

OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL
SERVICES

BASIC FINANCIAL STATEMENTS

For Year Ended June 30, 2018

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

TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditors' Report	1 - 3
Management's Discussion and Analysis (Unaudited)	4 - 11
Basic Financial Statements:	
Statement of Net Position	12
Statement of Activities and Changes in Net Position	13
Balance Sheet - Governmental Funds	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to Statement of Activities	16
Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position	17
Notes to Financial Statements:	18 - 43
Required Supplementary Information:	
Schedule of Changes in BOCES Total OPEB Liability and Related Ratio (Unaudited)	44
Schedule of the BOCES' Proportionate Share of the Net Pension Liability (Unaudited)	45
Schedule of BOCES Contributions (Unaudited)	46
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) And Actual - General Fund (Unaudited)	47 - 48
Supplementary Information:	
Analysis of Account A431 - School Districts	49
Schedule of Capital Projects Fund - Project Expenditures and Financing Resources	50
Net Investment in Capital Assets	51
Schedule of Expenditures of Federal Awards	52
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	53 - 54

INDEPENDENT AUDITORS' REPORT

To the Board Members
Oswego County
Board of Cooperative Educational Services, 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 Oswego County Board of Cooperative Educational Services, New York, as of and for the year ended June 30, 2018, 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 Oswego County Board of Cooperative Educational Services, New York, as of June 30, 2018, 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

As described in Note II to the financial statements, the BOCES adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, an amendment of GASB No. 68. As a result, the beginning net position has been restated.

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 4–11 and 44–48 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 Oswego County Board of Cooperative Educational Services, 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 24, 2018 on our consideration of the Oswego County Board of Cooperative Educational Services, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the BOCES' 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 Oswego County Board of Cooperative Educational Services, New York's internal control over financial reporting and compliance.

Raymond F. Wager, CPA, PC

Rochester, New York
September 24, 2018

**OSWEGO COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
MEXICO, NEW YORK**

Management's Discussion and Analysis (MD&A)

June 30, 2018

Introduction

This section of the audit report provides an overview of the financial activities of the Oswego County Board of Cooperative Educational Services (BOCES), located in Mexico, New York, for the year ended June 30, 2018. It should be read in conjunction with the basic financial statements, which immediately follow this section, to enhance understanding of the BOCES financial performance.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- ! The BOCES governmental fund financial statements report a combined ending fund balance of \$5,750,819 representing a decrease of \$20,640 from the prior year. The fund balance is comprised of: \$1,175,193 reserved in the General Fund for purposes of paying prior year obligations along with \$3,985,908 reserved for purposes of aiding the BOCES in long-term planning; \$1,529,891 held in the Capital Fund for construction and renovation; and (\$940,173) in the Special Aid Fund representing net shortfalls as a result of the faulty and insufficient reimbursement structure prescribed by New York State for preschool programs (note: the BOCES discontinued the operation of these programs as a result). The changes in the balances of each fund are as follows: General Fund decreased by \$235,054, (due to \$41,927 of decreases to reserves, mainly due to use of the CTE equipment reserve to purchase equipment for student programs, and a decrease of \$193,128 in funds needing to be carried forward to settle open purchases); Capital Fund decreased by \$18,088 (representing use of proceeds received from component districts to pay final closeout payments for the recently completed capital project); and Special Aid Fund increased by \$232,502 (mainly representing revenue due from grants that close beyond the end of the fiscal year).
- ! On the government-wide financial statements, the BOCES' assets are illustrated as being less than its liabilities by \$91,790,591, representing a decrease of \$108,912,663 from the prior year. This is largely attributed to adjustments required by the new GASB-75 to illustrate the actuarially determined liability for post-employment health insurance benefits in its entirety rather than using the annual phase-in approach previously allowed. The full calculation for this liability totals \$136,621,704 representing an increase of \$46,453,074 from the prior year. Contributing factors include an upward trend in staffing levels to support new programs being initiated at the request of component districts, as well as adjustments to the actuarial assumptions for factors such as inflation, real wage growth, wage inflation, salary increases including wage inflation, discount rates, Medicare and pre-Medicare factors. The amount applied to this year's statements as an adjustment to the opening entry for the start of the fiscal year was (\$105,240,305) resulting in an opening balance of (\$138,766,118). This was reduced by current year adjustments of (\$2,144,414), resulting in a net OPEB liability balance of (\$136,621,704). Without this requirement impacting the financial statements, total net position would only have shown a decrease of \$3,672,358, which is largely attributed to the net impact of adjustments for the BOCES' allocated share of the net pension liabilities for the ERS and TRS systems as required by GASB-68.

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 contain 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 could serve as a possible 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 few 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*.
- ! In general, BOCES' can maintain several individual operating funds including: General Fund, Special Aid Fund, School Store Fund, Capital Fund, Fixed Assets, Trust & Agency Fund, Private Purpose Trust Fund, Trust Funds-Nonexpendable, and Long Term Debt. Information is presented separately for "major funds" and in aggregate for "non-major funds" in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances. The BOCES maintains and reports the General Fund, the Special Aid Fund, and at this time, the Capital Fund as major funds.
- ! The BOCES adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund within the basic financial statements to illustrate end-of-year actual revenue and expenditure variances from the original budget.
- ! The *Fiduciary Funds* are used to account for assets held on behalf of others by the BOCES in an agency capacity. Fiduciary funds are not reflected in the government-wide financial statements 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 statement 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

As noted earlier, observing the Net Position over time could serve as a possible indicator of the BOCES' financial position. As of June 30, 2018 the government-wide financial statements illustrate the BOCES assets as being less than its liabilities by \$91,790,591.

Net Position

	<u>2018</u>	<u>2017</u>
Current Assets	\$ 23,029,816	\$ 20,575,803
Non-Current Capital Assets	40,888,237	40,784,246
Deferred Outflow of Resources	9,931,285	9,551,110
Total Assets & Deferred Resources	<u>\$ 73,849,338</u>	<u>\$ 70,911,159</u>
Current Liabilities	\$ 15,702,349	\$ 13,719,155
Long-term Liabilities	140,735,740	39,426,843
Deferred Inflow of Resources	9,201,840	643,089
Total Liabilities & Deferred Resources	<u>\$ 165,639,929</u>	<u>\$ 53,789,087</u>
Net Position:		
Investment in Capital Assets,		
Net of Related Debt	\$ 38,946,852	\$ 38,963,267
Restricted for Capital Projects	1,548,020	1,566,108
Restricted for Other Purposes	3,985,908	4,027,835
Unrestricted	(136,271,371)	(27,435,138)
Total Net Position	<u>\$ (91,790,591)</u>	<u>\$ 17,122,072</u>

The largest component of the BOCES' Net Position in the amount of \$38,946,852 reflects its investment in capital assets, less any outstanding debt for proceeds used to acquire those assets. The BOCES uses these capital assets (i.e.: equipment, furnishings, infrastructure items, etc.) to provide services to the students and districts, and therefore they are not available for future spending. Although the BOCES' investment in 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 must be retained to facilitate the delivery of educational services.

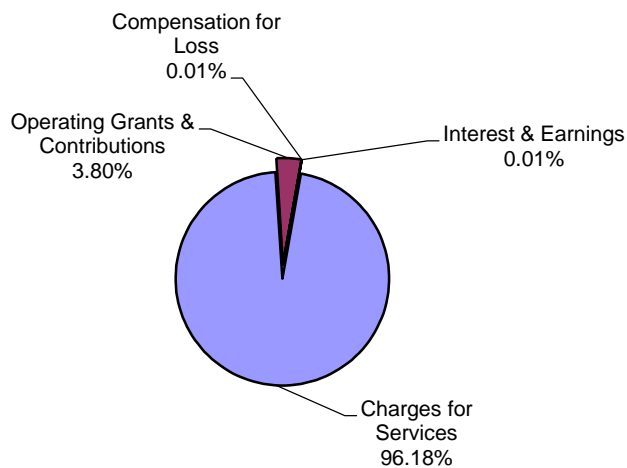
Another component of Net Position in the amount of \$1,548,020 represents unspent funds collected from component districts and intended to be used for capital renovation projects. In addition, the category of "Restricted for Other Purposes" in the amount of \$3,985,908 represents the total amount of reserve funds held by BOCES. The remaining balance of Net Position totalling (\$136,271,371) is considered unrestricted. As evident in the table, this category decreased from last year by \$108,836,233. The overall negative value is directly attributed to the GASB-75 requirement of representing actuarially estimated liabilities for post-employment health insurance benefits, and the large negative spike for this year is due to the new requirement to include it all at once. Previously, BOCES had been electing to phase this value in over a 30 year schedule, as was permissible prior to the new rule taking effect.

