

**SAN JUAN BOARD OF
COOPERATIVE EDUCATIONAL SERVICES**

FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2010

**SAN JUAN BOARD OF
COOPERATIVE EDUCATIONAL SERVICES
TABLE OF CONTENTS
JUNE 30, 2010**

	<u>PAGE(S)</u>
Management's Discussion and Analysis	i - vi
Independent Auditors' Report	1 - 2
Basic Financial Statements	
<u>Government-Wide Financial Statements</u>	
Statement of Net Assets	3
Statement of Activities	4
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	6
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities – Governmental Funds	8
Notes to the Basic Financial Statements	9 - 16
Required Supplementary Information	
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	17
Comparative Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Governmental Designated Purpose Grants Fund	18

**SAN JUAN BOARD OF
COOPERATIVE EDUCATIONAL SERVICES
TABLE OF CONTENTS
JUNE 30, 2010**

PAGE(S)

Information for Oversight Agencies

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	19 – 20
Independent Auditor’s Report on Compliance with Requirements That Could Have A Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	21 – 22
Schedule of Expenditures of Federal Awards	23
Schedule of Findings and Questioned Costs	24
Auditor’s Integrity Report	25

**San Juan Board of Cooperative Educational Services
Management's Discussion and Analysis
As of and for the fiscal year ended June 30, 2010**

As management of the San Juan Board of Cooperative Educational Services (SJBOCES), Durango, Colorado we offer readers of the BOCES' annual financial report this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2010.

Financial Highlights

- The Southwest Board of Cooperative Services (SWBOCS) was merged with and into the SJBOCES as of June 30, 2010. The assets and liabilities were assumed by SJBOCES and the net assets of the SWBOCS are recorded in the audit and reflected in these financial highlights.
- The assets of the "merged" SJBOCES exceeded liabilities at the close of the most recent fiscal year by \$1,181,833. Unrestricted net assets of \$1,167,586 may be used to meet the SJBOCES' ongoing obligations; while \$14,247 is invested in capital assets. In comparison, at June 30, 2009 the "pre-merged" assets exceeded liabilities by \$797,072 with \$772,834 in unrestricted net assets.
- The "merged" SJBOCES' total net assets increased \$384,761 in fiscal year 2009-2010. The amount representing the net equity transfer from SWBOCS was \$363,916, while \$20,845 is attributable to the fiscal year operations. During 2008-2009 the SJBOCES' net assets increased \$4,562 compared to the previous year.
- The "merged" SJBOCES' total liabilities at June 30, 2010 were \$425,594 compared to the "pre-merged" \$55,259 at June 30, 2009. The amount of liability transferred from SWBOCS was \$300,695; the remaining \$124,899 was the balance from fiscal year operations. Of the \$300,695 transfer from SWBOCS, the most significant liabilities were \$174,269 due to Unlimited Learning, Inc. as a result of discontinuing the operation of the Adult Ed Program as a BOCES run program and \$109,333 due to the four SWBOCS districts for ARRA IDEA B expenditure reimbursements.
- At the close of the current fiscal year, the "merged" SJBOCES' governmental funds reported combined ending fund balances of \$1,198,679 compared to "pre-merged" \$801,942 at the close of the prior fiscal year; the increase of \$363,916 was equity transfer from SWBOCS, the remaining increase of \$32,821 was from fiscal year operations.
- At the end of the current fiscal year, the "merged" governmental funds reported a total unreserved fund balance of \$1,198,679 compared to "pre-merged" \$767,183 at the close of the prior fiscal year.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an *introduction to the BOCES basic financial statements*. The basic financial statements presented on pages 3 - 16 are comprised of three components: 1) BOCES Wide Financial statements 2) Fund Financial Statements, and 3) Notes to the Basic Financial Statements.

BOCES-Wide Financial Statements

The BOCES-wide financial statements are designed to provide the reader of the BOCES' financial statement a broad overview of the financial activities in a manner similar to a private sector business. The BOCES-wide financial statements include the statement of net assets and the statement of activities.

The *statement of net assets* presents information about all of the BOCES' assets and liabilities. The difference between assets and liabilities is reported as net assets. Over time changes in net assets may serve as a useful indicator whether the financial position of the BOCES is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the BOCES changed during the fiscal year. Changes in net assets are recorded in the statement of activities when the underlying event occurs, regardless of the

timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period.

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related legal requirements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific objectives. All of the funds of the BOCES are categorized as governmental.

Governmental funds account for essentially the same information reported in the governmental activities of the BOCES financial statements.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 9-16 of this report.

