

**ADAMS COUNTY BOARD OF
COOPERATIVE EDUCATIONAL SERVICES
FINANCIAL STATEMENTS
JUNE 30, 2014**

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

BOARD OF DIRECTORS

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

Mark Clark, Vice President – Adams 12 Five Star Schools

Bob Landgraf / Ruben Pacheco, Director, – Adams County School District 50

Robert Vashaw, Director – Adams County School District 14

Ken Winslow, Director – Adams County School District 1 (Mapleton Public Schools)

ADMINISTRATION

Eric Wiant – Executive Director

Danielle Sullivan – Insurance Manager

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

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

TABLE OF CONTENTS

| | <u>PAGE</u> |
|---|-------------|
| Independent Auditor’s Report | I |
| Management’s Discussion and Analysis | IV |
| Basic Financial Statements | |
| Government-Wide Financial Statements | |
| Statement of Net Position | 1 |
| Statement of Activities – Governmental Activities..... | 2 |
| Fund Financial Statements | |
| Balance Sheet – Governmental Fund | 3 |
| Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position | 4 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund | 5 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities | 6 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund | 7 |
| Notes to the Financial Statements | 8 |
| Information for Oversight Agencies | |
| Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 19 |
| Colorado Department of Education Auditor’s Integrity Report | 21 |

Independent Auditor's Report

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

Report on the Financial Statements

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 ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Adams County Board of Cooperative Educational Services, as of June 30, 2014, 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 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 Governments' 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2014 on our consideration of the Adams County Board of Cooperative Educational Services’ internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Adams County Board of Cooperative Educational Services’ internal control over financial reporting and compliance.

Dazzio & Plutt, LLC

October 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS



Adams BOCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 Adams County BOCES for the fiscal year ended June 30, 2014.

The members are, Mapleton Public Schools, Adams 12 Five Star Schools, Adams County School District 14, Adams County School District 27J and Adams County School District 50.

Financial Highlights

- Net position increased \$30,818 from \$117,572 to \$148,390.
- Assets exceeded liabilities by \$148,390 at the close of the fiscal year.
- As of the close of the current fiscal year, the BOCES governmental fund reported current combined ending fund balances of \$185,181.
- Total current assets increased by \$58,951 as compared to the prior year.
- At the end of the current fiscal year there is \$104,826 unassigned fund balance for the general fund.

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 Adams County BOCES Self Insurance Pool 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. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The BOCES' assets exceeded liabilities by \$148,390 at the close of the most recent fiscal year. Of this amount \$133,196 is unrestricted and is available to meet the BOCES' ongoing financial obligations. \$15,194 is invested in capital assets at year-end.

Net Position

| | <u>June 30, 2013</u> | <u>June 30, 2014</u> |
|------------------------------|----------------------|----------------------|
| Current assets | \$ 158,959 | \$ 217,910 |
| Capital assets | <u>27,015</u> | <u>15,194</u> |
| Total assets | <u>185,974</u> | <u>233,104</u> |
| Liabilities | <u>68,402</u> | <u>84,714</u> |
| Total liabilities | <u>68,402</u> | <u>84,714</u> |
| Investment in capital assets | 27,015 | 15,194 |
| Unrestricted net position | <u>90,557</u> | <u>133,196</u> |
| Total net position | <u>\$ 117,572</u> | <u>\$ 148,390</u> |

The BOCES' net position increased \$30,818. Revenue for 2014 decreased \$7,470, from 2013. The decrease was due to monies that were charged to another school District for the professional services of the BOCES Safety Manager for playground inspections during 2013.

Total expenses increased \$31,793 due to an increase in benefits. Conversely, purchased services decreased \$3,931 due to cost reduction efforts.

Change in Net Position

| | June 30, 2013 | June 30, 2014 |
|-----------------------------------|---------------|---------------|
| Revenue | | |
| <u>Program Revenues</u> | | |
| Contract Revenue | \$ 620,305 | \$ 620,305 |
| EAP Revenue | 159,042 | 160,421 |
| Other Revenue | 8,800 | - |
| | 788,147 | 780,726 |
| <u>General Revenue</u> | | |
| Investment income | 49 | - |
| Total revenue | 788,196 | 780,726 |
| Expenses | | |
| General government | 559,073 | 589,487 |
| EAP | 159,042 | 160,421 |
| Total Expenses | 718,115 | 749,908 |
| Change in net position | 70,081 | 30,818 |
| Net position - beginning | 47,491 | 117,572 |
| Net position - ending | \$ 117,572 | \$ 148,390 |

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 \$185,181, of which \$104,826 constitutes *unassigned fund balance* that is available for spending at the government's discretion. 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 \$785,306 and actual revenues were \$780,726. The BOCES budgeted expenditures of \$840,213 for the year ended June 30, 2014. Actual expenditures were \$729,815, a positive variance of \$110,398. The variance was with salaries and benefits and purchases services which experienced positive variances of \$40,258 and \$25,897, respectively.