As illustrated in the table to follow, an opening adjustment was made in net position from year-end 2017 to year-begin 2018 in the amount of (\$105,240,305), which was needed to represent liabilities relative to the new GASB-75 requirement. The aggregate change in Net Position was (\$3,672,358), which represents a "non-GASB-75" decline, mainly attributed to the net impact of adjustments for our organizations allocated share of the net pension liabilities for the ERS and TRS systems as required by GASB-68. Additionally as observed in the table, the overall up-swells in both revenues and expenses were due to increases in general fund activity for new programs/services initiated at the request of component school districts.

Activities and Changes in Net Position

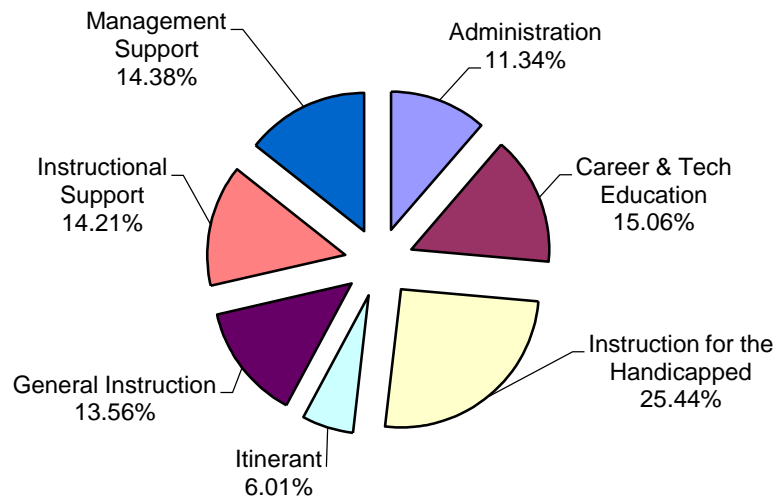
Revenues:	2018	2017
Program Revenues		
Charges for Services	\$ 58,800,065	\$ 51,810,912
Operating Grants and Contributions	2,324,771	2,531,810
Total Program Revenues	<u>\$ 61,124,836</u>	<u>\$ 54,342,722</u>
General Revenues		
Investment Earnings	\$ 3,196	\$ 3,736
Compensation for loss	5,454	4,775
Total General Revenues	<u>\$ 8,650</u>	<u>\$ 8,511</u>
Total Revenues	<u>\$ 61,133,486</u>	<u>\$ 54,351,233</u>
Program Expenses		
Administration	\$ 7,347,331	\$ 6,595,822
Career & Tech Education	9,756,606	8,435,051
Instruction for the Handicapped	16,485,891	15,032,565
Itinerant Services	3,896,020	4,158,881
General Instruction	8,786,224	6,475,664
Instructional Support	9,212,568	8,734,223
Other Services	9,321,204	7,028,433
Total Expenses	<u>\$ 64,805,844</u>	<u>\$ 56,460,639</u>
Change in Net Position	\$ (3,672,358)	\$ (2,109,406)
Net Position, Beginning of Year (restated)	(88,118,233)	19,231,478
Net Position, End of Year	<u><u>\$ (91,790,591)</u></u>	<u><u>\$ 17,122,072</u></u>

Sources of Revenue for Fiscal Year 2018 - Governmental Activities



The pie chart clearly illustrates heavy reliance on services to school districts as the primary revenue source (approximately 96% of total revenues). The BOCES also utilizes operating grants and contributions from the federal, state and other local governments, which represented less than 4% of total revenues. These grants allow BOCES to operate additional programs and services on a targeted basis without requiring districts to contribute. As noted in the table above, this category decreased from the prior year due to revenue, which was previously contributed by districts and held in the Special Aid Fund, being used to support the PTECH program.

Program Expenses for Fiscal Year 2018 -Governmental Activities



As noted in this graph, the BOCES' Exceptional (Special) Education programs account about 25%, or close to one-quarter of total expenses. These services are requested by component school districts based on the requirements outlined in students' Individualized Education Plans.

Career and Technical Education represents just over 15% of total expenses. The main goal of CTE is to promote strategies for student achievement and success in their continued education or quest for post secondary employment. In support of this goal, the BOCES and component districts continually consider new programs that will offer relevancy to the current job market, and also work collaboratively with business/industry partners to obtain feedback about skills students will need for success in the evolving workplace.

Instructional Support represents just over 14% and Management Support also represents just over 14%. The expenditures for each group are determined by the level of district service requests. The Instructional Support programs focus on providing support for the direct instruction of students. Services consist of: training for teachers, statistical analysis & planning, acquisition of equipment or supplies, duplication of materials, library support, and technology hardware and software support. The Management Support category provides services to the business, managerial and non-instructional aspects of school district operations such as Cooperative Purchasing, Safety & Risk Management, and Substitute Teacher Coordination.

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 distribution could serve as a possible measure of a government's consistency in budgeting from year to year.

As of the end of the fiscal year, the BOCES' governmental funds reported combined fund balances of \$5,750,819, a nominal decrease of \$20,640 from the prior year. Of the total combined fund balances, \$1,529,891 constitutes fund balance in the Capital fund, which is intended to fund capital improvement work as needed. Additionally, (\$940,173) represents fund balance in the Special Aid fund. This negative amount was caused by New York State's approach of setting insufficient rates for reimbursement of preschool programs & services, and then freezing them for multiple years. The rate setting process has been finalized by the State for all years the programs were in operation and all eligible outstanding revenue has been recouped from the County of Oswego as allowed by law. However, as illustrated by the fund balance figure, a significant deficit still remains and there is no known legal mechanism for BOCES to recoup revenue.

It is worth reiterating that in order to avoid accumulation of ongoing deficits, BOCES permanently ceased operation of its preschool programs during the 2010-11 school year and assisted the County of Oswego in transitioning programs to private providers. Oswego is not the only BOCES in this situation and as they occur, is participating in conversations with state officials and other BOCES to explore how this may be rectified. Among the possible solutions is to work with component districts to fund the outstanding balances, but it remains unclear whether districts have legal authority to fund these expenses.

The remainder of the combined fund balances reside in General Fund reserves to indicate that they are earmarked for certain purposes and not available for general spending. The reserve categories include: encumbrances of \$1,175,193; liability, casualty, and other types of losses of \$469,061; unemployment insurance of \$549,787; employee post-employment benefits of \$913,621; retirement contribution of \$1,467,660 to assist with required employer contributions toward the retirement benefits of employees belonging to the New York State Employees Retirement System; and an equipment reserve in the amount of \$585,779, used to set aside funds toward the purchase of new or replacement equipment for the Career & Technical Education (CTE) program. This program offers courses in the trades, some of which require expensive equipment items (i.e.: backhoe, loader, dump truck, simulators, large scale kitchen equipment, etc.).

General Fund Budgetary Highlights

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 \$5,161,101, which represents a decrease of \$235,054 from the prior year. As previously mentioned, these funds have been set aside in reserves to assist with long-term financial planning for the BOCES. The drop is attributed mainly to a decrease of \$193,128 in funds needed to closeout prior year purchases, as well as net decreases to reserves of \$41,926. The decrease in reserve balances was mainly a result of using the CTE Equipment Reserve to purchase technologically advanced equipment to be used in student programs.

Net of amounts carried over from the prior year, at year-end the final aggregate expenditures & encumbrances for the General Fund came in approximately \$196,840 less than originally budgeted. The net overage is from a combination of decreased program expenses largely made-up by increases in district spending on BOCES facilitated purchases and cross contracted services from other BOCES. Program savings were realized due to a number of variables including attrition, positions not being needed, offsets from Medicaid, and tentative plans for more costly relocation not being needed, as well as savings in claims costs for the self-funded health insurance plan of approximately \$1.4m. Other miscellaneous underspends were also realized in program supplies, use of consultants & service/repair contracts, staff conference & travel expenses, utility costs as a result of milder temperatures, favorable rates realized from participation in an energy consortium & the federal e-rate telecommunications reimbursement program.