Financial Analysis of the BOCES

San Juan BOCES experienced an increase in the General fund balance from \$801,942 (pre-merged) at the fiscal year end 2009 to \$1,198,679 (merged) at the fiscal year end 2010, a total increase of \$396,737.

At the end of the 2010 fiscal year, the "merged" SJBOCES shows a positive balance in total net assets in the amount of \$1,181,833. The positive balance is the amount by which total assets exceed liabilities. The SJBOCES' only long-term obligation at June 30, 2009 is compensated absences payable to current employees in the amount of \$31,093. Additional information on this obligation can be found in Note 5. The total net assets increased \$384,761 from 2009. The reduction in BOCES' capital assets from the previous year is due to depreciation of existing vehicles and equipment (\$9,991).

The analysis below focuses on the net assets (Table 1) and Statements of Activities and Changes in Net Assets (Table 2)

TABLE 1
Condensed Statement of Net Assets

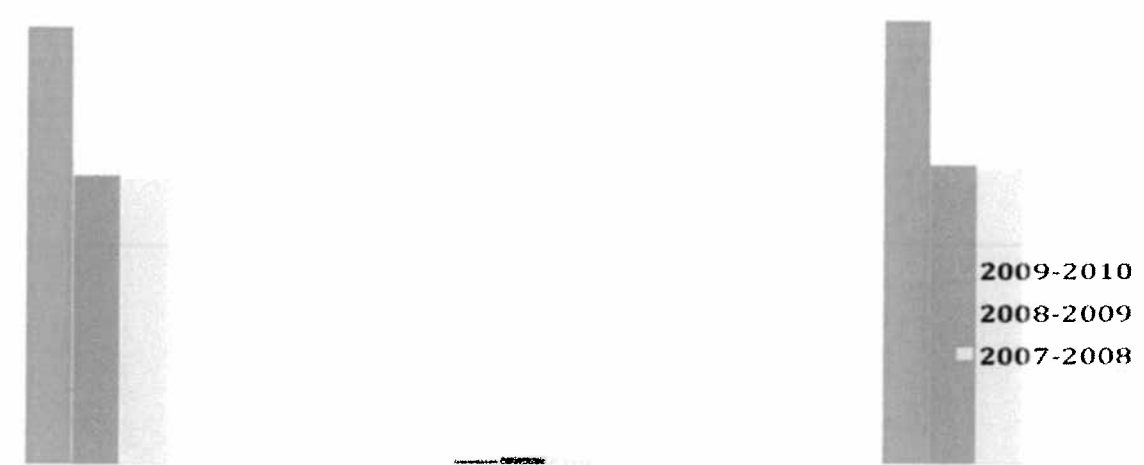
	Merged <u>2010</u>	Pre-merged <u>2009</u>
Current and other assets	\$ 1,593,180	\$ 828,093
Capital Assets	14,247	24,238
Total Assets	1,607,427	852,331
Current Liabilities	425,594	55,259
Total Liabilities	425,594	55,259
Net Assets:		
Invested in capital assets, net of related debt	14,247	24,238
Restricted		
Unrestricted	1,167,586	772,834
Total Net Assets	\$ 1,181,833	\$ 797,072

TABLE 2
Condensed Statements of Activities and Changes in Net Assets

	Merged <u>2010</u>	Pre-merged <u>2009</u>
Revenues:		
<u>Governmental Activities</u>		
Charges for services and sales	\$ 2,772,850	\$ 2,534,842
Operating and capital grants & contributions	2,612,078	1,894,758
Total revenues	\$ 5,384,928	\$ 4,429,600
Expenses:		
<u>Governmental Activities</u>		
Instruction	\$ 2,430,791	\$ 1,621,435
Pupil Activities	1,757,369	1,733,154
Instructional Support	987,850	851,049
Business Services	111,296	87,505
Operations and Maintenance	2,685	
General Administration	50,231	57,261
Central Services	203,541	253,704
Total Expenses	\$ 5,543,763	\$ 4,604,108
Net (Expense) Revenue:		
<u>Governmental Activities</u>		
	(158,835)	(174,508)
<u>General Revenues</u>		
Miscellaneous	179,680	179,070
Special Item – Equity Transfer	363,916	
Increase (decrease) in net assets	\$ 384,761	\$ 4,562
Beginning net assets	797,072	792,510
Ending net assets	\$1,181,833	\$ 797,072

