

**WESTERN SUFFOLK BOARD OF  
COOPERATIVE EDUCATION SERVICES**

**Financial Statements and Required Reports  
June 30, 2017  
Together with  
Independent Auditor's Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

**WESTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES**

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JUNE 30, 2017**

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## INDEPENDENT AUDITOR'S REPORT

December 12, 2017

To the Board of Education of  
Western Suffolk Board of  
Cooperative Educational Services:

### **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 Western Suffolk BOCES (the BOCES) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

(Continued)

## **INDEPENDENT AUDITOR'S REPORT**

(Continued)

### ***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 BOCES as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of funding progress – other post-employment benefits plan, contributions – pension plans, and proportionate share of the net pension liability (asset) 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 BOCES' basic financial statements. The supplemental information, as required by the New York State Education Department is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2017 on our consideration of the BOCES' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the BOCES' internal control over financial reporting and compliance.

*Bonadio & Co., LLP*

## WESTERN SUFFOLK BOCES

### MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) JUNE 30, 2017

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*The following is a discussion and analysis of the Western Suffolk BOCES (the BOCES) financial performance for the fiscal year ended June 30, 2017. The section is a summary of the BOCES' financial activities based on currently known facts, decisions, or conditions. It is also based on both the Government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the BOCES' financial statements, which immediately follow this section.*

#### FINANCIAL HIGHLIGHTS

For the year ended June 30, 2017 the total net position was (\$35,826,570), a decrease of \$10,410,863 from the prior year. This decrease is primarily the result of the changes in the actuarial information recorded related to pension liabilities and assets and the increase in the other postemployment benefit liability.

At the present time, the BOCES continues to show strong financial stability. In an effort to protect taxpayer resources from fiscal mismanagement, fraud or abuse, the BOCES continues to review and strengthen their internal controls posture. To this end, the Business Office staff meets regularly with upper management and its Audit Committee to ensure integrity in all activities.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: Management's Discussion and Analysis (MD&A) (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the BOCES:

- The first two statements are *Government-wide* financial statements that provide both *short-term* and *long-term* information about the BOCES *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the BOCES, reporting the BOCES operations in *more detail* than the Government-wide statements. The fund financial statements concentrate on the BOCES most significant funds with all other non-major funds listed in total in one column.
- The *governmental funds statements* tell how basic services, such as regular and special education, were financed in the *short-term*, as well as what remains for future spending.
- *Fiduciary funds statements* provide information about the financial relationships in which the BOCES acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the BOCES budget for the year.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Figure A-1 shows how the various sections of this annual report are arranged and related to one another.

**Figure A-1**

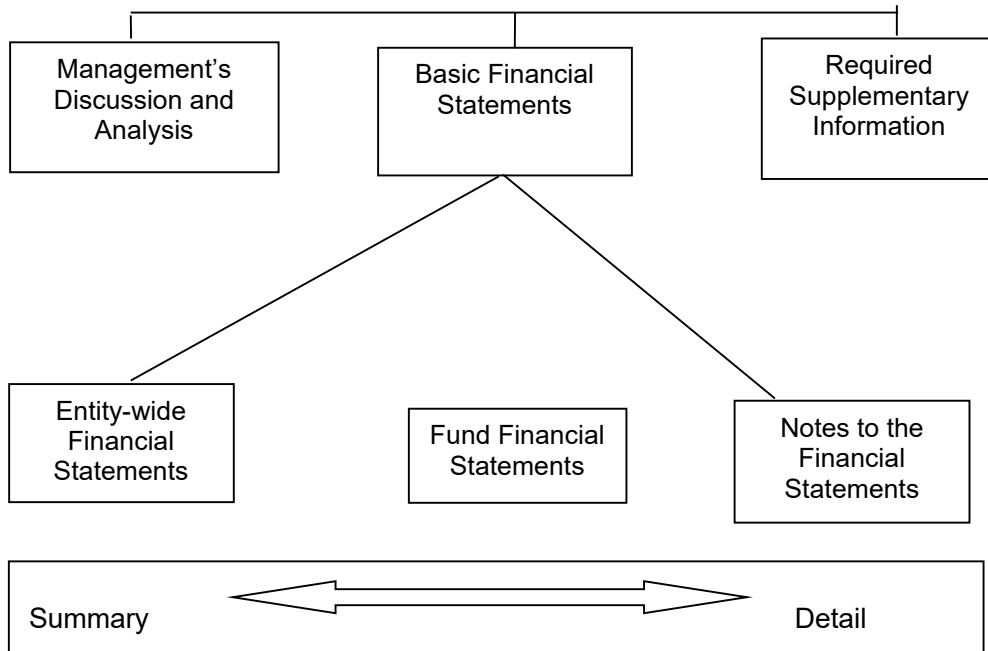


Figure A-2 summarizes the major features of the Western Suffolk BOCES' financial statements, including a portion of the BOCES' activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

**Figure A-2** Major Features of the Government-wide and Fund Financial Statements

	Fund Financial Statements		
	Government-wide	Governmental Funds	Fiduciary Funds
Scope	Entire BOCES (except fiduciary funds)	The activities of the BOCES that are not fiduciary, such as special education.	Instances in which the BOCES administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and changes in fund equity</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

**Figure A-2** Major Features of the Government-wide and Fund Financial Statements (Continued)

	Fund Financial Statements (Continued)		
	Government-wide	Governmental Funds	Fiduciary Funds
Type of asset/deferred inflows-outflows of resources/liability information	All assets, deferred inflows/outflows of resources, and liabilities, both financial and capital, short-term and long-term debt	Assets, deferred inflows/outflows of deferred resources, and liabilities that come due during the year or soon after; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of inflow/out flow information	All revenue and expenses during year, regardless of when cash is received or paid.	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.

### Government-wide Statements

The Government-wide statements report information about the BOCES as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the BOCES assets/deferred outflows of resources and liabilities/deferred inflows of resources. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Government-wide statements report the BOCES *net position* and how they have changed. Net position – the difference between the BOCES assets and liabilities – are one way to measure the BOCES financial health or *position*.

- Over time, increases or decreases in the BOCES net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the BOCES overall health, you need to consider additional nonfinancial factors, such as changes in the condition of school buildings and other facilities.

Net position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (dollars) are expended to purchase or build such assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. Principal and interest payments are considered expenditures when paid. Depreciation is not calculated. Capital assets and long-term debt are accounted for in account groups and do not affect the fund balances.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### Government-wide Statements (Continued)

Government-wide statements use an economic resources measurement focus and full accrual basis of accounting that involves the following steps to prepare the statement of net position:

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expenditures using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position balances as follows:
  - Net investment in capital assets.
  - Restricted net position are those with constraints placed on use by external sources or imposed by law.
  - Unrestricted net position are net position that do not meet any of the above restrictions.

### Fund Financial Statements

The fund financial statements provide more detailed information about the BOCES funds – not the BOCES as a whole. Funds are accounting devices the BOCES uses to keep track of specific sources of funding and spending on particular programs. The funds have been established by the State of New York.

The BOCES has two kinds of funds:

- *Governmental Funds*: Most of the BOCES basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the BOCES' programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the general fund, special aid fund, school lunch fund, and the capital projects fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund balance.
- *Fiduciary Funds*: The BOCES is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The BOCES is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The BOCES excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.



## FINANCIAL ANALYSIS OF THE BOCES AS A WHOLE

**Figure A-3 Condensed Statement of Net position (in thousands of dollars)**

	Fiscal Year <u>2017</u>	Fiscal Year <u>2016</u>	Percent <u>Change</u>
Current and other assets	\$ 91,288	\$ 86,221	5.9%
Net pension asset	-	29,494	-100.0%
Capital assets	<u>75,710</u>	<u>68,504</u>	10.5%
Total assets	166,998	184,219	-9.3%
Deferred outflows of resources	<u>37,119</u>	<u>21,984</u>	68.8%
Total assets and deferred outflows of resources	<u>204,117</u>	<u>206,203</u>	-1.0%
Current liabilities	59,247	52,120	13.7%
Net pension liability	11,784	15,274	-22.8%
Long-term liabilities	<u>158,225</u>	<u>144,355</u>	9.6%
Total liabilities	229,256	211,749	8.3%
Deferred inflows of resources	<u>10,688</u>	<u>19,870</u>	-46.2%
Total liabilities and deferred inflows of resources	<u>239,944</u>	<u>231,619</u>	3.6%
Net position:			
Investment in capital assets	67,897	61,743	10.0%
Restricted	17,217	17,989	-4.3%
Unrestricted	<u>(120,941)</u>	<u>(105,148)</u>	15.0%
Total net position	<u>\$ (35,827)</u>	<u>\$ (25,416)</u>	41.0%

### Net Position

Current assets increased approximately \$5.1 million due to an \$8.5 million increase in cash, a \$5.3 million decrease in amounts due from school districts, and a \$1.9 million increase in state and federal aid. The net pension asset decreased \$29.4 million due to the change in the actuarial information related to pensions. Deferred Outflow of resources increased by approximately \$15.1 million primarily due to the change in the actuarial amounts and payments subsequent to the measurement date related to pensions.

Current liabilities increased by \$7 million primarily due to an increase in accounts payable and accrued liabilities.

The net pension liability decreased approximately \$3.5 million and the deferred inflow of resources decreased approximately \$9 million due to the changes in the actuarial information related to pensions.

Long-term liabilities increased by approximately \$13.8 million resulting from an increase of \$14.4 million in other post-employment benefits offset by a \$1.2 million decrease in judgments and claims (now accounted for in accrued liabilities) and a \$911 thousand increase in debt offset by a \$263 thousand decrease in compensated absences and workers compensation payable.

The net position of the BOCES has decreased by approximately \$10.4 million mainly due to an increase in other post-employment benefits of \$14 million and changes in the actuarial valuation for recording of pension liabilities.