In addition to the savings discussed above, the BOCES realized greater revenues of just under \$5.4m than were anticipated during budget development. This is attributed to: (a) receipt of federal e-rate program reimbursements and prior year refunds from other BOCES on behalf of component school districts in the combined amount of \$1,234,378; and (b) receipt of tuition and service payments from districts for participation in newly requested programs and cross-contracted services. Revenue for Oswego BOCES programs and services came in above budget by \$2,383,649, and revenue for cross-contract participation with other BOCES was up by \$1,574,758. Given these factors, the overall year-end revenues exceeded expenditures and encumbrances by \$5,389,625. In accordance with Education Law, this balance is to be refunded to school districts as a surplus distribution during the next fiscal year.

Capital Assets

As of June 30, 2018 the BOCES had \$40,888,237 in total capital assets, net of accumulated depreciation. This represents an increase of \$103,991 over the prior year. These assets are invested in a range of categories including land, buildings, capital improvement work in progress, and machinery & equipment. The change in capital assets net of accumulated depreciation is reflected in the following chart.

<u>Class</u>	<u>2018</u>	<u>2017</u>
Land	\$ 312,500	\$ 312,500
Work in Progress	-	37,733,808
Other Capital Assets	40,575,737	2,737,938
Total Capital Assets, net of Accumulated depreciation	<u>\$ 40,888,237</u>	<u>\$ 40,784,246</u>

The drop illustrated in the “Work in Progress” category represents capital project improvement work having been finalized. These assets shifted into the “Other Capital Assets” category, which was also impacted by an uptick in asset acquisitions due to program expansions and moves during the fiscal year.

Long- Term and Revenue Anticipation Note Obligations

As of June 30, 2018, the BOCES had outstanding Long-term obligations, as follows:

	<u>2018</u>	<u>2017</u>
Installment Purchase Debt	\$ 262,256	\$ -
Energy Perform. Contract	\$ 1,661,000	\$ 1,802,850
Compensated Absences	1,692,367	1,871,709
Net Pension Liability	498,413	2,226,471
OPEB	136,621,704	138,766,118
Total	<u>\$ 140,735,740</u>	<u>\$ 144,667,148</u>

The Installment Purchase Debt is a result of technology equipment purchases newly facilitated by BOCES on behalf of one component school district. A contract exists with the district which obligates them to the annual installment debt payments. The Energy Performance Contract (EPC) item represents liabilities to pay for energy efficiency work pursued in conjunction with the previous renovation project. In keeping with the intent of EPC's, there is no local cost experienced relative to this work as the energy savings along with the state aid is projected to more than offset the costs of the annual lease payment. Full recouping of the obligation is projected over a period of 18 years, and fiscal energy savings will be rendered thereafter in perpetuity. The decrease in this line represents the reduction of debt by one annual payment for last year.

The Compensated Absences category represents an aggregated amount of compensation for which BOCES is obligated to pay employees for unused absences in the event of separation from service. Compensated Absences illustrated in the chart have decreased by \$179,342, due to net downticks in accumulated leave balances as a result of veteran staff retirements (removing larger personal balances from the total and leaving behind balances for less veteran and new staff who haven't yet accumulated similar totals). In addition, use of days by active staff during the course of the school year also played a role in the decrease.

As required by GASB-68, the NYS Employee and Teacher Retirement Systems are required to calculate and supply the Net Pension Liability estimate for all entities who have contributing members, which needs to be reflected in the basic financial statements. The figures supplied this year by the systems as the net pension liabilities for BOCES, based on their actuarial assumptions regarding fund performance, are as follows: NYSERS estimates (\$1,131,376), and NYSTRS estimates \$632,963, for a combined total liability of (\$498,413).

Lastly, the OPEB line represents the estimated value for Other Post-Employment Benefits, which appears in response to the requirements of GASB-75. As mentioned earlier, the full calculated liability is estimated at \$136,621,704, and beginning with this year's financial statements the liability is being fully represented. The amount applied to this year's statements to meet this requirement is \$103,095,891.

Factors bearing on the BOCES' future

Declining Enrollment

Oswego County school districts have been experiencing steady annual declines in student population for almost two decades. From school years 1998-99 to 2017-18, the Resident Weighted Average Daily Attendance (RWADA) factor has dropped by 7,191 units from 27,162 to 19,971. This reduction represents a 26.5% decline over this period, but it is important to note that this does not necessarily translate to a decline in BOCES enrollment. Other factors play roles in those trends such as student needs based on Individualized Education Plans as determined by districts, district pursuit of new programs, societal & economic forces and student choice. However, continued countywide enrollment decline is a factor that could produce an impact.

Evidence of Program Expansion

Career & Technical Education (CTE) was approved in the recent past as a pathway for high-school graduation. As such, BOCES is experiencing increased student and district interest in technical trade programming as an option for pursuit of a degree. Furthermore, districts requested BOCES adjust programming during this fiscal year to allow full-day attendance in CTE programs, which have traditionally been half-day. This allows students opportunity to complete their required coursework for graduation at BOCES in lieu of returning to their district. In addition, districts have expanded requests for Exceptional Education and Alternative Education programs. Expansion in student programs not only benefits the students of Oswego County, but also strengthens the BOCES with greater enrollment and revenue.

Other Legislative Indicators

Factors such as trends in the New York State budget that "flat-line" fiscal aid to schools as well as legislation limiting the amount of tax revenues school districts can levy, are shaping the fiscal landscape and impacting district decisions. Revenue limitations experienced by districts could play themselves out in two ways: (a) districts could choose to pull-back on shared services, or (b) districts could migrate more strongly toward shared services as an alternative to funding programs on their own. Another key factor is that New York State provides a partial reimbursement incentive for districts to participate in shared services ("BOCES Aid" is generated from expenditures on activities shared through BOCES), which may cause districts to expend [their limited] resources in this manner to maximize state aid. Pursuing services that maintain programs for students and drive additional dollars to districts may result in an upswing in BOCES operations, even in the face of challenging fiscal conditions for districts.

Requests for Information

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

Oswego County_BOCES
Attn: Michael J. Sheperd, Assistant Superintendent for Administrative Services
179 County Route 64, Mexico, NY 13114
(315) 963-4260

OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Statement of Net Position
June 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 10,650,163
Accounts receivable	11,746,690
Long term net pension asset	632,963
Capital Assets:	
Land	312,500
Other capital assets (net of depreciation)	40,575,737
TOTAL ASSETS	<u>\$ 63,918,053</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow of resources	<u>\$ 9,931,285</u>
LIABILITIES	
Accounts payable	\$ 845,788
Accrued liabilities	32,571
Unearned revenue	1,519,584
Due to other governments	50,143
State aid due to districts	9,621,189
Due to school districts	1,819,265
Due to teachers' retirement system	1,658,802
Due to employees' retirement system	155,007
Long-Term Obligations:	
Due in one year	1,201,958
Due in more than one year	139,533,782
TOTAL LIABILITIES	<u>\$ 156,438,089</u>
DEFERRED INFLOW OF RESOURCES	
Deferred inflow of resources	<u>\$ 9,201,840</u>
NET POSITION	
Net investment in capital assets	\$ 38,946,852
Restricted For:	
Capital projects	1,548,020
CTE equipment reserve	585,779
Retirement contribution reserve	1,467,660
Unemployment reserve	549,787
Accrued benefit liability reserve	913,621
Liability reserve	469,061
Unrestricted	(136,271,371)
TOTAL NET POSITION	<u>\$ (91,790,591)</u>

(See accompanying notes to financial statements)

OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Statement of Activities and Changes in Net Position
For Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense)
		<u>Charges for</u>	<u>Operating</u> <u>Grants and</u>	<u>Revenue and</u> <u>Changes in</u> <u>Net Position</u>
		<u>Services</u>	<u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Primary Government -				
Administration	\$ 7,347,331	\$ 7,253,701	\$ -	\$ (93,630)
Career & tech education	9,756,606	8,364,718	370,411	(1,021,477)
Instruction for the handicapped	16,485,891	14,396,056	404,879	(1,684,956)
Itinerant services	3,896,020	2,634,526	-	(1,261,494)
General instruction	8,786,224	7,294,419	955,585	(536,220)
Instructional support	9,212,568	9,056,451	525,679	369,561
Other services	9,321,204	9,800,195	68,217	547,208
Total Primary Government	\$ 64,805,844	\$ 58,800,065	\$ 2,324,771	\$ (3,681,008)
General Revenues:				
				\$ 3,196
Interest and Earnings				\$ 3,196
Sale of property and compensation for loss				5,454
Total General Revenues				\$ 8,650
Changes in Net Position				\$ (3,672,358)
Net Position, Beginning of Year (restated)				(88,118,233)
Net Position, End of Year				\$ (91,790,591)