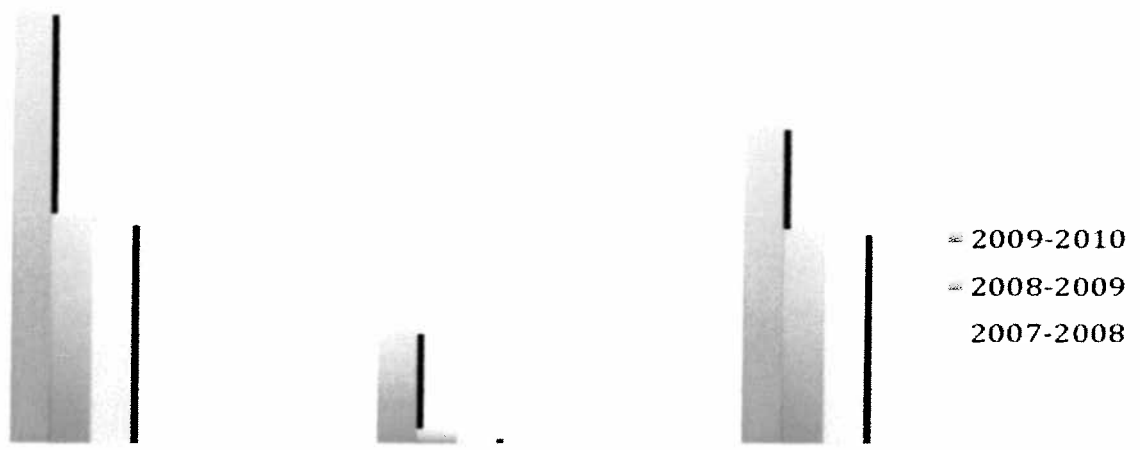
1,400,000
 1,200,000
 1,000,000
 800,000
 600,000
 400,000
 200,000
 0

Three Year Comparisons Net Assets



	Unrestricted	Restricted	NET ASSETS
2009-2010	1,167,586	14,247	1,181,833
2008-2009	772,834	24,238	797,072
2007-2008	768,401	24,109	792,510

Three Year Restricted vs Unrestricted



	Assets	Liabilities	NET ASSETS
2009-2010	1,607,427	425,594	1,181,833
2008-2009	852,331	55,259	797,072
2007-2008	828,349	35,839	792,510

Three Year Revenues and Expenses Governmental Funds



Three Year Comparison Fund Balance



Budgetary Highlights

The fiscal year 2009-2010 budget adopted by the SJBOCES Board totaled \$5,684,357 of which \$3,004,923 was allocated to the General Fund and \$2,679,434 from Federal Grant Funds. ECEA budgeted dollars in the General Fund totaled \$1,186,493, additionally another \$22,033 of ECEA dollars was received from Part C, Child Find evaluations. Those dollars were deferred to the 2010-2011 budget. Member districts received \$377,623 flow thru funds from the ECEA budget. Member districts contributed \$1,026,650 to the General Fund budget.

Total actual expenditures in the General Fund were \$2,919,708 resulting in an increase of \$32,821 of revenue over expenses. A variety of factors influenced the actual expenditures. A loss of e-rate funding caused our communications budgets to be over by approximately \$23,000; however the General Fund benefited \$56,000 from the fact that less matching funds were required to support the SWAP budget in the Federal Fund allowing a General Fund Social Worker salary and benefit expenses to move to the SWAP budget.

Included in the Federal Grant Budget were ARRA IDEA B and ARRA IDEA Preschool dollars totaling \$790,916. A carryover of \$56,098 from those funds will be included in the 2010-2011 budget.

Economic Factors and Next Year's Budget

Economic factors of concern for the next year:

- The continued annual increases to PERA employer's contributions
- Reduction in the Special Education student enrollment

- Increased numbers of preschoolers with severe disabilities are being identified requiring increased need for 1:1 aides and the costs associated with staffing those positions
- Competitive salary standards for specialized staff
- Continued costs associated with staff training and professional development. The 2010-2011 and 2011-2012 budgets will have fund balance reductions of \$70,875 per year to support the NISL Leadership Training for 8 member district principals and administrators
- NWEA to monitor student progress. The 2010 – 2011 budget will have a \$104,800 fund balance reduction to support NWEA
- ONLINE HIGH SCHOOL to support challenging students
- District Membership contribution challenges due to K-12 School Finance shortfalls
- Adequate office space for east and west staff with parking facilities

As a result of the merger of SWBOCS with SJBOCES, the 2010-2011 reflects a total budget of \$8,346,164; consisting of General Fund budget of \$3,981,715 and Federal Grant Fund budget of \$4,364,449. District member contributions total \$782,500 for the 2010 – 2011 budget.

Overall the SJBOCES' service levels remain in excellent capacity to meet the needs of serving students in the nine member districts.