**FINANCIAL ANALYSIS OF THE BOCES AS A WHOLE (Continued)**

**Figure A-4 Changes in Net position from Operating Results (in thousands of dollars)**

	Fiscal Year <u>2017</u>	Fiscal Year <u>2016</u>
<u>Revenue</u>		
Program revenue:		
Charges for services	\$ 174,959	\$ 169,967
Operating grants and contributions	5,736	5,578
General revenue:		
Use of money and property	92	55
Sale of property and compensation for loss	93	141
Miscellaneous	1,514	2,519
Rental Income	<u>74</u>	<u>34</u>
 Total revenue	 <u>\$ 182,468</u>	 <u>\$ 178,294</u>
<u>Expenses</u>		
Administration	\$ 14,389	\$ 11,488
Occupational instruction	33,780	32,382
Instruction for special education	96,159	92,189
Itinerant services	429	371
General instruction	8,470	8,253 *
Instruction support	20,032	17,530 *
Other services	11,500	10,989
Internal services	1,896	2,150
School lunch program	1,551	1,521
Return of Surplus	<u>4,674</u>	<u>5,795</u>
 Total expenses	 <u>192,880</u>	 <u>182,668</u>
 Change in net position	 <u>\$ (10,412)</u>	 <u>\$ (4,374)</u>

**\* The 2016 amounts have been reclassified to conform to the 2017 presentation. There was no change to the 2016 total revenue or expenses.**

**Changes in Net position**

The Western Suffolk BOCES 2017 revenue was \$182.4 million compared to the previous year of \$178.2 million (see Figure A-4). This increase in revenue was primarily driven by an increase in charges for services.

Miscellaneous revenue decreased by approximately \$1 million primarily due to a decrease in refunds of prior years' expenses. Last year included an \$832 thousand refund for excess long-term disability funds. The funds were subsequently refunded to our component school districts.

The total cost of all programs and services totaled \$192.9 million for 2017, compared to \$182.7 million in the previous year. These expenses are predominantly for the education, supervision, and transportation of students (see Figure A-6).

## FINANCIAL ANALYSIS OF THE BOCES AS A WHOLE (Continued)

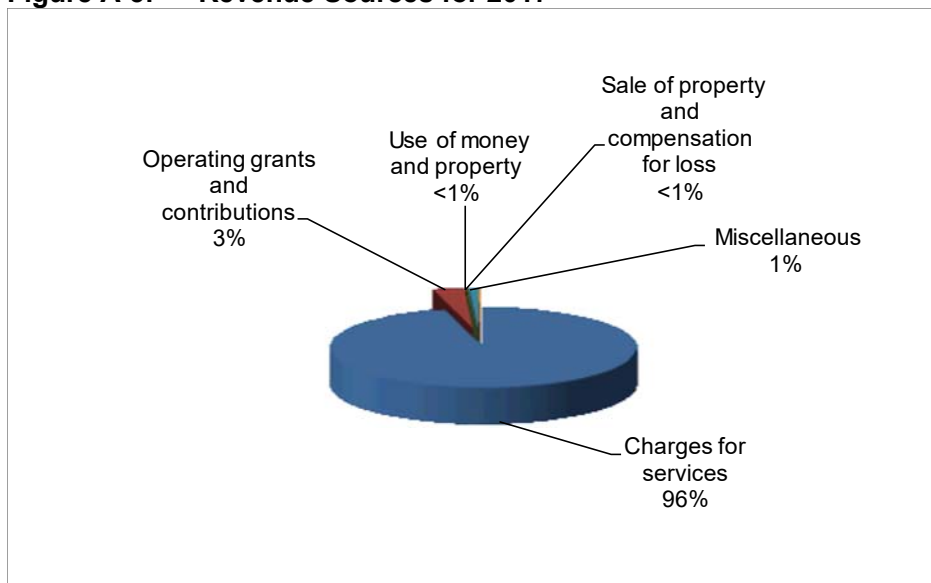
### Changes in Net position (Continued)

Administration expenses increased by \$2.9 million primarily due to a \$1.6 million increase in post-retirement health benefits (\$1 million resulting from retroactive payments for waiver of health benefits previously in litigation and \$628 thousand in other post-employment benefits and changes in the actuarial valuation for recording of pension liabilities). In addition, the transfer to the capital fund was \$1.3 million less than the prior year's transfer.

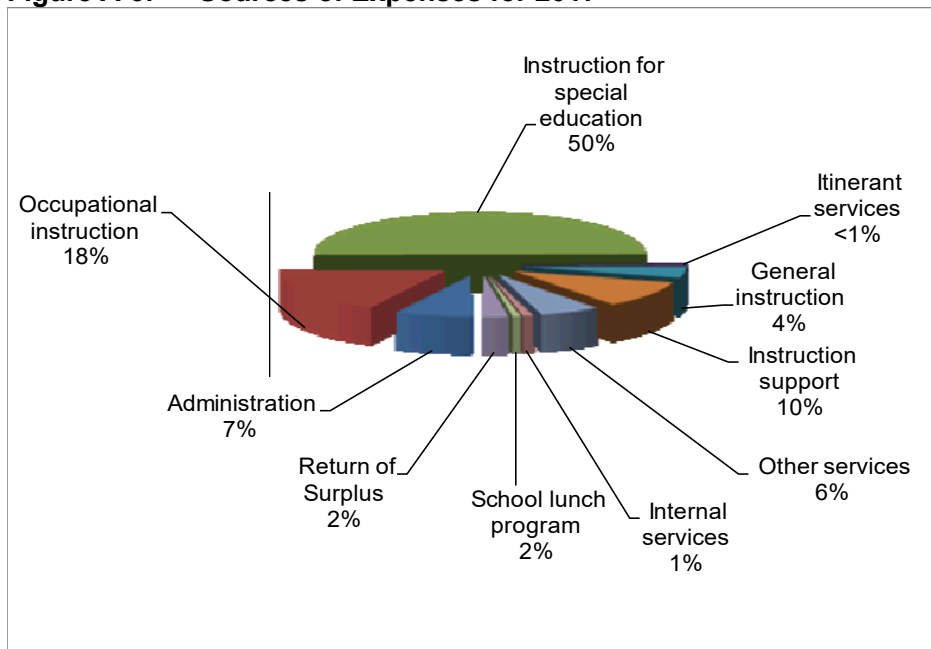
Changes in the valuation of GASB Statement No. 68 & 71, Accounting and Financial Reporting for Pensions, along with the increase in other postemployment benefits of \$14 million increased expenditures in 2017.

Return of surplus decreased by approximately \$1.1 million primarily due to an increase in other post-employment benefits and changes in the actuarial valuation for recording of pension liabilities.

**Figure A-5: Revenue Sources for 2017**



**Figure A-6: Sources of Expenses for 2017**



## FINANCIAL ANALYSIS OF THE BOCES' FUNDS

Variations between years for the governmental fund financial statements are not the same as variations between years for the Government-wide financial statements. The Western Suffolk BOCES governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Under this method of presentation, governmental funds do not include long-term liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include proceeds from the issuance of debt, the current payments for capital assets, and the current payments for debt.

The following is a brief description of the activity in the governmental funds for 2017 and 2016:

*General Fund:* Revenues exceeded expenditures by \$4.6 million: \$3.5 million due to a program operating surplus resulting from a combination of increased charges and cost reduction, particularly as new hires represent cost savings in salaries and benefits through collective bargaining. In addition, the rates for both retirement systems continued to decline: \$628 thousand reduction in TRS retirement system contributions and \$516 thousand reduction in ERS retirement system contributions required this year. While future ERS retirement system contribution rates will remain stable or continue to decline slightly, the TRS retirement system is projecting a rate increase during the 2018-19 fiscal year based on preliminary results from their June 2017 actuarial valuation.

*Special Aid:* The special aid fund does not generate a significant fund balance. All revenue received is expended for grant programs, the summer handicapped program and the Employment Preparation Education (EPE) program. The amounts received and expended are program specific and are accounted for separately. These programs have accumulated a slight fund balance of approximately \$62 thousand. Approximately \$10 million of revenue was generated in this fund.

*School Lunch:* The school lunch fund ended 2016-2017 with a decrease in their fund balance of \$17 thousand. This resulted in a fund balance of \$69 thousand on hand as of June 30, 2017.

*Capital Projects:* Capital projects spending totaled \$10.6 million in 2016-2017. This left a fund balance of \$8.4 million on hand as of June 30, 2017.

### General Fund Budgetary Highlights

As additional requests for service are accepted, spending adjustments are required to meet these changing needs. The original approved budget as well as estimated revenues are adjusted to more accurately reflect actual service levels. Once fixed costs are covered, additional services typically drive a small surplus. This surplus is then refunded to the participants the following fiscal year.

### Capital Assets

As of June 30, 2017, the BOCES had \$75,709,947 invested in a broad range of capital assets including land, buildings, computers, and other educational equipment.

### Capital Assets (Net of Depreciation, in Thousands of Dollars)

<u>Category</u>	Fiscal Year <u>2017</u>	Fiscal Year <u>2016</u>	Percent <u>Change</u>
Land	\$ 818	\$ 818	0.0%
Construction in progress	516	-	100.0%
Buildings and improvements	57,847	54,558	6.0%
Equipment and furniture	<u>16,529</u>	<u>13,128</u>	25.9%
Total	<u>\$ 75,710</u>	<u>\$ 68,504</u>	10.5%

## FINANCIAL ANALYSIS OF THE BOCES' FUNDS (Continued)

### Long-Term Liabilities

As of June 30, 2017, the BOCES had approximately \$172.9 million in Long-Term Liabilities outstanding. More detailed information about the BOCES' long-term liabilities is included in the notes to the financial statements.