(See accompanying notes to financial statements)

OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Special Aid Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 8,501,627	\$ 618,645	\$ 1,529,891	\$ 10,650,163
Receivables	10,625,329	1,121,361	-	11,746,690
Due from other funds	810,563	-	-	810,563
TOTAL ASSETS	\$ 19,937,519	\$ 1,740,006	\$ 1,529,891	\$ 23,207,416
LIABILITIES AND FUND BALANCE				
<u>Liabilities</u> -				
Accounts payable	\$ 762,849	\$ 82,939	\$ -	\$ 845,788
Accrued liabilities	943,685	32,571	-	976,256
Due to other funds	-	810,563	-	810,563
Due to other governments	-	50,143	-	50,143
State aid due to districts	9,621,189	-	-	9,621,189
Due to districts	1,819,265	-	-	1,819,265
Due to TRS	1,476,755	182,047	-	1,658,802
Due to ERS	152,675	2,332	-	155,007
Unearned revenues	-	1,519,584	-	1,519,584
TOTAL LIABILITIES	\$ 14,776,418	\$ 2,680,179	\$ -	\$ 17,456,597
<u>Fund Balances</u> -				
Restricted	\$ 3,985,908	\$ -	\$ 1,548,020	\$ 5,533,928
Assigned	1,175,193	257,650	-	1,432,843
Unassigned	-	(1,197,823)	(18,129)	(1,215,952)
TOTAL FUND BALANCE	\$ 5,161,101	\$ (940,173)	\$ 1,529,891	\$ 5,750,819
TOTAL LIABILITIES AND FUND BALANCES	\$ 19,937,519	\$ 1,740,006	\$ 1,529,891	

**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.	40,888,237
The following long-term obligations are not due and payable in the current period and therefore are not reported in the governmental funds:	
OPEB	(136,621,704)
Compensated absences	(748,682)
Energy performance contract & Installment purchase debt	(1,923,256)
Net pension asset	632,963
Deferred outflow of resources - pension	9,931,285
Net pension liability	(498,413)
Deferred inflow of resources - pension	(3,518,727)
Deferred inflow of resources - OPEB	(5,683,113)
Net Position of Governmental Activities	\$ (91,790,591)

OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For Year Ended June 30, 2018

	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Charges for services	\$ 4,988	\$ 880,543	\$ -	\$ 885,531
Charges to components	54,611,150	1,320,620	-	55,931,770
Charges to non-components and other BOCES	3,738,368	168,045	-	3,906,413
Interest and earnings	425	-	154	579
Sale of property and compensation for loss	5,454	-	-	5,454
Miscellaneous	1,864,888	1,601,221	-	3,466,109
State sources	-	823,517	-	823,517
Federal sources	-	1,501,254	-	1,501,254
TOTAL REVENUES	<u>\$ 60,225,273</u>	<u>\$ 6,295,200</u>	<u>\$ 154</u>	<u>\$ 66,520,627</u>
EXPENDITURES				
Administration	\$ 7,294,675	\$ -	\$ -	\$ 7,294,675
Career and tech education	7,780,546	1,060,906	-	8,841,452
Instruction for the handicapped	13,468,930	1,569,434	-	15,038,364
Itinerant services	2,634,947	968,373	-	3,603,320
General instruction	7,453,624	541,865	-	7,995,489
Instructional support	8,769,803	380,466	-	9,150,269
Other services	7,626,117	1,541,654	-	9,167,771
Capital outlay	-	-	413,018	413,018
TOTAL EXPENDITURES	<u>\$ 55,028,642</u>	<u>\$ 6,062,698</u>	<u>\$ 413,018</u>	<u>\$ 61,504,358</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 5,196,631</u>	<u>\$ 232,502</u>	<u>\$ (412,864)</u>	<u>\$ 5,016,269</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from installment debt	\$ -	\$ -	\$ 394,776	\$ 394,776
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 394,776</u>	<u>\$ 394,776</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 5,196,631</u>	<u>\$ 232,502</u>	<u>\$ (18,088)</u>	<u>\$ 5,411,045</u>
OTHER CHANGES IN FUND BALANCE				
Surplus to be distributed	(5,389,758)	-	-	(5,389,758)
Net unemployment reserve transactions	354	-	-	354
Net capital reserve transactions	(36,954)	-	-	(36,954)
Net retirement contribution reserve transactions	974	-	-	974
Net EBALR reserve transactions	(6,617)	-	-	(6,617)
Net liability retention transactions	316	-	-	316
FUND BALANCE, BEGINNING OF YEAR	<u>5,396,155</u>	<u>(1,172,675)</u>	<u>1,547,979</u>	<u>5,771,459</u>
FUND BALANCE, END OF YEAR	<u>\$ 5,161,101</u>	<u>\$ (940,173)</u>	<u>\$ 1,529,891</u>	<u>\$ 5,750,819</u>

(See accompanying notes to financial statements)

OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Reconciliation of Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances to Statement of Activities
For Year Ended June 30, 2018

NET CHANGE IN FUND BALANCES -

TOTAL GOVERNMENTAL FUNDS	\$	(20,640)
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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	\$	413,018	
Addition of Assets, Net		290,867	
Depreciation		<u>(599,894)</u>	
			103,991

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	\$	274,370	
Proceeds from Debt Issuance		<u>(394,776)</u>	
			(120,406)

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.		(3,538,699)
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(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		(159,491)	
Employees' Retirement System		25,048	

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		<u>37,839</u>	
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>(3,672,358)</u>
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OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Statement of Fiduciary Net Position
June 30, 2018

	Private Purpose Trust	Agency Funds
Assets		
Current Assets		
Cash and cash equivalents	\$ 61,669	\$ 2,895,956
Accounts receivable	-	1,252
Total Assets	<u>\$ 61,669</u>	<u>\$ 2,897,208</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ -	\$ 778,551
Student activity balance	-	28,748
Other liabilities	-	24,007
Other liabilities - health, dental, vision	-	2,065,902
Total liabilities	<u>\$ -</u>	<u>\$ 2,897,208</u>
Net Assets		
Restricted for scholarships	\$ 61,669	
Total Net Assets	<u>\$ 61,669</u>	

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2018

	Private Purpose Trust
Additions	
Interest and earnings	\$ 399
Donations	500
Deductions	
Scholarships and other trust expenses	<u>(1,797)</u>
Change in Net Assets	\$ (898)
Net Assets, Beginning of Year	<u>62,567</u>
Net Assets, End of Year	<u>\$ 61,669</u>

OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES

Notes To The Basic Financial Statements

June 30, 2018

I. Summary of Significant Accounting Policies:

The financial statements of the Oswego County Board of Cooperative Educational Services, 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 Oswego County Board of Cooperative Educational Services 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 nine school districts:

Altmar-Parish-Williamstown	Hannibal	Phoenix
Central Square	Mexico Academy	Pulaski
Fulton	Oswego City	Sandy Creek

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.

(I.) (Continued)

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' 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. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the BOCES' business office. The BOCES accounts for assets held as an agency for various student organizations in an agency fund.

B. Basis of Presentation

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 program 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. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. 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.

2. Fund 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. All remaining governmental funds are aggregated and reported as nonmajor funds.

The BOCES reports the following governmental funds:

(I.) (Continued)

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.

b. **Non-Major Governmental Funds**

Capital Projects Fund - Used to account for the acquisition construction or major repair of capital facilities.

c. **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**

Accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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. Component tuitions together with state and federal aid for grants are susceptible to accrual and have been recognized as revenues of the current fiscal period.

(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 VII 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, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses/expenditures 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 net of an allowance for uncollectible accounts, when applicable.

No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

I. Inventory and Prepaid Items

Inventories of food and/or supplies for school lunch are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value which approximates market. Purchases of inventorable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Prepaid items represent payments made by the BOCES for which benefits extend beyond year end. These 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. These items are reported as assets on the statement of net position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

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 \$5,000 is used to report capital assets. The range of estimated useful lives by type of assets is as follows:

(I.) (Continued)

<u>Class</u>	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	\$ 50,000	SL	25-50 Years
Machinery and Equipment	\$ 5,000	SL	5-20 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.

