

**ADAMS COUNTY BOARD OF COOPERATIVE
EDUCATIONAL SERVICES
Adams County, Colorado**

**FINANCIAL STATEMENTS
June 30, 2011**

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities and major fund of Adams County Board of Cooperative Educational Services (BOCES), as of and for the year ended June 30, 2011, which collectively comprise BOCES basic financial statements, as listed in the table of contents. These financial statements are the responsibility of BOCES' management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 BOCES as of June 30, 2011, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the basic financial statements, BOCES adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2011 on our consideration of BOCES' 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages III through VI is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the BOCES basic financial statements. The Colorado School District/BOCES Auditor's Electronic Financial Data Integrity Check Figures Report listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Clifton Henderson LLP

Greenwood Village, Colorado
September 28, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS



Adams BOCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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, 2011.

Financial Highlights

- Assets exceeded liabilities by \$105,066 at the close of the fiscal year. \$27,916 of this amount is unrestricted and available to meet ongoing & future obligations of the BOCES.
- As of the close of the current fiscal year, the BOCES governmental funds reported combined ending fund balances of \$86,239.
- Total net assets increased by \$13,671.
- Total cash and investments increased by \$38,520 as compared to the prior year.
- Adams County BOCES Self Insurance Pool Management fees revenue increased by \$232,004 as compared to the prior year.
- General fund expenditures increased by \$71,664 as compared to the prior year.
- At the end of the current fiscal year, there was no 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 assets* presents information on all of the BOCES assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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, 4 and 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 assets may serve over time as a useful indicator of a government's financial position. The BOCES's assets exceeded liabilities by \$105,066 at the close of the most recent fiscal year.

Net Assets

	<u>June 30, 2010</u>	<u>June 30, 2011</u>
Current assets	\$ 88,194	\$ 127,236
Capital assets	33,617	51,650
Total assets	<u>\$ 121,811</u>	<u>\$ 178,886</u>
Current liabilities	30,416	73,820
Total liabilities	<u>\$ 30,416</u>	<u>\$ 73,820</u>
	<u>June 30, 2010</u>	<u>June 30, 2011</u>
Net assets invested in capital assets	\$ 33,617	\$ 51,650
Restricted net assets	25,500	25,500
Unrestricted net assets	32,278	27,916
Total net assets	<u>\$ 91,395</u>	<u>\$ 105,066</u>

Discussion of increases/decreases and key items in net assets: Current assets increased due to an increase in cash resulting from expenses being under budget. Capital assets value increased due to the purchase of furniture and office equipment.

Change in Net Assets

	<u>June 30, 2010</u>	<u>June 30, 2011</u>
Revenue		
<u>Program Revenues</u>		
Contract Revenue	\$ 290,725	\$ 522,729
EAP Revenue	<u>156,035</u>	<u>158,558</u>
	<u>446,760</u>	<u>681,287</u>
<u>General Revenue</u>		
Investment income	<u>1,958</u>	<u>246</u>
Total revenue	<u>448,718</u>	<u>681,533</u>
Expenses		
General government	412,702	509,304
EAP	<u>156,035</u>	<u>158,558</u>
Total Expenses	<u>568,737</u>	<u>667,862</u>
Change in net assets	(120,019)	13,671
Net assets - beginning	<u>211,414</u>	<u>91,395</u>
Net assets - ending	<u>\$ 91,395</u>	<u>\$ 105,066</u>

Discussion of increases/decreases in revenues and expenses: Contract revenue increased due to higher rates. The EAP revenue and expenses increased slightly due to actual enrollment changes.

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, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the BOCES general fund reported ending fund balance of \$86,239, of which zero constitutes *unassigned fund balance*, that is available for spending at the government's discretion within the parameters established by the fund.

General Fund Budgetary Highlights

The BOCES total expenditures for 2011 were less than the final budgeted appropriation to include the revenue and expenditures associated with the administration of the Employee Assistance program (EAP) for its members.

