

**WESTERN SUFFOLK BOARD OF
COOPERATIVE EDUCATION SERVICES**

**Financial Statements and Required Reports
Under OMB Circular A-133 as of
June 30, 2015**

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

December 29, 2015

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, 2015, 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.

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, 2015, 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.

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Report on 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) on pages 3 through 11 and 46 through 50 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.

Report on Supplementary 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 on pages 51 through 55, as required by the New York State Education Department, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

The supplementary information included on pages 51 through 55 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 29, 2015 on our consideration of the BOCES' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BOCES' internal control over financial reporting and compliance.

WESTERN SUFFOLK BOCES

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) JUNE 30, 2015

The following is a discussion and analysis of the Western Suffolk BOCES financial performance for the fiscal year ended June 30, 2015. 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

The BOCES total net position was \$(21,042,986), an increase of approximately \$8.6 million from the prior year. The primary factor contributing to this increase was the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which increased pension assets (net of pension liabilities) by \$17 million. This was offset by the increase in the other postemployment benefit liabilities of approximately \$12.4 million. Revenues exceeded expenditures by \$4 million.

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 Western Suffolk 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

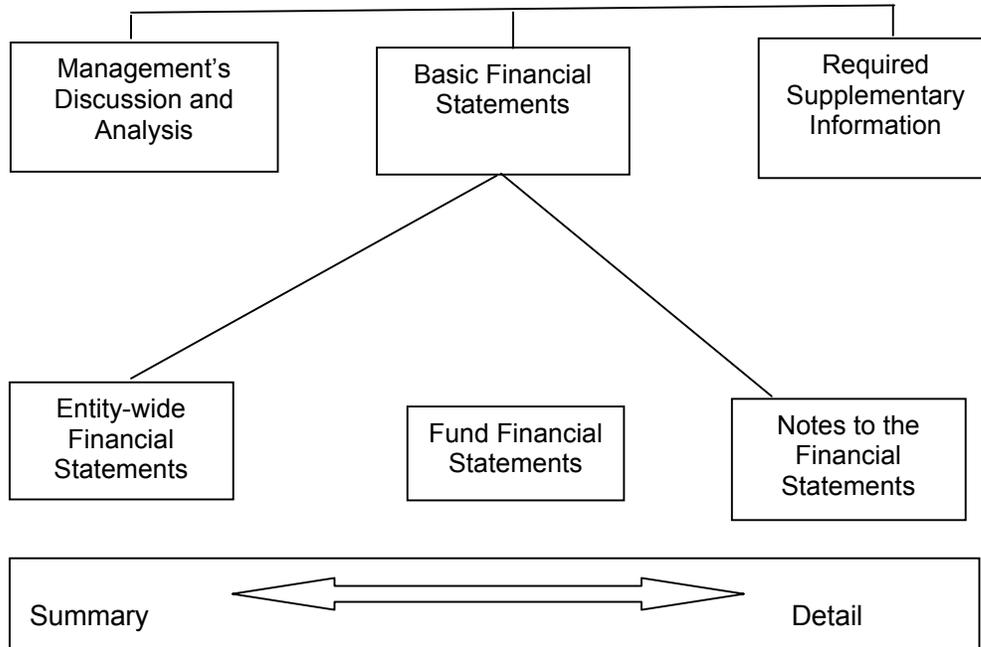


Figure A-2 summarizes the major features of the Western Suffolk BOCES' financial statements, including a portion of the BOCES' activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