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. 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. The first 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. Second 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 has one item that 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.

M. 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. BOCES has funded vested sick days for all employees aged 40 and over based on the contractual agreements in effect at the balance sheet date. The BOCES estimates those employees older than age 55 to be current.

(I.) (Continued)

For governmental activities, the current portion of this liability is accrued in the appropriate fund and any long-term portion has been reported as part of the employee benefit accrued liability reserve. On the BOCES-wide Statement of Net Assets these amounts are reported as long-term obligations with the current amount reported as due in one year and the long term portion is reported as due in more than one year.

N. Other Benefits

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

BOCES employees may choose to participate in the BOCES' elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

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.

O. 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.

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. **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 - Established to fund the purchase of new technology equipment in accordance with New York State guidelines.

Employee Benefit Accrued Liability Reserve - According to General Municipal Law §6-p, must be used 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.

Liability Reserve - As allowed by Education Law Sections 1709.8-c and 1950.4-cc, is used to pay for property loss and liability claims incurred. This reserve may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve may be utilized only by school districts, except a city school district with a population greater than 125,000. This reserve is accounted for in the General Fund.

Retirement Contribution Reserve - According to General Municipal Law §6-r, must be used 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.

Unemployment Insurance Reserve - According to General Municipal Law §6-m, must be 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.

(I.) (Continued)

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 and the School Lunch 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 -

CTE Equipment Reserve	\$ 585,779
Employee Benefit Accrued Liability	913,621
Liability	469,061
Retirement Contribution	1,467,660
Unemployment	549,787

Capital Fund -

Waterline Project	58,106
BOCES-wide Project-2011	1,489,914
Total Restricted Funds	<u><u>\$ 5,533,928</u></u>

b. **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, management has determined are amounts in excess of \$77,000 which are summarized below:

- \$409,585 for Career and Technical Education
- \$353,406 for Instruction for the Handicapped
- \$106,433 for Itinerant Services
- \$136,357 for General Instruction

(I.) (Continued)

Assigned fund balances include the following:

<u>General Fund Encumbrances -</u>	
Administration	\$ 43,114
Career and Tech Education	409,585
Instruction for the Handicapped	353,406
Itinerant	106,433
General Instruction	136,357
Instructional Support	83,325
Other Services	42,973
Total General Fund Encumbrances	\$ 1,175,193
<u>Special Aid Assigned Fund Balances</u>	
General Instruction	257,650
Total Special Aid Fund	\$ 257,650
Total Assigned Fund Balance	\$ 1,432,843

c. **Unassigned Fund Balance** –Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the BOCES. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.

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.

Q. New Accounting Standards

The BOCES has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2018, the BOCES implemented the following new standards issued by GASB:

The GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

GASB has issued Statement 85, *Omnibus 2017*.

GASB has issued Statement 86, *Certain Debt Extinguishment Issues*.

(I.) (Continued)

R. Future Changes in Accounting Standards

GASB has issued Statement 83, *Certain Asset Retirement Obligations*, which will be effective for reporting periods beginning after June 15, 2018.

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

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

GASB has issued Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, which will be effective for reporting periods beginning after December 15, 2019.

GASB has issued Statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for reporting 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. Restatement of Net Position

For the fiscal year ended June 30, 2018, the BOCES implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The BOCES' net position has been restated as follows:

	<u>Districtwide Statements</u>
	<u>Governmental Activities</u>
Net position beginning of year, as previously stated	\$ 17,122,072
Increase to OPEB liability	<u>(105,240,305)</u>
Net position beginning of year, as restated	<u><u>\$ (88,118,233)</u></u>

III. Changes in Accounting Principles

For the fiscal year ended June 30, 2018, the BOCES implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of the statement requires Districts to report Other Postemployment Benefits (OPEB) liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB. See Note II for the financial statement impact of implementation of the Statements.

IV. 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' 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 BOCES' 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.

Budget(s) 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.

C. Deficit Net Position

The BOCES-wide net position had a deficit at June 30, 2018 of \$91,790,591. The deficit is the result of the implementation of GASB Statement 75, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", which required the recognition of an unfunded liability of \$136,621,704 at June 30, 2018. Since New York State Laws provide no mechanism for funding the liability, the subsequent accruals are expected to increase the deficit.

B. Deficit Fund Balances

1. Special Aid Fund

The Pre-school/Summer School program reports a deficit fund balance totaling \$1,198,363. As a result of this program deficit, the overall fund balance of the Special Aid Fund reports a deficit of \$940,173. The BOCES has decided to transition the Pre-school program to a private sector and is working to enhance the health occupations program.

(IV.) (Continued)

2. **Capital Projects Fund**

The Capital Projects Fund had a deficit unassigned fund balance of \$18,129 at June 30, 2018, which is a result of expenses incurred by the wind turbine project before receiving permanent financing.

V. **Cash and Cash Equivalents**

Custodial credit risk is the risk that in the event of a bank failure, the BOCES' 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	14,238,584
Collateralized within Trust department or agent	<u>1,279,891</u>
Total	<u>\$ 15,518,475</u>

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 \$5,533,928 within the governmental funds and \$61,669 in the fiduciary funds.

VI. **Receivables**

Receivables at June 30, 2018 for individual major funds and nonmajor funds, including the 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 - Charges for Services	\$ 225,589	\$ 523,971	\$ 749,560
Accounts Receivable - Agency Funds	778,551	-	778,551
Due From State and Federal	9,621,189	597,390	10,218,579
Total	<u>\$ 10,625,329</u>	<u>\$ 1,121,361</u>	<u>\$ 11,746,690</u>

VII. Interfund Receivables and Payables

Interfund Receivables and Payables at June 30, 2018 were as follows:

	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 810,563	\$ -
Special Aid Fund	-	810,563
Total government activities	\$ 810,563	\$ 810,563

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.

VIII. Capital Assets

Capital asset balances and activity were as follows:

<u>Type</u>	<u>Balance 7/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2018</u>
<u>Governmental Activities:</u>				
<u>Capital assets that are not depreciated -</u>				
Land	\$ 312,500	\$ -	\$ -	\$ 312,500
Work in progress	37,733,808	413,018	(38,146,826)	-
<i>Total Nondepreciable</i>	<u>\$ 38,046,308</u>	<u>\$ 413,018</u>	<u>\$ (38,146,826)</u>	<u>\$ 312,500</u>
<u>Capital assets that are depreciated -</u>				
Buildings and improvements	\$ 7,022,307	\$ 37,720,525	\$ -	\$ 44,742,832
Machinery and equipment	4,346,825	717,168	(77,252)	4,986,741
<i>Total Depreciated Assets</i>	<u>\$ 11,369,132</u>	<u>\$ 38,437,693</u>	<u>\$ (77,252)</u>	<u>\$ 49,729,573</u>
<u>Less accumulated depreciation -</u>				
Buildings and improvements	\$ 5,640,885	\$ 550,580	\$ -	\$ 6,191,465
Machinery and equipment	2,990,309	49,314	(77,252)	2,962,371
<i>Total accumulated depreciation</i>	<u>\$ 8,631,194</u>	<u>\$ 599,894</u>	<u>\$ (77,252)</u>	<u>\$ 9,153,836</u>
<i>Total capital assets depreciated, net of accumulated depreciation</i>	<u>\$ 2,737,938</u>	<u>\$ 37,837,799</u>	<u>\$ -</u>	<u>\$ 40,575,737</u>
Total Capital Assets	<u>\$ 40,784,246</u>	<u>\$ 38,250,817</u>	<u>\$ (38,146,826)</u>	<u>\$ 40,888,237</u>

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

<u>Governmental Activities:</u>	
Administration	\$ 18,755
Career and Tech Education	240,816
Instruction for the Handicapped	186,854
Itinerant Services	11,052
General Instruction	107,248
Instructional Support	29,124
Other Services	6,045
Total Depreciation Expense	<u>\$ 599,894</u>

X. Long-Term Debt Obligations

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

Governmental Activities:	Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018	Due Within One Year
<u>Bonds and Notes Payable -</u>					
Installment Purchase					
Debt	\$ -	\$ 394,776	\$ 132,520	\$ 262,256	\$ 129,273
Energy Performance					
Contracts	1,802,850	-	141,850	1,661,000	129,000
Total Bonds and Notes Payable	\$ -	\$ 394,776	\$ 274,370	\$ 1,923,256	\$ 258,273
<u>Other Liabilities -</u>					
Compensated Absences	\$ 1,871,709	\$ -	\$ 179,342	\$ 1,692,367	\$ 943,685
Net Pension Liability	2,226,471	-	1,728,058	498,413	-
OPEB Liability	138,766,118	-	2,144,414	136,621,704	-
Total Other Liabilities	\$ 142,864,298	\$ -	\$ 4,051,814	\$ 138,812,484	\$ 943,685
Total Long-Term Obligations	\$ 144,667,148	\$ 394,776	\$ 4,326,184	\$ 140,735,740	\$ 1,201,958

Additions and deletions are shown net.

