



GRAND VALLEY BOARD OF COOPERATIVE
EDUCATIONAL SERVICES

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2016

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

August 23, 2016

The Board of Directors
Grand Valley Board of Cooperative Educational Services
Grand Junction, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Grand Valley Board of Cooperative Educational Services as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Grand Valley Board of Cooperative Educational Services' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Grand Valley Board of Cooperative Educational Services' 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 Grand Valley Board of Cooperative Educational Services' 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Grand Valley Board of Cooperative Educational Services as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows, thereof, and the respective 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, schedule of activity-net pension liability, and schedule of activity-employer pension contributions 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 Grand Valley Board of Cooperative Educational Services' basic financial statements. The Combining Schedules – Non-Major Proprietary Funds, Schedule of Changes in Fiduciary Net Position, and Auditor's Integrity Report of the Colorado Department of Education are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Schedules – Non-Major Proprietary Funds, Schedule of Changes in Fiduciary Net Position, and Auditor's Integrity Report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Chadwick, Steinkirchner, Davis & Co., P.C.

GRAND VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

As management of the Grand Valley Board of Cooperative Educational Services (GVBOCES), we offer readers of GVBOCES financial statements this narrative overview and analysis of the financial activities of GVBOCES for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements.

GVBOCES is a collaborative, partnership effort between Mesa County Valley School District No. 51 and Colorado Mesa University as an effort to provide career and technical programs to students from both institutions. GVBOCES was founded in 1994 and student enrollment and programs have increased at a constant rate since the inception of GVBOCES.

Financial Highlights

- The liabilities and deferred inflows of resources of GVBOCES exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$170,302 (net position). Of this amount, \$722,873 is the net investment in capital assets leaving an unrestricted net position balance of (\$893,175).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$599,368.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the government's 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 (e.g., earned but unused vacation leave).

The government-wide financial statements distinguish functions of GVBOCES that are principally supported by intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of GVBOCES include instructional services, pupil services, general administration services, business administration services, and central support services. The business-type activities of the GVBOCES consist of a restaurant and a law enforcement training facility.

The government-wide financial statements include only GVBOCES itself, as GVBOCES has no component units.

The government-wide financial statements can be found on pages 9-10 of this report.

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. GVBOCES, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of GVBOCES can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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.

Because the focus of the 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 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*.

GVBOCES maintains one individual governmental fund, the General Fund, which is considered to be a major fund.

GVBOCES adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11-14 of this report.

Proprietary funds. GVBOCES maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. GVBOCES uses enterprise funds to account for its restaurant and law enforcement training facility operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among various functions of GVBOCES.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Restaurant and CLETC Enterprise Funds, which is considered to be major funds of the GVBOCES.

The basic proprietary funds financial statements can be found on pages 15-17 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support GVBOCES own programs.

GVBOCES uses an agency fund to account for resources held for student activities and groups.

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 on pages 19-34 of this report.

GVBOCES previously adopted the provisions of Statement of Governmental Accounting Standards (GASB Statement) No. 68 – *Accounting and Financial Reporting for Pensions*.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government’s financial position. In the case of GVBOCES, liabilities and deferred inflows exceeded assets and deferred outflows by \$170,302 at the close of the most recent fiscal year.

GRAND VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES Net Position

	Governmental Activities 2015	Business-type Activities 2015	Governmental Activities 2016	Business-type Activities 2016	Total Activities 2015	Total Activities 2016
Current and Other Assets	577,766	15,631	793,411	15,121	593,397	808,532
Capital Assets	767,942	0	722,873	0	767,942	722,873
Deferred Outflows	67,590	0	177,107	0	67,590	177,107
Total Assets	1,413,298	15,631	1,693,391	15,121	1,428,929	1,708,512
Current Liabilities	63,384	2,864	194,043	0	66,248	194,043
Noncurrent Liabilities	1,451,859	0	1,479,175	0	1,451,859	1,479,175
Deferred Inflows	135,103	0	205,596	0	135,103	205,596
Total Liabilities	1,650,346	2,864	1,878,814	0	1,653,210	1,878,814
Net Position	(237,048)	12,767	(185,423)	15,121	(224,281)	(170,302)
Net Investment in Capital Assets	767,942	0	722,873	0	767,942	722,873
Unrestricted Net Position	(1,004,990)	12,767	(908,296)	15,121	(992,223)	(893,175)
Total Net Position	(237,048)	12,767	(185,423)	15,121	(224,281)	(170,302)

Of all GVBOCES assets, 42.6% reflect its investment in capital assets, less accumulated depreciation. GVBOCES uses these capital assets to provide services to students; consequently, these assets are not available for future spending. 46.9% of GVBOCES assets are cash and investments. 10.5% of GVBOCES liabilities represent accrued fringe benefits.