<u>Category</u>	<u>(In Thousands)</u>	
	<u>Fiscal Year</u> <u>2017</u>	<u>Fiscal Year</u> <u>2016</u>
Installment Purchase Debt	\$ 7,365	\$ 5,871
Other Post Employment Benefits	133,506	119,036
Compensated absences	12,764	13,221
Judgements and claims	-	1,249
Workers' Compensation Claims Payable	7,126	6,934
Net pension liability	11,784	15,274
Capital Leases	<u>447</u>	<u>890</u>
Total	<u>\$ 172,992</u>	<u>\$ 162,475</u>

### FACTORS BEARING ON THE BOCES' FUTURE

The general fund budget for the 2017-2018 school year was approved for the amount of \$169,709,568. This is an increase of \$2,554,200 over the previous year's budget. The increase was primarily due to increases in personnel costs and employee benefits, principally health insurance costs.

BOCES remains aware of the fiscal constraints on local component school districts. In that regard the tuition rates charged to the districts have been limited to approximately 1.9%. Student enrollment in Special Education programs continues to decline slowly, but remains stable in the Occupational Education programs. Collective bargaining agreements have been negotiated with all groups to include an increase in employees' contributions towards their health insurance premiums. As of the date of this report there are four (4) expired employment contracts. Pension costs continued to decrease, but the TRS retirement system is projecting a rate increase during the 2018-19 fiscal year. Health insurance increases are projected for calendar year 2018.

Subsequent to June 30, 2017, the BOCES entered into new long-term debt in the amount of \$4,838,000 for technology.

### CONTACTING THE BOCES' FINANCIAL MANAGEMENT

This financial report is designed to provide the BOCES' component districts, customers, investors, and creditors with a general overview of the BOCES' finances and to demonstrate the BOCES' accountability for the money it received. If you have any questions about this report or need additional financial information, contact:

**Warren E. Taylor**  
**Chief Financial Officer**  
**Western Suffolk BOCES**  
**507 Deer Park Road**  
**Huntington Station, NY 11746**

**WESTERN SUFFOLK BOCES**

**STATEMENT OF NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2017**

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**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

CURRENT ASSETS:	
Cash - Unrestricted	\$ 41,503,535
Cash - Restricted	17,687,834
Due from school districts	13,606,082
Due from other governments	243,256
Due from state and federal	17,058,972
Due from fiduciary fund	501
Accounts receivable	482,756
Other receivables	648,381
Inventories	<u>56,852</u>
Total current assets	<u>91,288,169</u>
NONCURRENT ASSETS:	
Capital assets, net of accumulated depreciation	<u>75,709,947</u>
Total non-current assets	<u>75,709,947</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	<u>37,118,621</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>204,116,737</u>

**LIABILITIES AND DEFERRED INFLOWS OF RESOURCES**

CURRENT LIABILITIES:	
Accounts payable	4,406,461
Accrued liabilities	44,952,701
Due to Teachers' Retirement System	5,369,275
Due to Employee Retirement System	1,362,141
Due to Other Governments	959
Current portion of long-term debt	2,983,827
Unearned revenue	<u>171,406</u>
Total current liabilities	<u>59,246,770</u>
LONG-TERM LIABILITIES:	
Compensated absences payable	12,764,586
Workers' Compensation payable	7,126,429
Installment purchase debt	4,609,889
Capital leases	218,419
Net pension liability	11,783,536
Other postemployment benefits	<u>133,505,685</u>
Total long-term liabilities	<u>170,008,544</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related	2,376,979
Deferred charges to districts	<u>8,311,014</u>
Total deferred inflows of resources	<u>10,687,993</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>239,943,307</u>

**NET POSITION**

Net Investment in capital assets	67,897,812
Restricted	17,217,111
Unrestricted	<u>(120,941,493)</u>
TOTAL NET POSITION	<u>\$ (35,826,570)</u>

The accompanying notes are an integral part of these statements.

**WESTERN SUFFOLK BOCES**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

		<u>Program Revenue</u>		Net (Expense)
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	Revenue and Changes in <u>Net Position</u>
FUNCTIONS/PROGRAMS:				
Administration	\$ 14,388,766	\$ 13,469,061	\$ -	\$ (919,705)
Occupational instruction	33,779,790	31,620,643	2,377,076	217,929
Instruction for special education	96,158,585	90,012,292	2,363,655	(3,782,638)
Itinerant services	429,019	401,597	-	(27,422)
General instruction	8,469,573	7,928,212	-	(541,361)
Instruction support	20,032,004	18,751,592	557,050	(723,362)
Other services	11,500,230	10,765,155	-	(735,075)
Internal services	1,896,433	1,775,216	-	(121,217)
School lunch program	1,551,233	235,099	438,429	(877,705)
Return of Surplus	<u>4,673,565</u>	<u>-</u>	<u>-</u>	<u>(4,673,565)</u>
<b>TOTAL FUNCTIONS AND PROGRAMS</b>	<b><u>\$ 192,879,198</u></b>	<b><u>\$ 174,958,867</u></b>	<b><u>\$ 5,736,210</u></b>	<b><u>(12,184,121)</u></b>
GENERAL REVENUE:				
Use of money and property				92,426
Sale of property and compensation for loss				92,734
Miscellaneous				1,513,998
Rental Income				<u>74,100</u>
<b>TOTAL GENERAL REVENUE</b>				<b><u>1,773,258</u></b>
<b>CHANGE IN NET POSITION</b>				<b>(10,410,863)</b>
<b>TOTAL NET POSITION - beginning of year</b>				<b><u>(25,415,707)</u></b>
<b>TOTAL NET POSITION - end of year</b>				<b><u>\$ (35,826,570)</u></b>

The accompanying notes are an integral part of these statements.

WESTERN SUFFOLK BOCES

BALANCE SHEET - GOVERNMENTAL FUNDS AND RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCE TO GOVERNMENT-WIDE NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2017

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects		
<b>ASSETS</b>						
Cash - Unrestricted	\$ 31,024,002	\$ 802,977	\$ 894,915	\$ 8,781,641	\$ 41,503,535	
Cash - Restricted	17,517,088	-	-	170,746	17,687,834	
Due from school districts	13,471,386	134,696	-	-	13,606,082	
Due from other funds	4,668,752	-	-	387,954	5,056,706	
State and federal aid	13,710,485	3,274,086	74,401	-	17,058,972	
Accounts receivable	482,756	-	-	-	482,756	
Other receivables	648,381	-	-	-	648,381	
Due from other governments	190,919	52,337	-	-	243,256	
Inventory	-	-	56,852	-	56,852	
<b>TOTAL ASSETS</b>	<b>\$ 81,713,769</b>	<b>\$ 4,264,096</b>	<b>\$ 1,026,168</b>	<b>\$ 9,340,341</b>	<b>\$ 96,344,374</b>	

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES**

LIABILITIES:

Accounts payable	\$ 3,317,110	\$ 123,032	\$ -	\$ 966,319	\$ 4,406,461
Accrued liabilities	2,615,138	69,847	32,773	-	2,717,758
Compensated absences	782,066	-	-	-	782,066
Due to component districts - return of surplus	27,539,470	202,922	-	-	27,742,392
Due to ERS	1,321,523	11,172	29,446	-	1,362,141
Due to TRS	5,369,275	-	-	-	5,369,275
Due to other governments	98	-	861	-	959
State aid due to school districts	13,710,485	-	-	-	13,710,485
Due to other funds	387,954	3,778,143	890,108	-	5,056,205
Unearned revenue	151,338	16,582	3,486	-	171,406
Total Liabilities	55,194,457	4,201,698	956,674	966,319	61,319,148

DEFERRED INFLOWS OF RESOURCES

Deferred charges to districts	8,311,014	-	-	-	8,311,014
Deferred revenue related to life insurance	648,381	-	-	-	648,381
	8,959,395	-	-	-	8,959,395
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>64,153,852</b>	<b>4,201,698</b>	<b>956,674</b>	<b>966,319</b>	<b>70,278,543</b>

(Continued)



**WESTERN SUFFOLK BOCES**

**BALANCE SHEET - GOVERNMENTAL FUNDS AND RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCE TO GOVERNMENT-WIDE NET POSITION (Continued)  
JUNE 30, 2017**

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects		
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	-	56,852
Inventory			56,852			
Restricted						
Reserve for ERS	1,472,241	-	-	-	-	1,472,241
Reserve for compensated absences	11,820,431	-	-	-	-	11,820,431
Reserve for unemployment	232,327	-	-	-	-	232,327
Reserve for workers compensation	3,121,366	-	-	-	-	3,121,366
Reserve for property and casualty claims	400,000	-	-	-	-	400,000
Restricted for capital projects	-	-	-	170,746	-	170,746
Total restricted	<u>17,046,365</u>	-	-	<u>170,746</u>	-	<u>17,217,111</u>
Assigned	513,552	62,398	12,642	8,203,276		8,791,868
Unassigned	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>17,559,917</u>	<u>62,398</u>	<u>69,494</u>	<u>8,374,022</u>		<u>26,065,831</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 81,713,769</u>	<u>\$ 4,264,096</u>	<u>\$ 1,026,168</u>	<u>\$ 9,340,341</u>		<u>\$ 96,344,374</u>
A reconciliation of total governmental fund balance to government-wide net assets follows:						
Total governmental fund balances per above						\$ 26,065,831
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds						75,709,947
GASB 68 related government-wide activity						37,118,621
Deferred outflows of resources						(11,783,536)
Net pension liability						(2,376,979)
Deferred inflows of resources						648,381
Deferred revenues recognized as revenue under full accrual accounting						(133,505,685)
Other postemployment benefits are recognized as a liability under full accrual accounting						(12,764,586)
Compensated absences due in more than one year are recognized as a liability under full accrual accounting						(7,364,582)
Installment purchase debt is not due in the current period and, therefore, are not reported in the funds						(447,553)
Capital leases are not due in the current period and, therefore, are not reported in the funds						(7,126,429)
Workers compensation payable (net of general fund accrued liability)						<u>(7,126,429)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>						<u>\$ (35,826,570)</u>

