

**ADAMS COUNTY BOARD OF
COOPERATIVE EDUCATIONAL SERVICES
FINANCIAL STATEMENTS
JUNE 30, 2018**

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

BOARD OF DIRECTORS

Max Math, President, – Westminster Public Schools

Cindy Croisant, Vice President– Mapleton Public Schools

Gregory Piotraschke, Director – Adams and Weld Counties School District 27J

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

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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, 2018, 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. 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, 2018, 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 Schedules of the Proportionate Share of the Net Pension and Other Postemployment Benefits (OPEB) Liability and the Schedules of Employer Contributions on pages 38 through 42, 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.

Dazio & Associates, P.C.

September 7, 2018



Rocky Mountain Risk

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2018.

The members are Mapleton Public 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, 2018 the BOCES' net position decreased \$383,860 from a deficit of \$1,518,911 to a deficit of \$1,902,771.
- 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 \$145,598 to \$2,418,316 at June 30, 2018.
- In 2018, the BOCES implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. Statement No. 75 requires cost-sharing employers participating in the PERA Health Care Trust Fund, such as the BOCES, to record their proportionate share, as defined in Statement No. 75, of PERA's unfunded OPEB liability. The BOCES' proportionate share of PERA's unfunded liability was \$56,254 at June 30, 2017 and \$55,224 at June 30, 2018. As a result, the BOCES' beginning net position was restated by a negative \$54,481, reducing the beginning net position from a deficit of \$1,464,430 to a deficit of \$1,518,911.
- 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.
- As of the close of the current fiscal year, the BOCES General Fund reported a total fund balance of \$83,894, an increase of \$58,112 from prior year.
- At June 30, 2018, the General Fund reports unassigned fund balance of \$35,486.

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 \$1,902,771 at the close of the most recent fiscal year. \$2,996 is invested in capital assets at year-end.

Adams County Board of Cooperative Educational Services
Summary of Net Position

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets	\$ 160,480	\$ 54,946
Capital Assets	<u>2,966</u>	<u>2,136</u>
Total Assets	<u>163,446</u>	<u>57,082</u>
Deferred Outflows of Resources	<u>696,953</u>	<u>877,912</u>
Liabilities		
Long-term Liabilities	2,473,540	2,328,972
Other Liabilities	<u>147,550</u>	<u>95,899</u>
Total Liabilities	<u>2,621,090</u>	<u>2,424,871</u>
Deferred Inflows of Resources	<u>142,080</u>	<u>29,034</u>
Net Position		
Net Investment in Capital Assets	2,966	2,136
Unrestricted	<u>(1,905,737)</u>	<u>(1,521,047)</u>
Total Net Position	<u><u>\$ (1,902,771)</u></u>	<u><u>\$ (1,518,911)</u></u>

The BOCES' net position decreased \$383,860 due to the effect of GASB 68 and GASB 75 reporting.

Revenue for 2018 increased \$26,997 from 2017. The increase was derived by a combination of an increase in contract revenue of \$111,530 and a decrease of EAP revenue of \$84,533 due mainly to the withdrawal of Adams 12 Five Star Schools from the BOCES. Total expenses decreased just \$2,221. The decrease in expenses was primarily due to the decrease in EAP costs of \$84,533 and increases from the effect of GASB 68 and GASB 75.

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

	<u>2018</u>	<u>2017</u>
Revenues		
Program Revenues		
Contract Revenue	\$ 670,530	\$ 559,000
EAP Revenue	<u>61,120</u>	<u>145,653</u>
Total Revenues	<u>731,650</u>	<u>704,653</u>
Expenses		
General Government	1,054,390	972,078
EAP Program	<u>61,120</u>	<u>145,653</u>
Total Expenses	<u>1,115,510</u>	<u>1,117,731</u>
Change in Net Position	(383,860)	(413,078)
Net Position - Beginning, As Restated	<u>(1,518,911)</u>	<u>(1,105,833)</u>
Net Position - Ending	<u><u>\$ (1,902,771)</u></u>	<u><u>\$ (1,518,911)</u></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 \$83,894. 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 \$736,000 and actual revenues were \$731,650. The BOCES budgeted expenditures of \$688,111 for the year ended June 30, 2018. Actual expenditures were \$673,538, a positive variance of \$14,573. The variance was with purchases services and EAP expenditures which experienced positive variances totaling \$9,351 and \$4,349, respectively.

Capital Assets and Long-term Debt

The BOCES added two laptop computers in fiscal year 2018.