GRAND VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Changes in Net Position

	Governmental Activities 2015	Business-type Activities 2015	Governmental Activities 2016	Business-type Activities 2016	Total Activities 2015	Total Activities 2016
Revenues						
Program Revenues						
Charges for Services	2,359,547	28,090	2,305,061	27,433	2,387,637	2,332,494
Grants/Contributions	367,145	11,425	404,770	9,800	378,570	414,570
General Revenues						
Investment Earnings	611	0	1,387	0	611	1,387
Transfers/Contributions	(8,500)	8,500	0	0	0	0
Total Revenues	2,718,803	48,015	2,711,218	37,233	2,766,818	2,748,451
Expenditures						
Instructional Services	1,311,206	0	1,341,983	0	1,311,206	1,341,983
Student Services	199,478	0	178,818	0	199,478	178,818
General / Administrative	449,873	0	449,015	0	449,873	449,015
Business Services	145,422	0	153,624	0	145,422	153,624
Central Support	675,665	0	536,153	0	675,665	536,153
Restaurant	0	31,012	0	19,497	31,012	19,497
CLETC	0	5,843	0	15,382	5,843	15,382
Total Expenses	2,781,645	36,855	2,659,593	34,879	2,818,500	2,694,472
Increase (Decrease) in Net Position	(62,842)	11,160	51,625	2,354	(51,682)	53,979

Net Position July 1, 2015	(224,281)
Increase (Decrease) in Net Position	<u>53,979</u>
Net Position July 1, 2016	<u>(170,302)</u>

- Revenues *decreased* 0.7%
- Expenses *decreased* 4.4%
- Investment earnings *increased* 127.0%

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of GVBOCES *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing GVBOCES financing requirements. In particular, *unassigned 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 GVBOCES governmental fund reported ending fund balance of \$599,368, an increase of \$84,986 in comparison with the prior year. *Unassigned fund balance* of \$599,368 is available for spending at the GVBOCES discretion.

The General Fund is the chief operating fund of the GVBOCES. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$599,368. See page 12 of this report for detail.

Proprietary funds. GVBOCES proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Restaurant and CLETC Enterprise Funds amounted to \$15,121 as of June 30, 2016, an increase of \$2,354.

General Fund Budgetary Highlights

The differences between the original budget and the final budget were not significant.

Capital Asset and Debt Administration

Capital assets. GVBOCES investment in capital assets for its governmental and business-type activities as of June 30, 2016 amounts to \$722,873 (net of accumulated depreciation). This investment in capital assets includes land and equipment.

GRAND VALLEY BOARD OF COOPERATIVE EDUCATIONAL SERVICES Capital Assets (Net of Depreciation)

	Governmental Activities 2015	Business-type Activities 2015	Governmental Activities 2016	Business-type Activities 2016	Total Activities 2015	Total Activities 2016
Land	326,431	0	326,431	0	326,431	326,431
Buildings and Building Improvements	0	0	0	0	0	0
Equipment	441,511	0	396,442	0	441,511	396,442
Total Capital Assets	767,942	0	722,873	0	767,942	722,873

Long-term debt. At the end of the current fiscal year, GVBOCES had no outstanding long-term debt.

Requests for Information

This financial report is designed to provide a general overview of GVBOCES finances for all those with an interest in GVBOCES finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Manager, Grand Valley BOCES at 2508 Blichmann Avenue, Grand Junction, Colorado 81505.

Grand Valley Board of Cooperative Educational Services

STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets			
Cash and cash equivalents	\$ 377,182	\$ 3,913	\$ 381,095
Accounts receivable, less allowance for doubtful accounts of \$-0-	8,770	11,208	19,978
Due from other governments	407,459	-	407,459
Capital assets (net of accumulated depreciation)			
Land (non-depreciable)	326,431	-	326,431
Equipment	396,442	-	396,442
Total assets	<u>1,516,284</u>	<u>15,121</u>	<u>1,531,405</u>
Deferred outflows related to pension	177,107	-	177,107
Total deferred outflows of resources	<u>177,107</u>	<u>-</u>	<u>177,107</u>
Total assets and deferred outflows of resources	<u>\$ 1,693,391</u>	<u>\$ 15,121</u>	<u>\$ 1,708,512</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities			
Accrued liabilities	\$ 99,406	\$ -	\$ 99,406
Unearned revenue	94,637	-	94,637
Non-current liabilities			
Compensated absences	46,464	-	46,464
Net pension liability	1,432,711	-	1,432,711
Total liabilities	<u>1,673,218</u>	<u>-</u>	<u>1,673,218</u>
Deferred inflows related to pension	205,596	-	205,596
Total deferred inflows of resources	<u>205,596</u>	<u>-</u>	<u>205,596</u>
Net Position			
Net investment in capital assets	722,873	-	722,873
Unrestricted	(908,296)	15,121	(893,175)
Total net position	<u>(185,423)</u>	<u>15,121</u>	<u>(170,302)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 1,693,391</u>	<u>\$ 15,121</u>	<u>\$ 1,708,512</u>

The accompanying notes are an integral part of this statement.