Capital Assets

The BOCES added one new laptop to the equipment listing and one asset was deleted during the year ended June 30, 2014.

Long-Term Debt

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

The Future of the BOCES

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

Adams 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 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 2014-2015 budget addresses the major projects for the ensuing school year and provides an adequate level of funding.

Adams County School District 14 will no longer be a member of the Adams BOCES effective July 1, 2014, the FY 14.15 budget will reflect the amount District 14 will pay for the administration

of tail claims. This will have a financial impact to the remaining four members in subsequent years. The remaining BOCES fund balance will be used over the next three years to reduce the Pool Management fee to the remaining four members.

Requests for Information

This financial report is designed to provide a general overview of the Adams 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 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, 2014

| | Governmental Activities |
|---|------------------------------------|
| Assets | |
| Cash | \$ 210,102 |
| Accounts Receivable | 7,808 |
| Capital Assets, Net | 15,194 |
| Total Assets | <u>233,104</u> |
| Liabilities | |
| Accounts Payable | 15,701 |
| Accrued Liabilities | 17,028 |
| Noncurrent Liabilities - Compensated Absences | 51,985 |
| Total Liabilities | <u>84,714</u> |
| Net Position | |
| Investment in Capital Assets | 15,194 |
| Unrestricted | 133,196 |
| Total Net Position | <u>\$ 148,390</u> |

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

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014**

| Function/Program Activities | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|------------------------------------|-------------------|---------------------------------|---|--|
| | | Charges for Services | Operating Grants and Contributions | |
| General Government | \$ 589,487 | \$ 620,305 | \$ - | \$ 30,818 |
| EAP Program | 160,421 | 160,421 | - | - |
| Total | <u>\$ 749,908</u> | <u>\$ 780,726</u> | <u>\$ -</u> | <u>30,818</u> |
| | | Change in Net Position | | 30,818 |
| | | Net Position - Beginning | | <u>117,572</u> |
| | | Net Position - Ending | | <u>\$ 148,390</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, 2014

| | General Fund |
|---|-------------------------|
| Assets | |
| Cash | \$ 210,102 |
| Accounts Receivable | 7,808 |
| Total Assets | <u>\$ 217,910</u> |
| Liabilities | |
| Accounts Payable | \$ 15,701 |
| Accrued Liabilities | 17,028 |
| Total Liabilities | <u>32,729</u> |
| Fund Balance | |
| Assigned for Subsequent Year's Expenditures | 62,855 |
| Assigned for Board Projects | 17,500 |
| Unassigned | 104,826 |
| Total Fund Balance | <u>185,181</u> |
| Total Liabilities and Fund Balance | <u>\$ 217,910</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, 2014**

| | | |
|--|-----------------|--------------------------|
| Total Fund Balance for the Governmental Fund | | \$ 185,181 |
| 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 | \$ 69,642 | |
| Less Accumulated Depreciation | <u>(54,448)</u> | 15,194 |
| 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. | | |
| Compensated Absences | | <u>(51,985)</u> |
| Net Position of Governmental Activities | | <u><u>\$ 148,390</u></u> |

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

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended June 30, 2014**

| | General Fund |
|-----------------------------------|-------------------------|
| | <hr/> |
| Revenues | |
| Insurance Pool Management Fees | \$ 620,305 |
| EAP Revenue | 160,421 |
| | <hr/> |
| Total Revenues | 780,726 |
| | <hr/> |
| Expenditures | |
| Current | |
| Salaries and Benefits | 474,742 |
| EAP Expenditures | 160,421 |
| Purchased Services | 82,853 |
| Supplies and Materials | 1,200 |
| Contingency | 9,470 |
| Capital | 1,129 |
| | <hr/> |
| Total Expenditures | 729,815 |
| | <hr/> |
| Net Change in Fund Balance | 50,911 |
| Fund Balance, Beginning | 134,270 |
| | <hr/> |
| Fund Balance, Ending | \$ 185,181 |
| | <hr/> <hr/> |

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

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014**

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

| | | | |
|---|----|-----------------|----------------------|
| Net Change in Fund Balance of Governmental Fund | | \$ | 50,911 |
| 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 Addition | \$ | 1,129 | |
| Depreciation Expense | | <u>(12,950)</u> | (11,821) |
| The Governmental fund does not report compensated absences unless they are current and payable. The decrease in compensated absences is recorded on the statement of activities. | | | <u>(8,272)</u> |
| Change in Net Position of Governmental Activities | | \$ | <u><u>30,818</u></u> |

