

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
ONTARIO, SENECA, YATES, CAYUGA AND WAYNE COUNTIES**

**BASIC FINANCIAL STATEMENTS**

**For Year Ended June 30, 2017**

## TABLE OF CONTENTS

	<b><u>Page Number</u></b>
Independent Auditors' Report	1 - 3
Management's Discussion and Analysis (Unaudited)	4 - 13
<b>Basic Financial Statements:</b>	
Statement of Net Position	14
Statement of Activities and Changes in Net Position	15
Balance Sheet - Governmental Funds	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to Statement of Activities	18
Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position	19
<b>Notes to Financial Statements:</b>	20 - 42
<b>Required Supplementary Information:</b>	
Schedule of Funding Progress of Postemployment Benefit Plan (Unaudited)	43
Schedule of the BOCES' Proportionate Share of the Net Pension Liability (Unaudited)	44
Schedule of BOCES' Contributions (Unaudited)	45
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) And Actual - General Fund (Unaudited)	46 - 47
<b>Supplementary Information:</b>	
Analysis of Account A431 - School Districts	48
Schedule of Capital Projects Fund - Project Expenditures and Financing Resources	49
Net Investment in Capital Assets	50
Schedule of Expenditures of Federal Awards	51
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	52 - 53

**Raymond F. Wager, CPA, P.C.**  
**Certified Public Accountants**

**Shareholders:**

**Raymond F. Wager, CPA**  
**Thomas J. Lauffer, CPA**  
**Thomas C. Zuber, CPA**

Members of  
American Institute of  
Certified Public Accountants  
and  
New York State Society of  
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT**

To the Board Members  
Board of Cooperative Educational Services  
Ontario, Seneca, Yates, Cayuga and Wayne Counties, New York

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Cooperative Educational Services of Ontario, Seneca, Yates, Cayuga and Wayne Counties, New York, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Cooperative Educational Services of Ontario, Seneca, Yates, Cayuga and Wayne Counties, New York, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress postemployment benefit plan, schedule of the BOCES proportionate share of the net pension liability, schedule of BOCES contributions, and budgetary comparison information on pages 3–13 and 43–47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Cooperative Educational Services of Ontario, Seneca, Yates, Cayuga and Wayne Counties, New York's basic financial statements. The accompanying supplemental information as listed in the table of contents and schedule of expenditures of federal awards, as required by the Uniform Guidance are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplemental information as listed in the table of contents and schedule of expenditures of federal awards, as required by the Uniform Guidance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental information as listed in the table of contents and schedule of expenditures of federal awards, as required by the Uniform Guidance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2017 on our consideration of the Board of Cooperative Educational Services of Ontario, Seneca, Yates, Cayuga and Wayne Counties, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Board of Cooperative Educational Services of Ontario, Seneca, Yates, Cayuga and Wayne Counties, New York's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Raymond F. Wager, CPA, P.C." The signature is written in a cursive, flowing style.

September 29, 2017

**Wayne-Finger Lakes BOCES**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2017**

## **Introduction**

Our discussion and analysis of the BOARD OF COOPERATIVE EDUCATIONAL SERVICES ONTARIO, SENECA, YATES, CAYUGA, AND WAYNE COUNTIES, New York's (BOCES) financial performance provides an overview of the BOCES' financial activities for the year ended June 30, 2017. It should be read in conjunction with the basic financial statements to enhance understanding of the BOCES' financial performance, which immediately follows this section.

## **Financial Highlights**

Key financial highlights for fiscal year 2017 are as follows:

- The BOCES governmental fund financial statements report a combined ending fund balance of \$17,271,254, an increase of \$1,580,439 from the prior year. Approximately 64% or \$11,075,924 of this amount is available in the form of reserve funds, which the BOCES has established to aid in its long-term planning. Approximately 22% or \$3,846,530 represents amounts available for spending on Special Aid Fund programs at the BOCES discretion (unassigned and assigned fund balance). Total fund balance is decreased by \$3,407,738 because of capital renovation costs which will be refunded in future years
- On the government-wide financial statements, the assets of the BOCES' exceeded liabilities by \$73,510,743. Of this amount, the unrestricted portion is \$13,472,474. BOCES' total net position increased by \$3,834,501 for the year ended June 30, 2017.

## **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 the financial statements. This report also contains individual fund statements and schedules in addition to the basic financial statements.

### *Government-wide Financial Statements*

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

- The *statement of net position* presents information on all of the BOCES' assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the BOCES is improving or deteriorating.
- The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

- The *governmental* activities of the BOCES include administration, career & tech education, instruction for the handicapped, itinerant services, general instruction, instructional support, other services, cost of food sales (if applicable) and depreciation.

The government-wide financial statements can be found on the pages immediately following this section as the first two pages of the basic financial statements.

### *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. All of the funds of the BOCES can be divided into two categories: governmental funds and fiduciary 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 the BOCES' near-term financing requirements. Because 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 three individual governmental funds; General Fund, Special Aid Fund, and Capital Projects Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for each fund. The BOCES has elected to report the General Fund, the Special Aid Fund, and the Capital Projects Fund as major funds.
- The BOCES adopts an annual budget for its General Fund and Special Aid Fund. A budgetary comparison statement has been provided for the General Fund within the basic financial statements to demonstrate compliance with the budget.
- The *Fiduciary Funds* are used to account for assets held by the BOCES in an agency capacity which accounts for assets held by the BOCES on behalf of others. Fiduciary funds are not reflected in the government-wide financial statement because the resources of these funds are *not* available to support the BOCES' programs.

The financial statements for the governmental and fiduciary funds can be found in the basic financial statements section of this report.

### *Notes to the Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the basic financial statements section of this report.

## Government-Wide Financial Analysis

The following chart compares the change in net position from 6/30/16 to 6/30/17.

As noted earlier, net position may serve over time as a useful indicator of the BOCES' financial position. In the case of the Wayne-Finger Lakes BOCES, New York, assets exceeded liabilities by \$73,510,473 at the close of the current fiscal year.

	<b>Governmental Activities</b>		<b>Total Dollar Change</b>	<b>Total Percentage Change</b>
	<b><u>2017</u></b>	<b><u>2016</u></b>		
<b><u>ASSETS:</u></b>				
Current Assets	\$ 40,155,900	\$ 57,292,188	\$ (17,136,288)	-29.91%
Capital Assets	55,004,249	52,578,303	2,425,946	4.61%
<b>Total Assets</b>	<b>\$ 95,160,149</b>	<b>\$ 109,870,491</b>	<b>\$ (14,710,342)</b>	<b>-13.39%</b>
<b><u>DEFERRED OUTFLOW:</u></b>	<b>\$ 22,207,284</b>	<b>\$ 13,244,332</b>	<b>8,962,952</b>	<b>67.67%</b>
<b><u>LIABILITIES:</u></b>				
Current Liabilities	\$ 25,619,185	\$ 23,745,514	\$ 1,873,671	7.89%
Long-Term Liabilities	16,775,679	22,435,215	(5,659,536)	-25.23%
<b>Total Liabilities</b>	<b>\$ 42,394,864</b>	<b>\$ 46,180,729</b>	<b>\$ (3,785,865)</b>	<b>-8.20%</b>
<b><u>DEFERRED INFLOW:</u></b>	<b>\$ 1,961,826</b>	<b>\$ 7,257,852</b>	<b>\$ (5,296,026)</b>	<b>100.00%</b>
<b><u>NET POSITION:</u></b>				
Net Investment in Capital				
Assets	\$ 48,962,345	\$ 44,917,834	\$ 4,044,511	9.00%
<b><u>Restricted For:</u></b>				
Capital Projects	-	-	-	
Capital Equipment	706,507	791,022	(84,515)	-10.68%
Other Purposes	10,369,417	10,293,063	76,354	0.74%
Unrestricted	13,472,474	13,674,323	(201,849)	-1.48%
<b>Total Net Position</b>	<b>\$ 73,510,743</b>	<b>\$ 69,676,242</b>	<b>\$ 3,834,501</b>	<b>5.50%</b>

By far, the largest component of the BOCES' net position (66%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The BOCES uses these capital assets to provide services to the students and consequently, these assets are not available for future spending. Although the BOCES' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Those assets subject to external restrictions constitute 15% of net position. The remaining balance of unrestricted net position totals \$13,472,474.

In the statement of net position, the total assets are reported as \$95,160,149, with \$55,004,249 (or 58%) representing capital assets, net of accumulated depreciation. \$40,155,900 represents current assets, which is primarily made of \$15,888,857 (or 39%) in accounts receivable. Of the \$15,888,857 in accounts receivable \$14,632,451 (or 92%) is the outstanding state aid receivable, which will be distributed to the BOCES' component school districts in September 2017. A liability has been established (state aid due to school districts) totalling \$14,201,696, which will be distributed to the school districts in September once the monies have been received from the state. Total liabilities are reported as \$42,394,864 with \$25,619,185 (or 60%) being classified as current liabilities (principally accounts payable, accrued liabilities, state aid due to school districts, due to retirement systems, and deferred revenue).



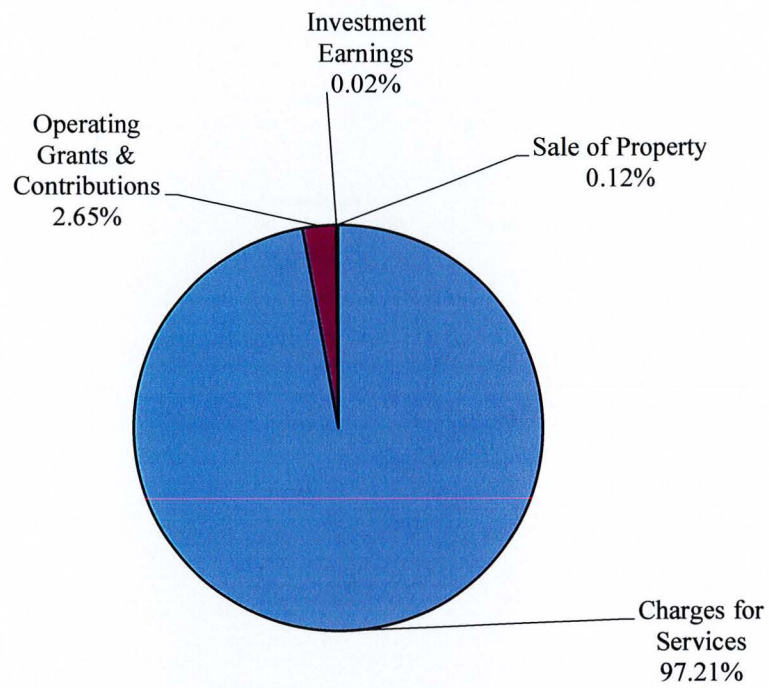
Work in Progress (as part of Capital Assets, net) of \$45,175 reflects the value to date of a number of ongoing capital projects not completed in the current fiscal year, most notably renovations at the Regional Support Center.