Grand Valley Board of Cooperative Educational Services

STATEMENT OF ACTIVITIES

Year ended June 30, 2016

Function/Programs	Program Revenues					Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
Instructional services	\$ 1,341,983	\$ 962,311	\$ 404,770	\$ 25,098	\$ -	\$ 25,098
Support services:						
Pupil services	178,818	271,280	-	92,462	-	92,462
General administration	449,015	641,584	-	192,569	-	192,569
Business administration	153,624	157,170	-	3,546	-	3,546
Central support	536,153	272,716	-	(263,437)	-	(263,437)
Total support services	1,317,610	1,342,750	-	25,140	-	25,140
Total governmental activities	2,659,593	2,305,061	404,770	50,238	-	50,238
Business-type activities:						
Restaurant	19,497	22,433	-	-	2,936	2,936
CLETC	15,382	5,000	9,800	-	(582)	(582)
Total business-type activities	34,879	27,433	9,800	-	2,354	2,354
Total	\$ 2,694,472	\$ 2,332,494	\$ 414,570	\$ 50,238	2,354	\$ 52,592
General revenues:						
Interest earnings				1,387	-	1,387
Total general revenues				1,387	-	1,387
Change in net position				51,625	2,354	53,979
Net position at beginning of year				(237,048)	12,767	(224,281)
Net position at end of year				\$ (185,423)	\$ 15,121	\$ (170,302)

The accompanying notes are an integral part of this statement.

Grand Valley Board of Cooperative Educational Services

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2016

	General	Total Governmental Funds
ASSETS		
Cash and investments	\$ 377,182	\$ 377,182
Accounts receivable, less allowance for doubtful accounts of \$-0-	8,770	8,770
Due from other governments	407,459	407,459
Total assets	\$ 793,411	\$ 793,411
LIABILITIES AND FUND EQUITY		
Liabilities		
Accrued liabilities	\$ 99,406	\$ 99,406
Unearned revenue	94,637	94,637
Total liabilities	194,043	194,043
Fund equity		
Unassigned	599,368	599,368
Total fund equity	599,368	599,368
Total liabilities and fund equity	\$ 793,411	\$ 793,411
Fund equity (as reported above)		\$ 599,368
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are not recorded in the funds		722,873
The amount by which deferred outflows of resources are less than deferred inflows of resources, both of which are not recorded in the funds		(28,489)
Net pension liability is not due and payable in the current period and, therefore, is not reported in the funds		(1,432,711)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds		(46,464)
Net position of governmental activities		\$ (185,423)

The accompanying notes are an integral part of this statement.

Grand Valley Board of Cooperative Educational Services

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended June 30, 2016

	General	Total Governmental Funds
Revenues		
Local sources	\$ 2,305,062	\$ 2,305,062
State sources	101,291	101,291
Federal sources	303,479	303,479
Interest revenue	1,387	1,387
Total revenues	<u>2,711,219</u>	<u>2,711,219</u>
Expenditures		
Current		
Instructional services		
Vocational education	1,295,065	1,295,065
Support services	1,331,168	1,331,168
Total expenditures	<u>2,626,233</u>	<u>2,626,233</u>
Excess of revenues over (under) expenditures	84,986	84,986
Fund balance at beginning of year	<u>514,382</u>	<u>514,382</u>
Fund balance at end of year	<u>\$ 599,368</u>	<u>\$ 599,368</u>

The accompanying notes are an integral part of this statement.

Grand Valley Board of Cooperative Educational Services

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2016

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

Net change in fund balances - total governmental funds	\$ 84,986
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation was more than capital outlay in the current period (\$51,569-6,500).	(45,069)
In the governmental funds, expenditures related to pension obligations are measured by the amount of financial resources used (essentially, the amounts actually paid to the pension plan), whereas in the statement of activities, they are measured on full accrual basis. This is the amount by which pension expense in the statement of activities was less than pension expenditures in the governmental funds.	14,220
In the governmental funds, expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid to employees), whereas in the statement of activities, they are measured as the benefits are earned by employees during the year. This is the amount the liability for compensated absences increased during the year.	<u>(2,512)</u>
Change in net position of governmental activities	<u>\$ 51,625</u>

The accompanying notes are an integral part of this statement.

Grand Valley Board of Cooperative Educational Services

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

Year ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Local sources				
Charges for services - contracts	\$ 2,310,543	\$ 2,290,043	\$ 2,280,043	\$ (10,000)
Interest	625	625	1,387	762
Miscellaneous	70,463	25,100	25,019	(81)
	<u>2,381,631</u>	<u>2,315,768</u>	<u>2,306,449</u>	<u>(9,319)</u>
State sources				
Educational Priorities grant	-	132,544	101,291	(31,253)
	<u>-</u>	<u>132,544</u>	<u>101,291</u>	<u>(31,253)</u>
Federal sources				
Carl Perkins grant	230,704	303,479	303,479	-
	<u>230,704</u>	<u>303,479</u>	<u>303,479</u>	<u>-</u>
Total revenues	<u>2,612,335</u>	<u>2,751,791</u>	<u>2,711,219</u>	<u>(40,572)</u>
Expenditures				
Current				
Instructional - vocational education	1,245,443	1,499,341	1,295,065	204,276
Support services				
Pupil services	314,868	202,745	179,776	22,969
General administration	404,959	459,747	451,420	8,327
Business administration	165,883	165,883	154,447	11,436
Central support	557,609	538,997	539,025	(28)
Appropriated reserve	296,000	195,830	-	195,830
	<u>2,984,762</u>	<u>3,062,543</u>	<u>2,619,733</u>	<u>442,810</u>
Capital outlay				
Legislative - equipment	181,297	203,630	6,500	197,130
	<u>181,297</u>	<u>203,630</u>	<u>6,500</u>	<u>197,130</u>
Total expenditures	<u>3,166,059</u>	<u>3,266,173</u>	<u>2,626,233</u>	<u>639,940</u>
Excess of revenues over (under) expenditures	(553,724)	(514,382)	84,986	599,368
Fund balance at beginning of year	553,724	514,382	514,382	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 599,368</u>	<u>\$ 599,368</u>