At the end of the current fiscal year, the BOCES had no outstanding general obligation bonded 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 2018 - 2019 budget addresses the major projects for the ensuing school year and provides an adequate level of funding.

Adams 12 Five Star Schools are no longer a member of the BOCES effective July 1, 2017. The 2018 - 2019 budget includes the amount Adams 12 Five Star Schools will pay for the administration of tail claims. This will have a financial impact to the remaining three members in subsequent years.

	2018-2019 Budget
Revenues	
Members	\$ 331,016
Adams 12 Five Star	305,555
EAP Revenue	65,470
Total Revenues	702,041
Expenditures	694,378
Net Change in Fund Balance	<u>\$ 7,663</u>

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, 2018

	Governmental Activities
Assets	
Cash	\$ 155,372
Accounts Receivable	5,108
Capital Assets, Net	2,966
Total Assets	163,446
Deferred Outflows of Resources	
Deferred Outflows of Resources Related to Pensions	694,946
Deferred Outflows of Resources Related to OPEB	2,007
	696,953
Liabilities	
Accounts Payable	6,092
Accrued Liabilities	14,616
Unearned Revenue	55,878
Compensated Absences	70,964
Noncurrent Liabilities - Net Pension Liability	2,418,316
Noncurrent Liabilities - Net OPEB Liability	55,224
Total Liabilities	2,621,090
Deferred Inflows of Resources	
Deferred Inflows of Resources Related to Pensions	140,186
Deferred Inflows of Resources Related to OPEB	1,894
	142,080
Net Position	
Investment in Capital Assets	2,966
Unrestricted	(1,905,737)
Total Net Position	\$ (1,902,771)

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, 2018**

Function/Program Activities	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
General Government	\$ 1,054,390	\$ 670,530	\$ -	\$ (383,860)
EAP Program	61,120	61,120	-	-
Total	<u>\$ 1,115,510</u>	<u>\$ 731,650</u>	<u>\$ -</u>	<u>(383,860)</u>
Change in Net Position				(383,860)
Net Position - Beginning, As Restated				<u>(1,518,911)</u>
Net Position - Ending				<u><u>\$ (1,902,771)</u></u>

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, 2018**

	General Fund
Assets	
Cash	\$ 155,372
Accounts Receivable	5,108
Total Assets	<u>\$ 160,480</u>
Liabilities	
Accounts Payable	\$ 6,092
Accrued Liabilities	14,616
Unearned Revenue	55,878
Total Liabilities	<u>76,586</u>
Fund Balance	
Assigned for Board Projects	17,500
Assigned for Compensated Absences	30,908
Unassigned	35,486
Total Fund Balance	<u>83,894</u>
Total Liabilities and Fund Balance	<u>\$ 160,480</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, 2018**

Total Fund Balance for the Governmental Fund	\$ 83,894
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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	\$ 66,032	
Less Accumulated Depreciation	<u>(63,066)</u>	2,966

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	(2,418,316)
Net OPEB Liability	(55,224)
Compensated Absences	(70,964)

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, 2018	32,997
OPEB contributions from the measurement date to June 30, 2018	1,746
Deferred outflows of resources related to pensions	661,949
Deferred inflows of resources related to pensions	(140,186)
Deferred outflows of resources related to OPEB	261
Deferred inflows of resources related to OPEB	<u>(1,894)</u>

Net Position of Governmental Activities	<u><u>\$ (1,902,771)</u></u>
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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, 2018

	General Fund
Revenues	
Insurance Pool Management Fees	
Members	\$ 272,621
Adams 12 Five Star	397,909
EAP Revenue	61,120
Total Revenues	731,650
Expenditures	
Current	
Salaries and Benefits	508,440
EAP Expenditures	61,120
Purchased Services	100,450
Supplies and Materials	1,568
Capital	1,960
Total Expenditures	673,538
Net Change in Fund Balance	58,112
Fund Balance, Beginning	25,782
Fund Balance, Ending	\$ 83,894

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, 2018**

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

Net Change in Fund Balance of the Governmental Fund	\$ 58,112
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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	\$ 1,960	
Depreciation Expense	<u>(1,130)</u>	830

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	(4,229)	
Pension expense	(437,943)	
OPEB expense	<u>(630)</u>	

Change in Net Position of Governmental Activities	<u><u>\$ (383,860)</u></u>
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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, 2018

(With Comparative Totals for the Year Ended June 30, 2017)