**WESTERN SUFFOLK BOCES**

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Governmental Fund Types</u>				Total Governmental Funds
	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	
REVENUE:					
Charges for services	\$ 4,461,371	\$ -	\$ -	\$ -	\$ 4,461,371
Charges to components	156,740,875	4,324,290	-	-	161,065,165
Charges to other BOCES	8,989,983	207,250	-	-	9,197,233
Interest and earnings	92,426	-	-	-	92,426
Rental property	74,100	-	-	-	74,100
Sale of property and compensation for loss	92,734	-	-	-	92,734
Miscellaneous	1,415,798	206,835	14,200	60,438	1,697,271
State sources	-	4,521,047	13,292	-	4,534,339
Federal sources	-	776,733	425,137	-	1,201,870
Sales - School lunch	-	-	235,099	-	235,099
<b>Total revenue</b>	<b>171,867,287</b>	<b>10,036,155</b>	<b>687,728</b>	<b>60,438</b>	<b>182,651,608</b>
EXPENDITURES:					
Administration	12,487,648	-	-	-	12,487,648
Occupational instruction	26,161,256	3,630,090	-	-	29,791,346
Instruction for special education	79,882,411	3,609,595	-	-	83,492,006
Itinerant services	394,600	-	-	-	394,600
General instruction	7,602,740	-	-	-	7,602,740
Instruction support	25,796,398	850,684	-	-	26,647,082
Other services	10,622,448	-	-	-	10,622,448
Internal services	1,896,433	-	-	-	1,896,433
School lunch program	-	-	1,551,233	-	1,551,233
Capital outlay	-	-	-	10,645,077	10,645,077
<b>Total expenditures</b>	<b>164,843,934</b>	<b>8,090,369</b>	<b>1,551,233</b>	<b>10,645,077</b>	<b>185,130,613</b>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>7,023,353</u>	<u>1,945,786</u>	<u>(863,505)</u>	<u>(10,584,639)</u>	<u>(2,479,005)</u>
OTHER SOURCES AND (USES):					
Operating transfers in	2,064,003	195,500	850,000	3,526,333	6,635,836
Return of surplus due to component districts	(4,673,565)	-	-	-	(4,673,565)
Proceeds of debt issuance	-	-	-	4,995,800	4,995,800
Operating transfers (out)	(4,490,520)	(2,141,286)	(4,030)	-	(6,635,836)
<b>Total other sources (uses)</b>	<b>(7,100,082)</b>	<b>(1,945,786)</b>	<b>845,970</b>	<b>8,522,133</b>	<b>322,235</b>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(76,729)	-	(17,535)	(2,062,506)	(2,156,770)
FUND BALANCES - beginning of year	<u>17,636,646</u>	<u>62,398</u>	<u>87,029</u>	<u>10,436,528</u>	<u>28,222,601</u>
FUND BALANCES - end of year	\$ <u>17,559,917</u>	\$ <u>62,398</u>	\$ <u>69,494</u>	\$ <u>8,374,022</u>	\$ <u>26,065,831</u>

The accompanying notes are an integral part of these statements.

**WESTERN SUFFOLK BOCES**

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

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Net changes in fund balance - Total governmental funds	\$ (2,156,770)
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position.	14,671,373
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities.	(7,465,767)
Pension expense resulting from the GASB 68 related actuary reporting is not recorded as an expenditure in the government funds but is recorded in the statement of activities	(1,268,464)
Certain revenues that do not provide current financial resources that are recognized in the Statement of net position but not in the fund financial statements.	(183,273)
Net repayments of long-term debt, other liabilities, and installment purchase debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position	3,944,536
Certain revenues recorded in the acquisition of long-term debt that are not recognized as revenue in the statement of activities	(4,995,800)
Accrued postemployment benefits do not require the expenditure of current resources and are, therefore not reported as expenditures in the governmental funds	(22,299,857)
Certain expenses in the statement of activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds.	<u>9,343,159</u>
Change in net position - Governmental activities	<u>\$ (10,410,863)</u>

The accompanying notes are an integral part of these statements.

# WESTERN SUFFOLK BOCES

## STATEMENT OF NET POSITION - FIDUCIARY FUND FOR THE YEAR ENDED JUNE 30, 2017

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	<u>Agency</u>
<b>ASSETS:</b>	
Cash - Unrestricted	\$ 2,133,776
Cash - Restricted	3,824
Deposits	150,000
Other receivables	<u>1,310,528</u>
 Total assets	 <u>\$ 3,598,128</u>
<b>LIABILITIES:</b>	
Extraclassroom activity balances	\$ 3,824
Due to other funds	501
Other liabilities	<u>3,593,803</u>
 Total liabilities	 <u>\$ 3,598,128</u>

The accompanying notes are an integral part of these statements.

# WESTERN SUFFOLK BOCES

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2017

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### 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Nature of Operations**

The Western Suffolk BOCES (the BOCES) provides shared educational programs and services to its component units.

#### **Significant Accounting Policies**

The financial statements of the BOCES have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

#### **Reporting Entity**

The BOCES is governed by the laws of New York State. The BOCES is an independent entity governed by an elected Board of Education consisting of 7 members. 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.

BOCES are organized under §1950 of the New York State Education Law. A BOCES board is considered a corporate body. Members of a BOCES board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES board as a corporation (§1950(6)). In addition, BOCES boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n (a) of the New York State General Municipal Law.

BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component BOCES' share of administrative and capital costs is calculated using a 50/50 hybrid combination of the components total true valuation and resident weighted average daily attendance (RWADA) as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component school districts pay tuition or a service fee for programs in which its students participate.

The reporting entity of the BOCES is based upon criteria set forth by generally accepted accounting principles. 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.

The accompanying financial statements present the activities of the BOCES. The BOCES is not a component unit of another reporting entity. 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 description of a certain entity included in the BOCES reporting entity.

## 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Extraclassroom Activity Funds**

The extraclassroom activity funds of the BOCES represent funds of the students of the BOCES. The Board of Education 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 agent for various student organizations in an agency fund.

### **Basis of Presentation**

#### 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, intergovernmental revenue, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the BOCES governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenue includes 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. Revenue that is not classified as program revenue is presented as general revenue.

#### Fund Financial Statements

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

The BOCES reports the following 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.

*School Lunch Fund:* This fund accounts for the activities of the school lunch operations.

*Capital Projects Fund:* This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

## 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of Presentation (Continued)

#### Fund Financial Statements (Continued)

*Fiduciary Fund:* This fund is used to account for fiduciary activities. 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 Government-wide financial statements, because their resources do not belong to the BOCES, and are not available to be used. There is one class of fiduciary funds:

- 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.

### Use of Estimates

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

### Measurement Focus and Basis of Accounting

The BOCES-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions in which the BOCES gives or receives value without directly receiving or giving equal value in exchange include grants, and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The BOCES considers all revenue reported in the governmental funds to be available if the revenue is collected within the subsequent 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 been paid. 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.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**Cash**

The BOCES cash consists of cash on hand and demand deposits.

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 deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. BOCES has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

**Accounts Receivable**

Receivables include amounts due from other governments and individuals for services provided by BOCES. Receivables are recorded and revenues recognized as earned or as specific program expenditures/expenses are incurred. Allowances are recorded when appropriate.

**Inventories and Prepaid Items**

Inventories of food in the school lunch fund 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 inventoriable 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.

**Interfund Transactions**

The operations of the BOCES include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. 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 revenue to provide financing or other services.

In the Government-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, with the exception of those due from or to the fiduciary 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.



**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**Capital Assets**

Capital assets are reported at actual cost for acquisitions. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the Government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$500	SL	50 years
Furniture and equipment	\$500	SL	5-10 years

**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 government has the following items that qualify for reporting in this category;

Deferred charges result from pension contributions made subsequent to the measurement date of the plan.

Deferred charges result from differences between expected and actual experience of the plan.

Deferred charges result from net differences between projected and actual earnings on pension plan investments of the plan.

These amounts are deferred and amortized and expensed against pension expense in future periods.

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 and so will not be recognized as an inflow of resources (revenue) until then.

The government has the following items that qualify for reporting in this category;

The net amount of the BOCES' balances of deferred inflows of resources related to pensions is reported in the government-wide Statement of Net Position as deferred inflows of resources. This represents the effect of the net change in the BOCES' proportion of the collective net pension asset or liability and the difference during the measurement period between the BOCES' contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

Amounts received in the current year for health insurance costs in the subsequent period, are deferred until the following year when the costs will be paid.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**Vested Employee Benefits**

The BOCES employees are granted vacation and sick leave in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Sick leave eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Upon retirement, resignation or death, employees may be eligible to receive a portion of the value of unused accumulated sick leave.

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the Government-Wide financial statements. The compensated absences liability is calculated based on the terms of the collective bargaining agreements and individual employment contracts in effect at year end.

In the funds statements, only the amount of matured liabilities is accrued within the general fund based on expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

**Other Benefits**

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

**Other Postemployment Benefits**

In addition to providing retirement benefits described, the BOCES provides postemployment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the BOCES and its employee groups. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for the BOCES. The BOCES pays a variable percentage of the cost of premiums to an insurance company that provides health care insurance. At the fund level, the BOCES recognized the current cost of providing benefits for June 30, 2017 by recording \$7,830,368, which is its share of insurance premiums for approximately 769 currently enrolled retirees, as an expenditure for the current year.

In accordance with the provisions of Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the BOCES has recorded in the government-wide statement of net position required other postemployment benefits totaling \$133,505,685 as of June 30, 2017. See Note 9 for additional information regarding postemployment benefits.

**Unearned Revenue**

Unearned revenues arise when assets are recognized before revenue recognition criteria has been satisfied. In BOCES-wide financial statements, unearned revenues consist of amounts received in advance and/or amounts from grants received before the eligibility requirements have been met.

