u>
Total Liabilities and Fund Balance	<u><u>\$ 54,946</u></u>

The notes to the financial statements are an integral part of this statement

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

**RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2017**

Total Fund Balance for the Governmental Fund		\$ 25,782
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital Assets	\$ 67,119	
Less Accumulated Depreciation	<u>(64,983)</u>	2,136
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. However, all liabilities - both current and long-term - are reported in the statement of net position.		
Net Pension Liability		(2,272,718)
Compensated Absences		(66,735)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Pension contributions from the measurement date to June 30, 2017		32,381
Deferred outflows of resources related to pensions		843,758
Deferred inflows of resources related to pensions		<u>(29,034)</u>
Net Position of Governmental Activities		<u><u>\$ (1,464,430)</u></u>

The notes to the financial statements are an integral part of this statement

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended June 30, 2017**

	General Fund
Revenues	
Insurance Pool Management Fees	
Members	\$ 549,000
District No. 14	10,000
EAP Revenue	145,653
	<hr/>
Total Revenues	704,653
	<hr/>
Expenditures	
Current	
Salaries and Benefits	506,864
EAP Expenditures	145,653
Purchased Services	93,156
Supplies and Materials	1,786
Capital	1,577
	<hr/>
Total Expenditures	749,036
	<hr/>
Net Change in Fund Balance	(44,383)
Fund Balance, Beginning	70,165
	<hr/>
Fund Balance, Ending	\$ 25,782
	<hr/> <hr/>

The notes to the financial statements are an integral part of this statement.

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017**

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balance of the Governmental Fund	\$ (44,383)
---	-------------

Capital outlays to purchase or construct capital assets are reported in the governmental fund as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.

Capital Asset Additions	\$ 1,199	
Depreciation Expense	<u>(1,312)</u>	(113)

In the statement of activities, certain operating expenses - compensated absences and pension expense - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used or due (essentially, the amounts actually paid). This amount represents the net effect of compensated absences and pension-related amounts on the statement of activities.

Compensated absences		(4,326)
Pension expense		<u>(364,256)</u>

Change in Net Position of Governmental Activities		<u><u>\$ (413,078)</u></u>
---	--	----------------------------

The notes to the financial statements are an integral part of this statement.

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

GENERAL FUND

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

For the Year Ended June 30, 2017

(With Comparative Totals for the Year Ended June 30, 2016)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget - Positive (Negative)</u>	<u>2016 Actual</u>
Revenues					
Insurance Pool					
Management Fees					
Members	\$ 549,000	\$ 549,000	\$ 549,000	\$ -	\$ 490,000
District No. 14	26,324	26,324	10,000	(16,324)	29,026
EAP Revenue	146,250	146,250	145,653	(597)	148,057
Total Revenues	<u>721,574</u>	<u>721,574</u>	<u>704,653</u>	<u>(16,921)</u>	<u>667,083</u>
Expenditures					
Current					
Salaries and Benefits	509,341	509,341	506,864	2,477	498,605
EAP Expenditures	146,250	146,250	145,653	597	148,057
Purchased Services	101,007	101,007	93,156	7,851	94,924
Supplies and Materials	-	-	1,786	(1,786)	3,449
Capital	500	500	1,577	(1,077)	-
Total Expenditures	<u>757,098</u>	<u>757,098</u>	<u>749,036</u>	<u>8,062</u>	<u>745,035</u>
Net Change in Fund Balance	(35,524)	(35,524)	(44,383)	(8,859)	(77,952)
Fund Balance - Beginning	<u>58,538</u>	<u>70,165</u>	<u>70,165</u>	<u>-</u>	<u>148,117</u>
Fund Balance - Ending	<u>\$ 23,014</u>	<u>\$ 34,641</u>	<u>\$ 25,782</u>	<u>\$ (8,859)</u>	<u>\$ 70,165</u>

The notes to the financial statements are an integral part of this statement.

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Adams County Board of Cooperative Educational Services (the "BOCES") conform to generally accepted accounting principles as applicable to governmental entities. Following is a summary of the more significant policies.

Reporting Entity

The BOCES was formed under the Boards of Cooperative Services Act of 1965. The primary function of the BOCES is to administer and implement liability, property, and worker's compensation insurance programs for the Rocky Mountain Risk Insurance Group, a public entity risk pool (the "Group"). The BOCES is the lowest level of government which has financial accountability and control over activities related to public school education. The BOCES receives funding from local government sources and must comply with the requirements of these funding source entities. As of June 30, 2017, the BOCES is comprised of the following members:

- Mapleton Public Schools
- Adams 12 Five Star Schools
- Adams and Weld County School District 27J
- Westminster Public Schools

The BOCES follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining the governmental activities, organizations and functions that should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The BOCES is not financially accountable for any other organization, nor is the BOCES a component unit of any other primary governmental entity.