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

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

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

For the Year Ended June 30, 2014

(With Comparative Totals for the Year Ended June 30, 2013)

| | Original and Final Budget | Actual | Variance With Final Budget - Positive (Negative) | 2013 Actual |
|-----------------------------------|--|-------------------|---|------------------------|
| Revenues | | | | |
| Insurance Pool Management Fees | \$ 620,305 | \$ 620,305 | \$ - | \$ 620,305 |
| EAP Revenue | 165,000 | 160,421 | (4,579) | 159,042 |
| Interest Income | 1 | - | (1) | 49 |
| Miscellaneous Income | - | - | - | 8,800 |
| Total Revenues | 785,306 | 780,726 | (4,580) | 788,196 |
| Expenditures | | | | |
| Current | | | | |
| Salaries and Benefits | 515,000 | 474,742 | 40,258 | 456,834 |
| EAP Expenditures | 165,000 | 160,421 | 4,579 | 159,042 |
| Purchased Services | 108,750 | 82,853 | 25,897 | 86,784 |
| Supplies and Materials | 6,000 | 1,200 | 4,800 | 2,864 |
| Contingency | 41,463 | 9,470 | 31,993 | - |
| Capital | 4,000 | 1,129 | 2,871 | 2,427 |
| Total Expenditures | 840,213 | 729,815 | 110,398 | 707,951 |
| Net Change in Fund Balance | (54,907) | 50,911 | 105,818 | 80,245 |
| Fund Balance - Beginning | 134,270 | 134,270 | - | 54,025 |
| Fund Balance - Ending | \$ 79,363 | \$ 185,181 | \$ 105,818 | \$ 134,270 |

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, 2014

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 Adams County BOCES Self-Insurance Pool, a public entity risk pool. 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, 2014, the BOCES is comprised of the following members:

- Adams County School District 1 (Mapleton Public Schools)
- Adams 12 Five Star Schools
- Adams County School District 14
- Adams/Weld County School District 27J
- Adams County School District 50

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, 2014

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, 2014

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.

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

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 |

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.

Estimates

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

Fund Equity

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

Net Position

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

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

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.

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

Fund Balance

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

Fund balances are classified as follows:

- *Nonspendable* – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- *Restricted* – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the BOCES or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- *Committed* – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors through the adoption of a resolution. The Board of Directors also may modify or rescind the commitment.
- *Assigned* – Fund balances are reported as assigned when amounts are constrained by the Board of Directors' intent to be used for specific purposes, but are neither restricted nor committed. At June 30, 2014, the BOCES has assigned fund balance for the following purposes:

Subsequent Year's Expenditures – The BOCES has assigned \$62,855 of the year-end fund balance which is appropriated in the 2014-2015 budget.

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

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

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

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

Budgetary Information

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

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

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

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

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

(\$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, 2014, the BOCES' bank deposits amounting to \$224,004, were insured by federal depository insurance and consequently were not exposed to custodial credit risk.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, is summarized below.

| | Balance | | | Balance |
|---------------------------------------|----------------------|--------------------|--------------------|----------------------|
| | June 30, 2013 | Additions | Retirements | June 30, 2014 |
| Capital Assets | | | | |
| Leasehold Improvements | \$ 10,000 | \$ - | \$ - | \$ 10,000 |
| Furniture | 38,219 | - | - | 38,219 |
| Equipment | 20,923 | 1,129 | 629 | 21,423 |
| Total Capital Assets | 69,142 | 1,129 | 629 | 69,642 |
| Accumulated Depreciation | | | | |
| Leasehold Improvements | 5,000 | 2,000 | - | 7,000 |
| Furniture | 24,516 | 7,444 | - | 31,960 |
| Equipment | 12,611 | 3,506 | 629 | 15,488 |
| Total Accumulated Depreciation | 42,127 | 12,950 | 629 | 54,448 |
| Capital Assets, Net | \$ 27,015 | \$ (11,821) | \$ - | \$ 15,194 |

Depreciation expense was charged to the general government program.

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

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. Future lease payments under this non-cancelable operating lease follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|------------------|
| 2015 | \$ 23,832 |
| 2016 | <u>28,732</u> |
| | <u>\$ 52,564</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, 2014, the BOCES paid \$21,175 in additional rent.