The accompanying notes are an integral part of this statement.

Grand Valley Board of Cooperative Educational Services

STATEMENT OF FUND NET POSITION -
PROPRIETARY FUNDS

June 30, 2016

	Total Non-major Enterprise Funds
ASSETS	
Cash and cash equivalents	\$ 3,913
Accounts receivable, less allowance for doubtful accounts of \$-0-	11,208
	<hr/>
Total assets	\$ 15,121
	<hr/> <hr/>
NET POSITION	
Unrestricted	\$ 15,121
	<hr/>
Total liabilities and net position	\$ 15,121
	<hr/> <hr/>

The accompanying notes are an integral part of this statement.

Grand Valley Board of Cooperative Educational Services

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS

Year ended June 30, 2016

	Total Non-major Enterprise Funds
Operating revenues	
Restaurant meals	\$ 15,744
Catering service and other	6,689
Charges for services	5,000
Contributions	9,800
Total revenues	37,233
Operating expenses	
Salaries and benefits	15,286
Food products	2,282
Supplies and miscellaneous	1,929
Contract services	12,294
Utilities	3,088
Total operating expenses	34,879
	Change in net position 2,354
Net position beginning of year	12,767
Net position end of year	\$ 15,121

The accompanying notes are an integral part of this statement.

Grand Valley Board of Cooperative Educational Services

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

Year ended June 30, 2016

	Total Non-major Enterprise Funds
Cash flows from operating activities	
Cash received from customers	\$ 26,710
Cash paid to employees	(15,286)
Cash paid to suppliers	(22,457)
	<hr/>
Net cash provided (used) by operating activities	(11,033)
	<hr/>
Increase (decrease) in cash	(11,033)
	<hr/>
Cash at beginning of year	14,946
	<hr/>
Cash at end of year	<u>\$ 3,913</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 2,354
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities	
(Increase) decrease in accounts receivable	(10,523)
Increase (decrease) in accounts payable	(2,864)
	<hr/>
Total adjustments	(13,387)
	<hr/>
Net cash provided (used) by operating activities	<u>\$ (11,033)</u>

The accompanying notes are an integral part of this statement.

Grand Valley Board of Cooperative Educational Services

STATEMENT OF FIDUCIARY NET POSITION
STUDENT BODY ACTIVITY AGENCY FUND

June 30, 2016

ASSETS

Cash

\$ 90,216

Total assets \$ 90,216

LIABILITIES

Due to student groups

\$ 90,216

Total liabilities \$ 90,216

The accompanying notes are an integral part of this statement.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. The Reporting Entity

The Grand Valley Board of Cooperative Educational Services (B.O.C.E.S.) is a local educational service unit organized under the "Board of Cooperative Services Act of 1965" - Colorado Revised Statutes 22-5-101 through 117. The B.O.C.E.S. serves one member school district and one member institution of higher education in western Colorado.

The B.O.C.E.S. is the primary government and has no component units.

2. Government-wide and Fund Financial Statements

The B.O.C.E.S. basic financial statements include both government-wide (reporting the B.O.C.E.S. as a whole) and fund financial statements (reporting the B.O.C.E.S. major funds). Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the later are excluded from the government-wide financial statements. Major governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Government-wide Financial Statements

In the government-wide Statement of Net Position, the governmental activities columns are reported on a full accrual, economic resource basis, which recognizes all long-term assets and deferred outflows of resources as well as long-term debt, obligations, and deferred inflows of resources. B.O.C.E.S. net position is reported in two parts: net investment in capital assets and unrestricted net position.

The government-wide focus is on the sustainability of the B.O.C.E.S. as an entity and the change in the B.O.C.E.S.'s net position resulting from the current year's activities.

Fund Financial Statements

The financial transactions of the B.O.C.E.S. are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses.

The fund focus is on current available resources and budget compliance.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives.

The B.O.C.E.S. reports the following major governmental funds:

GOVERNMENTAL FUNDS

General Fund The General fund is the B.O.C.E.S. general operating fund and is used to account for all financial transactions not accounted for elsewhere. Major revenue sources include grants, contracts, and state funding. Expenditures include all costs associated with specific contracts entered into by the B.O.C.E.S.

PROPRIETARY FUNDS

Food Service Fund. The food service fund is used to account for the activities of the restaurant and catering services of the educational unit. The fund is intended to be self-supporting through user charges.