Capital Assets

The BOCES had \$31,267 in equipment additions and disposed of \$7,456 of assets for its governmental type-activities for the year ended June 30, 2011.

Long-Term Debt

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

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 ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
June 30, 2011

	Governmental Fund Type General	Adjustments	Statement of Net Assets
ASSETS			
Cash deposits	\$ 120,899	\$ -	\$ 120,899
Accounts receivable	6,337	-	6,337
Capital assets, net	-	51,650	51,650
Total assets	\$ 127,236	\$ 51,650	\$ 178,886
LIABILITIES			
Accounts payable	\$ 40,997	\$ -	\$ 40,997
Compensated absences	-	32,823	32,823
Total liabilities	40,997	32,823	73,820
FUND BALANCES/NET ASSETS			
Fund balance			
Restricted for Tabor amendment	25,500	(25,500)	-
Assigned	60,739	(60,739)	-
Total fund balances	86,239	(86,239)	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 127,236		
NET ASSETS			
Invested in capital assets		51,650	51,650
Restricted for Tabor amendment		25,500	25,500
Unrestricted		27,916	27,916
TOTAL NET ASSETS		\$ 105,066	\$ 105,066

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

Fund balance per above	\$ 86,239
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund balance sheet	51,650
Compensated absences are not due and payable in the current period and not reported as a liability in the funds	(32,823)
Net assets per above	\$ 105,066

The accompanying notes are an integral part of the financial statements.

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2011

	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense) Revenue Program</u>
FUNCTIONS/PROGRAMS			
Governmental activities:			
General government	\$ 509,304	\$ 522,729	\$ 13,425
EAP program	<u>158,558</u>	<u>158,558</u>	<u>-</u>
Total governmental activities	<u>\$ 667,862</u>	<u>\$ 681,287</u>	<u>13,425</u>
GENERAL REVENUES			
Earnings on investments			<u>246</u>
Total general revenues			<u>246</u>
CHANGE IN NET ASSETS			13,671
NET ASSETS - BEGINNING			<u>91,395</u>
NET ASSETS - ENDING			<u>\$ 105,066</u>

The accompanying notes are an integral part of the financial statements.

**ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2011**

A reconciliation reflecting the differences between the general fund excess (deficit) of revenues over expenditures and the changes in net assets reported for governmental activities in the statement of activities is as follows:

Excess of revenues over expenditures - General Fund	<u>\$ 11,032</u>
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>	
Capital outlay	29,517
Depreciation	(9,651)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to reduce net assets.</p>	
Loss on disposal of capital assets	(1,833)
<p>Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds</p>	
Changes in long-term compensated absences	<u>(15,394)</u>
	<u>2,639</u>
Change in net assets	<u>\$ 13,671</u>

The accompanying notes are an integral part of the financial statements.

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
Year Ended June 30, 2011

	<u>General Fund</u>
REVENUES	
Insurance pool management fees	\$ 522,729
EAP revenue	158,558
Interest income	<u>246</u>
Total revenues	<u><u>681,533</u></u>
EXPENDITURES	
Current operating	
General administration	
Salaries and benefits	359,121
Purchased services	114,006
Capital outlay	29,517
Supplies and materials	9,299
EAP expenditures	<u>158,558</u>
Total expenditures	<u><u>670,501</u></u>
Excess of revenues over expenditures	11,032
FUND BALANCE - BEGINNING OF YEAR	<u>75,207</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 86,239</u></u>

The accompanying notes are an integral part of the financial statements.