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Government-wide and Fund Financial Statements

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all activities of the BOCES. 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 BOCES has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students or other customers who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. During the year, the BOCES had no grants or contribution revenue. Other items not properly included among program revenues are reported instead as general revenues.

Fund Accounting

The accounts of BOCES are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The major fund presented in the accompanying basic financial statements is as follows:

General Fund - The General Fund is the general operating fund of the BOCES. It is used to account for all financial resources.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been met.

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Those revenues subject to accrual are grants, interest and charges for services.

Assets, Liabilities and Fund Balance/Net Position

Cash

Cash is presented on the balance sheet in the basic financial statements at fair value.

Accounts Receivable

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

Capital Assets

Capital assets are reported in the government-wide financial statements. They include leasehold improvements, furniture and equipment which are estimated to have a useful life in excess of one year. The BOCES capitalization levels are \$5,000 for leasehold improvements and furniture and \$500 for movable equipment. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Leasehold Improvements	5 years
Furniture	5 years
Equipment	5 years

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Compensated Absences

Compensated absences are recognized when paid in the governmental fund. A long-term liability has been reported in the government-wide financial statements for the accrued compensated absences.

Pensions

The BOCES participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this 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.

Estimates

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

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Net Position

Net position represents the difference between the assets and liabilities in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted in financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Unrestricted net position represents assets that do not have any third-party limitations on their use.

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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

Fund Balance

Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, the governmental fund reports fund balance classifications that comprise a hierarchy based primarily on the extent to which the BOCES is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Fund balances are classified as follows:

- *Nonspendable* – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- *Restricted* – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the BOCES or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- *Committed* – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors through the adoption of a resolution. The Board of Directors also may modify or rescind the commitment.
- *Assigned* – Fund balances are reported as assigned when amounts are constrained by the Board of Directors' intent to be used for specific purposes, but are neither restricted nor committed. At June 30, 2017, the BOCES has assigned fund balance for the following purposes:

Board Projects – The BOCES has assigned \$17,500 of the year-end fund balance for certain Board projects.

Compensated Absences – The BOCES has assigned \$7,894 of the year-end fund balance for the payment of accrued compensated absences.

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

- Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the BOCES' policy to use the most restrictive classification first.

Budgetary Information

The BOCES adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by State law for all funds. During April, the Executive Director submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted by the Board of Directors to obtain taxpayer comments.
- Prior to June 30, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Board of Directors throughout the year. All amendments must be adopted by the Board of Directors.

A budget for the governmental fund type is adopted annually on a basis consistent with generally accepted accounting principles.

The BOCES amended its budget for the year ended June 30, 2017.

At June 30, 2017, the BOCES's governmental activities in the government-wide financial statements had a deficit net position of \$1,464,430. This deficit is primarily the result of reporting the net pension liability of the BOCES's pension plan. Management is uncertain if the deficit will be eliminated in the future.

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 2 CASH

Custodial credit risk

Custodial risk for cash is the risk that in the event of a failure of a depository financial institution, the BOCES will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Colorado Public Deposit Protection Act (PDPA) governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels (\$250,000) 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 for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The institution's internal records identify the collateral by depositor and as such, these deposits are considered to be uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At June 30, 2017, the BOCES' bank deposits amounting to \$55,311 were insured by federal depository insurance and consequently were not exposed to custodial credit risk.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, is summarized below.

	Balance				Balance
	June 30, 2016	Additions	Retirements		June 30, 2017
Capital Assets					
Leasehold Improvements	\$ 10,000	\$ -	\$ -		\$ 10,000
Furniture	38,219	-	-		38,219
Equipment	20,087	1,199	(2,387)		18,899
Total Capital Assets	68,306	1,199	(2,387)		67,118
Accumulated Depreciation					
Leasehold Improvements	10,000	-	-		10,000
Furniture	38,219	-	-		38,219
Equipment	17,838	1,312	(2,387)		16,763
Total Accumulated Depreciation	66,057	1,312	(2,387)		64,982
Capital Assets, Net	\$ 2,249	\$ (113)	\$ -		\$ 2,136

Depreciation expense was charged to the general government program.

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 4 OPERATING LEASE

On July 1, 2011, the BOCES entered into a lease for office space. The lease term is for 60 calendar months, expiring in June 2016, with escalating rental payments. The lease contains a renewal option for the BOCES to extend the lease for one year. During the year ended June 30, 2017, the BOCES paid \$28,732 in base rental payments. On March 25, 2016, the lease was extended for an additional 38 months, expiring on August 31, 2019.

