

**ADAMS COUNTY BOARD OF
COOPERATIVE EDUCATIONAL
SERVICES**

FINANCIAL STATEMENTS

JUNE 30, 2013

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

BOARD OF DIRECTORS

Patrick Day, President – Adams County School District 27J

Mark Clark, Vice President – Adams 12 Five Star Schools

Bob Landgraf, Director, – Adams County School District 50

Robert Vashaw, Director – Adams County School District 14

Ken Winslow, Director – 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

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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, 2013, 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, 2013, 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 August 9, 2013 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

November 15, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS



Adams BOCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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, 2013.

Financial Highlights

- Assets exceeded liabilities by \$117,572 at the close of the fiscal year.
- As of the close of the current fiscal year, the BOCES governmental fund reported combined ending fund balances of \$134,270.
- Total net position increased \$70,081.
- Total cash and investments increased by \$81,670 as compared to the prior year.
- Adams County BOCES Self Insurance Pool Management fees revenue increased by \$161,555 as compared to the prior year. The State funding of \$10,000 was not available this year.
- General fund expenditures increased \$59,799 as compared to the prior year.
- At the end of the current fiscal year there is \$79,680 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 public school districts and providing risk management and safety services to the members. The government-wide financial statements can be found on pages 1-2 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. 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. The basic governmental fund financial statements can be found on pages 1 through 5 of this report.

Notes to 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 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 \$117,572 at the close of the most recent fiscal year. Of this amount \$66,911 is unrestricted and is available to meet the BOCES' ongoing financial obligations. \$27,015 is invested in capital assets and \$23,646 is restricted for emergencies under TABOR.

Net Position

	<u>June 30, 2012</u>	<u>June 30, 2013</u>
Current assets	\$ 69,045	\$ 158,959
Capital assets	<u>37,509</u>	<u>27,015</u>
Total assets	<u>\$ 106,554</u>	<u>\$ 185,974</u>
Current liabilities	<u>59,063</u>	<u>68,402</u>
Total liabilities	<u>\$ 59,063</u>	<u>\$ 68,402</u>
	<u>June 30, 2012</u>	<u>June 30, 2013</u>
Net investment in capital assets	\$ 37,509	\$ 27,015
Restricted net position	18,478	23,646
Unrestricted net position	<u>(8,496)</u>	<u>66,911</u>
Total net position	<u>\$ 47,491</u>	<u>\$ 117,572</u>

The BOCES' net position increased \$70,081. Revenue for 2013 increased approximately \$172,000, or 28%, from 2012. The primary increase was in insurance pool management fees which increased \$161,555 from \$458,750 to \$620,305. The increase was done to compensate for the decrease in pool management fees that were reduced from \$522,729 in fiscal year 2011 to \$458,750 in fiscal year 2012 which caused the ending net position of \$47,491 at June 30, 2012 to be less than adequate for the BOCES' operations.

Expenses increased \$59,799 or 9% from \$648,152 to \$707,951. The main cause of the increase was in salaries and benefits which increased \$81,642, or 22%, from \$375,192 to \$456,834. The increase in salaries accommodated market rate adjustments to employees' salaries. Conversely, purchased services decreased \$20,766 due to cost reduction efforts.

Change in Net Position

	<u>June 30, 2012</u>	<u>June 30, 2013</u>
Revenue		
<u>Program Revenues</u>		
Contract Revenue	\$ 458,750	\$ 620,305
EAP Revenue	157,086	159,042
Other Revenue	-	8,800
	<u>615,836</u>	<u>788,147</u>
 <u>General Revenue</u>		
Investment income	102	49
Total revenue	<u>615,938</u>	<u>788,196</u>
 Expenses		
General government	516,427	559,073
EAP	157,086	159,042
Total Expenses	<u>673,513</u>	<u>718,115</u>
Change in net position	(57,575)	70,081
Net position - beginning	105,066	47,491
Net position - ending	<u>\$ 47,491</u>	<u>\$ 117,572</u>

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the BOCES general fund reported ending fund balance of \$134,270, of which \$79,680 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 \$793,913 and actual revenues were \$788,196. The BOCES budgeted expenditures of \$803,750 for the year ended June 30, 2013. Actual expenditures were \$707,951, a positive variance of \$95,799. The variance was mainly with salaries and benefits and purchases services which experienced positive variances of approximately \$58,000 and \$27,000, respectively.