<b><u>REVENUES:</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>Total Dollar Change</u></b>	<b><u>Total Percentage Change</u></b>
<b>Program Revenues -</b>				
Charges for Services	\$ 131,058,167	\$ 123,537,270	\$ 7,520,897	6.09%
Operating Grants and Contributions	3,577,793	4,348,016	(770,223)	-17.71%
Total Program Revenues	<u>\$ 134,635,960</u>	<u>\$ 127,885,286</u>	<u>\$ 6,750,674</u>	<u>5.28%</u>
<b>General Revenues -</b>				
Interest and Earnings	\$ 21,435	\$ 16,545	\$ 4,890	29.56%
Miscellaneous	-	-	-	
Sale of Property and Compensation for Loss	158,093	-	158,093	
Total General Revenues	<u>\$ 179,528</u>	<u>\$ 16,545</u>	<u>\$ 162,983</u>	<u>985.09%</u>
<b>TOTAL REVENUES</b>	<u><b>\$ 134,815,488</b></u>	<u><b>\$ 127,901,831</b></u>	<u><b>\$ 6,913,657</b></u>	<u><b>5.41%</b></u>
<b><u>EXPENSES:</u></b>				
<b>Program Expenses -</b>				
Administration	\$ 3,674,382	\$ 3,195,106	\$ 479,276	15.00%
Career and Tech Education	12,892,979	12,014,783	878,196	7.31%
Instruction for the Handicapped	47,313,045	42,774,203	4,538,842	10.61%
Itinerant Services	6,032,229	5,069,863	962,366	18.98%
General Instruction	5,842,748	4,998,100	844,648	16.90%
Instructional Support	27,819,190	24,243,943	3,575,247	14.75%
Other Services	27,406,414	27,554,454	(148,040)	-0.54%
<b>TOTAL EXPENSES</b>	<u><b>\$ 130,980,987</b></u>	<u><b>\$ 119,850,452</b></u>	<u><b>\$ 11,130,535</b></u>	<u><b>9.29%</b></u>
<b>CHANGES IN NET POSITION</b>	<u><b>\$ 3,834,501</b></u>	<u><b>\$ 8,051,379</b></u>	<u><b>\$ (4,216,878)</b></u>	<u><b>-52.37%</b></u>

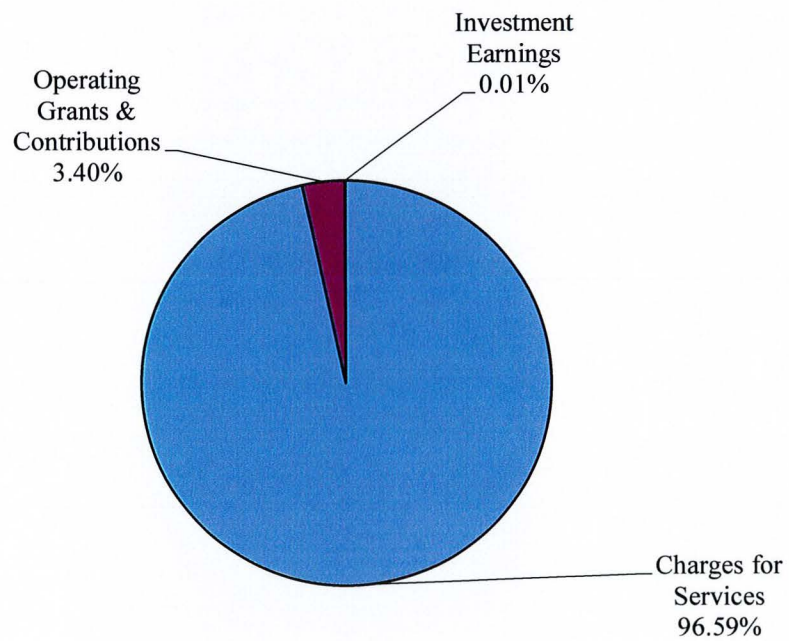
Governmental activities increased the BOCES' net position by \$3,842,203.

Of this increase, \$2,425,946 relates to the excess of capital outlay of \$3,392,167, additions of net assets of \$5,482,786 over depreciation of \$6,449,007. Issuance of installment purchase debt over repayments nets to \$1,618,565, (\$25,677) for OPEB liability, a decrease in the share of pension asset/liabilities of \$861,503, and the change in employee benefit liability of \$903,269 reduces the increase to a net of \$3,834,501.

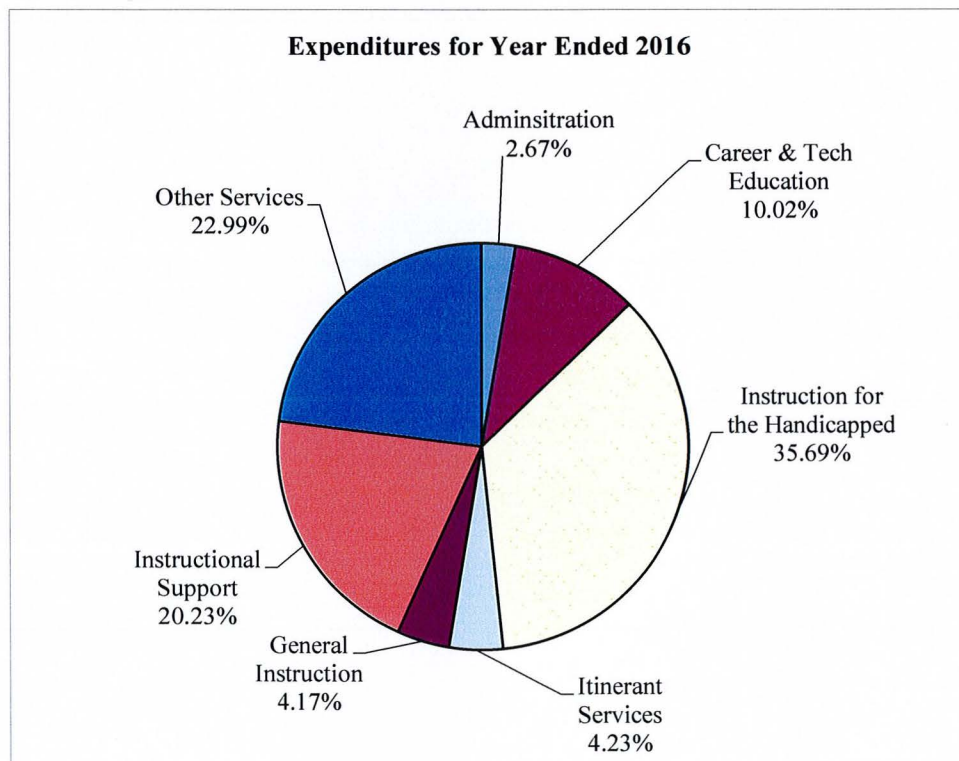
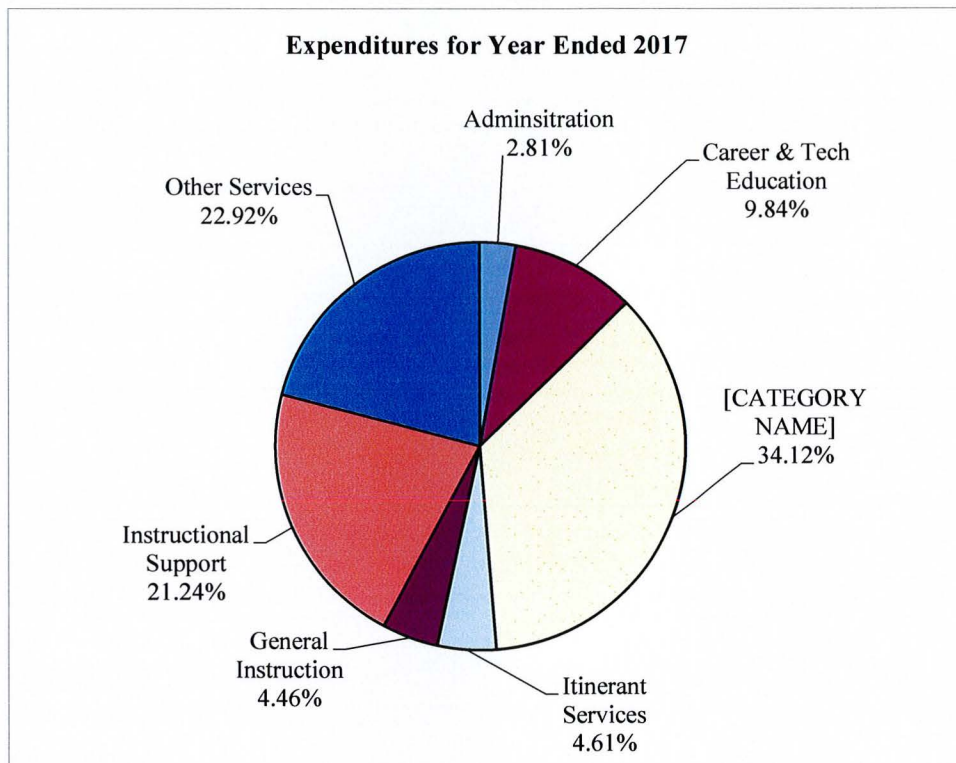
### Revenues for Year Ended 2017



### Revenues for Year Ended 2016



As indicated above, the BOCES relies upon services to component school districts as to primary revenue sources. (Approximately 97 %) BOCES also obtains operating grants and contributions from the federal, state and other local governments, which represents approximately 3% of the total revenues. These operating grants allow BOCES to operate additional programs without having to charge for these services.



As noted in the graph of Program Expenses for Fiscal Year 2017, the BOCES' instruction for the handicapped, account for 34% of its total expenses. All twenty-five component districts in the Wayne-Finger Lakes BOCES have a Committee on Special Education (CSE) which identifies its students' needs and develops Individualized Education Plans (IEP) to address those needs. BOCES provides special education programs to meet the IEP needs of students with severe disabilities, including those who need social, functional, communication and physical skills development. A six-week summer school program is provided for those students whose IEP requires a 12-month program.