Existing serial and statutory bond obligations:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount Outstanding 6/30/2018</u>
Energy Performance Contract	2014	2029	3.28%	\$ 1,661,000
Installment Purchase Debt	2018	2020	2.87%	262,256
				<u>\$ 1,923,256</u>

The following is a summary of debt service requirements:

<u>Year</u>	<u>Energy Performance Contract</u>		<u>Installment Purchase</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 129,000	\$ 52,365	\$ 129,273	\$ 7,527
2020	132,000	48,085	132,983	3,817
2021	137,000	43,673	-	-
2022	141,000	39,114	-	-
2023	146,000	34,407	-	-
2024-28	800,000	96,104	-	-
2029	176,000	2,886	-	-
Total	\$ 1,661,000	\$ 316,634	\$ 262,256	\$ 11,344

XI. Deferred Inflows/Outflows of Resources

The following is a summary of the deferred inflows/outflows of resources:

	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>
Pension	\$ 3,518,727	\$ 9,931,285
OPEB	5,683,113	-
Total	<u>\$ 9,201,840</u>	<u>\$ 9,931,285</u>

XII. 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.

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.

(XII.) (Continued)

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' share of the required contributions, based on covered payroll paid for the BOCES' year ended June 30, 2018:

<u>Contributions</u>	<u>ERS</u>	<u>TRS</u>
2018	\$ 608,314	\$ 1,658,802

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

At June 30, 2018, 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, 2018 for ERS and June 30, 2017 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The BOCES' proportion of the net pension asset/(liability) was based on a projection of the BOCES' 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.

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2018	June 30, 2017
Net pension assets/(liability)	\$ (498,413)	\$ 632,963
District's portion of the Plan's total net pension asset/(liability)	0.0154429%	0.083274%

For the year ended June 30, 2018, the BOCES recognized pension expenses of \$602,539 for ERS and \$1,563,708 for TRS. At June 30, 2018 the BOCES' reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(XII.) (Continued)

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expended and actual experience	\$ 177,768	\$ 520,773	\$ 146,900	\$ 246,785
Changes of assumptions	330,489	6,440,518	-	-
Net difference between projected and actual earnings on pension plan investments	723,905	-	1,428,915	1,490,810
Changes in proportion and differences between the District's contributions and proportionate share of contributions	72,939	-	28,822	176,495
Subtotal	\$ 1,305,101	\$ 6,961,291	\$ 1,604,637	\$ 1,914,090
District's contributions subsequent to the measurement date	155,007	1,509,886	-	-
Grand Total	\$ 1,460,108	\$ 8,471,177	\$ 1,604,637	\$ 1,914,090

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>
2018	\$ -	\$ 118,839
2019	106,679	1,676,328
2020	95,728	1,191,748
2021	(347,036)	275,076
2022	(154,909)	1,188,200
Thereafter	-	597,012
Total	\$ (299,538)	\$ 5,047,203

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:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2018	June 30, 2017
Actuarial valuation date	April 1, 2017	June 30, 2016
Interest rate	7.00%	7.25%
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%

(XII.) (Continued)

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. 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:

Long Term Expected Rate of Return		
	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2018	June 30, 2017
<u>Asset Type -</u>		
Domestic equity	4.55%	5.90%
International equity	6.35%	7.40%
Private equity	7.50%	0.00%
Real estate	5.55%	4.30%
Absolute return strategies *	3.75%	0.00%
Opportunistic portfolios	5.68%	0.00%
Real assets	5.29%	0.00%
Bonds and mortgages	1.31%	2.80%
Cash	-0.25%	0.00%
Inflation-indexed bonds	1.25%	0.00%
Alternative investments	0.00%	9.00%
Domestic fixed income securities	0.00%	1.60%
Global fixed income securities	0.00%	1.30%
Short-term	0.00%	0.60%

The real rate of return is net of the long-term inflation assumption of 2.5%

* Excludes equity-oriented long-only funds. For investment management purposes, these funds are included in domestic equity and internal equity.

F. Discount Rate

The discount rate used to calculate the total pension liability was 7% for ERS and 7.25% 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.

(XII.) (Continued)

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

The following presents the BOCES' proportionate share of the net pension liability calculated using the discount rate of 7% for ERS and 7.25% for TRS, as well as what the BOCES' proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentagepoint lower (6% for ERS and 6.25% for TRS) or 1-percentagepoint higher (8% for ERS and 8.25% for TRS) than the current rate :

	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
<u>ERS</u>			
Employer's proportionate share of the net pension asset (liability)	\$ (3,771,123)	\$ (498,413)	\$ 2,270,170
	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
<u>TRS</u>			
Employer's proportionate share of the net pension asset (liability)	\$ (10,904,072)	\$ 632,963	\$ 10,294,657

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:

	(In Thousands)	
	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2018	June 30, 2017
Employers' total pension liability	\$ 183,400,590	\$ 114,708,261
Plan net position	180,173,145	115,468,360
Employers' net pension asset/(liability)	<u>\$ (3,227,445)</u>	<u>\$ 760,099</u>
Ration of plan net position to the employers' total pension asset/(liability)	98.24%	100.66%

I. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$155,007.

(XII.) (Continued)

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 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, 2018 amounted to \$1,658,802.

XIII. Postemployment Benefits

A. General Information About the OPEB Plan

Plan Description – The BOCES' defined benefit OPEB plan, provides OPEB for all permanent full-time general and public safety employees of the BOCES. The plan is a single-employer defined benefit OPEB plan administered by the BOCES. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the BOCES Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided – The BOCES provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the BOCES offices and are available upon request.

Employees Covered by Benefit Terms – At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	304
Active Employees	<u>282</u>
Total	<u><u>586</u></u>

B. Total OPEB Liability

The BOCES' total OPEB liability of \$136,621,704 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20%
Real Wage Growth	1.00%
Wage Inflation	3.20%
Salary increases, including wage inflation	10.47% - 3.20%
Discount Rate	3.87%
Pre-Medicare	5.50% for 2018 decreasing to an ultimate rate of 3.84% by 2078
Medicare	5.50% for 2018 decreasing to an ultimate rate of 3.84% by 2078

(XIII.) (Continued)

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond index.

Mortality rates were based on April 1, 2010 – March 31, 2015 NYSLRS experience, with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

C. Changes in the Total OPEB Liability

Balance at June 30, 2017	<u>\$ 138,766,118</u>
<u>Changes for the Year -</u>	
Service cost	\$ 2,637,296
Interest	4,918,391
Changes in assumptions or other inputs	(6,938,306)
Benefit payments	<u>(2,761,795)</u>
Net Changes	<u>\$ (2,144,414)</u>
Balance at June 30, 2018	<u>\$ 136,621,704</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.58 percent in 2017 to 3.87 percent in 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the BOCES, as well as what the BOCES' total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate:

	1% Decrease	Discount	1% Increase
	(2.87%)	Rate	(4.87%)
	<u>(2.87%)</u>	<u>(3.87%)</u>	<u>(4.87%)</u>
Total OPEB Liability	\$ 168,675,938	\$ 136,621,704	\$ 119,275,200

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the BOCES, as well as what the BOCES' total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease	Healthcare	1% Increase
	(4.5%	Cost Trend Rates	(6.5%
	Decreasing	(5.5%	Decreasing
	<u>to 2.84%</u>	Decreasing	<u>to 4.84%</u>
	<u>to 2.84%</u>	<u>to 3.84%</u>	<u>to 4.84%</u>
Total OPEB Liability	\$ 117,610,006	\$ 136,621,704	\$ 171,312,494