## 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Unearned Revenue** (Continued)

Unearned revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. BOCES has reported unearned revenues of \$151,338 for amounts received in advance in the General Fund, \$16,582 in advance grant monies received in the Special Aid Fund, and \$3,486 for collections in advance in the School Lunch Fund. Such amounts have been deemed to be measurable but not available pursuant to generally accepted accounting principles.

### **Accrued Liabilities and Long-Term Obligations**

Payables, accrued liabilities, and long-term obligations are reported in the Government-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, and compensated absences that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Installment Purchase Agreements 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.

### **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.

### **Equity Classifications**

#### Government-wide Statements

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

Net investment in capital assets - consists of net capital assets reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of those assets plus any unspent proceeds of those debt obligations.

Restricted net position - reports net position when constraints placed on the assets are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - reports all other net position that do not meet the definition of the above two classifications and are deemed to be available for general use by the BOCES.

#### Fund Statements

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

Non-spendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund.

Restricted fund balance - 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.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**Equity Classifications** (Continued)  
Fund Statements (Continued)

***Workers' Compensation Reserve***

Workers' Compensation Reserve (GML §6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. 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. The reserve is accounted for in the general fund.

***Unemployment Insurance Reserve***

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

***Employee Benefit Accrued Liability Reserve***

Reserve for Employee Benefit Accrued Liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund.

***Retirement Contribution Reserve***

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the general fund.

***Property Loss Reserve***

Property Loss Reserve (Education Law §1709(8) (c)) is used to pay for property loss incurred. A separate fund for property loss is required, and the reserve may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts and BOCES, except city school districts with a population greater than 125,000. This reserve is accounted for in the general fund.

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

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**Equity Classifications** (Continued)

Fund Statements (Continued)

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 reported in the general fund amounted to \$513,552. As of June 30, 2017, the BOCES' encumbrances were classified as follows:

Administration	\$	8,500
Occupational instruction		5,409
Instruction for special education		98
General instruction		16,206
Instruction support		146,592
Internal services		336,747
		<u>513,552</u>

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.

**Fund Balance - Reservations and Designations**

Order of Fund Balance Spending Policy

The BOCES' policy is to apply expenditures against non-spendable 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, non-spendable 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, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

## 2. **EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND BOCES WIDE STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the Government-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the statement of activities compared with the current financial resources focus of the governmental funds.

### *Total Fund Balances of Governmental Funds vs. Net position of Governmental Activities*

Total fund balances of the BOCES governmental funds differs from net position of governmental activities reported in the statement of net position. This difference primarily results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets.

### *Statement of Revenue, Expenditures, and Changes in Fund Balance vs. Statement of Activities*

Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories.

#### **Long-Term Revenue and Expense Differences**

Long-term revenue differences arise because governmental funds report revenue only when it is considered available, whereas the statement of activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.

#### **Capital Related Differences**

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities.

#### **Long-Term Debt Transaction Differences**

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

### 3. STEWARDSHIP AND COMPLIANCE

#### **Budgets**

Section 1950 of the Education Law requires adoption of a final budget by no later than May 15 of the ensuing year.

The BOCES administration prepares a proposed administrative, capital and program budget, as applicable for approval by the members of the Board of Education for the general fund, the only fund with a legally adopted budget. The budget is adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. A tentative administrative budget is provided to the component districts 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. Appropriations are adopted at the program line item level. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year and any appropriated reserve funds. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

The following supplemental appropriations occurred during the year:

Administration	\$ (458,679)
Occupational Instruction	606,781
Instruction for special education	5,233,147
Itinerant services	231,145
General instruction	1,309,838
Instruction support	6,866,715
Other services	3,103,316
Internal services	1,524,535
Transfers to other funds	500,000
	<u>\$ 18,916,798</u>

Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the BOCES' voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

#### **Encumbrance Accounting**

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid

#### 4. CASH

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:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash and cash equivalents, including trust funds	<u>\$ 77,450,502</u>	<u>\$ 61,328,969</u>
Collateralized with securities held by the pledging financial institution's trust department or agent in the BOCES' name	\$ 76,450,502	
Covered by FDIC insurance	<u>1,000,000</u>	
Total	<u>\$ 77,450,502</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.

Cash on deposit for and extraclassroom activity funds	<u>\$ 3,824</u>
Cash in reserves - general fund	<u>\$ 17,517,088</u>
Cash in reserves - Capital fund	<u>\$ 170,746</u>



## 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2017, were as follows:

	July 1, 2016			June 30, 2017
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Governmental activities				
Capital assets that are not depreciated:				
Land	\$ 817,707	\$ -	\$ -	\$ 817,707
Construction in progress	<u>-</u>	<u>515,877</u>	<u>-</u>	<u>515,877</u>
Total non-depreciable historical cost	<u>817,707</u>	<u>515,877</u>	<u>-</u>	<u>1,333,584</u>
Capital assets that are depreciated:				
Buildings and improvements	82,295,155	4,766,643	-	87,061,798
Furniture and equipment	<u>38,607,892</u>	<u>9,388,853</u>	<u>(6,047,552)</u>	<u>41,949,193</u>
Total depreciable historical cost	<u>120,903,047</u>	<u>14,155,496</u>	<u>(6,047,552)</u>	<u>129,010,991</u>
Less accumulated depreciation:				
Buildings and improvements	27,736,857	1,477,580	-	29,214,437
Furniture and equipment	<u>25,479,556</u>	<u>5,988,187</u>	<u>(6,047,552)</u>	<u>25,420,191</u>
Total accumulated depreciation	<u>53,216,413</u>	<u>7,465,767</u>	<u>(6,047,552)</u>	<u>54,634,628</u>
Total depreciable cost, net	<u>67,686,634</u>	<u>6,689,729</u>	<u>-</u>	<u>74,376,363</u>
Total capital assets, net	<u>\$ 68,504,341</u>	<u>\$ 7,205,606</u>	<u>\$ -</u>	<u>\$ 75,709,947</u>

Depreciation expense of \$7,465,767 for the year ended June 30, 2017, was allocated to specific functions as follows:

Administration	\$ 565,565
Occupational instruction	1,184,840
Instruction for special education	3,703,757
Itinerant services	17,871
General instruction	344,327
Instruction support	1,168,317
Other Services	<u>481,090</u>
Total	<u>\$ 7,465,767</u>

## 6. LONG-TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Government activities					
Other long-term debt:					
Installment Purchase Debt	\$ 5,871,282	\$ 4,995,800	\$ 3,502,500	\$ 7,364,582	\$ 2,754,693
Capital Leases	889,589		442,036	447,553	229,134
Compensated absences	13,220,634		456,048 (A)	12,764,586	-
Workers' Compensation	6,933,681	1,781,364	1,588,616	7,126,429	-
Judgements and claims	1,249,491		1,249,491	-	-
Net pension liability	15,273,810		3,490,274 (A)	11,783,536	-
Other postemployment benefits	<u>119,036,196</u>	<u>22,299,857</u>	<u>7,830,368</u>	<u>133,505,685</u>	<u>-</u>
Total other long-term debt	<u>\$162,474,683</u>	<u>\$ 29,077,021</u>	<u>\$ 18,559,333</u>	<u>\$172,992,371</u>	<u>\$ 2,983,827</u>

(A) Additions and deletions to compensated absences OPEB and net pension liability are shown net because it is impractical to determine these amounts separately.

Interest expense related to long-term debt amounted to \$120,084.

The BOCES has entered into various municipal lease and option agreements for the purpose of acquiring computer equipment necessary to provide instructional computer services. The BOCES is obligated under certain installment purchase agreements at various incremental interest rates as listed below. Assets purchased under the agreements totaled \$20,541,888 at June 30, 2017 and total accumulated depreciation for these assets was \$13,107,316 at year end.

The BOCES' installment purchase debt agreements are payable in 60 monthly installments or less and bear interest ranging from 1.25% to 2.71%.

The following is a summary of maturities at June 30, 2017:

<u>At fiscal year end June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 2,754,693	\$ 89,739
2019	2,225,204	52,376
2020	1,563,355	24,326
2021	<u>821,330</u>	<u>6,462</u>
Total	<u>\$ 7,364,582</u>	<u>\$ 172,903</u>

## 6. LONG-TERM LIABILITIES (Continued)

The BOCES' capital leases are payable in 60 monthly installments or less and bear interest rates of 0 – 2.8%.

The following is a schedule of minimum lease payments as of June 30, 2017:

<u>At fiscal year end June 30,</u>	<u>Principal</u>
2018	\$ 229,134
2019	185,433
2020	31,950
Thereafter	<u>1,036</u>
Total	<u>\$ 447,553</u>

See Note 10 for more detailed information on the Workers' Compensation long-term debt.

## 7. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net position.

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenue</u>	<u>Expenditure</u>
General fund	\$ 4,668,752	\$ 387,954	\$ 2,064,003	\$ 4,490,520
Special aid fund	-	3,778,143	195,500	2,141,286
School lunch fund	-	890,108	850,000	4,030
Capital fund	387,954	-	3,526,333	-
Trust and agency	<u>-</u>	<u>501</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 5,056,706</u>	<u>\$ 5,056,706</u>	<u>\$ 6,635,836</u>	<u>\$ 6,635,836</u>

The BOCES typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All interfund payables are expected to be repaid within one year.

## 8. PENSION PLANS

### New York State Employee Retirement System

The BOCES participates in the New York State and Local Employee's Retirement System (ERS) also referred to as New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer retirement system, providing 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), established to hold all net assets and record changes in plan net position allocated to the System. System benefits are established under the provisions of the New York Retirement and Social Security Law (RSSL). Once an 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. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

### **Contributions**

The system is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27<sup>th</sup>, 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 (ERS) who generally contribute 3 percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

	<u>ERS</u>
2017	\$ 4,421,824
2016	\$ 5,018,066
2015	\$ 5,482,870

Chapter 260 of the Laws of 2004 of the State of New York allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:

- For State fiscal year (SFY) 2004-05, the amount in excess of 7 percent of employees' covered pensionable salaries, with the first payment of those pensions' costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- For SFY 2005-06, the amount in excess of 9.5 percent of employees' covered pensionable salaries.
- For SFY 2007-08, the amount in excess of 10.5 percent of the employee's covered pensionable salaries.