Related services are provided for students in these programs by occupational therapists, physical therapists, speech/language therapists, adaptive physical education instructors, psychologists, and therapists for the visually impaired. The handicapped instruction is very labor intensive which results in higher costs. This is why it is by far the largest BOCES program.

Career and Technical Education represents 9.8%. There are two major budget components in Technical, Career and Continuing Education. The two of these together total approximately \$12.8 million dollars. Separately they are: Technical, Career Education for Secondary Students; and Continuing Education for Adult Students.

Our budget for Technical and Career Education for Secondary Students was approximately \$10 million dollars this past year. We anticipate little to no change in enrollment. There have been reductions in staffing, equipment and supply purchases. The facilities at Wayne Technical and Career Center and the Finger Lakes Technical and Career Center have gone through a number of improvements this past year. Classrooms have been renovated and programs have been updated to more closely coincide with industry standards. These improvements are expected to continue over the next three years.

Our Continuing Education budgets total approximately \$2.8 million dollars. The major services provided are: Literacy and GED, Practical Nursing and other health related instruction, and workforce training and career growth for industry and individuals. Government funding remained steady for the 2016-2017 year. As a result, we experienced stability in enrollments for the 2016-2017 year.

Other services account for 20.9% and our comprised primarily of EduTech Services. Genesee Valley/Wayne Finger Lakes Educational Technology Services (EduTech) support the technology needs of 47 school districts in the Genesee Valley and Wayne-Finger Lakes regions.

EduTech supports over 19,000 computers in 200 LANs (Local Area Networks) in 160 different locations. In addition, 45 of our 47 districts are connected to EduTech's Wide Area Network (LakeNet) which provides them with a central link to the Internet and offers the opportunity to set up and maintain e-mail. On a daily basis, the EduTech network handles nearly 8 million URL Internet requests and EduTech currently maintains approximately 10,000 e-mail accounts.

In the last fiscal year, EduTech configured, procured, and installed nearly \$16 million worth of hardware and software on behalf of our school districts. Our staff of 130 is located in two offices, one in LeRoy and one in Newark--and has an operating budget of \$15 million in addition to the \$16 million of capital expenditures.

In addition to traditional hardware and software, EduTech supports a number of administrative (server based) applications for student and financial applications.

Looking to the future, EduTech is developing online, web-based courses for students and staff development.

### **Financial Analysis of the BOCES 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 *spendable* resources. Such information is useful in assessing the BOCES' financing requirements. In particular, surplus 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' governmental funds reported combined fund balances of \$17,271,254, an increase of \$1,580,439 over the prior year. Of the total combined fund balances, \$9,536,999 constitutes *assigned fund balance*. The remainder of fund balance is *restricted* to indicate that it is not available for new spending because it has already been committed. The reserves include a reserve for retirement contribution of \$3,810,873 a reserve for unemployment insurance of \$1,851,253, a reserve for equipment of \$706,507 a reserve for insurance of \$866,587, a reserve for employee benefits of \$3,840,704.

The General Fund is the chief operating fund of the BOCES. At the end of the current fiscal year, the total fund balance of the General Fund was \$16,832,462. This fund balance has been reserved based on the long-term financial plan of the BOCES. The fund balance of the BOCES' General Fund increased by \$1,673,281 during the current fiscal year.

### **General Fund Budgetary Highlights**

The difference between the original budget and the final amended budget was \$29,258,456. This change is attributable to increased requests for services from school districts during the year, above and beyond their original estimates. Ultimately these additional requests for services did materialize because districts revised their spending plans towards the end of the 2016-2017 year.

## Capital Assets

At June 30, 2017 the BOCES had \$55,004,249, net of accumulated depreciation invested in a broad range of capital assets, including land, improvements other than buildings, buildings and improvements, and machinery and equipment. The change in capital assets, net of accumulated depreciation, is reflected below.

	<u>2017</u>	<u>2016</u>	<u>Total Dollar Change</u>
Land	\$ 21,309	\$ 21,309	\$ -
Work in Progress	45,175	9,456,209	(9,411,034)
Other Capital Assets	<u>54,937,765</u>	<u>43,100,785</u>	<u>11,836,980</u>
<b>Total Capital Assets</b>	<b><u>\$ 55,004,249</u></b>	<b><u>\$ 52,578,303</u></b>	<b><u>\$ 2,425,946</u></b>

The primary increase in capital assets during the current fiscal year resulted from completed capital project improvements.

More detailed information about the BOCES' capital assets is presented in the notes to the financial statements.

## Long - Term Debt

At June 30, 2017 the BOCES had \$19,792,456 in general obligation and other long-term debt outstanding as follows:

	<u>2017</u>	<u>2016</u>	<u>Total Dollar Change</u>
Revenue Bonds	\$ 4,755,000	\$ 5,345,000	\$ (590,000)
Energy Performance Contract	112,250	329,466	(217,216)
Installment Purchase Debt	1,174,654	1,986,003	(811,349)
Compensated Absences	5,161,742	4,356,273	805,469
Net Pension Liability	7,536,488	9,566,428	(2,029,940)
Retirement Incentives	996,350	821,750	174,600
OPEB	<u>55,972</u>	<u>30,295</u>	<u>25,677</u>
<b>Total Long-Term Debt</b>	<b><u>\$ 19,792,456</u></b>	<b><u>\$ 22,435,215</u></b>	<b><u>\$ (2,642,759)</u></b>

## Factors Bearing On The BOCES' Future

Preliminary indications from New York State indicate State Aid for our component school districts may be fairly stable for the 2018-2019 budget year compared to the amount provided for the 2017-2018 year. This is by far the largest factor on the quantity of services purchased from the BOCES by our component school districts. Other factors include the retirement system contributions. These contributions have been extremely volatile in past years but have stabilized..



**Requests for Information**

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

Wayne-Finger Lakes BOCES  
Attn: Keith B. Henry  
Assistant Superintendent for Administration  
131 Drumlin Court  
Newark, New York 14513

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**ONTARIO, SENECA, YATES, CAYUGA AND WAYNE COUNTIES**

**Statement of Net Position**

**June 30, 2017**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 21,010,828
Accounts receivable	15,888,857
Due from districts	3,190,146
Deferred expenditures	66,069
<b>Capital Assets:</b>	
Land	21,309
Work in progress	45,175
Other capital assets (net of depreciation)	54,937,765
<b>TOTAL ASSETS</b>	<b><u>\$ 95,160,149</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflow of resources	<b><u>\$ 22,707,284</u></b>
<b>LIABILITIES</b>	
Accounts payable	\$ 2,080,056
Accrued liabilities	181,273
Unearned revenue	1,044,764
State aid due to districts	14,201,696
Due to teachers' retirement system	3,689,039
Due to employees' retirement system	828,012
Overpayments and collections in advance	577,568
<b>Long-Term Obligations:</b>	
Due in one year	3,016,777
Due in more than one year	16,775,679
<b>TOTAL LIABILITIES</b>	<b><u>\$ 42,394,864</u></b>
<b>DEFERRED INFLOW OF RESOURCES</b>	
Deferred inflow of resources	<b><u>\$ 1,961,826</u></b>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 48,962,345
<b>Restricted For:</b>	
CTE equipment reserve	706,507
Unemployment reserve	1,851,253
Retirement contribution reserve	3,810,873
Insurance reserve	866,587
Accrued benefit liability reserve	3,840,704
Unrestricted	13,472,474
<b>TOTAL NET POSITION</b>	<b><u>\$ 73,510,743</u></b>

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**ONTARIO, SENECA, YATES, CAYUGA AND WAYNE COUNTIES**  
**Statement of Activities and Changes in Net Position**  
**For Year Ended June 30, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Position</u>
				<u>Governmental</u>
				<u>Activities</u>
<b><u>Primary Government -</u></b>				
Administration	\$ 3,674,382	\$ 7,688,629	\$ 56,543	\$ 4,070,790
Career & tech education	12,892,979	11,962,744	552,621	(377,614)
Instruction for the handicapped	47,313,045	46,572,711	373,240	(367,094)
Itinerant services	6,032,229	5,779,647	-	(252,582)
General instruction	5,842,748	5,347,029	-	(495,719)
Instructional support	27,819,190	30,220,690	425,023	2,826,523
Other services	27,406,414	23,486,717	2,170,366	(1,749,331)
<b>Total Primary Government</b>	<b>\$ 130,980,987</b>	<b>\$ 131,058,167</b>	<b>\$ 3,577,793</b>	<b>\$ 3,654,973</b>
<b>General Revenues:</b>				
Interest and Earnings				\$ 21,435
Sale of property and compensation for loss				158,093
<b>Total General Revenues</b>				<b>\$ 179,528</b>
Changes in Net Position				\$ 3,834,501
<b>Net Position, Beginning of Year</b>				<b>69,676,242</b>
<b>Net Position, End of Year</b>				<b>\$ 73,510,743</b>

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
ONTARIO, SENECA, YATES, CAYUGA AND WAYNE COUNTIES**

**Balance Sheet  
Governmental Funds  
June 30, 2017**

	<b>General Fund</b>	<b>Special Aid Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 16,235,624	\$ 3,517,514	\$ 1,257,690	\$ 21,010,828
Receivables	14,651,624	1,237,233	-	15,888,857
Due from districts	3,190,146	-	-	3,190,146
Due from other funds	5,213,082	1,057,239	1,368,893	7,639,214
Deferred expenditures	66,069	-	-	66,069
<b>TOTAL ASSETS</b>	<b><u>\$ 39,356,545</u></b>	<b><u>\$ 5,811,986</u></b>	<b><u>\$ 2,626,583</u></b>	<b><u>\$ 47,795,114</u></b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b><u>Liabilities -</u></b>				
Accounts payable	\$ 1,357,972	\$ 716,078	\$ 6,006	\$ 2,080,056
Accrued liabilities	444,288	19,223	-	463,511
Due to other funds	1,425,508	185,391	6,028,315	7,639,214
State aid due to districts	14,201,696	-	-	14,201,696
Due to TRS	3,689,039	-	-	3,689,039
Due to ERS	828,012	-	-	828,012
Overpayments and collections in advance	577,568	-	-	577,568
Unearned revenues	-	1,044,764	-	1,044,764
<b>TOTAL LIABILITIES</b>	<b><u>\$ 22,524,083</u></b>	<b><u>\$ 1,965,456</u></b>	<b><u>\$ 6,034,321</u></b>	<b><u>\$ 30,523,860</u></b>
<b><u>Fund Balances -</u></b>				
Nonspendable	\$ 66,069	\$ -	\$ -	\$ 66,069
Restricted	11,075,924	-	-	11,075,924
Assigned	5,690,469	3,846,530	-	9,536,999
Unassigned	-	-	(3,407,738)	(3,407,738)
<b>TOTAL FUND BALANCE</b>	<b><u>\$ 16,832,462</u></b>	<b><u>\$ 3,846,530</u></b>	<b><u>\$ (3,407,738)</u></b>	<b><u>\$ 17,271,254</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 39,356,545</u></b>	<b><u>\$ 5,811,986</u></b>	<b><u>\$ 2,626,583</u></b>	