NOTE 5 COMPENSATED ABSENCES

The BOCES policy allows employees earn from 25 to 30 days of vacation annually and to accumulate unused vacation up to 40 days beyond the current year. Any unused vacation days above the maximum allowance as of July 1 is forfeited. In addition, employees will accrue, on an unlimited basis, sick/bereavement/personal leave (temporary 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> |
|----------------------|------------------------------|------------------|-----------------------|---------------------------|
| Compensated Absences | <u>\$ 43,713</u> | <u>\$ 29,849</u> | <u>\$ 21,577</u> | <u>\$ 51,985</u> |

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 6 REVENUES

The BOCES receives a management fee from the Adams County BOCES Self-Insurance Pool for management and safety & loss control services. During the year ended June 30, 2014, the BOCES received \$620,305 in fees.

The BOCES receives Employee Assistance Program (EAP) revenue as pass-through from School District members. The amounts received are based on employee enrollments within each School District. During the year ended June 30, 2014, the BOCES received \$160,421.

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 Adams County BOCES Self Insurance Pool, a public entity risk pool. Settled claims have not exceeded this coverage in any of the past three fiscal years.

NOTE 8 EMPLOYEE PENSION AND HEALTHCARE BENEFIT PLANS

Defined Benefit Pension Plan

The BOCES contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The SDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. All employees of the BOCES are members of the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the SDTF. That report may be obtained by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy - The contribution requirements of Plan members and the BOCES are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members was 8% of covered salaries. The BOCES' contribution rate for calendar years 2014, 2013 and 2012 was 17.45%, 16.55% and 15.65% of covered salaries,

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

respectively. Also, a portion of the BOCES' contribution (1.02% of covered salaries) was allocated to the Health Care Trust Fund (See below). The BOCES' contributions to the SDTF for the years ended June 30, 2014, 2013 and 2012 were \$52,131, \$44,131 and \$34,174, respectively, equal to the required contributions for each year.

Defined Contribution Pension Plan

The SDTF members of the BOCES may voluntarily contribute to the Voluntary Investment Program ("401(k) Plan"), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from other payments made to PERA. The 401(k) Plan is funded by voluntary member contributions up to a maximum limit set annually by the IRS. The BOCES provides matching contributions of 4% of covered salary. The 401(k) Plan member contributions from the BOCES for the year ended June 30, 2014 were \$13,870.

Postemployment Healthcare Benefits

The BOCES contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by the PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained as described previously.

Funding Policy -The BOCES was required to contribute at the rate of 1.02% of covered salaries for all PERA members as set by statute. No member contributions were required. The contribution requirements for the BOCES are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions of the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The BOCES' apportionment to the HCTF for the years ended June 30, 2014, 2013 and 2012 were \$3,372, \$2,985 and \$2,458, respectively, equal to the required amounts for each year.

NOTE 9 CONTINGENCIES

The GASB issued Statement No. 68 Accounting and Financial Reporting for Pensions (Statement No. 68), which revises and establishes new financial reporting requirements

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

for most governments that provide their employees with pension benefits. The BOCES provides its employees with pension benefits through a multiple employer cost-sharing defined benefit retirement program administered by the Public Employees' Retirement Association of Colorado (PERA).

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 has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefits or annual required contribution decisions made by PERA. The requirement of Statement No. 68 to record a portion of PERA's unfunded liability will negatively impact the BOCES' future unrestricted net position. Statement No. 68 is effective for the fiscal year 2015. At this time, the BOCES' management is unable to estimate the magnitude of this impact. Information regarding PERA's current funding status can be found in its Comprehensive Annual Financial Report.

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

NOTE 11 SUBSEQUENT EVENT

On July 1, 2014, Adams County School District 14 withdrew from the BOCES. This will have a financial impact to the remaining four members in subsequent years.

INFORMATION FOR OVERSIGHT AGENCIES

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Adams County Board of Cooperative Educational Services, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Adams County Board of Cooperative Educational Services' basic financial statements, and have issued our report thereon dated October 30, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Dazzio & Plutt, LLC

October 30, 2014



Colorado Department of Education
Auditors Integrity Report
 District: 9120 - ADAMS COUNTY BOCES
 Fiscal Year 2013-14
 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 | 134,270 | 780,726 | 729,814 | 185,181 |
| 18 Risk Mgmt Sub-Fund of General Fund | 0 | 0 | 0 | 0 |
| 19 Colorado Preschool Program Fund | 0 | 0 | 0 | 0 |
| Sub- Total | 134,270 | 780,726 | 729,814 | 185,181 |
| 11 Charter School Fund | 0 | 0 | 0 | 0 |
| 20,26-29 Special Revenue Fund | 0 | 0 | 0 | 0 |
| 21 Capital Reserve 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 Non-Voter Approved 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 |
| Totals | 0 | 0 | 0 | 0 |
| Proprietary | | | | |
| 51 Food Service Fund | 0 | 0 | 0 | 0 |
| 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 prior period adjustment is added into both your ending and beginning fund balances on this report.