	Original Budget	Final Budget	Actual	Variance With Final Budget - Positive (Negative)	2017 Actual
Revenues					
Insurance Pool					
Management Fees					
Members	\$ 272,621	\$ 272,621	\$ 272,621	\$ -	\$ 549,001
Adams 12 Five Star	397,909	397,909	397,909	-	-
District No. 14	-	-	-	-	10,000
EAP Revenue	65,469	65,469	61,120	(4,349)	145,652
Interest Income	1	1	-	(1)	-
Total Revenues	736,000	736,000	731,650	(4,350)	704,653
Expenditures					
Current					
Salaries and Benefits	509,341	509,341	508,440	901	506,864
EAP Expenditures	65,469	65,469	61,120	4,349	145,653
Purchased Services	109,801	109,801	100,450	9,351	93,156
Supplies and Materials	3,000	3,000	1,568	1,432	1,786
Capital	500	500	1,960	(1,460)	1,577
Total Expenditures	688,111	688,111	673,538	14,573	749,036
Net Change in Fund Balance	47,889	47,889	58,112	10,223	(44,383)
Fund Balance - Beginning	34,642	25,782	25,782	-	70,165
Fund Balance - Ending	\$ 82,531	\$ 73,671	\$ 83,894	\$ 10,223	\$ 25,782

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, 2018

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, 2018, the BOCES is comprised of the following members:

- Mapleton Public 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, 2018

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, 2018

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

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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.

Other Postemployment Benefits (OPEB).

The BOCES participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to 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.

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.

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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.

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.

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- *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, 2018, 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 \$30,908 of the year-end fund balance for the payment of accrued compensated absences.

- *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.

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- 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, 2018.

At June 30, 2018, the BOCES's governmental activities in the government-wide financial statements had a deficit net position of \$1,902,771. This deficit is primarily the result of reporting the net pension liability of the BOCES's pension plan and the net OPEB liability of the PERA Health Care Trust Fund. Management is uncertain if the deficit will be eliminated in the future.

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, 2018, the BOCES' bank deposits amounting to \$160,949 were insured by federal depository insurance and consequently were not exposed to custodial credit risk.

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NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, is summarized below.

	Balance			Balance
	June 30, 2017	Additions	Retirements	June 30, 2018
Capital Assets				
Leasehold Improvements	\$ 10,000	\$ -	\$ -	\$ 10,000
Furniture	38,219	-	-	38,219
Equipment	18,899	1,960	-	20,859
Total Capital Assets	67,118	1,960	-	69,078
Accumulated Depreciation				
Leasehold Improvements	10,000	-	-	10,000
Furniture	38,219	-	-	38,219
Equipment	16,763	1,130	-	17,893
Total Accumulated Depreciation	64,982	1,130	-	66,112
Capital Assets, Net	\$ 2,136	\$ 830	\$ -	\$ 2,966

Depreciation expense was charged to the general government program.

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, 2018, the BOCES paid \$32,985 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>
2019	\$ 34,369
2020	5,767
	<u>\$ 40,136</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, 2018, the BOCES paid \$22,559 in additional rent.

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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>\$ 66,735</u>	<u>\$ 30,684</u>	<u>\$ 26,455</u>	<u>\$ 70,964</u>	<u>\$ 33,000</u>

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, 2018, the BOCES received \$272,621 in fees.

On July 1, 2017, Adams 12 Five Star Schools withdrew from the BOCES. The BOCES will continue to provide insurance services related to (a) claims made prior to the effective date of the withdrawal; 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 of their pro rata share of unpaid claims liability. For the year ended June 30, 2018, the BOCES received \$397,909 in fees.

The withdrawal will have a financial impact to the remaining three members in subsequent years.

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, 2018, the BOCES received \$61,120.

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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 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 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.

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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% 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% 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.

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%, 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.

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.

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the BOCES is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the BOCES were \$64,885 for the year ended June 30, 2018.

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

At June 30, 2018, the BOCES reported a liability of \$2,418,316 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The BOCES' proportion of the net pension liability was based on the BOCES' contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

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At December 31, 2017, the BOCES proportion was 0.00747860771%, which was a decrease of 0.0001546559% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the BOCES recognized pension expense of \$502,828. At June 30, 2018, 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	\$ 44,463	\$ -
Changes of assumptions or other inputs	617,486	(3,918)
Net difference between projected and actual earnings on pension plan investments	-	(94,970)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	(41,298)
Contributions subsequent to the measurement date	32,997	N/A
Total	<u>\$ 694,946</u>	<u>\$ (140,186)</u>

\$32,997 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	\$ 359,753
2020	201,288
2021	(3,551)
2022	(35,727)
	<u>\$ 521,763</u>

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

Actuarial Cost Method	Entry age
Price inflation	2.40%
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%
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

A discount rate of 4.78% 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% 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 based on 90% of the RP-2014 Disabled Retiree Mortality Table.