**Amounts reported for governmental activities in the  
Statement of Net Position are different because:**

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 55,004,249

The following long-term obligations are not due and payable in the current period and therefore are not reported in the governmental funds:

Lease revenue bonds	(4,755,000)
OPEB	(55,972)
Compensated absences	(5,161,742)
Energy performance contracts	(112,250)
Installment purchase debt	(1,174,654)
Retirement incentive / longevity	(714,112)
Deferred outflow of resources - pension	22,707,284
Net pension liability	(7,536,488)
Deferred inflow of resources - pension	(1,961,826)

**Net Position of Governmental Activities** **\$ 73,510,743**

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**ONTARIO, SENECA, YATES, CAYUGA AND WAYNE COUNTIES**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For Year Ended June 30, 2017**

	<b>General Fund</b>	<b>Special Aid Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Charges to components	\$ 104,574,431	\$ 4,053,712	\$ -	\$ 108,628,143
Charge to non-components and other BOCES	18,291,088	148,177	-	18,439,265
Interest and earnings	21,435	-	-	21,435
Sale of property and compensation for loss	158,093	-	-	158,093
Miscellaneous	4,216,975	3,245,749	802,800	8,265,524
Interfund revenues	1,477,563	-	1,633,267	3,110,830
State sources	-	534,141	-	534,141
Federal sources	56,543	2,987,109	-	3,043,652
<b>TOTAL REVENUES</b>	<b><u>\$ 128,796,128</u></b>	<b><u>\$ 10,968,888</u></b>	<b><u>\$ 2,436,067</u></b>	<b><u>\$ 142,201,083</u></b>
<b>EXPENDITURES</b>				
Administration	\$ 6,936,796	\$ -	\$ -	\$ 6,936,796
Career and tech education	9,751,225	2,620,679	-	12,371,904
Instruction for the handicapped	41,767,736	4,411,140	-	46,178,876
Itinerant services	5,806,992	-	-	5,806,992
General instruction	5,313,332	441,274	-	5,754,606
Instructional support	29,586,884	-	-	29,586,884
Other services	23,710,494	2,954,551	-	26,665,045
Capital outlay	-	-	3,392,167	3,392,167
<b>TOTAL EXPENDITURES</b>	<b><u>\$ 122,873,459</u></b>	<b><u>\$ 10,427,644</u></b>	<b><u>\$ 3,392,167</u></b>	<b><u>\$ 136,693,270</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b><u>\$ 5,922,669</u></b>	<b><u>\$ 541,244</u></b>	<b><u>\$ (956,100)</u></b>	<b><u>\$ 5,507,813</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from installment debt	\$ -	\$ -	\$ 322,014	\$ 322,014
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 322,014</u></b>	<b><u>\$ 322,014</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b><u>\$ 5,922,669</u></b>	<b><u>\$ 541,244</u></b>	<b><u>\$ (634,086)</u></b>	<b><u>\$ 5,829,827</u></b>
<b>OTHER CHANGES IN FUND BALANCE</b>				
Surplus to be distributed	(4,274,767)	-	-	(4,274,767)
Net nonspendable fund balance	33,540	-	-	33,540
Net insurance reserve transactions	107,975	-	-	107,975
Net unemployment reserve transactions	(31,621)	-	-	(31,621)
Net capital reserve transactions	(84,515)	-	-	(84,515)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b><u>15,159,181</u></b>	<b><u>3,305,286</u></b>	<b><u>(2,773,652)</u></b>	<b><u>15,690,815</u></b>
<b>FUND BALANCE, END OF YEAR</b>	<b><u>\$ 16,832,462</u></b>	<b><u>\$ 3,846,530</u></b>	<b><u>\$ (3,407,738)</u></b>	<b><u>\$ 17,271,254</u></b>

(See accompanying notes to financial statements)

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**ONTARIO, SENECA, YATES, CAYUGA AND WAYNE COUNTIES**  
**Reconciliation of Governmental Funds Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances to Statement of Activities**  
**For Year Ended June 30, 2017**

**NET CHANGE IN FUND BALANCES -**  
**TOTAL GOVERNMENTAL FUNDS**

\$ 1,580,439

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 and reported as depreciation expense. The following are the amounts by which capital outlays and additions of assets exceeded depreciation in the current period:

Capital Outlay	\$ 3,392,167	
Addition of Assets, Net	5,482,786	
Depreciation	<u>(6,449,007)</u>	
		2,425,946

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term obligations in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Assets. The following details these items as they effect the governmental activities:

Debt Repayments	\$ 590,000	
Energy Performance Contracts	217,216	
Proceeds from Installment Purchase Debt	(322,014)	
Installment Purchase Debt payments	<u>1,133,363</u>	
		1,618,565

The net OPEB liability does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. (25,677)

(Increase) decrease in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds

Teachers' Retirement System	47,341
Employees' Retirement System	(908,844)

In the Statement of Activities, vacation pay, teachers' retirement incentives and judgments and claims are measured by the amount accrued during the year. In the governmental funds, expenditures for these items are measured by the amount actually paid. The following provides the differences of these items as presented in the governmental activities:

Compensated Absences	\$ (805,469)	
Retirement Incentives / Longevity	<u>(97,800)</u>	
		<u>(903,269)</u>

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES**

**\$ 3,834,501**



**BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
ONTARIO, SENECA, YATES, CAYUGA AND WAYNE COUNTIES**

**Statement of Fiduciary Net Position**

**June 30, 2017**

	<b>Private Purpose Trust</b>	<b>Agency Funds</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 58,562	\$ 14,109,592
Restricted cash	-	94,883
Accounts receivable	-	2,630
<b>Total Assets</b>	<u>\$ 58,562</u>	<u>\$ 14,207,105</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ -	\$ 290,699
Student activity balance	-	94,883
Other liabilities	-	2,005,194
Other liabilities - worker's comp	-	11,278,534
Other liabilities - dental	-	537,795
<b>Total liabilities</b>	<u>\$ -</u>	<u>\$ 14,207,105</u>
<b>Net Assets</b>		
Restricted for scholarships	\$ 58,562	
<b>Total Net Assets</b>	<u>\$ 58,562</u>	

**Statement of Changes in Fiduciary Net Position**

**Year Ended June 30, 2017**

	<b>Private Purpose Trust</b>
<b>Additions</b>	
Interest and earnings	\$ 47
Donations	22,010
<b>Deductions</b>	
Scholarships and other trust expenses	<u>(9,996)</u>
<b>Change in Net Assets</b>	\$ 12,061
<b>Net Assets, Beginning of Year</b>	<u>46,501</u>
<b>Net Assets, End of Year</b>	<u>\$ 58,562</u>

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**ONTARIO, SENECA, YATES, CAYUGA, AND WAYNE COUNTIES**

**Notes to the Basic Financial Statements**

**June 30, 2017**

**I. Summary of Significant Accounting Policies:**

The financial statements of the Board of Cooperative Educational Services of Ontario, Seneca, Yates, Cayuga and Wayne Counties, New York (the BOCES) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the BOCES' accounting policies are described below.

**A. Reporting Entity**

The Board of Cooperative Educational Services of Ontario, Seneca, Yates, Cayuga and Wayne Counties is governed by the laws of New York State. The BOCES is an independent entity governed by an elected Board consisting of nine members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the BOCES. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the BOCES is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Component Units*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Boards of Cooperative Educational Services were established by New York State legislation in 1948 to enable smaller school districts to offer more breadth in their educational programs by sharing teachers. In 1955, Legislation was passed allowing BOCES to provide vocational and special education. A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services and programs to provide educational and support activities more economically, efficiently and equitably than could be provided locally. BOCES provides instructional and support programs and services to the following 25 school districts:

Canandaigua	Lyons	Red Creek
Clyde-Savannah	Marion	Red Jacket
Dundee	Naples	Romulus
East Bloomfield	Newark	Seneca Falls
Gananda	North Rose-Wolcott	Sodus
Geneva	Palmyra-Macedon	Victor
Gorham-Middlesex	Penn Yan	Waterloo
Honeoye	Phelps-Clifton Springs	Wayne
Williamson		

**(I.) (Continued)**

BOCES programs and services include special education, vocational education, academic and alternative programs, summer schools, staff development, computer services (management and instructional), educational communication and cooperative purchasing.

The decision to include a potential component unit in the BOCES' reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities included in the BOCES's reporting entity:

**1. Extraclassroom Activity Funds**

The extraclassroom activity funds of the BOCES represent funds of the students of the BOCES. The Board exercises general oversight of these funds. The extraclassroom activity funds are independent of the BOCES with respect to its financial transactions, and the designation of student management and the cash and investment balances are reported in the agency fund of the BOCES. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the BOCES' business office.

**B. Basic Financial Statements**

**1. BOCES-wide Financial Statements**

The Statement of Net Position and the Statement of Activities present financial information about the BOCES' governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through state aid, sale of property and equipment, investment revenues and miscellaneous revenues which consist primarily of refunds from other BOCES. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital specific grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the BOCES' governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, are presented as general revenues. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas.

**2. Fund Financial Statements**

The fund statements provide information about the BOCES funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

**(I.) (Continued)**

Non-major funds are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category of the governmental and enterprise combined) for the determination of major funds. BOCES has no funds identified as non-major on its financial statements.

The BOCES reports the following funds:

**a. Major Governmental Funds**

**General Fund** - This is the BOCES primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

**Special Aid Fund** - This fund accounts for the proceeds of specific revenue sources, such as federal and state grants that are legally restricted to expenditures for specified purposes, and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

**Capital Projects Fund** - This fund is used to account for and report financial resources to be used for acquisition, construction, or renovation of major capital facilities or equipment.

**b. Fiduciary** - Fiduciary activities are those in which the BOCES acts as trustee or agent for resources that belong to others. These activities are not included in the BOCES-wide financial statements, because their resources do not belong to the BOCES, and are not available to be used. There are two classes of fiduciary funds:

**Private Purpose Trust Funds** - These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the BOCES or representatives of the donors may serve on committees to determine who benefits.