Colorado Law Enforcement Training Center (CLETC) Fund. The CLETC fund is used to account for activities related to the drive track maintained by the educational unit. The fund is supported through annual payments made by three outside government agencies that use the drive track and also by user charges.

The B.O.C.E.S. also report the following fiduciary fund:

Agency (Student Body Activity) Fund This fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations or budgetary accounting. However, the Colorado State Auditor's Office has determined that an annual budget and appropriation be adopted by the Board of Education. See Note A7 for the budget presentation. Assets and liabilities are measured on the accrual basis of accounting.

4. Basis of Accounting and Measurement Focus

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Basis of Accounting and Measurement Focus – Continued

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 to finance expenditures of the current period. Expenditures are recognized when the related fund liability is incurred.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund activity is not eliminated in the fund financial statements.

The Proprietary funds use the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The proprietary funds are accounted for on a cost of services (capital maintenance) measurement focus. The statement of net position for these funds includes all current and non-current assets and liabilities (net position). Unrestricted net position is the only component of fund equity. The operating statement summarizes cost of services for the period and reflects the change in net position.

5. Budget Adoption Process

In June, the Board of Directors adopts the budget for the following fiscal year. The Board may amend or adopt supplemental budgets during the budget year. Two supplemental budgets were appropriated by the Board for the year ended June 30, 2016, which increased the Enterprise Funds' budgets from \$43,407 to \$63,431 and increased the General Fund budget from \$3,166,059 to \$3,266,173.

6. Budgeted Level of Expenditures

Expenditures may not legally exceed appropriations at the fund level. Administrative control is maintained through the use of detailed line-item budgets. Budgets must be amended at the fund level by the Board of Directors. At year-end, all appropriations lapse in accordance with Colorado statutes.

7. Budgetary Basis of Accounting

Appropriated budgets are adopted by the Board of Directors for all funds. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Budgetary Basis of Accounting - Continued

The following is a presentation of final budget to actual for the Food Service fund for the year ended June 30, 2016.

	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Operating revenues	\$ 29,800	\$ 22,433	\$ (7,367)
Operating expenditures	<u>(31,041)</u>	<u>(19,497)</u>	<u>11,544</u>
Change in net position	(1,241)	2,936	4,177
Net position, beginning	<u>1,385</u>	<u>1,385</u>	<u>—</u>
Net position, ending	<u>\$ 144</u>	<u>\$ 4,321</u>	<u>\$ 4,177</u>

The following is a presentation of final budget to actual for the CLETC fund for the year ended June 30, 2016.

	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Operating revenues	\$ 18,000	\$ 14,800	\$ (3,200)
Operating expenditures	<u>(18,000)</u>	<u>(15,382)</u>	<u>2,618</u>
Net earnings (loss)	—	(582)	(582)
Net position, beginning	<u>14,246</u>	<u>11,382</u>	<u>(2,864)</u>
Net position, ending	<u>\$ 14,246</u>	<u>\$ 10,800</u>	<u>\$ (3,446)</u>

In order to comply with Colorado statutes, a Cash Basis budget and appropriation was adopted for the Agency (Student Body Activity) fund. The following is a presentation of Budget to Actual for the Agency (Student Body Activity) fund for the year ended June 30, 2016.

	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Beginning cash balance	\$ 72,104	\$ 72,104	\$ —
Cash receipts	<u>200,000</u>	<u>139,593</u>	<u>(60,407)</u>
Cash available	272,104	211,697	(60,407)
Cash disbursements	<u>200,000</u>	<u>121,481</u>	<u>78,519</u>
Ending cash balance	<u>\$ 72,104</u>	<u>\$ 90,216</u>	<u>\$ 18,112</u>

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by B.O.C.E.S. as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost if purchased or constructed and donated capital assets are recorded at their estimated fair market value on the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment of B.O.C.E.S. are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Equipment	8-30
Vehicles and software	5-7
Computers and office equipment	5

9. Future Compensated Absences

In Governmental Fund Types, the costs for compensated absences are recognized when payments are made to employees. A long-term liability for accrued vacation and sick leave benefits at June 30, 2016, has been recorded in the governmental-wide financial statements, representing the B.O.C.E.S. commitment to fund such costs from the General fund. Payment for any of the accrued benefits will occur in subsequent years and be made from future resources.

10. Related Parties

A substantial amount of the funds for facilities and personnel for the B.O.C.E.S. are currently provided by Mesa County Valley School District No. 51 (the District) and Colorado Mesa University (the University). The District and the University organized the B.O.C.E.S. and each appoints two of the seven Board members, with the other three Board members selected from the community. The District has a contract with the B.O.C.E.S. to provide funding and support.

11. Use of Estimates

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

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

12. Interfund Balances

Due To and Due From Other Funds. During the course of its operations, the B.O.C.E.S. has numerous transactions between funds to finance operations and provide services. To the extent that certain transactions between funds had not been paid or received as of June 30, 2016, balances of interfund amounts receivable or payable have been recorded.