Capital Assets

The BOCES added new laptops to the equipment listing and there were no disposals of assets during the year ended June 30, 2013.

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 Board of Directors.

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 insurance claims and litigation.

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 2013-2014 budget addresses the major projects for the ensuing school year and provides an adequate level of funding for ongoing programs. The budget includes all programs associated with the five districts within the BOCES. Overall, the original adopted BOCES' budget for 2013-2014 is \$840,213. The plan for next years' budget is to remain static; however as market conditions and Board directives change we may look to increase our revenues from outside sources beyond our five Member districts.

Economic factors of concern for the next year:

- The continued annual increases to PERA employer's contributions
- Competitive salary standards for recruitment and retention of specialized staff
- Health insurance unknowns
- Continued costs associated with staff training and professional development.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
June 30, 2013

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash	\$ 144,340	\$ -	\$ 144,340
Accounts Receivable	14,619	-	14,619
Capital Assets, Net	-	27,015	27,015
Total Assets	\$ 158,959	27,015	185,974
Liabilities			
Accounts Payable	\$ 13,994	-	13,994
Accrued Liabilities	10,695	-	10,695
Compensated Absences	-	43,713	43,713
Total Liabilities	24,689	43,713	68,402
Fund Balance/Net Position			
Fund Balance			
Restricted for TABOR Emergencies	23,646	(23,646)	-
Assigned for Subsequent Year's Expenditures	13,444	(13,444)	-
Assigned for Board Projects	17,500	(17,500)	-
Unassigned	79,680	(79,680)	-
Total Fund Balance	134,270	(134,270)	-
Total Liabilities and Fund Balance	\$ 158,959		
Net Position			
Net Investment in Capital Assets		27,015	27,015
Restricted for TABOR Emergencies		23,646	23,646
Unrestricted		66,911	66,911
Total Net Position		\$ 117,572	\$ 117,572

Adjustment to reconcile the governmental fund balance sheet to the statement of net position is as follows:

Fund Balance per above	\$ 134,270
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund balance sheet.	27,015
Compensated absences are not due and payable in the current period and not reported as a liability in the funds	(43,713)
Total Net Position per above	\$ 117,572

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, 2013**

<u>Function/Program Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
General Government	\$ 559,073	\$ 629,105	\$ -	\$ 70,032
EAP Program	159,042	159,042	-	-
Total Governmental Activities	<u>\$ 718,115</u>	<u>\$ 788,147</u>	<u>\$ -</u>	<u>70,032</u>
General Revenues:				
				49
				<u>49</u>
				70,081
				<u>47,491</u>
				<u><u>\$ 117,572</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, 2013

	General Fund
Revenues	
Insurance Pool Management Fees	\$ 620,305
EAP Revenue	159,042
Interest Income	49
Miscellaneous Income	8,800
	788,196
Total Revenues	788,196
Expenditures	
Current	
Salaries and Benefits	456,834
Purchased Services	86,784
Supplies and Materials	2,864
Capital Outlay	2,427
EAP Expenditures	159,042
	707,951
Total Expenditures	707,951
Net Change in Fund Balance	80,245
Fund Balance, Beginning	54,025
Fund Balance, Ending	\$ 134,270

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, 2013

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

Net Change in Fund Balance of Governmental Fund	\$	80,245
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Capital outlays to purchase or construct capital assets are reported in the governmental fund as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.

Capital Asset Addition	\$	2,247	
Depreciation Expense		<u>(12,741)</u>	(10,494)

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.

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Change in Net Position of Governmental Activities	\$	<u><u>70,081</u></u>
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The notes to the financial statements are an integral part of this statement.