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"> Statement of net position Statement of activities | <ul style="list-style-type: none"> Balance sheet Statement of revenue, expenditures, and changes in fund equity | <ul style="list-style-type: none"> Statement of fiduciary net position Statement of changes in fiduciary net position |
| 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 Western Suffolk 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 and liabilities. 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 Western Suffolk 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, miscellaneous revenue 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>2015</u> | Fiscal Year <u>2014</u> | Percent <u>Change</u> |
|---|----------------------------|----------------------------|--------------------------|
| Current and other assets | \$ 82,664 | \$ 76,428 | 8.2% |
| Net pension asset | 33,453 | - | 100% |
| Capital assets | <u>65,939</u> | <u>64,942</u> | 1.5% |
| Total assets | 182,056 | 141,370 | 28.8% |
| Deferred outflows of resources | <u>10,169</u> | <u>-</u> | 100.0% |
| Total assets and deferred outflows of resources | <u>\$ 192,225</u> | <u>\$ 141,370</u> | 36.0% |
| Current liabilities | \$ 52,495 | \$ 47,273 | 11.0% |
| Net pension liability | 3,257 | - | 100% |
| Long-term liabilities | <u>127,217</u> | <u>116,729</u> | 9.0% |
| Total liabilities | 182,969 | 164,002 | 11.6% |
| Deferred inflows of resources | <u>30,299</u> | <u>7,005</u> | 332.5% |
| Total liabilities and deferred inflows of resources | <u>\$ 213,268</u> | <u>\$ 171,007</u> | 24.7% |
| Net position: | | | |
| Investment in capital assets | \$ 59,470 | \$ 57,645 | 3.2% |
| Restricted | 17,570 | 18,350 | -4.3% |
| Unrestricted | <u>(98,083)</u> | <u>(105,632)</u> | 7.1% |
| Total net position | <u>\$ (21,043)</u> | <u>\$ (29,637)</u> | 29.0% |

Net Position and Deferred Outflows of Resources

Total assets increased by approximately \$50.8 million primarily due to the implementation of GASB 68, which increased assets by \$43.6 million. In addition, current assets increased by \$6.2 million and capital assets increased by \$1 million.

Total liabilities and deferred inflows of resources increased by approximately \$42.2 million primarily due to the implementation of GASB 68, which increased liabilities by \$26.2 million. In addition, current liabilities increased by \$5.2 million, other postemployment benefits increased by \$12.4 million and all other long-term liabilities and deferred inflows decreased by \$1.6 million.

The net position increased by \$8.6 million due to the implementation of GASB 68, which increased net assets by \$17 million. This was offset by the increase in the other postemployment benefit liabilities of approximately \$12.4 million. Revenues exceeded expenditures by \$4 million.

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>2015</u> | Fiscal Year <u>2014</u> | Percent <u>Change</u> |
|--|----------------------------|----------------------------|--------------------------|
| <u>Revenue</u> | | | |
| Program revenue: | | | |
| Charges for services | \$ 164,028 | \$ 161,460 | 1.6% |
| Operating grants and contributions | 5,598 | 5,568 | 0.5% |
| General revenue: | | | |
| Use of money and property | 50 | 56 | -10.7% |
| Sale of property and compensation for loss | 53 | 37 | 43.2% |
| Miscellaneous | 1,690 | 1,873 | -9.8% |
| Rental Income | <u>19</u> | <u>19</u> | 0.0% |
| Total revenue | <u>\$ 171,438</u> | <u>\$ 169,013</u> | 1.4% |
| <u>Expenses</u> | | | |
| Administration | \$ 12,243 | \$ 12,891 | -5.0% |
| Occupational instruction | 29,858 | 33,936 | -12.0% |
| Instruction for special needs | 84,079 | 90,562 | -7.2% |
| Itinerant services | 513 | 843 | -39.1% |
| General instruction | 6,588 | 8,551 | -23.0% |
| Instruction support | 17,735 | 18,854 | -5.9% |
| Other services | 10,537 | 10,893 | -3.3% |
| Internal services | 1,955 | 2,409 | -18.8% |
| School lunch program | 1,440 | 1,476 | -2.5% |
| Return of Surplus | <u>4,280</u> | <u>(156)</u> | 2843.6% |
| Total expenses | <u>169,228</u> | <u>180,259</u> | -6.1% |
| Change in net position | <u>\$ 2,210</u> | <u>\$ (11,246)</u> | 119.7% |

Changes in Net position

The Western Suffolk BOCES 2015 revenue was \$171.4 million compared to the previous year of \$169 million (see Figure A-4). This increase in revenue was primarily driven by an increase in charges for services.

The total cost of all programs and services totaled \$169.2 million for 2015, compared to \$180.3 million in the previous year. These expenses are predominantly for the education, supervision, and transportation of students (see Figure A-6).

Itinerant services expenses decreased by approximately \$259 thousand due to a reduction in contracted services.

The decrease in expenditures results primarily from the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which reduced expenditures by approximately \$11 million.

The 2014 amounts have been reclassified to conform to the 2015 presentation. There was no change to the 2014 total revenues or expenses.

FINANCIAL ANALYSIS OF THE BOCES AS A WHOLE (Continued)

Changes in Net position (Continued)

Return of surplus increased by approximately \$4 million primarily due to the revenues exceeding expenditures by about \$3 million for 2014-2015.