This law requires all participating employers to make payments on the current basis, while bonding or amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 2005 through 2008.

## 8. PENSION PLANS (Continued)

### New York State Employee Retirement System (Continued)

Chapter 57 of the Laws of 2010 of the State of New York allows local employers to amortize a portion of their retirement bill for 10 years in accordance with the following stipulations:

- For state fiscal year 2010-11, the amount in excess of the graded rate of 9.5 percent of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the amortization was instituted.
- For subsequent State fiscal years, the graded rate will increase or decrease by up to one percent depending on the gap between the increase or decrease in the System's average rate and the previous graded rate.
- For subsequent State fiscal years in which the System's average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

This law requires participating employers to make payments on the current basis while amortizing existing unpaid amounts relating to the System's fiscal years when the local employer opts to participate in the program.

All amounts due were remitted in full to the New York Employee Retirement System. No portion of the BOCES' retirement bill was amortized or bonded as of June 30, 2017.

#### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2017, the BOCES reported a liability of \$8,795,989 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The BOCES' proportion of the net pension liability was based on a projection of the BOCES' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2017, the BOCES' proportion was 0.0936120 percent, which was a decrease from its proportion measured June 30, 2016 of 0.0951623 percent.

8. **PENSION PLANS** (Continued)

New York State Employee Retirement System (Continued)

For the year ended June 30, 2017, the BOCES recognized pension expense of \$5,453,376. At June 30, 2017, the BOCES reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	220,419	1,335,721
Changes of Assumptions	3,005,032	-
Net difference between projected and actual earnings on pension plan investments	1,756,916	-
Changes in proportion and differences between the BOCES, contributions and proportionate share of contributions	1,313,963	70,735
Contributions subsequent to the measurement date	<u>1,321,523</u>	-
	<u>\$ 7,617,853</u>	<u>\$ 1,406,456</u>

The BOCES recognized \$1,321,523 as deferral outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2017 which will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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

Plan's Year Ended March 31:	
2018	\$ 2,079,736
2019	2,079,736
2020	1,786,315
2021	<u>(1,055,913)</u>
	<u>\$ 4,889,874</u>

**Actuarial Assumptions**

The total pension liability at March 31, 2017 was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017.

The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary scale	3.8 percent indexed by service
Projected COLAs	1.3% compounded annually
Decrement	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014
Investment Rate of Return	7.0% compounded annually, net of investment expenses

## 8. PENSION PLANS (Continued)

### New York State Employee Retirement System (Continued)

The long-term expected 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 return, net of investment expenses 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 the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Type</u>	<u>Target Allocations in %</u>	<u>Long-Term expected real rate of return in %</u>
Domestic equity	36.0	4.55
International equity	14.0	6.35
Private equity	10.0	7.75
Real estate	10.0	5.80
Absolute return strategies	2.0	4.00
Opportunistic portfolio	3.0	5.89
Real asset	3.0	5.54
Bonds and mortgages	17.0	1.31
Cash	1.0	(0.25)
Inflation indexed bonds	4.0	1.50
	<u>100%</u>	

#### **Discount Rate**

The discount rate used to calculate the total pension liability was 7.0%. 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 determined. Based upon the assumptions, the Plan's 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.

#### **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 7.0 percent, as well as what the BOCES' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.0%) or 1 percent higher (8.0%) than the current rate:

	<u>1 % Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
Proportionate Share of Net Pension liability	<u>\$ 28,092,648</u>	<u>\$ 8,795,989</u>	<u>\$ (7,519,299)</u>

**8. PENSION PLANS (Continued)**

**Pension Plan Fiduciary Net Position**

The components of the current-year net pension liability of the employers as of March 31, 2017, were as follows:

	Pension Plan's Fiduciary Net Position	BOCES' proportionate share of Plan's Fiduciary Net Position	BOCES' allocation percentage as determined by the Plan
Total pension liability	\$177,400,586,000	\$ 166,068,237	0.0936120%
Net position	(168,004,363,000)	(157,272,248)	0.0936120%
Net pension liability (asset)	<u>\$ 9,396,223,000</u>	<u>\$ 8,795,989</u>	0.0936120%
Fiduciary net position as a percentage of total pension liability	94.7%	94.7%	

**New York State Teachers' Retirement System**

The BOCES participates in the New York State Teachers' Retirement System (NYSTRS). This is a cost-sharing, multiple employer public employee retirement system. The system offers 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.

The New York State Teachers' Retirement Board administers NYSTRS. The system provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the system. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

**Contributions**

The System is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the System after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, contributions of 3.5% are paid throughout their active membership.

For employees who joined after April 1, 2012, required contributions of 3.5% of their salary are paid until April 1, 2013 and they then contribute 3% to 6% of their salary throughout their active membership. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The BOCES is required to contribute at an actuarially determined rate. The BOCES contributions made to the systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

	<u>TRS</u>
2017	\$ 5,707,503
2016	\$ 7,841,106
2015	\$ 7,477,359



8. **PENSION PLANS** (Continued)

New York State Teachers' Retirement System (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2017, the BOCES reported a liability of \$2,987,547 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The BOCES' proportion of the net pension liability was based on a projection of the BOCES' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2017 the BOCES' proportion was 0.278938 percent, which was a decrease from its proportion measured June 30, 2016 of 0.283960 percent.

For the year ended June 30, 2017, the BOCES recognized pension expense of \$5,051,922. At June 30, 2017 the BOCES reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 970,523
Changes of Assumptions	17,018,970	-
Net difference between projected and actual earnings on pension plan investments	6,717,576	-
Changes in proportion and differences between the BOCES' contributions and proportionate share of contributions	757,992	-
Contributions subsequent to the measurement date	5,006,230	-
	<u>\$ 29,500,768</u>	<u>\$ 970,523</u>

The BOCES recognized \$5,006,230 as a deferred outflows of resources related to pensions resulting from the BOCES' contributions subsequent to the measurement date 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:

Plan's Year Ended June 30:	
2017	\$ 2,188,138
2018	2,188,138
2019	7,405,193
2020	5,782,015
2021	2,711,477
Thereafter	3,249,054
	<u>\$ 23,524,015</u>

## 8. PENSION PLANS (Continued)

### New York State Teachers' Retirement System (Continued)

#### **Actuarial Assumptions**

The total pension liability at the June 30, 2016 measurement date was determined by an actuarial valuation as of June 30, 2015, with update procedures used to roll forward the total pension liability to June 30, 2016. These actuarial valuations used the following actuarial assumptions:

Inflation	2.50%
Projected Salary Increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.

<u>Service</u>	<u>Rate</u>
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Projected COLAs	1.5% compounded annually
Investment Rate of Return	7.5% compounded annually, net of pension plan investment expense, including inflation.

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP2014, applied on a generational basis. Active member mortality rates are based on plan member experience.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of the valuation date of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Type</u>	<u>Target Allocator in %</u>	<u>Long-term expected real rate of return in %</u>
Domestic equity	37.0	6.1
International equity	18.0	7.3
Real estate	10.0	5.4
Alternative investments	7.0	9.2
Domestic fixed income securities	17.0	1.0
Global fixed income securities	2.0	0.8
Mortgages	8.0	3.1
Short-term	1.0	0.1
	<u>100%</u>	

## 8. PENSION PLANS (Continued)

### New York State Teachers' Retirement System (Continued)

#### **Discount Rate**

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from plan employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's 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.

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

The following presents the net pension liability (asset) of the BOCES calculated using the discount rate of 7.5 percent, as well as what the BOCES' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1 % Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Proportionate Share of Net Pension liability	<u>\$ 38,979,341</u>	<u>\$ 2,987,547</u>	<u>\$ (27,200,483)</u>

#### **Pension Plan Fiduciary Net Position**

The components of the current-year net pension (asset) of the plan as June 30, 2016, were as follows:

	Pension Plan's Fiduciary Net Position	BOCES' proportionate share of Plan's Fiduciary Net Position	BOCES' allocation percentage as determined by the Plan
Total pension liability	\$108,577,184,039	\$ 302,863,030	0.2789380%
Net position	<u>(107,506,142,099)</u>	<u>(299,875,483)</u>	0.2789380%
Net pension liability (asset)	<u>\$ 1,071,041,940</u>	<u>\$ 2,987,547</u>	0.2789380%
Fiduciary net position as a percentage of total pension liability	99.01%	99.01%	

## 9. OTHER POSTEMPLOYMENT BENEFITS LIABILITY

### Plan Description

The BOCES provides certain other postemployment benefits (predominately health insurance) for retired employees of the BOCES. The BOCES administers the Other Postemployment Benefits Plan (the OPEB Plan) as a single-employer defined benefit Other Postemployment Benefit Plan (OPEB).

The net other postemployment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

### Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 22,350,122
Interest on net OPEB obligation	4,761,448
Adjustment to annual required contribution	<u>(4,811,713)</u>
Annual OPEB cost (expense)	22,299,857
Contributions made	<u>7,830,368</u>
Increase in net OPEB obligation	14,469,489
NET OPEB obligation - beginning of year	<u>119,036,196</u>
NET OPEB obligation - end of year	<u><u>\$133,505,685</u></u>
Percentage of annual OPEB cost contributed	35%

Trend information - The BOCES' annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

<u>Year Ended</u>	<u>OPEB Cost</u>	<u>Contribution (ARC)</u>	<u>OPEB Cost Contributed</u>	<u>% of ARC Contributed</u>	<u>OPEB Obligation</u>
6/30/17	\$22,299,857	\$ 22,350,122	\$ 7,830,368	35.0%	\$133,505,685
6/30/16	\$20,119,993	\$ 20,695,991	\$ 6,976,675	33.7%	\$119,036,196
6/30/15	\$19,622,835	\$ 20,695,991	\$ 7,193,877	34.8%	\$105,892,878

## 9. OTHER POSTEMPLOYMENT BENEFITS LIABILITY (Continued)

### Funded Status and Funding Progress

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The OPEB Plan is currently not funded.