**Agency Funds** - These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the BOCES as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

**C. Measurement Focus, Basis of Accounting**

The BOCES-Wide and fiduciary fund 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 at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the BOCES gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**(I.) (Continued)**

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The BOCES considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**D. Restricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the BOCES' policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these notes.

**E. Interfund Transactions**

The operations of the BOCES include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowing. The BOCES typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

In the BOCES-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the BOCES' practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to Note V for a detailed disclosure by individual fund for interfund receivables and payables.

**F. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

**(I.) (Continued)**

**G. Cash and Cash Equivalents**

The BOCES' cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

New York State Law governs the BOCES' investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts.

**H. Receivables**

Receivables are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

**I Inventory and Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the BOCES-wide and fund financial statements.

**J. Capital Assets**

In the BOCES-wide financial statements, capital assets are accounted for at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$500 is used to report capital assets. The range of estimated useful lives by type of assets is as follows:

<u>Class</u>	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 50,000	SL	15-50 Years
Furniture, Vehicles & Equipment	\$ 5,000	SL	5-25 Years
EduTech Technical Equipment	\$ 500	SL	5 Years

The investment in infrastructure type assets have not been segregated for reporting purposes since all costs associated with capital projects are consolidated and reported as additions to buildings and improvements.



**( I. ) (Continued)**

**K.     Unearned Revenue**

The BOCES reports unearned revenues on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned revenue arises when resources are received by the BOCES before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the BOCES has legal claim to resources, the liability for unearned revenue is removed and revenue is recognized.

**L.     Vested Employee Benefits**

**1.     Compensated Absences**

It is BOCES policy to pay employees for unused vacation and compensatory time when there is a separation from service. The liability for compensated absences is calculated based on the contractual agreement in effect as of the balance sheet date. BOCES reports this liability as part of the General Fund. The short-term portion is reported as an accrued liability in the General Fund. While any funded long-term portion has been reported as part of the employee benefit accrued liability reserve. On the BOCES-wide Statement of Net Position these amounts are reported as long-term obligations with the current amount reported as due in one year and the long-term portion reported as due in more than one year.

**M.     Other Benefits**

BOCES employees participate in the New York State Employees' Retirement System and the New York State Teachers' Retirement System.

In addition to providing pension benefits, the BOCES provides post-employment health coverage to retired employees in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the BOCES' employees may become eligible for these benefits if they reach normal retirement age while working for the BOCES. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits may be shared between the BOCES and the retired employee. The BOCES recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

**N.     Accrued Liabilities and Long-Term Obligations**

Payables, accrued liabilities, and long-term obligations are reported in the BOCES-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, other postemployment benefits payable and compensated absences that will be paid from governmental funds are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the BOCES' future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

( I. ) (Continued)

**O.     Deferred Outflows and Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The BOCES may have three items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the BOCES-wide Statement of Net Position. This represents the effect of the net change in the BOCES' proportion of the collective net pension asset or liability and difference during the measurement period between the BOCES' contributions and its proportion share of total contributions to the pension systems not included in pension expense. Lastly is the BOCES contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The BOCES may have two items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue-property taxes. The second item is related to pensions reported in the BOCES-wide Statement of Net Position. This represents the effect of the net change in the BOCES' proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the BOCES' contributions and its proportion share of total contributions to the pension systems not included in pension expense.

**P.     Equity Classifications**

**1.     BOCES-Wide Statements**

In the BOCES-wide statements there are three classes of net position:

- a.     Net Investment in Capital Assets** - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.
- b.     Restricted Net Position** - reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- c.     Unrestricted Net Position** - reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the BOCES.

2. **Fund Statements**

In the fund basis statements there are five classifications of fund balance:

a. **Nonspendable Fund Balance** – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance prepaid items of \$32,529.

b. **Restricted Fund Balances** – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the general fund are classified as restricted fund balance. The BOCES has established the following restricted fund balances:

**Capital Reserve for Equipment Purchases** - Established to fund the purchase of new technology equipment in accordance with New York State guidelines.

**Unemployment Insurance Reserve** - as allowed by General Municipal Law Section 6-m, is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the BOCES elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.

**Retirement Contribution Reserve** - as allowed by General Municipal Law Section 6-r, is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds, and a detailed report of the operation and condition of the fund must be provided to the Board.

**Insurance Reserve** - as allowed by General Municipal Law Section 6-n, is used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve maybe established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriation, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve, however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. The reserve is accounted for in the General Fund.

**Employee Benefit Accrued Liability Reserve** - as allowed by General Municipal Law Section 6-p, is used to reserve funds for the payment of accrued employee benefits due to an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the General Fund.

**Encumbrances** - Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the General Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

Restricted fund balances include the following:

**General Fund -**

Capital	\$ 706,507
Employee Benefit Accrued Liability	3,840,704
Insurance	866,587
Retirement Contribution	3,810,873
Unemployment Insurance	1,851,253
<b>Total Restricted Funds</b>	<b><u>\$ 11,075,924</u></b>

c. **Committed** - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school districts highest level of decision making authority, i.e., the Board. The BOCES has no committed fund balances as of June 30, 2017.

d. **Assigned Fund Balance** – Includes amounts that are constrained by the BOCES' intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as assigned fund balance. Encumbrances represent purchase commitments made by the BOCES' purchasing agent through their authorization of a purchase order prior to year end. The BOCES assignment is based on the functional level of expenditures.

Significant encumbrances for the general fund and capital projects fund, management has determined that amounts in excess of \$151,000 are considered significant and are summarized below:

- Career and Technical Education \$257,400, Instruction for the Handicapped \$1,417,395, Instructional Support \$3,060,975, and Other Services \$850,693.

(I.) (Continued)

Assigned fund balances include the following:

General Fund - Encumbrances	\$ 5,690,469
Special Aid Fund - Year End Equity	3,846,530
<b>Total Assigned Fund Balance</b>	<b><u>\$ 9,536,999</u></b>

e. **Unassigned Fund Balance**—Includes all other amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the BOCES.

3. **Order of Use of Fund Balance**

The BOCES' policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as restricted fund balance. In the general fund, the remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

T. **New Accounting Standards**

The BOCES has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2017, the BOCES implemented the following new standards issued by GASB:

The GASB has issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 57, and Amendments to Certain Provisions of GASB Statements 67 and 68*, effective for the year ended June 30, 2017.

The GASB has issued Statement No. 77, *Tax Abatement Disclosures*, effective for the year ended June 30, 2017.

The GASB has issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, effective for the year ended June 30, 2017.

The GASB has issued Statement No. 82, *Pension Issues—an amendment of GASB No. 67, No. 68, and No. 73*, effective for the year ended June 30, 2017.

U. **Future Changes in Accounting Standards**

GASB has issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective for the year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

**( I. ) (Continued)**

GASB has issued Statement 84, *Fiduciary Activities*, which will effective for the periods beginning after December 15, 2018.

GASB has issued Statement 85, *Omnibus 2017*, which will be effective for the periods beginning after June 15, 2017

GASB has issued Statement 86, *Certain Debt Extinguishment Issues*, which will be effective for the periods beginning after June 15, 2017.

GASB has issued Statement 87, *Leases*, which will be effective for the periods beginning after December 15, 2019.

The BOCES will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

**II. Stewardship, Compliance and Accountability:**

By its nature as a local government unit, the BOCES is subject to various federal, state and local laws and contractual regulations. An analysis of the BOCES's compliance with significant laws and regulations and demonstration of its stewardship over BOCES resources follows.

**A. Budgetary Information**

Section 1950 §4(b) of the Education Law required adoption of a final budget by no later than May 15, of the ensuing year.

BOCES administration prepares a proposed administrative, capital and program budget, as applicable, for approval by members of the BOCES board for the general fund.

Appropriations for educational services are adopted at the program level and lapse at the end of each fiscal year.

A tentative administrative budget is provided to the component District's for adoption by resolution. Approval of the tentative administrative budget requires the approval of a majority of the component school boards actually voting. During the current year, the administrative budget was approved by a majority of its voting component school boards.

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. The Special Revenue Funds have not been included in the budget and actual comparison because they do not have legally authorized (appropriated) budgets.

The BOCES Board can approve budget revisions based upon requests for additional services and surplus revenues.



( ii. ) (Continued)

**B. Deficit Fund Balance – Capital Projects Fund**

The Capital Projects Fund had a deficit undesignated fund balance of \$3,407,738 at June 30, 2017, which is a result of a short-term borrowing from the general fund which is used as a temporary means of financing capital projects. These proceeds are not recognized as revenue but merely serve to provide cash to meet expenditures. This results in the creation of a fund deficit which will remain until this loan is replaced by permanent financing (i.e., bonds, grants-in-aid, or redemption from current appropriations).

**III. Cash and Cash Equivalents**

Custodial credit risk is the risk that in the event of a bank failure, the BOCES's deposits may not be returned to it. While the BOCES does not have a specific policy for custodial credit risk, New York State statutes govern the BOCES investment policies, as discussed previously in these notes.

The BOCES aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year end, collateralized as follows:

Uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution	36,049,408
Collateralized within Trust department or agent	719,985
<b>Total</b>	<b><u>\$ 36,769,393</u></b>

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year end included \$11,083,626 within the governmental funds and \$58,562 in the fiduciary funds.

**IV. Receivables**

Receivables at June 30, 2017 for individual major funds and nonmajor funds, net of any applicable allowances for uncollectible accounts, are as follows:

<u>Description</u>	<u>Governmental Activities</u>		
	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>Total</u>
Accounts Receivable	\$ 449,928	\$ 806,478	\$ 1,256,406
Due From State and Federal	14,201,696	430,755	14,632,451
<b>Total</b>	<b><u>\$ 14,651,624</u></b>	<b><u>\$ 1,237,233</u></b>	<b><u>\$ 15,888,857</u></b>

BOCES' management has deemed the amounts to be fully collectible.

## V. Interfund Receivables and Payables

Interfund Receivables and Payables at June 30, 2017 were as follows:

	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 5,213,082	\$ 1,425,508
Special Aid Fund	1,057,239	185,391
Capital Fund	1,368,893	6,028,315
<b>Total government activities</b>	<b>\$ 7,639,214</b>	<b>\$ 7,639,214</b>

Interfund receivables and payables between governmental activities are eliminated on the Statement of Net Position. The BOCES typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are not necessarily expected to be repaid within one year.

Transfers are used to finance certain special aid programs, support capital project expenditures, school lunch programs and debt service expenditures.