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The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

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

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

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

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

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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 4.78%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process

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(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 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%, resulting in a discount rate of 4.78%.

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

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

The following presents the proportionate share of the net pension liability calculated using the discount rate of 4.78%, 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%) or 1-percentage-point higher (5.78%) than the current rate:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	\$3,054,744	\$2,418,316	\$1,899,699

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.

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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% 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% on July 1, 2019.
- Increases employee contribution rates by a total of 2% (to be phased in over a period of 3 years starting on July 1, 2019).
- Directs the state to allocate \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the other divisions eligible for the direct distribution.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.

Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

At June 30, 2018, the BOCES reported a liability of \$2,418,316 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the BOCES proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31,

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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%	\$ 1,092,574

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 \$1,128,885 of the estimated reduction is attributable to the use of a 7.25% discount rate.

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 Internal Revenue Service. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2018, program members contributed \$25,852 and the BOCES recognized pension expense of \$13,744, equal to the required contributions, for the Voluntary Investment Program.

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NOTE 9 DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

Health Care Trust Fund

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

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

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

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

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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% 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% 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.

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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% of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the BOCES is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the BOCES were \$3,505 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 BOCES reported a liability of \$55,224 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The BOCES proportion of the net OPEB liability was based on the BOCES' contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the BOCES' proportion was 0.00424930530%, which was a decrease of 0.0000895029% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the BOCES recognized OPEB expense of \$4,135. At June 30, 2018, the BOCES 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	\$ 261	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	(924)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	(970)
Contributions subsequent to the measurement date	1,746	N/A
Total	<u>\$ 2,007</u>	<u>\$ (1,894)</u>

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

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\$1,746 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	\$ (370)
2020	(370)
2021	(370)
2022	(370)
2023	(139)
2024	(14)
	<u>\$ (1,633)</u>

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%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	5.00%
Medicare Part A premiums	3.00% for 2017, gradually rising to 4.25% in 2023
DPS benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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.

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

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

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

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

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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 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% factor applied to rates for ages less than 80, a 108% 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% factor applied to rates for ages less than 80, a 109% factor applied to rates for ages 80 and above, and further adjustments for credibility.

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93% 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 based on 90% 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.

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

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

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

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

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Sensitivity of the BOCES' proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates.

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	\$53,705	\$55,224	\$57,054

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

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

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

- 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% 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%.

Sensitivity of the BOCES' proportionate share of the net OPEB liability to changes in the discount rate.

The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, 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%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$62,089	\$55,224	\$49,364

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

NOTE 10 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, 2018

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

NOTE 11 CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2018, The BOCES implemented GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (Statement No. 75), which revises and establishes new financial reporting requirements for most governments that provide their employees with postemployment benefits other than pensions (other postemployment benefits or OPEB). The BOCES provides its employees with OPEB through a multiple employer cost-sharing defined benefit retirement program administered by the Public Employees' Retirement Association of Colorado (PERA).

Statement No. 75 requires cost-sharing employers participating in the PERA program, such as the BOCES, to record their proportionate share, as defined in Statement No. 75, of PERA's unfunded OPEB liability. The BOCES has no ability to affect funding, benefits or annual required contribution decisions made by PERA.

As the result of implementing Statement No. 75, the BOCES has restated the beginning net position in the government-wide Statement of Net Position, decreasing net position as of July 1, 2017 by \$54,481.