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND
Year Ended June 30, 2011

	Original and Final	Actual Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES			
Insurance pool management fee	\$ 522,729	\$ 522,729	\$ -
Interest income	365	246	(119)
EAP revenue	165,000	158,558	(6,442)
Total revenues	688,094	681,533	(6,561)
EXPENDITURES			
Current operating			
Salaries and benefits	408,600	359,121	49,479
Purchased services	83,460	114,006	(30,546)
Supplies and materials	13,500	9,299	4,201
Equipment and furniture	6,000	29,517	(23,517)
Contingency	35,000	-	35,000
EAP expenditures	165,000	158,558	6,442
Total expenditures	711,560	670,501	41,059
EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURES	(23,466)	11,032	34,498
FUND BALANCE - BEGINNING OF YEAR	58,466	75,207	16,741
FUND BALANCE - END OF YEAR	\$ 35,000	\$ 86,239	\$ 51,239

The accompanying notes are an integral part of the financial statements.

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Adams County Board of Cooperative Educational Services (BOCES) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. Following is a summary of its significant accounting policies.

Reporting Entity

BOCES was formed under the Boards of Cooperative Services Act of 1965. The primary function of 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. 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.

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.

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 (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of 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. BOCES has no business-type activities.

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

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

Major Governmental Fund

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are presented using the economic resources measurement focus and the 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 as soon as 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. With this measurement focus, operating statements present increases and decreases in net current assets and fund balance as a measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

The governmental fund uses the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 60 days after year-end. The major source of revenue which is susceptible to accrual is grant revenue.

Grants and entitlement revenues are recognized when compliance with matching requirements is met. A receivable is established when the related expenditures exceed revenue receipts and a deferred revenue account is established when receipts exceed the related expenditures.

Expenditures are recorded when incurred with the exception of debt service, which is accounted for as an expenditure when due.

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue

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.

Capital Assets

Capital assets, which include leasehold improvements, furniture and office equipment, are utilized for general operations and are capitalized at actual or estimated cost. Donations of such assets are recorded at estimated fair value at the time of donation. Capital assets are reported in the applicable governmental activities column in the government-wide financial statements.

Maintenance, repairs and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized. When assets used in the operation of the governmental funds are sold, the proceeds of the sale are recorded as revenues in the appropriate fund.

The monetary threshold for capitalization of assets is \$500. BOCES' capital assets are depreciated using the straight-line method over the estimated useful lives of the fixed assets. Estimated useful lives are:

Equipment	5 years
Furniture	5 years

Fund Equity

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Statement No. 54). This Statement is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications and by clarifying the definitions of existing governmental fund types.

The BOCES implemented GASB Statement No. 54 for fiscal year June 30, 2011. As a result, fund balances in the governmental funds are reported in classifications based on the extent to which the BOCES is bound to honor constraints for the specific purposes on which amounts in the fund can be spent. In accordance with GASB Statement No. 54 fund balances are now classified in one of five categories: 1) nonspendable, 2) restricted, 3) committed, 4) assigned and 5) unassigned.

Nonspendable

Nonspendable fund balance represents amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The BOCES did not have any nonspendable resources as of June 30, 2011.

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted

Restricted fund balances reflect amounts for which constraints have been placed on the use of the resources because of state or federal laws or externally imposed conditions by grantors or creditors. Emergency reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 9). \$25,500 of the fund balance has been restricted in compliance with this requirement.

Committed

Committed fund balance is the amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specific use by taking formal Board action. The BOCES did not have any committed resources as of June 30, 2011.

Assigned

Assigned fund balance includes amounts that are constrained by the Board of Director's intended use of these resources for a specific purpose but are neither restricted nor committed. The BOCES has assigned \$60,739 of fund balance for subsequent year expenditures.

Unassigned

Unassigned fund balance represents the net resources in excess of the other spendable classifications. The BOCES did not have any unassigned resources as of June 30, 2011.

Invested in Capital Assets

Amounts included in invested in capital assets represent BOCES' equity interest in capital assets. This amount includes capital assets, net of accumulated depreciation in the amount of \$51,650.

Budgetary Information

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

- a. 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.
- b. Public hearings are conducted by the Board of Directors to obtain taxpayer comments.
- c. Prior to June 30, the budget is adopted by formal resolution.
- d. 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.

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- e. 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 DEPOSITS

Cash Deposits

The BOCES' deposits are governed by Colorado statute. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all 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 the aggregate uninsured deposits.