13. Pensions

B.O.C.E.S. 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.

NOTE B – DEPOSITS AND INVESTMENTS

At June 30, 2016, the carrying value of deposits with financial institutions was \$125,116. Cash consists of the following:

Cash on hand	\$ 870
Cash in demand accounts	125,116
Total cash	<u>\$ 125,986</u>

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

At June 30, 2016, the B.O.C.E.S. cash deposits had a bank balance as follows:

	<u>Bank Balance</u>
Insured deposits	\$ 250,000
Deposits collateralized in single institution pools	<u>195,024</u>
Total deposits	<u>\$ 445,024</u>

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE B – DEPOSITS AND INVESTMENTS – CONTINUED

State statutes authorize the B.O.C.E.S. to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of the State of Colorado or of any county, school district, and certain towns and cities therein, notes or bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, certain repurchase agreements, and local government investment pools.

At June 30, 2016, the B.O.C.E.S. had \$9,396 and \$335,929 invested in the Colorado Government Liquid Asset Trust (COLOTRUST) and the Colorado Surplus Asset Fund Trust (CSAFE) respectively, investment vehicles established for local governmental entities in Colorado to pool surplus funds for investment purposes. COLOTRUST and CSAFE operate similar to a money market fund and each share is equal in value to \$1. At June 30, 2016, the approximate market value of the B.O.C.E.S.'s investments is \$345,325. Both COLOTRUST and CSAFE were rated AAAM by Standard & Poor's Corporation.

The total investments are as follows:

COLOTRUST	\$ 9,396
CSAFE	<u>335,929</u>
	<u>\$ 345,325</u>

Interest rate risk – The B.O.C.E.S. does not have a formal policy limiting investment maturities, other than that established by state statute of five years that would help manage its exposure to fair value losses from increasing interest rates.

NOTE C – MAJOR REVENUES

The B.O.C.E.S. received 59% and 26% of its general fund revenue for the year ended June 30, 2016, from contracts with Mesa County Valley School District No. 51 and with Colorado Mesa University, respectively.

NOTE D – CAPITAL ASSETS

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Land	\$ 326,431	\$ –	\$ –	\$ 326,431
Depreciable capital assets:				
Equipment	<u>1,388,351</u>	<u>6,500</u>	<u>114,725</u>	<u>1,280,126</u>
Total depreciable capital assets	1,388,351	6,500	114,725	1,280,126
Accumulated depreciation				
Equipment	<u>(946,840)</u>	<u>(51,569)</u>	<u>(114,725)</u>	<u>(883,684)</u>
Total accumulated depreciation	<u>(946,840)</u>	<u>(51,569)</u>	<u>(114,725)</u>	<u>(883,684)</u>
Depreciable capital assets, net	<u>441,511</u>	<u>(45,069)</u>	<u>–</u>	<u>396,442</u>
Capital assets, net	<u>\$ 767,942</u>	<u>\$ (45,069)</u>	<u>\$ –</u>	<u>\$ 722,873</u>

Capital outlay accounts are used to record expenditures made for items, which have a useful life of more than one year. Capital expenditures made in the General fund are recorded as instructional or support services for presentation in this financial statement. Not all capital outlay expenditures become actual additions to capital assets.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE D – CAPITAL ASSETS – CONTINUED

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

Instructional services	\$ 48,547
Central support	3,022
Total depreciation expense for governmental activities	<u>\$ 51,569</u>

NOTE E – LONG-TERM DEBT

The B.O.C.E.S. long-term debt consists of the following:

	Balance June 30, 2015	Additions (Reductions)	Balance June 30, 2016
Future compensated absences	\$ 43,951	\$ 2,513	\$ 46,464
Net pension liability	1,407,908	24,803	1,432,711
	<u>\$ 1,451,859</u>	<u>\$ 27,316</u>	<u>\$ 1,479,175</u>

NOTE F – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description. Eligible employees of the B.O.C.E.S. 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.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

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.

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.

Contributions. Eligible employees and B.O.C.E.S 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:

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

	For the Calendar Year Ended December 31, 2015	For the Calendar Year Ended December 31, 2016
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	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	4.00%	4.50%
Total Employer Contribution Rate to the SCHDTF ¹	17.33%	18.13%

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 B.O.C.E.S. is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from B.O.C.E.S. were \$70,640 for the year ended June 30, 2016.