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the BOCES recognized OPEB expense of \$6,300,494. At June 30, 2018, the BOCES reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

(XIII.) (Continued)

	<u>Deferred Inflows of Resources</u>
Differences between expended and actual experience	\$ -
Changes of assumptions	<u>5,683,113</u>
Total	<u>\$ 5,683,113</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year</u>	
2019	\$ (1,255,193)
2020	(1,255,193)
2021	(1,255,193)
2022	(1,255,193)
2023	(1,255,193)
Thereafter	<u>592,852</u>
Total	<u>\$ (5,683,113)</u>

XIV. 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 two years.

B. Workers' Compensation

The BOCES incurs costs related to the Onondaga/Cortland/Madison Self-Funded Workers' Compensation Consortium Plan (Plan) sponsored by the Board of Cooperative Educational Services, Onondaga/Cortland/Madison. The Plan's objectives are to furnish workers' compensation benefits to participating districts at a significant cost savings. Membership in the Plan may be offered to any school district with the approval of the Board of Directors. Voluntary withdrawal from the Plan may be effective only once annually on the last day of the Plan year as may be established by the Board of Directors. Notice of the Intention to Withdraw must be given in writing to the Chairperson of the Board of Directors and the Treasurer not less than sixty (60) days prior to the end of the Plan year.

(XIV.) (Continued)

Plan membership is currently comprised of nineteen members and Onondaga / Cortland / Madison BOCES. If a surplus of participants' assessments exists after the close of a Plan year, the Board may retain from such surplus an amount sufficient to establish and maintain a claim contingency fund. Surplus funds in excess of the amount transferred to or included in such contingency fund shall be applied in reduction of the next annual assessment or to the billing of Plan participants. All monies paid to the Treasurer by participants shall be commingled and administered as a common fund. No refunds shall be made to a participant and no assessments shall be charged to a participant other than the annual assessment. However, if it appears to the Board of Directors that the liabilities of the Plan will exceed its cash assets, after taking into account any "excess insurance", the Board shall determine the amount needed to meet such deficiency and shall assess such amount against all participants pro-rata per enrollee. Pursuant to General Municipal Law, the municipal agreement does not transfer risk.

The Plan purchases, on an annual basis, stop-loss insurance to limit its exposure for claims paid.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expenses in the periods in which they are made. During the year ended June 30, 2018, the BOCES incurred premiums or contribution expenditures totaling \$253,822.

The Plan financial information is available at the BOCES' administrative offices.

C. Self-Funded Medical Plan

The BOCES participates in a self-funded medical plan administered by POMCO. The Plan is referred to as a premium credit plan. The BOCES pays actual claim expenses and administrative charges. The BOCES also, has stop-loss insurance coverage on specific claims in excess of \$150,000.

Liabilities are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

The incurred but not reported claims (IBNR's) are fully funded and reported in the Agency Fund as part of the other liabilities-health balance at June 30, 2018.

A reconciliation of the claims recorded for 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Beginning liabilities	\$ 1,742,732	\$ 1,665,516
Incurred claims	9,744,981	8,449,605
Claims payments	(9,457,761)	(8,372,389)
Ending liabilities	<u>\$ 2,029,952</u>	<u>\$ 1,742,732</u>

(XIV.) (Continued)

The following statistical information is presented:

<u>Year</u>	<u>Contribution Revenue</u>	<u>Incurred Claim Expense</u>
2018	\$ 9,457,761	\$ 9,744,981
2017	\$ 8,372,389	\$ 8,449,605
2016	\$ 8,041,322	\$ 8,188,348
2015	\$ 7,286,803	\$ 7,759,773
2014	\$ 7,174,929	\$ 7,607,673
2013	\$ 7,025,861	\$ 7,380,149
2012	\$ 7,127,082	\$ 7,592,373
2011	\$ 6,815,305	\$ 7,449,553
2010	\$ 7,424,577	\$ 7,614,356
2009	\$ 6,698,878	\$ 6,941,957

Contribution revenues consist of the expenditures charged to the funds plus the employee's payroll withholding plus the retiree's contribution. There are additional revenues which offset the claim expense such as rebates and refunds which are not included in contribution revenues.

The Plan has funded the incurred but not yet reported claims liability. The funding of this liability indicates that the plan's self funded insurance program is fully funded.

D. Self-Funded Dental Plan

The BOCES self insures for dental coverage for its employees. A third party administrator is used who is responsible for processing claims and estimating liabilities. BOCES does not carry excess insurance coverage relative to this plan. Expenditures are recorded as claims are presented for payment with a cap of \$1,000. Liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated.

A reconciliation of the claims recorded for 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Beginning liabilities	\$ 28,803	\$ 26,850
Incurred claims	331,780	290,929
Claims payments	(327,515)	(288,976)
Ending liabilities	<u>\$ 33,068</u>	<u>\$ 28,803</u>

(XIV.) (Continued)

The following statistical information is presented:

<u>Year</u>	<u>Contribution</u> <u>Revenue</u>	<u>Incurred Claims</u> <u>Expense</u>
2018	\$ 327,515	\$ 331,780
2017	\$ 288,976	\$ 290,929
2016	\$ 286,591	\$ 287,764
2015	\$ 179,851	\$ 256,744
2014	\$ 276,132	\$ 267,634
2013	\$ 176,693	\$ 275,318
2012	\$ 190,222	\$ 261,129
2011	\$ 212,293	\$ 318,456
2010	\$ 302,231	\$ 312,068
2009	\$ 213,342	\$ 267,758

E. 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 2017-18 fiscal year totaled \$21,499. The balance of the fund at June 30, 2018 was \$549,787 and is recorded in the General Fund as an Unemployment Insurance Reserve. In addition, as of June 30, 2018, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

XV. Commitments and Contingencies

A. Litigation

Management believes that any potential claims would be covered by the BOCES insurance provider.

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.

Required Supplementary Information
OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Schedule of Changes in District's Total OPEB Liability and Related Ratio
(Unaudited)
For Year Ended June 30, 2018

TOTAL OPEB LIABILITY	
	<u>2018</u>
Service cost	\$ 2,637,296
Interest	4,918,391
Changes of assumptions or other inputs	(6,938,306)
Benefit payments	<u>(2,761,795)</u>
Net Change in Total OPEB Liability	\$ (2,144,414)
Total OPEB Liability - Beginning	<u>\$ 138,766,118</u>
Total OPEB Liability - Ending	<u><u>\$ 136,621,704</u></u>
 Covered Employee Payroll	 \$ 14,837,695
 Total OPEB Liability as a Percentage of Covered Employee Payroll	 920.77%

10 years of historical information is not available and will be reported each year going forward

Required Supplementary Information
OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Schedule of the BOCES's Proportionate Share of the Net Pension Liability
(Unaudited)
For Year Ended June 30, 2018

NYSERS Pension Plan				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (assets)	0.0154429%	0.0143703%	0.0137042%	0.0131925%
Proportionate share of the net pension liability (assets)	\$ 498,413	\$ 1,350,263	\$ 2,199,562	\$ 445,677
Covered-employee payroll	\$ 4,212,500	\$ 3,765,987	\$ 3,403,815	\$ 3,433,616
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	11.832%	35.854%	64.620%	12.980%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.70%	97.90%
NYSTRS Pension Plan				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (assets)	0.083274%	0.081809%	0.0803010%	0.0797730%
Proportionate share of the net pension liability (assets)	\$ (632,963)	\$ 876,208	\$ (8,340,728)	\$ (8,886,223)
Covered-employee payroll	\$ 16,926,547	\$ 14,098,636	\$ 13,284,523	\$ 12,622,522
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	-3.739%	6.215%	-62.785%	-70.400%
Plan fiduciary net position as a percentage of the total pension liability	100.66%	99.01%	110.46%	111.48%

10 years of historical information is not available and will be reported each year going forward

Required Supplementary Information
OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Schedule of the BOCES's Proportionate Share of the Net Pension Liability
Schedule of BOCES Contributions
(Unaudited)
For Year Ended June 30, 2018