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.

The cash balance pooled with Adams County School District 12 (District 12) cash was held by several banking institutions in the State of Colorado and was fully collateralized, to the extent not covered by federal deposit insurance. The remaining cash balance which is not pooled with District 12 cash was held by banking institutions in the State of Colorado and was fully covered by federal deposit insurance.

At June 30, 2011, cash deposits consisted of the following:

Cash on deposit	\$ 5,200
Pooled cash on deposit with District 12	<u>115,699</u>
Total cash deposits	<u>\$ 120,899</u>

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 3 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended June 30, 2011 follows:

	<u>Balance at June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2011</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 1,750	\$ 1,750	\$ (3,500)	\$ -
Total capital assets, not being depreciated	<u>1,750</u>	<u>1,750</u>	<u>(3,500)</u>	<u>-</u>
Capital assets, being depreciated:				
Leasehold improvements	-	10,000	-	10,000
Furniture	26,180	12,681	(642)	38,219
Equipment	<u>16,904</u>	<u>8,586</u>	<u>(6,814)</u>	<u>18,676</u>
Total capital assets, being depreciated	<u>43,084</u>	<u>31,267</u>	<u>(7,456)</u>	<u>66,895</u>
Less accumulated depreciation	<u>11,217</u>	<u>9,651</u>	<u>5,623</u>	<u>15,245</u>
Total capital assets, being depreciated, net	<u>31,867</u>	<u>21,616</u>	<u>(1,833)</u>	<u>51,650</u>
Capital assets, net	<u>\$ 33,617</u>	<u>\$ 23,366</u>	<u>\$ (5,333)</u>	<u>\$ 51,650</u>

Depreciation expense was charged to the general government program.

NOTE 4 - DEFINED BENEFIT PENSION PLAN

Plan Description

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, post-retirement annual increases and death benefits for members or their beneficiaries. All employees of 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 Comprehensive Annual Financial Report that includes financial statements and required supplementary information for the SDTF. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-729-PERA (7372).

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 4 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Funding Policy

BOCES is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements for plan members and BOCES are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0 percent and for BOCES, it is 10.15 percent of covered salary. A portion of BOCES contribution (1.02 percent of covered salary) is allocated to the Health Care Trust Fund. BOCES is also required to pay an amortization equalization disbursement (AED) equal to 2.60 percent of the total payroll for the calendar year 2011 (2.20 percent of total payroll for the calendar year 2010 and 1.80 percent of total payroll of the calendar year 2009). Additionally, BOCES is required to pay a supplemental amortization equalization disbursement (SAED) equal to 2.00 percent of the total payroll for the calendar year 2011. If BOCES rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay employer contributions (including the AED and SAED) on the amounts paid for the retiree; however, no member contributions are required. For the years ending June 30, 2009, 2010 and 2011 BOCES employer contributions to the SDTF were \$52,060, \$32,457 and \$38,445, respectively, equal to the required contributions for each year.

NOTE 5 - VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

Beginning on January 1, 2001, the Matchmaker Program established a State match for PERA member's voluntary contributions to tax-deferred retirement plans. For calendar years 2001 and 2002, the match was 100 percent of up to three percent of the employee's gross covered wages paid during the month. For calendar year 2003, the match was 100 percent of up to two percent of the employee's gross covered wages paid during the month. For calendar year 2004 through May 31, 2004, the match was 100 percent of up to one percent of employee's gross covered wages paid during the month. The PERA Board set the level of the match with 2 percent of gross salary plus fifty percent of any reduction in the overall contribution rate due to overfunding of the pension plan available for the match. While the plan was not overfunded in the current year, the maximum one-year change in the match rate is statutorily limited to one percent, and therefore, the match changed from two percent to one percent on January 1, 2004. Legislation passed in the 2004 session of the General Assembly terminated the match for pay periods ending after May 31, 2004. The match will resume when actuarial value of the defined benefit plan assets are one hundred ten percent of actuarially accrued plan liabilities.