Figure A-5: Revenue Sources for 2015

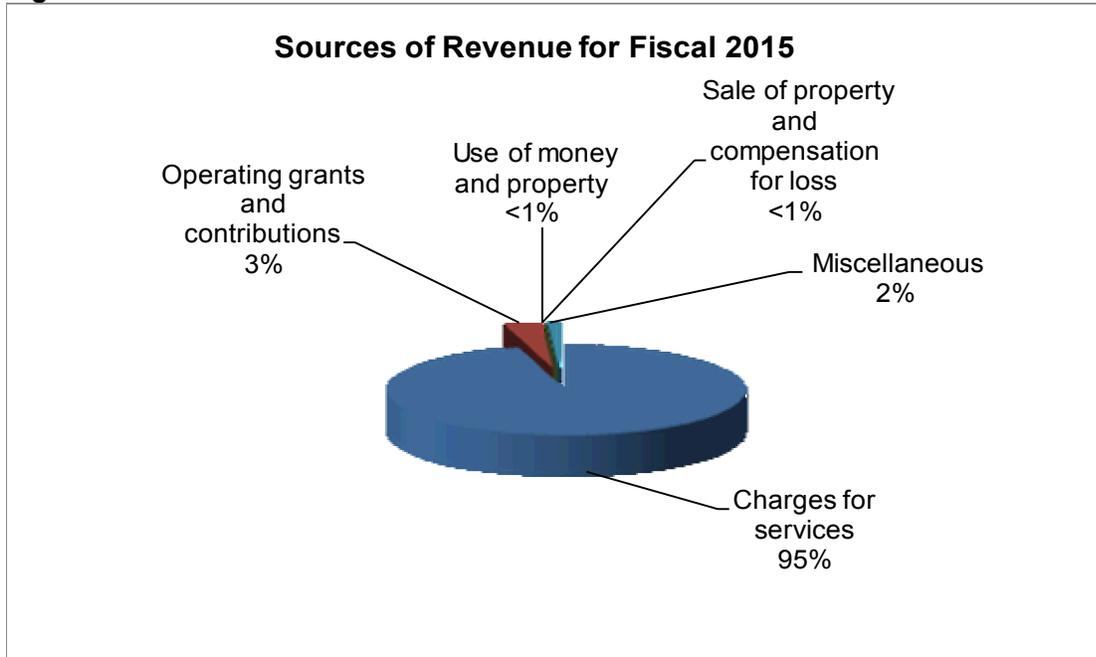
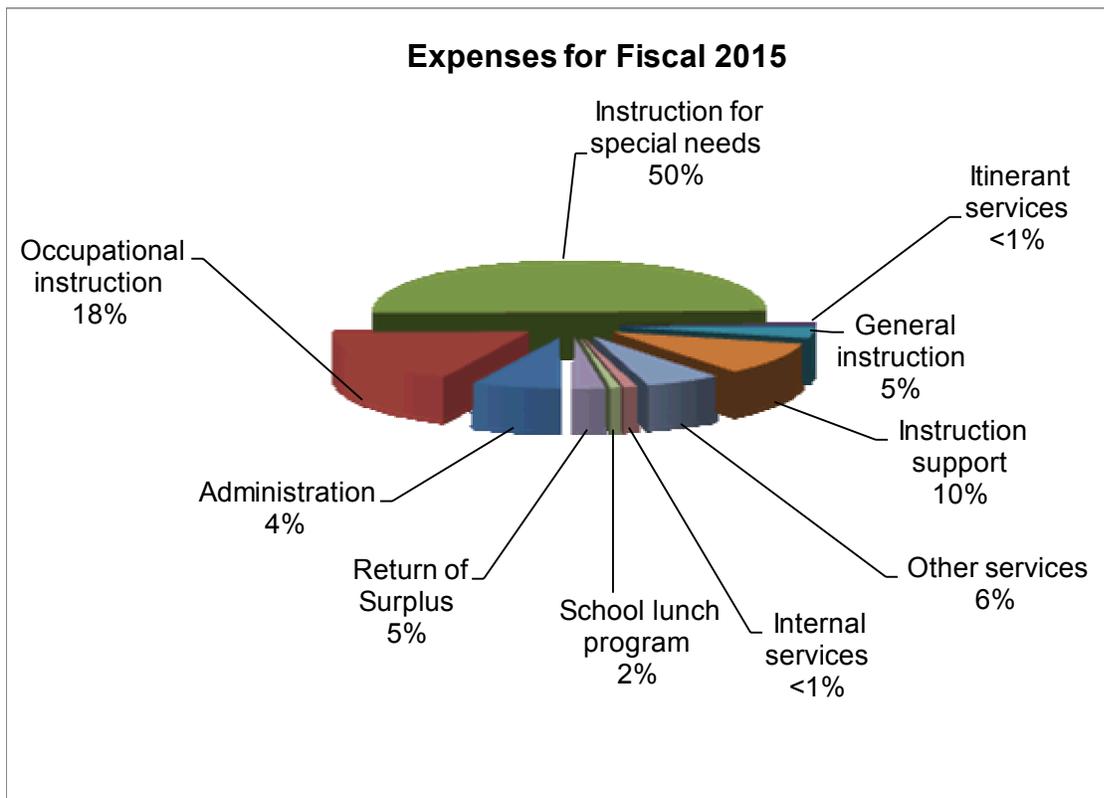