Request for Information

This financial report is designed to provide a general overview of the SJBOCES' finances for all those with an interest in the SJBOCES. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Paula Sublett, Director Business Services
San Juan Board of Cooperative Educational Services
201 East 12th Street
Durango, CO 81301

700 Main Street, Suite 200
P.O. Box 809
Alamosa, CO 81101
(719) 589-3619
Fax (719) 589-5492

Wall, Smith, Bateman & Associates, Inc.

Certified Public Accountants

15 Washington St., Suite 207
P.O. Box 591
Monte Vista, CO 81144
(719) 852-5103
Fax (719) 852-3965

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Juan Board of Cooperative Educational Services
Durango, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of San Juan Board of Cooperative Educational Services (the BOCES), as of and for the year ended June 30, 2010, which collectively comprise the BOCES's basic financial statements as listed in the table of contents. These financial statements are the responsibility of BOCES's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Southwest Board of Cooperative Services that was merged into the BOCES on June 30, 2010. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it related to the amounts included in the BOCES Statement of Net Assets and Fund Balance Sheet, is based on the report of other auditors.

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 Audit 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the BOCES, as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2010, on our consideration of the 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i through vii and 17 through 18 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the BOCES' basic financial statements. The schedules listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditure of federal awards and auditors integrity report, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wall, Smith, Bateman and Associates, Inc.

Wall, Smith, Bateman and Associates, Inc.
Alamosa, Colorado

October 25, 2010

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
STATEMENT OF NET ASSETS
June 30, 2010

	<u>PRIMARY GOVERNMENT</u>
	<u>GOVERNMENTAL</u>
	<u>ACTIVITIES</u>
ASSETS	
Cash and Cash Equivalents (Note 2)	\$ 712,148
Accounts Receivable	1,120
Due from Other Governments	851,818
Prepaid Items	28,094
Depreciable Capital Assets, Net (Note 4):	14,247
TOTAL ASSETS	1,607,427
LIABILITIES	
Accounts Payable	42,553
Deferred Revenue	68,346
Due to Other Governments	283,602
Long-term Liabilities	
Due Within One Year (Note 5)	31,093
TOTAL LIABILITIES	425,594
NET ASSETS	
Invested in Capital Assets	14,247
Unrestricted	1,167,586
TOTAL NET ASSETS	\$ 1,181,833

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Primary Government	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
	Charges for Services and Sales	Operating Grants & Contributions	Capital Grants & Contributions	
Functions/Programs Governmental Activities:				
Instruction	\$ 2,430,791	\$ 489,838	\$ -	\$ (676,104)
Pupil Activities	1,757,369	1,414,943	-	522,497
Instructional Staff	987,850	707,297	-	98,345
Business Services	111,296	-	-	(78,622)
Operations and Maintenance	2,685	-	-	(2,685)
General Administration	50,231	-	-	(13,705)
Central Supporting Services	203,541	-	-	(8,561)
Total Governmental Activities	\$ 5,543,763	\$ 2,612,078	\$ -	\$ (158,835)
	General Revenues - Misc			179,680
	Special Item - Equity Transfer			363,916
	Total General Revenues and Special Items			543,596
	Change in Net Assets			384,761
	Net Assets, Beginning of Year			797,072
	Net Assets, End of Year			<u>\$ 1,181,833</u>

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2010

	<u>GENERAL FUND</u>	<u>GOVERNMENTAL DESIGNATED PURPOSE GRANTS FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS			
Cash and Cash Equivalents	\$ 712,148	\$ -	\$ 712,148
Accounts Receivable	1,120	-	1,120
Due From Other Governments	-	851,818	851,818
Due From Other Funds (Note 3)	728,396	-	728,396
Prepaid Items	28,094	-	28,094
TOTAL ASSETS	<u>\$ 1,469,758</u>	<u>\$ 851,818</u>	<u>\$ 2,321,576</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 28,510	\$ 14,043	\$ 42,553
Due to Other Funds (Note 3)	-	728,396	728,396
Due to Other Governments	174,269	109,333	283,602
Deferred Revenue	68,300	46	68,346
TOTAL LIABILITIES	<u>271,079</u>	<u>851,818</u>	<u>1,122,897</u>
FUND BALANCE			
Unreserved			
Undesignated	1,198,679	-	1,198,679
TOTAL FUND BALANCE	<u>1,198,679</u>	<u>-</u>	<u>1,198,679</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,469,758</u>	<u>\$ 851,818</u>	<u>\$ 2,321,576</u>

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET ASSETS

June 30, 2010

TOTAL GOVERNMENTAL FUND BALANCES \$ 1,198,679

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds.

Equipment	148,181	
Less: Accumulated Depreciation	(133,934)	
Total Capital Assets, Net	14,247	14,247

Elimination of interfund receivable and payables between governmental funds.