Future lease payments under this operating lease follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 32,985
2019	34,369
2020	<u>5,767</u>
	<u>\$ 73,121</u>

Additionally, the BOCES pays, as additional rent, an estimate of their share of building operating expenses for each calendar year of the lease term in equal monthly installments, in advance, on the first day of each month during such calendar year. During the year ended June 30, 2017, the BOCES paid \$21,867 in additional rent.

NOTE 5 COMPENSATED ABSENCES

The BOCES policy allows employees earn from 25 to 30 days of vacation annually and to accumulate unused vacation up to 40 days beyond the current year. Any unused vacation days above the maximum allowance as of July 1 is forfeited. In addition, employees will accrue, on an unlimited basis, sick/bereavement/personal leave. Employees earn one day per month. Upon separation for retirement or other reasons, reimbursement of temporary leave will be at 40% of the employee's per diem rate.

The BOCES has recorded the accrued liability for these compensated absences in the government-wide financial statements as follows:

	<u>Beginning Balance</u>	<u>Earned</u>	<u>Used/ Paid</u>	<u>Ending Balance</u>	<u>Due in 1 Year</u>
Compensated Absences	<u>\$ 62,409</u>	<u>\$ 30,684</u>	<u>\$ 26,358</u>	<u>\$ 66,735</u>	<u>\$ 31,000</u>

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6 REVENUES

The BOCES receives a management fee from the Group for management and safety and loss control services. During the year ended June 30, 2017, the BOCES received \$549,000 in fees.

On July 1, 2014, Adams County School District 14 withdrew from the BOCES and entered into a Withdrawal Agreement with the Group (the "Agreement"). Under the terms of the Agreement, the BOCES will continue to provide insurance services related to (a) claims made prior to the effective date of the agreement (July 1, 2014); and (b) for occurrence-based policies, those claims where the events giving rise to the claim occurred prior to the effective date. The administrative fee to provide these services is based on a formula described in the Agreement. For the year ended June 30, 2017, the BOCES received \$10,000 in fees.

The BOCES receives Employee Assistance Program (EAP) revenue as pass-through from School District members. The amounts received are based on employee enrollments within each School District. During the year ended June 30, 2017, the BOCES received \$145,653.

NOTE 7 RISK MANAGEMENT

BOCES has risk exposures including property loss, general liability, auto liability, worker's compensation, employer's liability and professional liability. BOCES insures against these exposures through participation in the Group. Settled claims have not exceeded this coverage in any of the past three fiscal years.

NOTE 8 EMPLOYEE PENSION AND HEALTHCARE BENEFIT PLANS

Defined Benefit Pension Plan

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

Benefits provided. 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

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

The service retirement benefit is limited to 100% 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% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

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 receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF.

Disability benefits are available for eligible employees once they reach 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.

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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

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

The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2016	For the Year Ended December 31, 2017
Employer Contribution Rate ¹	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	4.50%	5.00%
Total Employer Contribution Rate to the SCHDTF ¹	18.13%	18.63%

¹Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the BOCES is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the BOCES were \$63,197 for the year ended June 30, 2017.

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

At June 30, 2017, the BOCES reported a liability of \$2,272,718 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The BOCES' proportion of the net

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

pension liability was based on the BOCES' contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, the BOCES proportion was 0.00763326361%, which was a decrease of 0.0000642018% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the BOCES recognized pension expense of \$427,453. At June 30, 2017, the BOCES 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	\$ 28,412	\$ (20)
Changes of assumptions or other inputs	737,450	(10,249)
Net difference between projected and actual earnings on pension plan investments	75,995	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	1,901	(18,765)
Contributions subsequent to the measurement date	<u>32,381</u>	<u>N/A</u>
Total	<u>\$ 876,139</u>	<u>\$ (29,034)</u>

\$32,381 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2018	\$ 324,711
2019	325,562
2020	163,694
2021	<u>757</u>
	<u>\$ 814,724</u>

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial Cost Method	Entry age
Price inflation	2.80%
Real wage growth	1.10%
Wage inflation	3.90%
Salary increases, including wage inflation	3.90 – 10.10%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50%
Discount Rate	7.50%
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; (automatic)	2.00%
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA’s Board on November 18, 2016 and effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

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

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55% of the base rate for males and 40% of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

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% factor applied to male rates and a 55% 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% factor applied to rates for ages less than 80, a 113% 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% factor applied to rates for ages less than 80, a 106% factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90% of the RP-2014 Disabled Retiree Mortality Table.

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50% per year, compounded annually, net of investment expenses to 7.25% per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80% per year to 2.40% per year.
- Real rate of investment return assumption increased from 4.70% per year, net of investment expenses, to 4.85% per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90% per year to 3.50% per year.

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.