Figure A-6: Sources of Expenses for 2015



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 2015 and 2014:

General Fund: General Fund: Revenues exceeded expenditures by \$4.2 million: \$2.6 million due to a program operating surplus resulting from a combination of increased charges for services and reductions in expense areas where practical, \$800 thousand resulting from a reduction of excess funds in the long-term disability liability, and \$800 thousand in unexpended potential benefit costs currently in litigation.

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 generated a slight fund balance of approximately \$62 thousand. Approximately \$9.9 million was generated in this fund.

School Lunch: The school lunch fund ended 2014-2015 with a decrease in their fund balance of \$110 thousand. This resulted in a fund balance of \$148 thousand on hand as of June 30, 2015.

Capital Projects: Capital projects spending totaled \$5.1 million in 2014-2015. This left a fund balance of \$6.5 million on hand as of June 30, 2015.

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, 2015, the BOCES had \$65,939,165 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>2015</u> | Fiscal Year <u>2014</u> | Percent <u>Change</u> |
|----------------------------|----------------------------|----------------------------|--------------------------|
| Land | \$ 818 | \$ 818 | 0.0% |
| Buildings and improvements | 54,345 | 52,978 | 2.6% |
| Equipment and furniture | <u>10,776</u> | <u>11,146</u> | -3.3% |
| Total | <u>\$ 65,939</u> | <u>\$ 64,942</u> | 1.5% |

FINANCIAL ANALYSIS OF THE BOCES' FUNDS (Continued)

Long-Term Liabilities

As of June 30, 2015, the BOCES had approximately \$133.3 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> | (In Thousands) | |
|--------------------------------------|-----------------------------------|-----------------------------------|
| | <u>Fiscal Year</u> <u>2015</u> | <u>Fiscal Year</u> <u>2014</u> |
| Installment Purchase Debt | \$ 5,499 | \$ 6,129 |
| Other Post Employment Benefits | 105,893 | 93,464 |
| Compensated absences | 13,398 | 14,108 |
| Workers' Compensation Claims Payable | 4,338 | 4,891 |
| Net pension liability | 3,257 | 4,357 |
| Capital Leases | <u>970</u> | <u>1,168</u> |
| Total | <u>\$ 133,355</u> | <u>\$ 124,117</u> |

FACTORS BEARING ON THE BOCES' FUTURE

The general fund budget for the 2015-2016 school year was approved for the amount of \$160,435,516. This is a decrease of \$403,772 over the previous year's budget. The decrease was primarily due to decreases in personnel costs and employee benefits, principally retirement.

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 the average increase in the tax rates adopted by the component districts, approximately 1.3%. Student enrollment in Special Education programs continues to decline slowly, but remains stable in the Occupational Education programs. Recent 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 no expired employment contracts. Pension costs have begun to decrease.