## VI. Changes In Capital Assets

A summary of changes in capital assets follows:

<u>Type</u>	<u>Balance 7/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2017</u>
<b><u>Governmental Activities:</u></b>				
<b><u>Capital assets that are not depreciated -</u></b>				
Land	\$ 21,309	\$ -	\$ -	\$ 21,309
Work in progress	9,456,209	2,805,638	(12,216,672)	45,175
<i>Total Nondepreciable</i>	<u>\$ 9,477,518</u>	<u>\$ 2,805,638</u>	<u>\$ (12,216,672)</u>	<u>\$ 66,484</u>
<b><u>Capital assets that are depreciated -</u></b>				
Buildings and improvements	\$ 44,605,663	\$ 12,216,628	\$ -	\$ 56,822,291
Machinery and equipment	51,516,631	6,144,795	(4,835,791)	52,825,635
<i>Total Depreciable</i>	<u>\$ 96,122,294</u>	<u>\$ 18,361,423</u>	<u>\$ (4,835,791)</u>	<u>\$ 109,647,926</u>
<b><u>Less accumulated depreciation -</u></b>				
Buildings and improvements	\$ 12,104,607	\$ 788,053	\$ -	\$ 12,892,660
Machinery and equipment	40,916,902	5,660,954	(4,760,355)	41,817,501
<i>Total accumulated depreciation</i>	<u>\$ 53,021,509</u>	<u>\$ 6,449,007</u>	<u>\$ (4,760,355)</u>	<u>\$ 54,710,161</u>
<b><i>Total capital assets depreciated, net of accumulated depreciation</i></b>	<u>\$ 43,100,785</u>	<u>\$ 11,912,416</u>	<u>\$ (75,436)</u>	<u>\$ 54,937,765</u>
<b>Total Capital Assets</b>	<u><b>\$ 52,578,303</b></u>	<u><b>\$ 14,718,054</b></u>	<u><b>\$ (12,292,108)</b></u>	<u><b>\$ 55,004,249</b></u>

Depreciation expense for the period was charged to functions/programs as follows:

<b><u>Governmental Activities:</u></b>	
Administration	\$ 81,743
Career and Tech Education	192,379
Instruction for the Handicapped	399,910
Itinerant Services	53,395
General Instruction	48,459
Instructional Support	4,776,207
Other Services	896,914
<b>Total Depreciation Expense</b>	<u><b>\$ 6,449,007</b></u>

## VII. Long-Term Debt Obligations

Long-term liability balances and activity for the year are summarized below:

<b>Governmental Activities:</b>	<b>Balance 7/1/2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2017</b>	<b>Due Within One Year</b>
<b><u>Bonds and Notes Payable -</u></b>					
Installment Purchase Debt	\$ 1,986,003	\$ 322,014	\$ 1,133,363	\$ 1,174,654	\$ 721,853
Energy Performance Contracts	329,466	-	217,216	112,250	112,250
Lease Revenue Bonds	5,345,000	-	590,000	4,755,000	610,000
<b>Total Bonds and Notes Payable</b>	<b>\$ 7,660,469</b>	<b>\$ 322,014</b>	<b>\$ 1,940,579</b>	<b>\$ 6,041,904</b>	<b>\$ 1,444,103</b>
<b><u>Other Liabilities -</u></b>					
Compensated Absences	\$ 4,356,273	\$ 805,469	\$ -	\$ 5,161,742	\$ 1,290,436
OPEB	30,295	25,677	-	55,972	-
Net Pension Liability	9,566,428	-	2,029,940	7,536,488	-
Retirement Incentives	821,750	174,600	-	996,350	282,238
<b>Total Other Liabilities</b>	<b>\$ 14,774,746</b>	<b>\$ 1,005,746</b>	<b>\$ 2,029,940</b>	<b>\$ 13,750,552</b>	<b>\$ 1,572,674</b>
<b>Total Long-Term Obligations</b>	<b>\$ 22,435,215</b>	<b>\$ 1,327,760</b>	<b>\$ 3,970,519</b>	<b>\$ 19,792,456</b>	<b>\$ 3,016,777</b>

The General fund has typically been used to liquidate long-term liabilities such as compensated absences.

Existing serial and statutory bond obligations:

<b><u>Purpose</u></b>	<b><u>Issue Date</u></b>	<b><u>Final Maturity</u></b>	<b><u>Interest Rate</u></b>	<b><u>Amount Outstanding 6/30/2017</u></b>
<b><u>Lease Revenue Bonds -</u></b> Construction	3/20/2014	8/15/2023	3%-5%	<b><u>\$ 4,755,000</u></b>

( VII. ) (Continued)

The following is a summary of debt service requirements:

<u>Year</u>	<u>Lease Revenue Bonds</u>		<u>Installment Purchase Debt</u>	<u>Energy Performance Contract</u>	
	<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>
2017-18	\$ 610,000	\$ 200,100	\$ 721,853	\$ 112,250	\$ 1,868
2018-19	625,000	182,100	256,951	-	-
2019-20	655,000	163,575	151,893	-	-
2020-21	685,000	137,825	43,957	-	-
2021-22	715,000	104,325	-	-	-
2022-23	1,465,000	102,200	-	-	-
<b>Total</b>	<b>\$ 4,755,000</b>	<b>\$ 890,125</b>	<b>\$ 1,174,654</b>	<b>\$ 112,250</b>	<b>\$ 1,868</b>

In prior years, the BOCES defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the BOCES's financial statements. \$5,025,000 of bonds outstanding are considered defeased.

**VIII. Pension Plans**

**A. General Information**

The BOCES participates in the New York State Teacher's Retirement System (TRS) and the New York State and Local Employee's Retirement System (ERS). These are cost-sharing multiple employer public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

**B. Provisions and Administration**

A 10 member Board of Trustees of the New York State Teachers' Retirement Board administers TRS. TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the system, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to NYRS, 10 Corporate Woods Drive, Albany, New York 12211-2395 or by referring to the TRS Comprehensive Annual Financial report, which can be found on the System's website at [www.nystrs.org](http://www.nystrs.org).

( VIII. ) ( Continued )

ERS provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. NYSRSSL govern obligations of employers and employees to contribute, and benefits to employees. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The BOCES also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244 or by referring to the ERS Comprehensive Annual Report, which can be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php).

**C.     Funding Policies**

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31. The BOCES paid 100% of the required contributions as billed by the TRS and ERS for the current year.

The BOCES's share of the required contributions, based on covered payroll paid for the BOCES's year ended June 30, 2017:

<u>Contributions</u>	<u>NYSTRS</u>	<u>NYSERS</u>
2017	\$ 3,689,039	\$ 2,366,383

**D.     Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions**

At June 30, 2017, the BOCES reported the following asset/(liability) for its proportionate share of the net pension asset /(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2017 for ERS and June 30, 2016 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The BOCES's proportion of the net pension asset/(liability) was based on a projection of the BOCES's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the BOCES.

( VIII. ) (Continued)

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2017	June 30, 2016
Net pension assets/(liability)	\$ (5,635,553)	\$ (1,900,935)
District's portion of the Plan's total net pension asset/(liability)	0.06%	0.18%

For the year ended June 30, 2017, the BOCES recognized pension expenses of \$3,249,731 for ERS and \$3,084,791 for TRS. At June 30, 2017 the BOCES's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expended and actual experience	\$ 141,222	\$ -	\$ 855,791	\$ 617,530
Changes of assumptions	1,925,311	10,828,937	-	-
Net difference between projected and actual earnings on pension plan investments	1,125,648	4,274,302	-	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	78,780	102,675	33,110	455,395
Subtotal	\$ 3,270,961	\$ 15,205,914	\$ 888,901	\$ 1,072,925
District's contributions subsequent to the measurement date	828,012	3,402,397	-	-
<b>Grand Total</b>	<b>\$ 4,098,973</b>	<b>\$ 18,608,311</b>	<b>\$ 888,901</b>	<b>\$ 1,072,925</b>

BOCES contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2017	\$ -	\$ 1,262,604
2018	1,088,254	1,262,604
2019	1,088,254	4,582,145
2020	959,706	3,549,339
2021	(754,154)	1,595,597
Thereafter	-	1,880,700
<b>Total</b>	<b>\$ 2,382,060</b>	<b>\$ 14,132,989</b>

**E. Actuarial Assumptions**

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

( VIII. ) (Continued)

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2017	June 30, 2016
Actuarial valuation date	April 1, 2016	June 30, 2015
Interest rate	7.00%	7.50%
Salary scale	3.80%	4.01% - 10.91%
Decrement tables	April 1, 2010- March 31, 2015 System's Experience	July 1, 2009- June 30, 2014 System's Experience
Inflation rate	2.50%	2.50%
COLA's	1.30%	1.50%

For ERS, annuitant mortality rates are based on Society of Actuaries Scale MP-2014 System's experience with adjustments for mortality improvements based on MP-2017. For TRS, annuitant mortality rates are based on plan member experience adjustments for mortality improvements based on Society of Actuaries Scale AA.

The long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized as follows:

<b>Long Term Expected Rate of Return</b>		
	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2017	June 30, 2016
<b><u>Asset Type -</u></b>		
Cash	-0.25%	-
Inflation-index bonds	1.50%	-
Domestic equity	4.55%	6.10%
International equity	6.35%	7.30%
Real estate	5.80%	5.40%
Alternative investments	0.00%	9.20%
Domestic fixed income securities	0.00%	1.00%
Global fixed income securities	0.00%	0.80%
Bonds/mortgages	1.31%	3.10%
Short-term	0.00%	0.01%
Private equity	7.75%	-
Absolute return strategies	4.00%	-
Opportunistic portfolios	5.89%	-
Real assets	5.54%	-

( VIII. ) (Continued)

**F. Discount Rate**

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.5% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption**

The following presents the BOCES's proportionate share of the net pension liability calculated using the discount rate of 7.0% for ERS and 7.5% for TRS, as well as what the BOCES's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentagepoint lower (6.0% for ERS and 6.5% for TRS ) or 1-percentagepoint higher (8.0% for ERS and 8.5% for TRS) than the current rate :

	<b>1% Decrease (6.0%)</b>	<b>Current Assumption (7.0%)</b>	<b>1% Increase (8.0%)</b>
<b><u>ERS</u></b>			
Employer's proportionate share of the net pension ( liability) asset	\$ (17,998,841)	\$ (5,635,553)	\$ 4,817,583
	<b>1% Decrease (6.5%)</b>	<b>Current Assumption (7.5%)</b>	<b>1% Increase (8.5%)</b>
<b><u>TRS</u></b>			
Employer's proportionate share of the net pension (liability)asset	\$ (24,802,020)	\$ (1,900,935)	\$ 17,307,294

**H. Pension Plan Fiduciary Net Position**

The components of the current year net pension asset/(liability) of the employers as of the respective valuation dates, were as follows:

	<b>(In Thousands)</b>	
	<b><u>ERS</u></b>	<b><u>TRS</u></b>
Measurement date	March 31, 2017	June 30, 2016
Employers' total pension liability	\$ 177,400,586	\$ 108,577,184
Plan net position	168,004,363	107,506,142
Employers' net pension asset/(liability)	<u>\$ (9,396,223)</u>	<u>\$ (1,071,042)</u>
Ration of plan net position to the employers' total pension asset/(liability)	94.70%	99.01%



( VIII. ) (Continued)

**I. Payables to the Pension Plan**

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$828,012.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2017 amounted to \$3,689,039.