PERA offers a voluntary 401k plan entirely separate from the defined benefit pension plan. The State offers a 457 deferred compensation plan and certain agencies and institutions of the State offer a 403b plan. Members who contribute to any of these plans also receive the State match.

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 6 - POSTRETIREMENT HEALTH CARE

Health Care Program

PERACare (formerly known as the PERA Health Care Program) began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund. Under this program, PERA subsidizes the portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. During Fiscal Year 2010-11, the premium subsidy was up to \$115 for those with 20 years of service credit and it was reduced by five percent for each year of service fewer than 20.

The Health Care Trust Fund is maintained by an employer's contribution as discussed above in Note 5.

Monthly premium costs for participants depend on the health care plan selected, the number of persons covered, Medicare eligibility, and the number of years of service credit. PERA contracts with a major medical indemnity carrier to administer claims for self-insured medical and prescription benefit plans, and with several health maintenance organizations providing services within Colorado.

NOTE 7 - COMPENSATED ABSENCES

BOCES policy allows employees to accumulate unused vacation to the extent of 20 days beyond the current year. Any unused vacation days above the 20 days as of December 31, shall be cashed out at 100% of the employee's per diem. At separation or retirement, any accrued vacation days (up to 40 days) will be paid out at 100% of the employee's current per diem.

In addition, employees will accrue, on an unlimited basis, temporary leave. 12-month employees earn one day per month and less than 12-month employees earn 11 days per year. Upon separation for retirement or other reasons, reimbursement of temporary leave will be at 40% of the employee's per diem and a maximum of 180 days.

BOCES has recorded the accrued liability for these compensated absences when applicable, in the accompanying government-wide financial statements.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Compensated absences	\$ 17,429	\$ 33,300	\$ 17,906	\$ 32,823

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 8 - RELATED PARTY TRANSACTIONS

Adams 12 Five Star School District is one of the members of the BOCES and provides payroll and accounting services for the BOCES. The BOCES' cash is maintained by District 12 as part of District 12's pooled cash. As compensation for services rendered, BOCES paid a flat rate of \$5,200 to District 12 for the year ended June 30, 2011.

In September 2002, BOCES entered into a lease for office space with District 12. This lease was amended in July 2010 to change the monthly lease payments to \$1,501. Lease payments for the year ended June 30, 2011 were \$18,010. The lease with District 12 terminated in July 2011.

There are no payables or receivables to related parties at June 30, 2011.

NOTE 9 - TAX, SPENDING AND DEBT LIMITATION

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation.

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.

BOCES' management believes it is in compliance with the provisions of TABOR.

ADAMS COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 10 - 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.

The following coverage limits are in place, including primary self-insurance and commercial excess insurance:

Property	\$75 million
Liability	\$10 million
Worker's Compensation	Statutory
Errors and Omissions	\$10 million

NOTE 11 - SUBSEQUENT EVENT

In July 2011, BOCES entered into a new lease for office space. The lease term is for 60 full calendar months, with the option for BOCES to extend the lease for one year. Lease payments for the year ended June 30, 2012 are expected to be \$21,911.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

Colorado Department of Education
Fiscal Year 2010-2011
Colorado School District/BOCES
Auditor's Integrity Report

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	75,207	681,533	670,500	86,239
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Subtotal	75,207	681,533	670,500	86,239
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
30 Debt Service 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	75,207	681,533	670,500	86,239
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

*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.

**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 the financial statements of the governmental activities and major fund of Adams County Board of Cooperative Educational Services (BOCES) as of and for the year ended June 30, 2011, and have issued our report dated September 28, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the BOCES internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

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 misstatements on a timely basis. *A material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the BOCES financial statements are free of 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*.

We noted certain matters that we reported to management of BOCES in a separate letter dated September 28, 2011.

This report is intended solely for the information and use of management, the Board of Directors, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Greenwood Village, Colorado
September 28, 2011