The schedule of funding progress presents information on the actuarial value of plan assets relative to the actuarial accrued liabilities for benefits. In the future, the schedule will provide multi-year trend information about the value of plan assets relative to the AAL.

### Actuarial Methods and Assumptions

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

In the July 1, 2014 actuarial valuation, the following methods and assumptions were used:

Actuarial cost method	Projected unit credit
Discount rate*	4.0%
Medical care cost trend rate	10.0% initial 5.0% ultimate
Unfunded actuarial accrued liability:	
Amortization period	30 years
Amortization method	Level dollar
Amortization basis	Open

\* As the plan is unfunded, the assumed discount rate considers that the BOCES' investment assets are low risk in nature, such as money market funds or certificates of deposit.

## 10. RISK MANAGEMENT

The BOCES is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by a combination of self-insurance reserves and commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded available reserves and commercial insurance coverage for the past two years.

### **Workers' Compensation Plan**

The BOCES has established a self-insured plan for risks associated with workers' compensation claims. The plan establishes claims' liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) which have been reported but not settled, and of claims which have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the nature of the case. Estimated amounts of reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims.

Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims' liabilities does not necessarily result in an exact amount. Claims' liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates which reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data which reflect past inflation and on other factors which are considered to be appropriate modifiers of past experience. Adjustments to claims' liabilities are charged or credited to expense in the periods in which they are made.

Claims activity is summarized below:

	<u>June 30, 2017</u>
Unpaid Claims at Beginning of Year	\$ 6,933,681
Incurred Claims and Claim Adjustment Expense	1,781,364
Claim Payments	<u>(1,588,616)</u>
Unpaid Claims at year end	<u>\$ 7,126,429</u>

## **11. FUND BALANCES**

Portions of fund balances are reserved and not available for current expenses or expenditures as reported in the governmental funds balance sheet.

## **12. SPLIT DOLLAR LIFE INSURANCE POLICIES**

The BOCES has provided life insurance policies with split dollar provisions for certain of its current and former employees. The split dollar provisions provide for the reimbursement of all but the first year's previously paid premiums upon the demise of the insured or if the policy is cashed in prior to death.

At June 30, 2017, there were 47 policies in force with total premiums receivable in the amount of \$648,381. The corresponding revenue to this receivable will be recognized in the year that the premiums are refunded.

## **13. CONTINGENCIES AND COMMITMENTS**

### **Other Contingencies**

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 audits, the BOCES administration believes disallowances, if any, will be immaterial.

The BOCES has various commitments with contractors for the completion of capital projects.

## **14. ACCOUNTING PRONOUNCEMENT ISSUED NOT YET IMPLEMENTED**

In June 2015, the GASB issued *Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The BOCES is required to adopt the provisions of these Statements for the year ending June 30, 2018, with early adoption encouraged.

#### 14. ACCOUNTING PRONOUNCEMENT ISSUED NOT YET IMPLEMENTED (Continued)

In March 2016, GASB issued Statement No. 82, Pension Issues-An Amendment of GASB Statements No. 67, Financial Reporting for pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73 Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GAS 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The Statement addresses issues related to the presentation of payroll related measures in required supplementary information, selection of assumptions and the treatment of deviations and classification of payments made by employers to meet employee contribution requirements. The Statement takes effect for reporting periods beginning after June 15, 2016 except for the selection of assumptions in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end in which the effective date is on or after June 15, 2017. Earlier adoption is encouraged.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefore. The BOCES is required to adopt the provisions of this Statement for the year ending June 30, 2020.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement apply to the financial statements of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The BOCES is required to adopt the provisions of this Statement for the year ending June 30, 2019.

In March 2017, the GASB issued Statement No. 85, *Omnibus*. This Statement establishes practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The BOCES is required to adopt the provisions of this Statement for the year ending June 30, 2019.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement establishes consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The BOCES is required to adopt the provisions of this Statement for the year ending June 30, 2019.



#### **14. ACCOUNTING PRONOUNCEMENT ISSUED NOT YET IMPLEMENTED (Continued)**

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement establishes accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The BOCES is required to adopt the provisions of this Statement for the year ending June 30, 2021.

The BOCES has not assessed the impact of these statements on its future financial statements.

#### **15. SUBSEQUENT EVENTS**

On July 19, 2017, the BOCES entered into an installment agreement with TD Equipment Finance for equipment for \$605,000 at an interest rate of 1.72% for four years.

On July 19, 2017, the BOCES entered into an installment agreement with TD Equipment Finance for equipment for \$4,233,000 at an interest rate of 1.84% for four years.

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

WESTERN SUFFOLK BOCES

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance with Budgetary Actual
<b>REVENUE</b>				
Administration	\$ 6,877,500	\$ 6,900,267	\$ 6,847,658	\$ (52,609)
Occupational instruction	28,630,008	29,150,161	27,930,874	(1,219,287)
Instruction for special education	85,973,549	91,134,971	89,063,322	(2,071,649)
Itinerant services	255,274	467,084	375,703	(91,381)
General instruction	7,656,120	8,945,855	8,208,790	(737,065)
Instruction support	21,011,486	27,866,342	28,598,337	731,995
Other services	8,159,927	11,240,060	10,533,391	(706,669)
Internal services	50,000	184,733	309,212	124,479
Total revenues	158,613,864	175,889,473	171,867,287	(4,022,186)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	10,790,111	12,431,303	2,064,003	(10,367,300)
Total revenues and other sources	\$ 169,403,975	\$ 188,320,776	\$ 173,931,290	\$ (14,389,486)

(Continued)

**WESTERN SUFFOLK BOCES**

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2017**

<b>EXPENDITURES</b>	Original Budget	Final Budget	Actual (Budgetary Basis)	Encumbrances	Variance with Budgetary Actual and Encumbrances
Administration	\$ 12,784,005	\$ 12,325,326	\$ 12,487,648	\$ 8,500	\$ (170,822)
Occupational instruction	28,671,024	29,277,805	26,161,256	5,409	3,111,140
Instruction for special education	85,536,302	90,769,449	79,882,411	98	10,886,940
Itinerant services	255,273	486,418	394,600	-	91,818
General instruction	7,337,121	8,646,959	7,602,740	16,206	1,028,013
Instruction support	21,011,571	27,878,286	25,796,398	146,592	1,935,296
Other services	8,160,182	11,263,498	10,622,448	-	641,050
Internal services	<u>2,257,269</u>	<u>3,781,804</u>	<u>1,896,433</u>	<u>336,747</u>	<u>1,548,624</u>
Total expenditures	166,012,747	184,429,545	164,843,934	513,552	19,072,059
<b>OTHER FINANCING USES</b>					
Return of surplus	-	-	4,673,565	-	(4,673,565)
Transfers to other funds	<u>3,391,250</u>	<u>3,891,250</u>	<u>4,490,520</u>	<u>-</u>	<u>(599,270)</u>
Total other uses	<u>3,391,250</u>	<u>3,891,250</u>	<u>9,164,085</u>	<u>-</u>	<u>(5,272,835)</u>
Total expenditures and other uses	<u>\$ 169,403,997</u>	<u>\$ 188,320,795</u>	<u>\$ 174,008,019</u>	<u>\$ 513,552</u>	<u>\$ 13,799,224</u>
<b>NET CHANGE IN FUND BALANCES</b>					
			(76,729)		
FUND BALANCE - beginning of year			<u>17,636,646</u>		
FUND BALANCE - end of year			<u>\$ 17,559,917</u>		

**WESTERN SUFFOLK BOCES**

**SCHEDULE OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT BENEFITS PLAN (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2017**

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Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a percentage of Covered Payroll
July 1, 2014	\$ -	\$ 255,744,985	\$ 255,744,985	0.00%	N/A	N/A
July 1, 2014	\$ -	\$ 237,004,775	\$ 237,004,775	0.00%	N/A	N/A
July 1, 2014	\$ -	\$ 237,004,775	\$ 237,004,775	0.00%	N/A	N/A

**WESTERN SUFFOLK BOCES**

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2017**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Last 10 Fiscal Years (Dollar amounts displayed in thousands)										
<b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN</b>										
Proportion of the net pension liability (asset)	0.0936120%	0.0951623%	0.0964208%							
Proportionate share of the net pension liability (asset)	\$ 8,796.0	\$ 15,273.8	\$ 3,257.3							
Covered-employee payroll	\$ 30,359.5	\$ 29,444.8	\$ 28,491.9							
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	28.97%	51.87%	11.43%							
Plan fiduciary net position as a percentage of the total pension liability (asset)	94.70%	90.70%	97.20%							

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Last 10 Fiscal Years (Dollar amounts displayed in thousands)										
<b>NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN</b>										
Proportion of the net pension liability (asset)	0.2789380%	0.2839600%	0.3003090%							
Proportionate share of the net pension liability (asset)	\$ 2,987.5	\$ (29,494.4)	\$ (33,452.6)							
Covered-employee payroll	\$ 42,715.3	\$ 42,654.6	\$ 44,360.3							
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	6.99%	-69.15%	-75.41%							
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.01%	99.01%	110.48%							