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Insurance Pool Management Fees	\$ 570,018	\$ 620,305	\$ 620,305	\$ -
EAP Revenue	165,000	165,000	159,042	(5,958)
Interest Income	108	108	49	(59)
Miscellaneous Income	8,500	8,500	8,800	300
Total Revenues	743,626	793,913	788,196	(5,717)
Expenditures				
Current				
Salaries and Benefits	515,000	515,000	456,834	58,166
Purchased Services	113,750	113,750	86,784	26,966
Supplies and Materials	6,000	6,000	2,864	3,136
Capital Outlay	4,000	4,000	2,427	1,573
EAP Expenditures	165,000	165,000	159,042	5,958
Total Expenditures	803,750	803,750	707,951	95,799
Net Change in Fund Balance	(60,124)	(9,837)	80,245	90,082
Fund Balance - Beginning	130,000	54,025	54,025	-
Fund Balance - Ending	\$ 69,876	\$ 44,188	\$ 134,270	\$ 90,082

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, 2013

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 and state government sources and must comply with the requirements of these funding source entities.

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.

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

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

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.

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.

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

Assets, Liabilities and Fund Balance/Net Position

1. Deposits and Investments

Cash and investments are presented on the balance sheet in the basic financial statements at fair value.

2. 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.

3. Capital Assets

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

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

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

Leasehold Improvements	5 years
Furniture	5 years
Equipment	5 years

4. 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.

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

5. 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.

6. 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.

The BOCES reports the following restricted net position:

Restricted for TABOR Emergencies – Emergency reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 10).

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

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

Fund Balance

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

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

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. The BOCES has restricted \$23,646 of fund balance for TABOR emergencies.
- *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, 2013, the BOCES has assigned fund balance for the following purposes:

Subsequent Year's Expenditures – The BOCES has assigned \$13,444 of the year-end fund balance which is appropriated in the 2013-2014 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.

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.

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

7. 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 DEPOSITS

Custodial credit risk

Custodial risk for deposits is the risk that, in the event of a failure of a depository financial institution, the BOCES will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Colorado Public Deposit Protection Act (PDPA) governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels (\$250,000) must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

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, 2013, the BOCES' deposits amounting to \$165,643, were insured by federal depository insurance and consequently were not exposed to custodial credit risk.

At June 30, 2013, the BOCES had \$144,340 in cash deposits.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, is summarized below.

	Balance				Balance
	June 30, 2012	Additions	Retirements		June 30, 2013
Capital Assets					
Leasehold Improvements	\$ 10,000	\$ -	\$ -		\$ 10,000
Furniture	38,219	-	-		38,219
Equipment	18,676	2,247	-		20,923
Total Capital Assets	66,895	2,247	-		69,142
Accumulated Depreciation					
Leasehold Improvements	3,000	2,000	-		5,000
Furniture	17,072	7,444	-		24,516
Equipment	9,314	3,297	-		12,611
Total Accumulated Depreciation	29,386	12,741	-		42,127
Capital Assets, Net	\$ 37,509	\$ (10,494)	\$ -		\$ 27,015

Depreciation expense was charged to the general government program.

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

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>
2014	\$ 18,933
2015	23,832
2016	<u>28,732</u>
	<u>\$ 71,497</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, 2013, the BOCES paid \$19,175 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>\$ 44,043</u>	<u>\$ 26,393</u>	<u>\$ 26,723</u>	<u>\$ 43,713</u>

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

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, 2013, 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, 2013, the BOCES received \$159,042.

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 2013, 2012 and 2011 was 16.55%, 15.65% and 14.75% of covered salaries,

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

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, 2013, 2012 and 2011 were \$44,131, \$34,174 and \$35,703, 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, 2013 were \$11,820.

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, 2013, 2012 and 2011 were \$2,985, \$2,458 and \$2,742, 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, 2013

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

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The BOCES' management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, may require judicial interpretation.

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, 2013, 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 November 15, 2013.

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

November 15, 2013

Colorado Department of Education
Auditors Integrity Report
 District: 9120 - ADAMS COUNTY BOCES
 Fiscal Year 2012-13
 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	54,024	788,196	707,951	134,270
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	54,024	788,196	707,951	134,270
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.

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