Subsequent to June 30, 2015, the BOCES entered into new long term debt in the amount of \$2,480,800 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
JUNE 30, 2015**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

| | |
|---|--------------------|
| CURRENT ASSETS: | |
| Cash - Unrestricted | \$ 31,570,012 |
| Cash - Restricted | 18,387,260 |
| Due from school districts | 14,956,688 |
| Due from other governments | 16,016,784 |
| Accounts receivable | 1,674,497 |
| Inventories | 55,683 |
| Prepaid expenditures | <u>2,717</u> |
| Total current assets | <u>82,663,641</u> |
| NONCURRENT ASSETS: | |
| Net pension asset - TRS | 33,452,562 |
| Capital assets, net of accumulated depreciation | <u>65,939,165</u> |
| Total non-current assets | <u>99,391,727</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows of resources - ERS | 2,672,901 |
| Deferred outflows of resources - TRS | <u>7,494,850</u> |
| Total deferred outflows of resources | <u>10,167,751</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>192,223,119</u> |

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

| | |
|---|--------------------|
| CURRENT LIABILITIES: | |
| Accounts payable | 3,272,604 |
| Accrued liabilities | 36,679,963 |
| Due to Teachers' Retirement System | 7,841,107 |
| Due to Employee Retirement System | 1,525,049 |
| Current portion of long-term debt | 2,882,042 |
| Due to other funds | 260 |
| Unearned revenue | <u>293,476</u> |
| Total current liabilities | <u>52,494,501</u> |
| LONG-TERM LIABILITIES: | |
| Compensated absences payable | 13,398,098 |
| Workers' Compensation payable | 4,337,774 |
| Installment purchase debt | 3,118,739 |
| Capital leases | 468,040 |
| Net pension liability - ERS | 3,257,330 |
| Other postemployment benefits | <u>105,892,878</u> |
| Total long-term liabilities | <u>130,472,859</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows of resources - TRS | 22,956,213 |
| Deferred charges to districts | <u>7,342,532</u> |
| Total deferred inflows of resources | <u>30,298,745</u> |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | <u>213,266,105</u> |

NET POSITION

| | |
|------------------------------|------------------------|
| Investment in capital assets | 59,470,344 |
| Restricted | 17,569,891 |
| Unrestricted | <u>(98,083,221)</u> |
| TOTAL NET POSITION | <u>\$ (21,042,986)</u> |

The accompanying notes are an integral part of these statements.

WESTERN SUFFOLK BOCES

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

| | | Program Revenue | | Net (Expense) |
|--|---------------------------|---------------------------|-------------------------|---|
| | Expenses | Charges for Services | Operating Grants | Revenue and Changes in Net Position |
| FUNCTIONS/PROGRAMS: | | | | |
| Administration | \$ 12,242,619 | \$ 12,260,590 | \$ - | \$ 17,971 |
| Occupational instruction | 29,858,372 | 29,902,201 | 2,254,329 | 2,298,158 |
| Instruction for special needs | 84,078,934 | 84,202,354 | 2,242,001 | 2,365,421 |
| Itinerant services | 513,455 | 514,209 | - | 754 |
| General instruction | 6,588,156 | 6,597,827 | - | 9,671 |
| Instruction support | 17,734,759 | 17,760,792 | 634,376 | 660,409 |
| Other services | 10,536,625 | 10,552,092 | 61,836 | 77,303 |
| Internal services | 1,954,641 | 1,957,510 | - | 2,869 |
| School lunch program | 1,439,706 | 279,994 | 405,511 | (754,201) |
| Return of Surplus | 4,280,121 | - | - | (4,280,121) |
| TOTAL FUNCTIONS AND PROGRAMS | <u>\$ 169,227,388</u> | <u>\$ 164,027,569</u> | <u>\$ 5,598,053</u> | <u>398,234</u> |
| GENERAL REVENUE: | | | | |
| Use of money and property | | | | 49,667 |
| Sale of property and compensation for loss | | | | 52,747 |
| Miscellaneous | | | | 1,689,656 |
| Rental Income | | | | 18,500 |
| TOTAL GENERAL REVENUE | | | | <u>1,810,570</u> |
| CHANGE IN NET POSITION | | | | <u>2,208,804</u> |
| TOTAL NET POSITION - beginning of year, as previously reported | | | | (29,637,089) |
| CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | | | | <u>6,385,299</u> |
| TOTAL NET POSITION - beginning of year, as restated | | | | <u>(23,251,790)</u> |
| TOTAL NET POSITION - end of year | | | | <u>\$ (21,042,986)</u> |