Due from Governmental Designated Purposes Grant Fund	728,396	
Due to General Fund	(728,396)	
	-	-

Liabilities, including compensated absences are not due in the current period and therefore are not reported in the funds.

Compensated Absences		(31,093)
		(31,093)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES **\$ 1,181,833**

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2010

	<u>GENERAL FUND</u>	<u>GOVERNMENTAL DESIGNATED PURPOSE GRANTS FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES			
Intergovernmental			
Federal	\$ -	\$ 2,612,078	\$ 2,612,078
State	1,367,302	-	1,367,302
Local	1,405,548	-	1,405,548
Other	179,680	-	179,680
TOTAL REVENUES	<u>2,952,530</u>	<u>2,612,078</u>	<u>5,564,608</u>
EXPENDITURES			
Instructional	1,374,937	1,055,854	2,430,791
Supporting Services			
Pupil Support Services	748,614	1,008,755	1,757,369
Instructional Staff Support	444,551	543,299	987,850
Business Services	107,126	4,170	111,296
Operations and Maintenance	2,685	-	2,685
General Administration	38,255	-	38,255
Central Supporting Services	203,541	-	203,541
TOTAL EXPENDITURES	<u>2,919,709</u>	<u>2,612,078</u>	<u>5,531,787</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	<u>32,821</u>	<u>-</u>	<u>32,821</u>
SPECIAL ITEM			
Equity transfer from Southwest Board of Cooperative Services	363,916	-	363,916
TOTAL SPECIAL ITEM	<u>363,916</u>	<u>-</u>	<u>363,916</u>
CHANGE IN FUND BALANCES	396,737	-	396,737
Fund Balances, Beginning of Year	<u>801,942</u>	<u>-</u>	<u>801,942</u>
Fund Balances, End of Year	<u>\$ 1,198,679</u>	<u>\$ -</u>	<u>\$ 1,198,679</u>

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 396,737
---	-------------------

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense recorded in the current period.

Depreciation Expense	(9,991)
----------------------	---------

Governmental funds do not report compensated absences unless they are current and payable. The increase in compensated absences is recorded on the statement

	<u>(1,985)</u>
--	----------------

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

	<u><u>\$ 384,761</u></u>
--	--------------------------

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the San Juan Board of Cooperative Educational Services (SJBOCES) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant SJBOCES accounting policies are described below.

Reporting Entity

SJBOCES is a regional education service unit organized under the *Board of Cooperative Services Act of 1965* – Colorado Revised Statutes 22-5-101 through 117. SJBOCES serves five member school governments in Southwestern Colorado. The SJBOCES Board of Directors (Board) is the basic level of government, which has financial accountability and control over all activities related to the SJBOCES operations. The SJBOCES receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the SJBOCES is not included in any other governmental “reporting entity” as defined by the GASB pronouncement, since Board members are appointed by each member school government and have decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability of fiscal matters. In addition, there are no component units, as defined in GASB Statements 14 and 39, which are included in the SJBOCES reporting 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 non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental Activities* are supported by intergovernmental revenues.

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 or segment. The policy of SJBOCES is to not allocate indirect expenses to functions in the Statement of Activities. *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 or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements are reported 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*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter (i.e., within 60 days) to pay liabilities in the current period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

All revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

General Fund – This is the SJBOCES’ primary operating fund. It accounts for all financial resources of SJBOCES, except those required to be accounted for in another fund.

Governmental Designated Purpose Grants Fund - This fund is used to account for revenues and expenditures associated with Federal and State grants.

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

Deposits and Investments

SJBOCES considers all highly liquid investment purchases with an original maturity of three months or less to be cash equivalents. The organization pools all cash on an entity-wide basis for management and investment purposes. Each fund has an interest in the pool, which is available upon demand.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “interfund receivables/payables” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Interfund receivables/payables within governmental activities are eliminated in the statement of net assets.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. All other interfund transfers are reported as operating transfers.

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Capital Assets

Capital assets, which include land, buildings and improvements, and equipment, are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value at the date of donation.

The capitalization level for capital assets is \$5,000 in all funds.

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

Buildings, improvements, and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building Improvements	20
Vehicles	5
Office Equipment	10
Computer Equipment	5

Compensated Absences

Each employee of SJBOCES may accumulate a total of 18 days of vacation leave, depending upon position. However, employees are paid for the accumulated vacation leave upon retirement. SJBOCES accrues a liability for compensated absences, which meet the following criteria:

- SJBOCES obligation relating to employee rights to receive compensation for future absences is attributable to employee services already rendered.
- The obligation relates to rights that vest or accumulate.
- Payment of the compensation is probable.
- The amount can be reasonably estimated.