**IX. Postemployment Benefits**

The BOCES provides postemployment (health insurance, life insurance, etc.) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the BOCES's contractual agreements.

The BOCES implemented GASB Statement #45, Accounting and Financial Reporting by employers for Postemployment Benefits Other than Pensions, in the school year ended June 30, 2009. This required the BOCES to calculate and record a net other postemployment benefit obligation at year end. The net other postemployment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

The BOCES recognizes the cost of providing health insurance annually as expenditures in the general fund of the funds financial statements as payments are made. For the year ended June 30, 2017 the BOCES recognized \$9,511 for its share of insurance premiums for currently enrolled retirees.

The BOCES has obtained an actuarial valuation report as of June 30, 2016 which indicates that the total liability for other postemployment benefits is \$281,197.

*Annual OPEB Cost and Net OPEB Obligation* - The BOCES's annual other postemployment (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance with the parameters of GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the BOCES's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the BOCES's net OPEB obligation by governmental activities:

**(IX.) (Continued)**

Annual required contribution	\$ 35,270
Interest on net OPEB obligation	185
Adjustment to annual required contribution	<u>(267)</u>
Annual OPEB cost (expense)	\$ 35,188
Contributions made	<u>9,511</u>
Increase in net OPEB obligation	\$ 25,677
Net OPEB obligation - beginning of year	<u>30,295</u>
<b>Net OPEB obligation - end of year</b>	<b><u>\$ 55,972</u></b>

The BOCES's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year end 2017 and the two preceding years were as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
6/30/2015	\$ 8,804	182.00%	\$ 4,618
6/30/2016	\$ 35,188	27.03%	\$ 30,295
6/30/2017	\$ 35,188	27.03%	\$ 55,972

*Funded Status and Funding Progress* - As of June 30, 2016, the most recent actuarial valuation date the plan was unfunded. The actuarial accrued liability for benefits was \$281,197, and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability of \$281,197.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions* - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2016 actuarial valuation, the Projected Unit Credit Actuarial Cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7% initially, reduced by decrements to an ultimate rate of 5% after 13 years. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2017, was twenty-one years.

## **X. Risk Management**

### **A. General Information**

The BOCES is exposed to various risks of loss related to injuries to employees, theft, damages, natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

### **B. Workers' Compensation**

As authorized by Article 5-G of the General Municipal Law, on July 1, 1991 the BOCES entered into municipal cooperation agreements to provide worker's compensation benefits to area school districts. The Board of Directors is composed of one representative from each participating district.

Membership in the plan may be offered to any component district of the BOCES with the approval of the Board of Directors. Such membership becomes effective on the first day of the calendar month following the adoption by the Board of Directors of the resolution to accept a new participant. The cash balance at June 30, 2017 was \$11,278,534 and is recorded in the Trust and Agency Fund. The BOCES made premium payments into the plan totaling \$579,073 during the 2016-17 fiscal year.

The Plan is audited on an annual basis and is available at the BOCES administrative offices. The most recent audit available for the year ended June 30, 2016, revealed that the Plan was in a deficit.

### **C. Dental Coverage**

The BOCES self insures for dental coverage for its employees. The BOCES uses a third party administrator who is responsible for processing claims and estimating liabilities. The BOCES does not carry excess insurance coverage relative to this Plan. The BOCES records expenditures as claims are presented for payment in accordance with the BC/BS schedule of allowances. Liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated.

	<u>2017</u>	<u>2016</u>
Beginning liabilities	\$ -	\$ -
Incurred claims	728,348	758,296
Claims payments	(728,348)	(758,296)
<b>Ending liabilities</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The following statistical information is presented:

	<b>Contribution</b>	<b>Actual Claim</b>
<u>Year</u>	<u>Revenue</u>	<u>Expense</u>
2017	\$ 728,348	\$ 728,348
2016	\$ 758,713	\$ 758,296
2015	\$ 694,514	\$ 667,694
2014	\$ 703,233	\$ 644,749
2013	\$ 646,834	\$ 640,202
2012	\$ 639,180	\$ 617,660
2011	\$ 631,442	\$ 631,705
2010	\$ 615,498	\$ 540,768
2009	\$ 625,351	\$ 650,932
2008	\$ 543,936	\$ 559,049

**D.     Unemployment**

BOCES employees are entitled to coverage under the New York State Unemployment Insurance Law. The BOCES has elected to discharge its liability to the New York State Unemployment Insurance Fund (the Fund) by the benefit reimbursement method, a dollar-for-dollar reimbursement to the fund for benefits paid from the fund to former employees. The BOCES has established a self insurance fund to pay these claims. The claim and judgment expenditures of this program for the 2016-17 fiscal year totaled \$25,511. The balance of the fund at June 30, 2017 was \$1,851,253 and is recorded in the General Fund as an Unemployment Insurance Reserve. In addition, as of June 30, 2017, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

**XI.    Commitments and Contingencies**

**A.     Litigation**

There is no significant litigation threatened or pending against the BOCES as of the date of this report.

**B.     Grants**

The BOCES has received grants, which are subject to audit by agencies of the State and Federal Governments. Such audits may result in disallowances and a request for a return of funds. Based on prior years' experience, the BOCES' administration believes disallowances, if any, will be immaterial.

**XII.   Lease Commitments and Leased Assets**

The BOCES leases property under the terms of its non-cancelable lease. Rental expense for the various property, for the year ended June 30, 2017 was \$892,000. Under the terms of the lease beyond the original term, the BOCES has an option to extend the lease for an additional ten (10) years with annual rental payments of \$200,000. In addition, the lessor has set aside 90% of the annual lease payment to reimburse the BOCES for capital repairs, structural additions and improvements.

Minimum annual rentals for each of the remaining years of the lease are as follows:

<b>Year Ending</b>		<b><u>Amount</u></b>
<b><u>June 30,</u></b>		
2018	\$	892,000
2019		892,000
2020		892,000
2021		892,000
2022		892,000
2023		892,000
<b>Total</b>	<b>\$</b>	<b><u><u>5,352,000</u></u></b>

**Required Supplemental Information**  
**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**ONTARIO, SENECA, YATES, CAYUGA AND WAYNE COUNTIES**  
**Schedule of Funding Progress**  
**of Post Employment Benefit Plan**  
**(Unaudited)**  
**For Year Ended June 30, 2017**

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4)	(5) Active Members Covered Payroll	(6)
				Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)		UAAL As a Percentage of Covered Payroll (4) / (5)
June 30,						
2009	\$ -	\$ 276,043	0.00%	\$ 276,043	\$ 125,633	219.72%
2011	\$ -	\$ 224,314	0.00%	\$ 224,314	\$ 123,263	181.98%
2013	\$ -	\$ 160,304	0.00%	\$ 160,304	not available	
2016	\$ -	\$ 281,197	0.00%	\$ 281,197	not available	

**Required Supplementary Information**  
**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**ONTARIO, SENECA, YATES, CAYUGA AND WAYNE COUNTIES**  
**Schedule of the BOCES's Proportionate Share of the Net Pension Liability**  
**(Unaudited)**  
**For Year Ended June 30, 2017**

<b>NYSERS Pension Plan</b>			
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Proportion of the net pension liability (assets)	0.0600%	0.0596%	0.0585%
Proportionate share of the net pension liability (assets)	\$ 5,635,553	\$ 9,566,428	\$ 1,975,971
Covered-employee payroll	\$ 16,228,577	\$ 15,116,156	\$ 15,611,100
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	34.726%	63.286%	12.657%
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.70%	97.90%
<b>NYSTRS Pension Plan</b>			
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Proportion of the net pension liability (assets)	0.1775%	0.1699%	0.1737%
Proportionate share of the net pension liability (assets)	\$ 1,900,935	\$ (17,650,421)	\$ (19,344,934)
Covered-employee payroll	\$ 29,193,295	\$ 31,402,982	\$ 27,052,748
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	6.512%	-56.206%	-71.508%
Plan fiduciary net position as a percentage of the total pension liability	99.01%	110.46%	111.48%

**Required Supplementary Information**  
**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**ONTARIO, SENECA, YATES, CAYUGA AND WAYNE COUNTIES**  
**Schedule of the BOCES's Proportionate Share of the Net Pension Liability**  
**Schedule of BOCES Contributions**  
**(Unaudited)**  
**For Year Ended June 30, 2017**

<b>NYSERS Pension Plan Last 10 Fiscal Years</b>			
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Contractually required contributions	\$ 2,366,383	\$ 2,539,492	\$ 2,983,651
Contributions in relation to the contractually required contribution	<u>(2,366,383)</u>	<u>(2,539,492)</u>	<u>(2,983,651)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 16,228,577	\$ 15,116,156	\$ 15,611,100
Contributions as a percentage of covered-employee payroll	14.58%	16.80%	19.11%
<b>NYSTRS Pension Plan Last 10 Fiscal Years</b>			
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Contractually required contributions	\$ 3,689,039	\$ 4,161,575	\$ 4,168,560
Contributions in relation to the contractually required contribution	<u>(3,689,039)</u>	<u>(4,161,575)</u>	<u>(4,168,560)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 29,193,295	\$ 31,402,982	\$ 27,052,748
Contributions as a percentage of covered-employee payroll	12.64%	13.25%	15.41%

**Required Supplemental Information**  
**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**ONTARIO, SENECA, YATES, CAYUGA AND WAYNE COUNTIES**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund**  
**(Unaudited)**  
**For Year Ended June 30, 2017**