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

At June 30, 2016, the B.O.C.E.S. reported a liability of \$1,432,711 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The B.O.C.E.S. proportion of the net pension liability was based on the B.O.C.E.S. contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

At December 31, 2015, the B.O.C.E.S. proportion was .009%, which was a decrease of .001 from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the B.O.C.E.S. recognized pension expense of \$56,420. At June 30, 2016, the District 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	\$ 18,919	\$ 60
Changes of assumptions or other inputs	–	20,246
Net difference between projected and actual earnings on pension plan investments	121,821	–
Changes in proportion and differences between contributions recognized and proportionate share of contributions	–	185,290
Contributions subsequent to the measurement date	36,367	–
Total	<u>\$ 177,107</u>	<u>\$ 205,596</u>

\$36,367 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, 2017. 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, 2016:	
2017	(58,058)
2018	(43,058)
2019	5,804
2020	30,456
2021	–
Thereafter	–

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 - 10.10 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

Future post-retirement benefit increases:

PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

- The following programming changes were made:
 - Valuation of the full survivor benefit without any reduction for possible remarriage.
 - Reflection of the employer match on separation benefits for all eligible years.
 - Reflection of one year of service eligibility for survivor annuity benefit.
 - Refinement of the 18 month annual increase timing.
 - Refinements to directly value certain and life, modified cash refund and pop up benefit forms.
- The following methodology changes were made:
 - Recognition of merit salary increases in the first projection year.
 - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
 - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
 - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

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

The SCHDTF's long-term expected rate of return on pension plan investments was determined using 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.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

As of the November 15, 2013 adoption of the long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
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 7.50%.

Discount Rate. The discount rate used to measure the total pension liability was 7.50%. 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 3.90%.
- 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

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

Based on the above actuarial cost method and assumptions, the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the B.O.C.E.S. proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$1,857,212	\$1,432,711	\$1,079,605

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.

NOTE G – OTHER POST-EMPLOYMENT BENEFITS – HEALTH CARE TRUST FUND

Plan Description. The B.O.C.E.S. contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy. The B.O.C.E.S. is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the B.O.C.E.S. are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2016, 2015, and 2014, the B.O.C.E.S. contributions to the HCTF were \$3,842, \$3,977, and \$4,196, respectively, equal to their required contributions for each year.

NOTE H – TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The B.O.C.E.S. believes it is in compliance with the requirements of the amendment. However, the B.O.C.E.S. has made certain interpretations of the amendment's language in order to determine its compliance.

Grand Valley Board of Cooperative Educational Services

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE I – RISK MANAGEMENT

The B.O.C.E.S. is a member of the Colorado School District Self-Insurance Pool (the Pool), which operates as a risk-sharing public entity pool comprised of various school districts and other related public educational entities within the State of Colorado. The Pool provides the B.O.C.E.S. with various types of insurance. During the year ended June 30, 2016, the B.O.C.E.S. paid \$16,564 in premiums to the Pool. In the event of the impairment or insolvency of the Pool, the B.O.C.E.S. may be assessed such amounts as may be necessary to ensure the solvency of the Pool. The likelihood of an event of this type occurring is remote.

The Colorado Compensation Insurance Authority provides worker's compensation insurance coverage. Commercial insurance companies are used to provide coverage for health, life, and other employee insurance programs maintained by the B.O.C.E.S.

NOTE J – RELATED PARTY SERVICES

The B.O.C.E.S. receives the services of college faculty from Colorado Mesa University for post-secondary class offerings. The expenditures related to these services are included in the financial statements of Colorado Mesa University and amounted to \$2,491,311 for the year ended June 30, 2016.

Grand Valley Board of Cooperative Educational Services

SCHEDULE OF ACTIVITY - NET PENSION LIABILITY

June 30, 2016

	Employer proportion of NPL	Employer proportionate share of NPL	Employer covered payroll	Employer proportionate share of NPL as a percentage of covered payroll	Pension plan's fiduciary net position as a percentage of total pension liability
<u>Measurement date:</u>					
December 31, 2014	0.01039%	\$ 1,407,908	\$ 390,084	361%	63%
December 31, 2015	0.00937%	1,432,711	374,810	382%	59%

Grand Valley Board of Cooperative Educational Services

SCHEDULE OF ACTIVITY - EMPLOYER PENSION CONTRIBUTIONS

June 30, 2016

	Required employer contribution	Employer contributions recognized by the plan	Difference	Employer covered payroll	Contributions as a percentage of employer covered payroll
June 30, 2015	\$ 69,767	\$ 69,767	\$ -	\$ 389,915	18%
June 30, 2016	70,640	70,640	-	372,840	19%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1: Factors that Significantly Affect Trends in the Amounts Reported

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or assumptions used that significantly affect trends in the amounts reported.

Grand Valley Board of Cooperative Educational Services

COMBINING SCHEDULE OF FUND NET POSITION -
NON-MAJOR PROPRIETARY FUNDS

June 30, 2016

	Enterprise Funds		Total Non-major Enterprise Funds
	Restaurant	CLETC	
ASSETS			
Cash and cash equivalents	\$ 2,913	\$ 1,000	\$ 3,913
Accounts receivable, less allowance for doubtful accounts of \$-0-	1,408	9,800	11,208
Total assets	<u>\$ 4,321</u>	<u>\$ 10,800</u>	<u>\$ 15,121</u>
NET POSITION			
Unrestricted	<u>\$ 4,321</u>	<u>\$ 10,800</u>	<u>\$ 15,121</u>
Total liabilities and net position	<u>\$ 4,321</u>	<u>\$ 10,800</u>	<u>\$ 15,121</u>

Grand Valley Board of Cooperative Educational Services

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - NON-MAJOR PROPRIETARY FUNDS