NYSERS Pension Plan Last 10 Fiscal Years				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 608,314	\$ 554,016	\$ 583,796	\$ 566,106
Contributions in relation to the contractually required contribution	<u>(608,314)</u>	<u>(554,016)</u>	<u>(583,796)</u>	<u>(566,106)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 4,212,500	\$ 3,765,987	\$ 3,403,815	\$ 3,433,616
Contributions as a percentage of covered-employee payroll	14.44%	14.71%	17.15%	16.49%
NYSTRS Pension Plan Last 10 Fiscal Years				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 1,658,802	\$ 1,711,591	\$ 1,786,991	\$ 1,914,855
Contributions in relation to the contractually required contribution	<u>(1,658,802)</u>	<u>(1,711,591)</u>	<u>(1,786,991)</u>	<u>(1,914,855)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 16,926,547	\$ 14,098,636	\$ 13,284,523	\$ 12,622,522
Contributions as a percentage of covered-employee payroll	9.80%	12.14%	13.45%	15.17%

10 years of historical information is not available and will be reported each year going forward

Required Supplementary Information
OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund
(Unaudited)
For Year Ended June 30, 2018

<u>REVENUES</u>	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Current Year's Revenues</u>	<u>Variance Favorable (Unfavorable)</u>
Administration 001-002	\$ 7,605,919	\$ 7,614,230	\$ 7,595,804	\$ (18,426)
Career and Tech Education 100-199	8,161,129	8,658,525	8,556,797	(101,728)
Instruction for Handicapped 200-299	14,463,587	15,026,933	14,884,634	(142,299)
Itinerant 300-399	3,986,647	2,967,366	2,945,056	(22,310)
General Instruction 400-499	6,878,404	8,183,323	8,079,791	(103,532)
Instructional Support 500-599	8,234,383	9,637,930	9,643,627	5,697
Other Services 600-699	<u>7,068,792</u>	<u>9,014,914</u>	<u>8,519,564</u>	<u>(495,350)</u>
TOTAL REVENUES	<u>\$ 56,398,861</u>	<u>\$ 61,103,221</u>	<u>\$ 60,225,273</u>	<u>\$ (877,948)</u>

(See Independent Auditors' Report)

Required Supplementary Information
OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund
(Unaudited)
For Year Ended June 30, 2018

<u>EXPENDITURES</u>	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Current Year's Expenditures</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
Administration 001-002	\$ 7,605,919	\$ 7,614,230	\$ 7,294,675	\$ 43,114	\$ 276,441
Career and Tech Education 100-199	8,161,129	8,658,525	7,780,546	409,585	468,394
Instruction for Handicapped 200-299	14,463,587	15,026,933	13,468,930	353,406	1,204,597
Itinerant 300-399	3,986,647	2,967,366	2,634,947	106,433	225,986
General Instruction 400-499	6,878,404	8,183,323	7,453,624	136,357	593,342
Instructional Support 500-599	8,234,383	9,637,930	8,769,803	83,325	784,802
Other Services 600-699	<u>7,068,792</u>	<u>9,014,914</u>	<u>7,626,117</u>	<u>42,973</u>	<u>1,345,824</u>
TOTAL EXPENDITURES	<u>\$ 56,398,861</u>	<u>\$ 61,103,221</u>	<u>\$ 55,028,642</u>	<u>\$ 1,175,193</u>	<u>\$ 4,899,386</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,196,631</u>		

Note to Required Supplementary Information:

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

OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Analysis of Account A431 - School Districts
For Year Ended June 30, 2018

	<u>2018</u>
July 1, 2017 - DEBIT (CREDIT) BALANCE	<u>\$ (1,285,225)</u>
DEBITS:	
Billings to school districts	\$ 58,349,518
Refund of balances made to school districts	3,549,511
Erate distribution	744,877
Encumbrances - June 30, 2018	<u>1,175,193</u>
Total Debits	<u>\$ 63,819,099</u>
TOTAL	<u>\$ 62,533,874</u>
CREDITS:	
Collections from school districts	\$ 57,788,194
Adjustment - credits to school districts - revenues in excess of expenditures	5,196,624
Encumbrances - June 30, 2017	<u>1,368,321</u>
Total Credits	<u>\$ 64,353,139</u>
JUNE 30, 2018 - DEBIT (CREDIT) BALANCE	<u><u>\$ (1,819,265)</u></u>

OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF CAPITAL PROJECTS FUND
PROJECT EXPENDITURES AND FINANCING RESOURCES
For Year Ended June 30, 2018

<u>Project Title</u>	<u>Original Appropriation</u>	<u>Revised Appropriation</u>	<u>Expenditures</u>			<u>Unexpended Authorization</u>	<u>Methods of Financing</u>					<u>Fund Balance</u>
			<u>Prior Year's</u>	<u>Current Year</u>	<u>Total</u>		<u>State Aid</u>	<u>Proceeds from Obligations</u>	<u>Local Sources</u>	<u>Transfers</u>	<u>Total</u>	
Waterline project	\$ 333,875	\$ 333,875	\$ 275,769	\$ -	\$ 275,769	\$ 58,106	\$ -	\$ -	\$ -	\$ 333,875	\$ 333,875	\$ 58,106
Wind turbine project	-	-	36,260	-	36,260	(36,260)	18,131	-	-	-	18,131	(18,129)
Installment purchase debt	394,776	394,776	-	394,776	394,776	-	-	394,776	-	-	394,776	-
BOCES wide project - 2011	<u>35,423,055</u>	<u>35,423,055</u>	<u>35,397,869</u>	<u>18,242</u>	<u>35,416,111</u>	<u>6,944</u>	<u>-</u>	<u>-</u>	<u>35,431,005</u>	<u>1,475,020</u>	<u>36,906,025</u>	<u>1,489,914</u>
Total	<u><u>\$ 36,151,706</u></u>	<u><u>\$ 36,151,706</u></u>	<u><u>\$35,709,898</u></u>	<u><u>\$ 413,018</u></u>	<u><u>\$ 36,122,916</u></u>	<u><u>\$ 28,790</u></u>	<u><u>\$ 18,131</u></u>	<u><u>\$ 394,776</u></u>	<u><u>\$ 35,431,005</u></u>	<u><u>\$ 1,808,895</u></u>	<u><u>\$ 37,652,807</u></u>	<u><u>\$ 1,529,891</u></u>

OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Schedule of Investment in Capital Assets, Net of Related Debt
For Year Ended June 30, 2018

Capital assets, net		\$ 40,888,237
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Deduct:

Assets purchased with short-term financing	\$ 18,129
Energy performance contract	1,661,000
Installment purchase debt	<u>262,256</u>

1,941,385

Investment in capital assets, net of related debt

\$ 38,946,852

OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

<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 Education:</u>				
<u>Direct Programs:</u>				
<u>Student Financial Assistance Program Cluster -</u>				
Pell Grant	84.063	12557	N/A	\$ 215,597
Federal Direct Student Loans	84.268	N/A	N/A	431,514
<u>Indirect Programs:</u>				
<u>Passed Through NYS Education Department -</u>				
Migrant Education - Basic State Formula Grant	84.011	N/A	0035-18-0027	651,981
Migrant Education - Basic State Formula Grant	84.011	N/A	0035-17-0027	278,179
VATEA	84.048	N/A	8000-18-0021	172,159
WIA Title 2	84.002	N/A	2338-18-2067	39,999
<u>Special Education Cluster -</u>				
IDEA Discretionary/SEIS	84.027	N/A	C-012199	333,511
Total U.S. Department of Education				\$ 2,122,940
<u>U.S. Department of Agriculture - Food and Nutrition Services:</u>				
<u>Indirect Programs:</u>				
<u>Passed through NYS Office of Temporary and Disability Insurance -</u>				
State Administrative Matching Grants for the			TDA01-C00264GC-	
Supplemental Nutrition Assistance Program	10.561	N/A	3410000	\$ 25,425
Total U.S. Department of Agriculture				\$ 25,425
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 2,148,365

RAYMOND F. WAGER, CPA, P.C.
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
Oswego County
Board of Cooperative Educational Services

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 Oswego County Board of Cooperative Educational Services, New York, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Oswego County Board of Cooperative Educational Services, New York's basic financial statements, and have issued our report thereon dated September 24, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Oswego County Board of Cooperative Educational Services, 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 Oswego County Board of Cooperative Educational Services, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the Oswego County Board of Cooperative Educational Services, 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 Oswego County Board of Cooperative Educational Services, 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.

Raymond F. Wager, CPA, PC

Rochester, New York
September 24, 2018