<b><u>REVENUES</u></b>	<b><u>Original Budget</u></b>	<b><u>Revised Budget</u></b>	<b><u>Current Year's Revenues</u></b>	<b><u>Variance Favorable (Unfavorable)</u></b>
Administration 001	\$ 7,068,316	\$ 7,043,682	\$ 6,971,426	\$ (72,256)
Career and Tech Education 100-199	9,630,401	10,032,558	9,943,161	(89,397)
Instruction for Handicapped 200-299	36,499,494	46,855,709	44,095,524	(2,760,185)
Itinerant 300-399	5,170,542	5,895,746	6,034,236	138,490
General Instruction 400-499	5,118,179	5,749,126	5,616,035	(133,091)
Instructional Support 500-599	26,608,810	37,564,182	31,370,089	(6,194,093)
Other Services 600-699	<u>27,146,453</u>	<u>33,359,648</u>	<u>24,765,657</u>	<u>(8,593,991)</u>
<b>TOTAL REVENUES</b>	<b><u>\$ 117,242,195</u></b>	<b><u>\$ 146,500,651</u></b>	<b><u>\$ 128,796,128</u></b>	<b><u>\$ (17,704,523)</u></b>



**Required Supplemental Information**  
**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**ONTARIO, SENECA, YATES, CAYUGA AND WAYNE COUNTIES**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund**  
**(Unaudited)**  
**For Year Ended June 30, 2017**

<b><u>EXPENDITURES</u></b>	<b><u>Original Budget</u></b>	<b><u>Revised Budget</u></b>	<b><u>Current Year's Expenditures</u></b>	<b><u>Encumbrances</u></b>	<b><u>Variance Favorable (Unfavorable)</u></b>
Administration 001-002	\$ 7,068,316	\$ 7,043,682	\$ 6,936,796	\$ 60,981	\$ 45,905
Career and Tech Education 100-199	9,630,401	10,032,558	9,751,225	257,400	23,933
Instruction for Handicapped 200-299	36,499,494	46,855,709	41,767,736	1,417,395	3,670,578
Itinerant 300-399	5,170,542	5,895,746	5,806,992	7,533	81,221
General Instruction 400-499	5,118,179	5,749,126	5,313,332	35,492	400,302
Instructional Support 500-599	26,608,810	37,564,182	29,586,884	3,060,975	4,916,323
Other Services 600-699	27,146,453	33,359,648	23,710,494	850,693	8,798,461
<b>TOTAL EXPENDITURES</b>	<b>\$ 117,242,195</b>	<b>\$ 146,500,651</b>	<b>\$ 122,873,459</b>	<b>\$ 5,690,469</b>	<b>\$ 17,936,723</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,922,669</b>		

**Note to Required Supplementary Information:**

A reconciliation is not necessary since encumbrances are presented in a separate column on this schedule.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**ONTARIO, SENECA, YATES, CAYUGA AND WAYNE COUNTIES**  
**SCHEDULE OF CAPITAL PROJECTS FUND**  
**PROJECT EXPENDITURES AND FINANCING RESOURCES**  
**JUNE 30, 2017**

<b>Project Title</b>	<b>Expenditures</b>					<b>Unexpended Authorization</b>	<b>Methods of Financing</b>				<b>Fund Balance</b>
	<b>Original Appropriation</b>	<b>Revised Appropriation</b>	<b>Prior Year's</b>	<b>Current Year</b>	<b>Total</b>		<b>Local Sources</b>	<b>Obligations</b>	<b>Transfers</b>	<b>Total</b>	
Old Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,976
Installment Purchase Debt	322,014	322,014	-	322,014	322,014	-	-	322,014	-	322,014	-
WTCC/FLTCC Interior	2,600,000	2,600,000	366,356	2,105,088	2,471,444	128,556	750,000	-	2,485,467	3,235,467	764,023
Conference Center	6,243,300	9,142,700	8,244,438	666,033	8,910,471	232,229	5,521,417	-	(869,508)	4,651,909	(4,258,562)
HVAC Handicapped Site	50,000	50,000	10,658	34,517	45,175	4,825	-	-	100,000	100,000	54,825
CTE Equipment Reserve	100,000	280,000	-	264,515	264,515	15,485	264,515	-	-	264,515	-
<b>Total</b>	<b>\$ 9,315,314</b>	<b>\$ 12,394,714</b>	<b>\$ 8,621,452</b>	<b>\$ 3,392,167</b>	<b>\$12,013,619</b>	<b>\$ 381,095</b>	<b>\$ 6,535,932</b>	<b>\$ 322,014</b>	<b>\$ 1,715,959</b>	<b>\$ 8,573,905</b>	<b>\$ (3,407,738)</b>

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**ONTARIO, SENECA, YATES, CAYUGA AND WAYNE COUNTIES**  
**Analysis of Account A431 - School Districts**  
**For Year Ended June 30, 2017**

	<u>2017</u>
<b>July 1, 2016 - DEBIT (CREDIT) BALANCE</b>	<u>\$ 5,684,115</u>
<b>DEBITS:</b>	
Billings to school districts	\$ 122,865,519
Refund of balances made to school districts	1,789,165
Adjustment for prepaid items (net)	33,540
Encumbrances - June 30, 2017	<u>5,690,469</u>
<b>Total Debits</b>	<u>\$ 130,378,693</u>
<b>TOTAL</b>	<u>\$ 136,062,808</u>
<b>CREDITS:</b>	
Collections from school districts	\$ 122,092,855
Adjustment - credits to school districts - revenues in excess of expenditures	5,922,669
Other Adjustments - refunds from other BOCES	814,571
Encumbrances - June 30, 2016	<u>4,042,567</u>
<b>Total Credits</b>	<u>\$ 132,872,662</u>
<b>JUNE 30, 2017 - DEBIT (CREDIT) BALANCE</b>	<u><u>\$ 3,190,146</u></u>

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**ONTARIO, SENECA, YATES, CAYUGA AND WAYNE COUNTIES**  
**Schedule of Investment in Capital Assets, Net of Related Debt**  
**For Year Ended June 30, 2017**

<b>Capital assets, net</b>		<b>\$ 55,004,249</b>
----------------------------	--	----------------------

**Deduct:**

Short-term portion of bonds payable	\$ 610,000
-------------------------------------	------------

Long-term portion of bonds payable	4,145,000
------------------------------------	-----------

Short-term portion of capital leases	834,103
--------------------------------------	---------

Long-term portion of capital leases	<u>452,801</u>
-------------------------------------	----------------

<u>6,041,904</u>
------------------

Investment in capital assets, net of related debt	<u><u>\$ 48,962,345</u></u>
---	-----------------------------

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
ONTARIO, SENECA, YATES, CAYUGA AND WAYNE COUNTIES  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Grantor / Pass - Through Agency</u>	<u>CFDA</u>	<u>Grantor</u>	<u>Pass-Through</u>	<u>Total</u>
<u>Federal Award Cluster / Program</u>	<u>Number</u>	<u>Number</u>	<u>Agency</u>	<u>Expenditures</u>
<u>U.S Department of Agriculture:</u>				
<u>Direct Program:</u>				
Farm to School Planning Grant	10.575	CN-F2S-PLN-15-NY-19	N/A	\$ 5,508
<b>Total U.S. Department of Agriculture</b>				<b>\$ 5,508</b>
<u>U.S. Department of Labor:</u>				
<u>Indirect Program:</u>				
<u>Passed Through NYS Department of labor -</u>				
Unemployed Worker Training	17.278	N/A	T015373	\$ 24,000
Unemployed Worker Training	17.278	N/A	C015372	1,760
<b>Total U.S. Department of Labor</b>				<b>\$ 25,760</b>
<u>U.S. Department of Mental Health:</u>				
<u>Direct Program:</u>				
Project Aware - Now is the Time	93.243	1H79SMO619	N/A	\$ 8,276
<b>Total U.S. Department of Mental Health</b>				<b>\$ 8,276</b>
<u>U.S. Department of Education:</u>				
<u>Direct Program:</u>				
<u>Student Financial Assistance Program Cluster -</u>				
Pell Grant	84.063	15088	N/A	\$ 610,398
Federal Direct Student Loans	84.268	N/A	N/A	1,177,751
Total Student Loan Cluster				1,788,149
<u>Indirect Programs:</u>				
<u>Passed Through NYS Education Department -</u>				
VATEA II - Incarcerated	84.048A	N/A	8030-17-0033	61,615
VATEA II - Incarcerated	84.048A	N/A	8030-16-0033	3,271
VATEA II - Basic Grant	84.048A	N/A	8000-17-0033	270,740
WIA Title II Incarcerated	84.002A	N/A	0138-17-2019	204,866
WIA Title II Incarcerated	84.002A	N/A	0138-16-2019	11,038
<u>Special Education Cluster -</u>				
IDEA Part B - Discretionary	84.027	N/A	0031-17-0013	232,696
IDEA Part B - Discretionary	84.027	N/A	0031-16-0013	5,351
IDEA Part B - Discretionary/ SESIS	84.027	N/A	C-012211	242,920
IDEA Part B - Medicaid	84.334	N/A	C-008805	126,917
Total Special Education Cluster				607,884
<b>Total U.S. Department of Education</b>				<b>\$ 2,947,563</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<b>\$ 2,987,107</b>

**Raymond F. Wager, CPA, P.C.**  
**Certified Public Accountants**

**Shareholders:**

**Raymond F. Wager, CPA**  
**Thomas J. Lauffer, CPA**  
**Thomas C. Zuber, CPA**

Members of  
American Institute of  
Certified Public Accountants  
and  
New York State Society of  
Certified Public Accountants

**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***

**Independent Auditors' Report**

To the Board Members  
Board of Cooperative Educational Services  
Ontario, Seneca, Yates, Cayuga and Wayne Counties, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Cooperative Educational Services of Ontario, Seneca, Yates, Cayuga and Wayne Counties, New York, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Board of Cooperative Educational Services of Ontario, Seneca, Yates, Cayuga and Wayne Counties, New York's basic financial statements, and have issued our report thereon dated September 29, 2017.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Board of Cooperative Educational Services of Ontario, Seneca, Yates, Cayuga and Wayne Counties, New York's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board of Cooperative Educational Services of Ontario, Seneca, Yates, Cayuga and Wayne Counties, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board of Cooperative Educational Services of Ontario, Seneca, Yates, Cayuga and Wayne Counties, New York's internal control.

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

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

### ***Compliance and Other Matters***

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

### ***Purpose of this Report***

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

A handwritten signature in dark ink, reading "Raymond F. Wager CPA, PC". The signature is fluid and cursive, with the initials "R.F.W." being prominent.

September 29, 2017