Beginning Net Position, as previously reported at June 30, 2017	\$ (1,464,430)
Prior period adjustment - GASB 68 Implementation:	
Net OPEB Liability at December 31, 2016 (measurement date)	(56,254)
Deferred Outflows - BOCES contributions made from January 1, 2017 thru June 30, 2017.	<u>1,773</u>
Total	<u>(54,481)</u>
Net Position at July 1, 2017, as restated	<u><u>\$ (1,518,911)</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

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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>2017</u>	<u>2016</u>	<u>2015</u>
BOCES Proportion of the Net Pension Liability	0.00763%	0.00763%	0.00770%
BOCES Proportionate Share of the Net Pension Liability	\$ 2,418,316	\$ 2,272,718	\$ 1,177,273
BOCES Covered Employee Payroll	\$ 344,978	\$ 342,592	\$ 335,454
Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll	701.006%	663.389%	350.949%
Calculation of Collective Net Pension Liability (\$ in thousands):			
Total Pension Liability	\$57,699,176	\$52,354,913	\$37,447,062
Plan Fiduciary Net Position	<u>25,362,730</u>	<u>22,581,046</u>	<u>22,152,768</u>
Net Pension Liability	<u>\$32,336,446</u>	<u>\$29,773,867</u>	<u>\$15,294,294</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	43.96%	43.13%	59.16%

* The amounts presented for each fiscal year were determined as of December 31st, the measurement date used by the BOCES.

NOTE: Years prior to 2013 are not available.

See the Independent Auditor's Report

<u>2014</u>	<u>2013</u>
0.00789%	0.00781%

\$ 1,069,401	\$ 996,360
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\$ 330,547	\$ 310,660
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323.525%	320.724%
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\$36,473,966	\$35,494,976
<u>22,920,607</u>	<u>22,740,003</u>
<u><u>\$13,553,359</u></u>	<u><u>\$12,754,973</u></u>

62.84%	64.07%
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ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
PERA PENSION PLAN - SCHOOL DIVISION TRUST FUND
LAST TEN FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contribution	\$ 64,885	\$ 63,197	\$ 60,545
Contributions in Relation to the Contractually Required Contribution	<u>(64,885)</u>	<u>(63,197)</u>	<u>(60,545)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 343,653	\$ 343,785	\$ 341,399
Contributions as a Percentage of Covered Employee Payroll	18.88%	18.38%	17.73%
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 55,846	\$ 52,831	\$ 44,131
Contributions in Relation to the Contractually Required Contribution	<u>(55,846)</u>	<u>(52,831)</u>	<u>(44,131)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 330,774	\$ 330,540	\$ 292,633
Contributions as a Percentage of Covered Employee Payroll	16.88%	15.98%	15.08%

NOTE: Years prior to 2013 are not available.

See the Independent Auditor's Report

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

PERA - HEALTH CARE TRUST FUND

LAST TEN YEARS *

	<u>2017</u>	<u>2016</u>
BOCES Proportion of the Net Pension Liability	0.00425%	0.00434%
BOCES Proportionate Share of the Net Pension Liability	\$ 55,224	\$ 56,254
BOCES Covered Employee Payroll	\$ 344,978	\$ 342,592
Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll	16.008%	16.420%
Calculation of Collective Net Pension Liability (\$ in thousands):		
Total OPEB Liability	\$ 1,575,822	\$ 1,556,762
Plan Fiduciary Net Position	<u>276,222</u>	<u>260,228</u>
Net OPEB Liability	<u><u>\$ 1,299,600</u></u>	<u><u>\$ 1,296,534</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	17.53%	16.72%

* The amounts presented for each fiscal year were determined as of December 31st, the measurement date used by the BOCES.

NOTE: Years prior to 2016 are not available.

See the Independent Auditor's Report

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

SCHEDULE OF EMPLOYER CONTRIBUTIONS

PERA - HEALTH CARE TRUST FUND

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contribution	\$ 3,505	\$ 3,507	\$ 3,482
Contributions in Relation to the Contractually Required Contribution	<u>(3,505)</u>	<u>(3,507)</u>	<u>(3,482)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 343,653	\$ 343,785	\$ 341,399
Contributions as a Percentage of Covered Employee Payroll	1.02%	1.02%	1.02%
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 3,374	\$ 3,372	\$ 2,985
Contributions in Relation to the Contractually Required Contribution	<u>(3,374)</u>	<u>(3,372)</u>	<u>(2,985)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 330,774	\$ 330,540	\$ 292,633
Contributions as a Percentage of Covered Employee Payroll	1.02%	1.02%	1.02%

NOTE: Years prior to 2013 are not available.

See the Independent Auditor's Report

INFORMATION FOR OVERSIGHT AGENCIES



Colorado Department of Education
Auditors Integrity Report
District: 9120 - ADAMS COUNTY BOCES
Fiscal Year 2017-18
Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental				
10 General Fund	25,782	731,650	673,537	83,894
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	25,782	731,650	673,537	83,894
11 Charter School Fund	0	0	0	0
2026-29 Special Revenue 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

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