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

**WESTERN SUFFOLK BOCES**  
**SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Last 10 Fiscal Years (Dollar amounts displayed in thousands)										
<b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN</b>										
Contractually required contribution	\$ 4,421.8	\$ 5,018.1	\$ 5,371.7							
Contributions in relation to the contractually required contribution	<u>4,421.8</u>	<u>5,018.1</u>	<u>5,371.7</u>							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
Covered-employee payroll	\$ 30,359.5	\$ 29,444.8	\$ 28,491.9							
Contributions as a percentage of covered-employee payroll	14.56%	17.04%	18.85%							

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Last 10 Fiscal Years (Dollar amounts displayed in thousands)										
<b>NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN</b>										
Contractually required contribution	\$ 5,707.5	\$ 7,841.1	\$ 5,006.2							
Contributions in relation to the contractually required contribution	<u>5,707.5</u>	<u>7,841.1</u>	<u>5,006.2</u>							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
Covered-employee payroll	\$ 42,715.3	\$ 42,654.6	\$ 44,360.3							
Contributions as a percentage of covered-employee payroll	13.36%	18.38%	11.29%							

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

**SUPPLEMENTARY INFORMATION (UNAUDITED)**



## WESTERN SUFFOLK BOCES

### SCHEDULE OF ACCOUNT A431 - SCHOOL DISTRICTS (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2017

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July 1, 2016 - Debit (Credit) balance	\$ (7,284,555)
Debits	
Billings to school districts	140,284,976
Refund of balances due school districts	4,492,324
Encumbrances - June 30, 2017	513,552
Other adjustments	<u>9,497,585</u>
Total debits	<u>154,788,437</u>
Credits	
Collections from school districts	145,689,820
Adjustment - credits to school districts	628,036
Revenues in excess of expenditures	4,673,565
Encumbrances - June 30, 2016	185,638
Other adjustments	<u>10,394,907</u>
Total credits	<u>161,571,966</u>
June 30, 2017 - Debit (Credit) balance	<u>\$ (14,068,084)</u>

Due from school districts	\$ 13,471,386
Due to component districts - return of surplus	<u>(27,539,470)</u>
	<u>\$ (14,068,084)</u>

**WESTERN SUFFOLK BOCES**

**SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2017**

Project Title	Original Budget	Revised Budget	Prior Years	Expenditures		Total	Unexpended Balance
				Current Year			
Caleb Smith & Sunken Meadow - Renovate/Replace	\$ 104,000	\$ 104,000	\$ 67,060	\$ 454	\$ 67,514	\$ 36,486	
JEA Dix Hills - Asbestos Abatement	2,985,000	3,135,000	2,932,909	126,808	3,059,717	75,283	
JEA Melville - Ceiling & Lighting	2,053,000	2,203,000	1,983,767	169,419	2,153,186	49,814	
JEA Melville - Boiler Replacement	794,000	788,397	788,397	-	788,397	-	
WT Dix Hills - Fire Alarm Panel Replacement	466,458	461,508	461,508	-	461,508	-	
WT Dix Hills - Replace HVAC McGuire 1	596,457	814,457	46,548	545,449	591,997	222,460	
WT Dix Hills - P/A System Renovation	300,000	267,330	267,330	-	267,330	-	
JEA Dix Hills - Resurface Playground/Replace Equip	100,000	56,502	56,502	-	56,502	-	
JEA Melville - Asphalt Replace/Conduit/Lighting	250,000	173,712	173,712	-	173,712	-	
WT Manor Plains - Fire Alarm Panel Replacement	150,000	148,823	148,823	-	148,823	-	
Taukomas - Roof Repair above Gym/100 wing	15,000	-	-	-	-	-	
District Wide - Energy Conservation Projects	3,694,025	4,177,924	151,781	1,416,583	1,568,364	2,609,560	
WT Dix Hills - Replace HVAC Jones 1	200,000	200,000	9,124	1,265	10,389	189,611	
JEA Dix Hills - P/A System Renovation	216,698	216,698	176,171	30,921	207,092	9,606	
Taukomas - Asphalt Replacement	250,000	174,881	11,494	163,387	174,881	-	
Brennan - Fire Alarm Panel Replacement	198,103	193,728	103,746	89,982	193,728	-	
WT Dix Hills - Bathroom Renovations	155,000	-	-	-	-	-	
JEA Melville - Walkway Lighting/Repl Master Clock	89,300	53,650	53,650	-	53,650	-	
Brennan - Repair/Replace Assorted HVAC	94,260	84,075	84,075	-	84,075	-	
Sunken Meadow - Outdoor Learning Lab Renovations	2,000,000	3,983,091	21,256	494,621	515,877	3,467,214	
WT Dix Hills - Bathroom Renovations	75,000	75,000	3,266	1,508	4,774	70,226	
WT Dix Hills - Sidewalk Replacement	240,000	-	-	-	-	-	
Brennan - P/A System Renovation	190,551	186,968	115,117	71,851	186,968	-	
WT Republic - Fire Alarm Panel Replacement	145,330	145,330	14,766	86,316	101,082	44,248	
District Wide - Replace Vandal Alarm Systems	56,720	55,574	49,019	6,555	55,574	-	
WT Manor Plains - Roof Replacement	783,165	1,156,691	62,284	1,094,407	1,156,691	-	
JEA Melville - Expand South Parking Area	185,300	121,057	83,107	37,950	121,057	-	
WT Northport - Replace Main Electrical Feed Cables	82,578	68,597	68,597	-	68,597	-	
WT Dix Hills/Northport- Replace Concrete Curbs/Walks	96,358	87,545	87,545	-	87,545	-	
<b>SUBTOTAL</b>	<b>\$ 16,566,303</b>	<b>\$ 19,133,538</b>	<b>\$ 8,021,554</b>	<b>\$ 4,337,476</b>	<b>\$ 12,359,030</b>	<b>\$ 6,774,508</b>	

(Continued)

WESTERN SUFFOLK BOCES

SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017

	\$	16,566,303	\$	19,133,538	\$	8,021,554	\$	4,337,476	\$	12,359,030	\$	6,774,508
SUBTOTAL												
WT Dix Hills - Redesign Ramp/Wall/Replace Stucco	120,000		120,000							3,500		116,500
WT Northport - Elec/Sink/Wall/Control Panel	73,500		73,500		3,500		43,415			43,415		30,085
WT Manor Plains - Install Room Exhaust	25,000		36,600				36,600			36,600		-
JEA Dix Hills - Light/Wall/Door/Ceiling/Bathroom	163,500		163,500		23,275		74,860			98,135		65,365
JEA Melville - Intercom/Gym/Toilet	142,000		142,000				110,640			110,640		31,360
Taukomas - Redundant Power	187,850		187,850				183,190			183,190		4,660
Brennan - Air Comp/Dryer/Transmitter	60,000		52,000		24,300		27,700			52,000		-
WT Dix Hills - Garage Door/Door/Fence/Sidewalk	107,500		107,500									107,500
WT Northport - Sono lab Temp/Auto Shop Power	50,000		50,000				38,000			38,000		12,000
WT Northport - Blinds/Staff Room/Doors/Gates	59,500		59,500									59,500
WT Republic - Exterior Wall LED Fixtures	15,000		15,000									15,000
WT Manor Plains - Doors/Cabinets/Countertops/Bell	59,000		59,000									59,000
JEA Dix Hills - Hand Dryer/Fence/Tile/Bathrooms	137,500		137,500				137,500			137,500		-
JEA Melville - Cabinets/Paging/Fence/Bathrooms	125,000		125,000				109,717			109,717		15,283
Brennan - Exterior Wall LED/Ballasts/Vents	80,000		80,000				39,750			39,750		40,250
WT Manor Plains - P/A System Renovation	-		190,000				61,063			61,063		128,937
WT Northport - Fire Alarm Panel Replacement	-		225,000				8,738			8,738		216,262
WT Dix Hills - Replace Vandal Alarm Systems	-		75,000				69,802			69,802		5,198
WT Dix Hills - Bathroom Renovations	-		75,000				4,068			4,068		70,932
Brennan - Replace Rooftop Fan/Air Handler	-		106,950									106,950
Brennan - Stage Front Remodeling/Repair Stage Floor	-		140,875									140,875
JEA Melville - Install New Casework and Countertops	-		43,700									43,700
Taukomas - Convert Hot Water Heater to Gas	-		15,525									15,525
WT Manor Plains - Convert Hot Water Heater to Gas	-		32,775									32,775
WT Dix Hills - Design/Install Spray Booth McGuire 1	-		31,508									31,508
WT Northport - Repair/Replace Vents in Façade	-		20,000									20,000
Technology 2015/2016	3,380,662		3,380,662		2,843,158		437,583			3,280,741		99,921
Technology 2016/2017	-		4,995,800		-		4,924,975			4,924,975		70,825
TOTAL	\$	21,352,315	\$	29,875,283	\$	10,915,787	\$	10,645,077	\$	21,560,864	\$	8,314,419

**WESTERN SUFFOLK BOCES**

**SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET - GENERAL FUND (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2017**

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**CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET**

Adopted budget	\$ 169,218,359
Add: Prior year's encumbrances	<u>185,638</u>
Original budget	169,403,997
Budget revision: Board resolutions to accept changes in service contracts	<u>18,916,798</u>
Final budget	<u>\$ 188,320,795</u>

## WESTERN SUFFOLK BOCES

### SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2017

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Capital assets, net	\$ 75,709,947
Deduct:	
Short-term portion of installment purchase debt	2,754,693
Long-term portion of installment purchase debt	4,609,889
Short-term portion of capital leases	229,134
Long-term portion of capital leases	<u>218,419</u>
Net investment in capital assets	<u>\$ 67,897,812</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

December 12, 2017

To the Board of Education of the  
Western Suffolk BOCES:

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 Western Suffolk BOCES (the BOCES), as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements, and have issued our report thereon dated December 12, 2017

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the BOCES internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BOCES internal control. Accordingly, we do not express an opinion on the effectiveness of the BOCES internal control.

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

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

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(Continued)

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

(Continued)

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Bonadio & Co., LLP*