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target 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%. 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 economic and demographic actuarial assumptions adopted by PERA’s Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

- 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% on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86%, resulting in a discount rate of 5.26%.

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

As of the prior measurement date, the projection test indicated the SCHDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50% was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50%, 2.24% higher compared to the current measurement date.

Sensitivity of the BOCES’ proportionate share of the net pension liability to changes in the discount rate.

The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26%, 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 (4.26%) or 1-percentage-point higher (6.26%) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	\$2,857,870	\$2,272,718	\$1,796,133

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.

Defined Contribution Pension Plan

Voluntary Investment Program

Plan Description - Employees of the BOCES that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S, as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Plan. 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. In addition, the BOCES has agreed to match employee contributions up to 4% of covered salary as determined by the

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Internal Revenue Service. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2017, program members contributed \$35,139 and the BOCES recognized pension expense of \$13,698, equal to the required contributions, for the Voluntary Investment Program.

Other Post-Employment Benefits

Health Care Trust Fund

Plan Description – The BOCES contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and 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 health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The BOCES is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the BOCES are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2017, 2016 and 2015 the BOCES contributions to the HCTF were \$3,507, \$3,482 and \$3,374, respectively, equal to their required contributions for each year.

NOTE 9 TAX, SPENDING AND DEBT LIMITATION

Tabor Amendment - In November 1992, Colorado voters passed the Tabor Amendment (TABOR) to the State Constitution which limits state and local government tax powers and imposes spending limits. TABOR does not specifically address BOCES; however, several legal opinions have been issued stating that a BOCES itself is not subject to the requirements and restrictions of TABOR. There have been several recent court cases with organizations similar to BOCES, where the court has found that these organizations are not subject to TABOR since they are not a municipality and do not exercise independent "Government" power. However, in virtually all situations BOCES will be impacted to the degree that their member districts are impacted by the restrictions of TABOR. A BOCES does not need to maintain

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

emergency reserves required by TABOR and expenditures can fluctuate independently of TABOR.

NOTE 10 SUBSEQUENT EVENT

On July 1, 2017, Adams 12 Five Star Schools withdrew from the BOCES. This will have a financial impact to the remaining three members in subsequent years.

REQUIRED SUPPLEMENTARY INFORMATION

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

PERA PENSION PLAN - SCHOOL DIVISION TRUST FUND

LAST TEN YEARS *

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
BOCES Proportion of the Net Pension Liability	0.00763%	0.00770%	0.00789%	0.00781%
BOCES Proportionate Share of the Net Pension Liability	\$ 2,272,718	\$ 1,177,273	\$ 1,069,401	\$ 996,360
BOCES Covered Employee Payroll	\$ 342,592	\$ 335,454	\$ 330,547	\$ 310,660
Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll	663.389%	350.949%	323.525%	320.724%
Calculation of Collective Net Pension Liability (\$ in thousands):				
Total Pension Liability	\$52,354,913	\$37,447,062	\$36,473,966	\$35,494,976
Plan Fiduciary Net Position	<u>22,581,046</u>	<u>22,152,768</u>	<u>22,920,607</u>	<u>22,740,003</u>
Net Pension Liability	<u>\$29,773,867</u>	<u>\$15,294,294</u>	<u>\$13,553,359</u>	<u>\$12,754,973</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	43.13%	59.16%	62.84%	64.07%

* The amounts presented for each fiscal year were determined as of December 31st

NOTE: Information for the prior six years was not available to report.

See the Independent Auditor's Report

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
PERA PENSION PLAN - SCHOOL DIVISION TRUST FUND**

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 63,197	\$ 60,545	\$ 55,846	\$ 52,831	\$ 44,131
Contributions in Relation to the Contractually Required Contribution	<u>(63,197)</u>	<u>(60,545)</u>	<u>(55,846)</u>	<u>(52,831)</u>	<u>(44,131)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>				
Covered employee payroll	\$ 343,785	\$ 341,399	\$ 330,774	\$ 330,540	\$ 292,633
Contributions as a Percentage of Covered Employee Payroll	18.38%	17.73%	16.88%	15.98%	15.08%

NOTE: Information for the prior five years was not available to report.

See the Independent Auditor's Report

INFORMATION FOR OVERSIGHT AGENCIES



Colorado Department of Education
Auditors Integrity Report
 District: 9120 - ADAMS COUNTY BOCES
 Fiscal Year 2016-17
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	70,165	704,653	749,036	25,782
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	70,165	704,653	749,036	25,782
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main, Fund	0	0	0	0
21 Food Service Spec Revenue Fund	0	0	0	0
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	0	0	0	0
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	0	0	0	0
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	0	0	0	0

FINAL

THIS PAGE LEFT BLANK INTENTIONALLY