SJBOCES budgets the available financial resources for that year's anticipated payments for compensated absences. The entire unpaid liability for these compensated absences for the governmental funds is recorded at the government-wide level.

Accrued Salaries

Salaries and benefits to teachers and certain other employees are paid over a twelve-month period from August 1 to July 31, but are earned over a school year of approximately nine months. All salaries were paid before year-end in 2010; so, there were no accrued liabilities at June 30, 2010.

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Fund Equity

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. SJBOCES reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Designations are management's intent to set aside these resources for specific services.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from these estimates. SJBOCES believes the techniques and assumptions used in establishing these estimates are appropriate.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. All annual appropriations lapse at fiscal year-end. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year-and actual data for the preceding year.

Budgets are required by Colorado State Statute for all funds. During April, the Executive Director submits to the Board a proposed budget for all funds for the fiscal year commencing the following July 1. Public hearings are conducted by the Board to obtain comments. Prior to June 30, the budget is adopted by formal resolution.

Formal budgetary integration is employed as a management control device during the year for the governmental funds. The appropriated budget is prepared by fund. The SJBOCES department heads may not make transfers of appropriations. The legal level of control is the fund level.

Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances and reserves as established by the Board. Variances between budget and actual result from the non-expenditure of reserves, nonoccurrence of anticipated events, scheduling of capital projects, and normal operating variances. The Board may authorize supplemental appropriations during the year. The Board approved supplemental appropriations during the fiscal year ended June 30, 2010, which are reflected within the financial statements.

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 2 CASH AND CASH EQUIVALENTS

Deposits

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

The SJBOCES must report deposits that are uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the entity's name. As of June 30, 2010, the SJBOCES had no such balances.

At June 30, 2010, SJBOCES cash deposits had a bank balance and carrying balance as follows:

	Carrying Balance	Bank Balance
Cash on Hand and in Banks	\$ 712,148	\$ 1,278,972
Total Deposits	\$ 712,148	\$ 1,278,972

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the SJBOCES's deposits may not be returned to it. At June 30, 2010, \$755,422 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through PDPA.

SJBOCES does not have a policy relating to interest rate risk.

Investments

The SJBOCES has no investments as of June 30, 2010, and has disclosed custodial credit risk. The investment policy states that the Executive Director has the ability to invest funds not immediately needed in accordance with Colorado School Law.

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 3 INTERFUND RECEIVABLES/PAYABLES

Due to/from other funds are recorded at the fund level and are eliminated, where possible. Amounts are a result of pooled cash transactions. At the fund level at June 30, 2010, interfund receivables/payables are as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 728,396	\$ -
Governmental Designated Purpose Grants Fund	-	728,396
Total	<u>\$ 728,396</u>	<u>\$ 728,396</u>

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in the governmental and business-type capital assets for the year ended June 30, 2010:

Governmental Activities

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
Depreciable Assets:				
Equipment	\$ 148,181	\$ -	\$ -	\$ 148,181
Accumulated Depreciation	(123,943)	(9,991)	-	(133,934)
Totals	<u>\$ 24,238</u>	<u>\$ (9,991)</u>	<u>\$ -</u>	<u>\$ 14,247</u>

Depreciation is allocated to the General Administration function on the Statement of Activities.

NOTE 5 LONG-TERM OBLIGATIONS

The only long-term obligation of the government at June 30, 2010 is compensated absences payable to current employees. The following is a summary of changes in compensated absences for the year ended June 30, 2010:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Current</u>
Compensated Absences	<u>\$ 29,108</u>	<u>\$ 17,747</u>	<u>\$ 15,762</u>	<u>\$ 31,093</u>	<u>\$ 31,093</u>

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 6 TAX, SPENDING, AND DEBT LIMITATION

In November of 1992, Colorado voters approved a State constitutional amendment, referred to as the Taxpayer's Bill of Rights (TABOR), containing tax, spending and debt limitations on state and local governments. The amendment is complex and subject to judicial interpretation.

The management of SJBOCES believes it does not meet the definition of a governmental entity under the guidelines of TABOR and, therefore, is not subject to the provisions of this amendment. However, the SJBOCES has made certain interpretations of the amendment's language in order to reach this conclusion.

NOTE 7 CONTINGENCIES

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the SJBOCES expects such amounts, if any, to be immaterial.

NOTE 8 DEFINED BENEFIT PENSION PLAN

Plan Description

The SJBOCES 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 the SJBOCES 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 1-800-759-PERA (7372).