Year ended June 30, 2016

	Enterprise Funds		Total Non-major Enterprise Funds
	Restaurant	CLETC	
Operating revenues			
Restaurant meals	\$ 15,744	\$ -	\$ 15,744
Catering service and other	6,689	-	6,689
Charges for services	-	5,000	5,000
Contributions	-	9,800	9,800
Total revenues	22,433	14,800	37,233
Operating expenses			
Salaries and benefits	15,286	-	15,286
Food products	2,282	-	2,282
Supplies and miscellaneous	1,929	-	1,929
Contract services	-	12,294	12,294
Utilities	-	3,088	3,088
Total operating expenses	19,497	15,382	34,879
Change in net position	2,936	(582)	2,354
Net position beginning of year	1,385	11,382	12,767
Net position end of year	\$ 4,321	\$ 10,800	\$ 15,121

Grand Valley Board of Cooperative Educational Services

COMBINING SCHEDULE OF CASH FLOWS -
NON-MAJOR PROPRIETARY FUNDS

Year ended June 30, 2016

	Enterprise Funds		Total Non-major Enterprise Funds
	Restaurant	CLETC	
Cash flows from operating activities			
Cash received from customers	\$ 21,710	\$ 5,000	\$ 26,710
Cash paid to employees	(15,286)	-	(15,286)
Cash paid to suppliers	(4,211)	(18,246)	(22,457)
Net cash provided (used) by operating activities	2,213	(13,246)	(11,033)
Increase (decrease) in cash	2,213	(13,246)	(11,033)
Cash at beginning of year	700	14,246	14,946
Cash at end of year	\$ 2,913	\$ 1,000	\$ 3,913
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 2,936	\$ (582)	\$ 2,354
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	(723)	(9,800)	(10,523)
Increase (decrease) in accounts payable	-	(2,864)	(2,864)
Total adjustments	(723)	(12,664)	(13,387)
Net cash provided (used) by operating activities	\$ 2,213	\$ (13,246)	\$ (11,033)

Grand Valley Board of Cooperative Educational Services

SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
STUDENT BODY ACTIVITY AGENCY FUND

June 30, 2016

	<u>Balances July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances June 30, 2016</u>
ASSETS				
Cash	<u>\$ 72,104</u>	<u>\$ 139,593</u>	<u>\$ 121,481</u>	<u>\$ 90,216</u>
LIABILITIES				
Due to student groups	<u>\$ 72,104</u>	<u>\$ 130,895</u>	<u>\$ 112,783</u>	<u>\$ 90,216</u>

Colorado Department of Education
Auditors Integrity Report
 District: 9135 - GRAND VALLEY BOCES
 Fiscal Year 2015-16
 Colorado School District/BOCES

Fund Type & Number	Revenues, Expenditures, & Fund Balance by Fund		1000 - 5999 Total Revenues & Other Sources		0001-0999 Total Expenditures & Other Uses		6700-6799 & Prior Per Adj (6880*) Ending Fund Balance	
	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*)	6700-6799 & Prior Per Adj (6880*)	6700-6799 & Prior Per Adj (6880*)	6700-6799 & Prior Per Adj (6880*)
Governmental								
10 General Fund	514,382		2,711,220	2,826,233	599,368		599,368	
18 Risk Mgmt Sub-Fund of General Fund	0		0	0	0		0	
18 Colorado Pre-school Program Fund	0		0	0	0		0	
Sub-Total	514,382		2,711,220	2,826,233	599,368		599,368	
11 Charter School Fund	0		0	0	0		0	
20.26-29 Special Revenue Fund	0		0	0	0		0	
21 Food Service Spec Revenue Fund	0		0	0	0		0	
22 Cost Designated-Purpose Grants Fund	0		0	0	0		0	
23 Pupil Activity Special Revenue Fund	0		0	0	0		0	
24 Full Day Kindergarten Mill Levy Override	0		0	0	0		0	
25 Transportation Fund	0		0	0	0		0	
31 Bond Redemption Fund	0		0	0	0		0	
49 Certificate of Participation (CO's) Inst Service Fund	0		0	0	0		0	
41 Building Fund	0		0	0	0		0	
42 Special Building Fund	0		0	0	0		0	
43 Capital Reserve Capital Projects Fund	0		0	0	0		0	
Totals	514,382		2,711,220	2,826,233	599,368		599,368	
Proprietary								
50 Other Enterprise Funds	12,767		37,233	34,879	15,121		15,121	
64 (6-3) Risk-Reduced Activity Fund	0		0	0	0		0	
60.65.69 Other Internal Service Funds	0		0	0	0		0	
Totals	12,767		37,233	34,879	15,121		15,121	
Fiduciary								
70 Other Trust and Agency Funds	0		0	0	0		0	
72 Private Purpose Trust Fund	0		0	0	0		0	
73 Agency Fund	0		0	0	0		0	
74 Pupil-Activity Agency Fund	12,104		130,895	112,793	98,216		98,216	
79 GASB 34 Permanent Fund	0		0	0	0		0	
85 Foundations	0		0	0	0		0	
Totals	12,104		130,895	112,793	98,216		98,216	
				FINAL				

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