Funding Policy

The SJBOCES is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements of plan members and the SJBOCES are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0% and for the SJBOCES it is 10.15% of covered salary. A portion of the SJBOCES's contribution (1.02% of covered salary) is allocated to the Health Care Trust Fund (See Note 9). The SJBOCES is also required to pay an amortization equalization disbursement (AED) equal to 2.20% of the total payroll for the calendar year 2010, (1.70% of total payroll for the calendar year 2009, and 1.40% of total payroll for the calendar year 2008). Additionally, the SJBOCES is required to pay a supplemental

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

amortization equalization disbursement (SAED) equal to 1.50% of the total payroll for the calendar year 2010 (1.00% of total payroll for calendar year 2009, and 0.50% of total payroll for calendar year 2008). If the SJBOCES 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, 2010, 2009, and 2008, the SJBOCES's employer contributions to the SDTF were \$291,546, \$268,558 and \$239,233, respectively, equal to their required contributions for each year.

NOTE 9 POST-EMPLOYMENT HEALTH CARE BENEFITS

Plan Description

The SJBOCES contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by 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 comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. 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 1-800-759-PERA (7372).

Funding Policy

The SJBOCES is required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the SJBOCES are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF from the defined benefit plan (see Note 8) is established under Title 24, Article 51, Section 208 of the Colorado Revised Statutes, as amended. For the years ending June 30, 2010, 2009, and 2008, the SJBOCES's employer contributions to the HCTF were \$26,923, \$23,615, and \$21,036, respectively, equal to their required contributions for each year.

NOTE 10 RISK OF LOSS

The Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Board carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 11 MERGER

The Southwest Board of Cooperative Services (SWBOCS) was merged with and into the SJBOCES as of June 30, 2010. The assets and liabilities of the SWBOCS were assumed by SJBOCES and the net assets of the SWBOCS were included as a special income item. These items are included in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

General Fund

The General Fund is used to account for resources traditionally associated with the government, which are not required legally or by sound financial management to be accounted for in another fund.

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2010

	2010			Variance with Final Budget Favorable (Unfavorable)	2009
	BUDGETED AMOUNTS		Actual		Actual
	ORIGINAL	FINAL			
REVENUES					
State	\$ 1,392,702	\$ 1,392,702	\$ 1,367,302	\$ (25,400)	\$ 1,530,327
Local	1,428,621	1,428,621	1,405,548	(23,073)	1,004,515
Other	183,600	183,600	179,680	(3,920)	179,070
TOTAL REVENUES	<u>3,004,923</u>	<u>3,004,923</u>	<u>2,952,530</u>	<u>(52,393)</u>	<u>2,713,912</u>
EXPENDITURES					
Instructional Services	1,441,362	1,441,362	1,374,937	66,425	1,158,418
Supporting Services:					
Pupil Support Services	765,805	765,805	748,614	17,191	781,223
Instructional Staff Support	444,948	444,948	444,551	397	363,921
Business Services	109,985	109,985	107,126	2,859	87,505
Operations and Maintenance	5,000	5,000	2,685	2,315	35,472
General Administration	38,640	38,640	38,255	385	253,704
Central Supporting Services	199,183	199,183	203,541	(4,358)	21,918
TOTAL EXPENDITURES	<u>3,004,923</u>	<u>3,004,923</u>	<u>2,919,709</u>	<u>85,214</u>	<u>2,702,161</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>32,821</u>	<u>32,821</u>	<u>11,751</u>
SPECIAL ITEM					
Equity transfer from Southwest Board of Cooperative Services	-	-	363,916	363,916	-
TOTAL SPECIAL ITEM	<u>-</u>	<u>-</u>	<u>363,916</u>	<u>363,916</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>396,737</u>	<u>\$ 396,737</u>	<u>11,751</u>
Fund Balance, Beginning of year			<u>801,942</u>		<u>790,191</u>
Fund Balance, End of year			<u>\$ 1,198,679</u>		<u>\$ 801,942</u>

Notes to Required Supplementary Information:

The basis of budgeting is the same as GAAP.

The schedule is presented on a GAAP basis.

Governmental Designated Purpose Grants Fund

The Governmental Designated Purpose Grants Fund is used to account for revenues and expenditures associated with Federal and State grants.

SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
COMPARATIVE SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BALANCE - BUDGET AND ACTUAL - GOVERNMENTAL DESIGNATED PURPOSE
GRANTS FUND
For the Fiscal Year Ended June 30, 2010

	2010			Variance with Final Budget Favorable (Unfavorable)	2009
	BUDGETED AMOUNTS		Actual		Actual
	ORIGINAL	FINAL			
REVENUES					
Intergovernmental					
Federal Sources	\$ 2,679,434	\$ 2,679,434	\$ 2,612,078	\$ (67,356)	1,894,758
TOTAL REVENUES	<u>2,679,434</u>	<u>2,679,434</u>	<u>2,612,078</u>	<u>(67,356)</u>	<u>1,894,758</u>
EXPENDITURES					
Instructional	1,060,694	1,060,694	1,055,854	4,840	455,699
Supporting Services:					
Pupil Support Services	1,065,372	1,065,372	1,008,755	56,617	951,931
Instructional Staff Support	549,198	549,198	543,299	5,899	487,128
Business Services	4,170	4,170	4,170	-	-
TOTAL EXPENDITURES	<u>2,679,434</u>	<u>2,679,434</u>	<u>2,612,078</u>	<u>67,356</u>	<u>1,894,758</u>
CHANGE IN NET ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
Fund Balance, Beginning of year			<u>-</u>		<u>-</u>
Fund Balance, End of year			<u>\$ -</u>		<u>\$ -</u>

Notes to Required Supplementary Information:

The basis of budgeting is the same as GAAP.

The schedule is presented on a GAAP basis.

INFORMATION FOR OVERSIGHT AGENCIES

**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**

To the Board of Directors
San Juan Board of Cooperative
Educational Services
Durango, Colorado

We have audited the financial statements of the governmental activities and each major fund of San Juan Board of Cooperative Educational Services (the BOCES), as of and for the year ended June 30, 2010, which collectively comprise the BOCES's basic financial statements and have issued our report thereon dated October 25, 2010. 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's 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 BOCES's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the BOCES'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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to 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's 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*.

Board of Directors
San Juan Board of Cooperative
Educational Services
Page 2

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

Wall, Smith, Bateman and Associates, Inc.

Wall, Smith, Bateman and Associates, Inc.
Alamosa, Colorado

October 25, 2010

**INDEPENDENT AUDITORS'
REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
San Juan Board of Cooperative
Educational Services
Durango, Colorado

Compliance

We have audited San Juan Board of Cooperative Educational Services's (the BOCES) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the BOCES major federal programs for the year ended June 30, 2010. The BOCES's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the BOCES's management. Our responsibility is to express an opinion on the BOCES's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the BOCES's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the BOCES's compliance with those requirements.

In our opinion, San Juan Board of Cooperative Educational Services complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the BOCES is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the BOCES's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the

purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the BOCES's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Wall, Smith, Bateman and Associates, Inc.

Wall, Smith, Bateman and Associates, Inc.
Alamosa, Colorado

October 25, 2010

**SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
U.S. DEPARTMENT OF EDUCATION			
COLORADO DEPARTMENT OF EDUCATION			
<i>Special Education Cluster (IDEA)</i>			
Special Education: Grants to States IDEA Part B	84.027	4027	\$ 1,414,943
Individuals with Disabilities Education Act, Part B	84.173	4173	21,205
ARRA - IDEA, Part B	84.391	4391	707,297
ARRA - IDEA, Preschool	84.392	4392	27,521
Total for <i>Special Education Cluster (IDEA)</i>			<u>2,170,966</u>
<i>Vocational Rehabilitation Cluster</i>			
Rehabilitation Act, Title I, Part A and B	84.126	5126	329,248
Carl D. Perkins Vocational and Applied Technology Act, Title II	84.243	5243	67,700
No Child Left Behind, Title III, Part A: English Language Acquisition	84.365	4365	<u>44,164</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 2,612,078</u></u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of San Juan Board of Cooperative Educational Services and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**SAN JUAN BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____yes ✓_____no
- Significant deficiency(ies) identified that are **not** considered to be material weakness(es)? _____yes ✓_____none reported
- Noncompliance material to financial statements noted? _____yes ✓_____no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____yes ✓_____no
- Significant deficiency(ies) identified that are **not** considered to be material weakness(es)? _____yes ✓_____none reported

Type of auditors’ report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____yes ✓_____no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173, 84.391 and 84.392	Special Education Cluster (IDEA)

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as a low-risk auditee? ✓_____yes _____no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Prior Year Audit Findings

None

10/27/2010
 BOCES
 10:40 AM
 9050

Colorado Department of Education
 Fiscal Year 2009-2010
 Colorado School District/BOCES
 Auditor's Integrity Report

COLORADO BOCS SAN JUAN
 District Code:

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	801,942	3,316,447	2,919,708	1,198,680
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Subtotal	801,942	3,316,447	2,919,708	1,198,680
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	-1	2,612,079	2,612,078	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
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	801,941	5,928,526	5,531,786	1,198,680
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. From submitted data file: fd9050.09c
 Program: fardh.sqr
 File: fd9050.dhc
 FINAL