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
JUNE 30, 2015**

| | <u>Governmental Fund Types</u> | | | | Total Governmental Funds |
|---|--------------------------------|------------------------|-------------------------|-----------------------------|--------------------------------|
| | <u>General</u> | <u>Special Aid</u> | <u>School Lunch</u> | <u>Capital Projects</u> | |
| ASSETS | | | | | |
| Cash - Unrestricted | \$ 24,713,277 | \$ 167,635 | \$ 125,588 | \$ 6,563,512 | \$ 31,570,012 |
| Cash - Restricted | 18,386,652 | - | - | 608 | 18,387,260 |
| Due from school districts | 14,956,688 | 14,329 | - | - | 14,971,017 |
| Due from other funds | 2,818,418 | - | - | - | 2,818,418 |
| State and federal aid | 12,585,907 | 3,167,877 | 30,789 | - | 15,784,573 |
| Accounts receivable | 1,660,168 | - | - | - | 1,660,168 |
| Due from other governments | 152,442 | 79,769 | - | - | 232,211 |
| Prepaid expenditures | 2,717 | - | - | - | 2,717 |
| Inventory | - | - | 55,683 | - | 55,683 |
| TOTAL ASSETS | \$ 75,276,269 | \$ 3,429,610 | \$ 212,060 | \$ 6,564,120 | \$ 85,482,059 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| LIABILITIES: | | | | | |
| Accounts payable | \$ 2,655,862 | \$ 463,816 | \$ 1,740 | \$ 88,047 | \$ 3,209,465 |
| Accrued liabilities | 1,031,035 | 63,140 | 23,060 | - | 1,117,235 |
| Compensated absences | 613,133 | - | - | - | 613,133 |
| Due to component districts - return of surplus | 22,425,550 | - | - | - | 22,425,550 |
| Due to ERS | 1,479,700 | 12,924 | 32,425 | - | 1,525,049 |
| Due to TRS | 7,841,107 | - | - | - | 7,841,107 |
| Due to other governments | 83 | - | 1,196 | - | 1,279 |
| State aid due to school districts | 12,585,906 | - | - | - | 12,585,906 |
| Due to other funds | 260 | 2,814,265 | 3,943 | 210 | 2,818,678 |
| Unearned revenue | 278,375 | 13,069 | 2,032 | - | 293,476 |
| Total Liabilities | 48,911,011 | 3,367,214 | 64,396 | 88,257 | 52,430,878 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred charges to districts | 7,342,532 | - | - | - | 7,342,532 |
| Deferred revenue related to life insurance | 1,014,574 | - | - | - | 1,014,574 |
| | 8,357,106 | - | - | - | 8,357,106 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | 57,268,117 | 3,367,214 | 64,396 | 88,257 | 60,787,984 |

(Continued)

WESTERN SUFFOLK BOCES

**BALANCE SHEET - GOVERNMENTAL FUNDS AND RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCE TO GOVERNMENT-WIDE NET POSITION (Continued)
JUNE 30, 2015**

| | <u>Governmental Fund Types</u> | | | | <u>Total Governmental Funds</u> |
|---|--------------------------------|------------------------|-------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Aid</u> | <u>School Lunch</u> | <u>Capital Projects</u> | |
| FUND BALANCES | | | | | |
| Nonspendable | | | | | |
| Inventory | - | - | 55,683 | - | 55,683 |
| Restricted | | | | | |
| Reserve for ERS | 1,441,520 | - | - | - | 1,441,520 |
| Reserve for compensated absences | 12,360,068 | - | - | - | 12,360,068 |
| Reserve for unemployment | 246,937 | - | - | - | 246,937 |
| Reserve for workers comp | 3,121,366 | - | - | - | 3,121,366 |
| Reserve for property and casualty claims | <u>400,000</u> | - | - | - | <u>400,000</u> |
| Total restricted | 17,569,891 | - | - | - | 17,569,891 |
| Assigned | 438,261 | 62,396 | 91,981 | 6,475,863 | 7,068,501 |
| Unassigned | - | - | - | - | - |
| TOTAL FUND BALANCES | <u>18,008,152</u> | <u>62,396</u> | <u>147,664</u> | <u>6,475,863</u> | <u>24,694,075</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 75,276,269</u> | <u>\$ 3,429,610</u> | <u>\$ 212,060</u> | <u>\$ 6,564,120</u> | <u>\$ 85,482,059</u> |

A reconciliation of total governmental fund balance to government-wide net assets follows:

| | |
|--|------------------------|
| Total governmental fund balances per above | \$ 24,694,075 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | 65,939,165 |
| GASB 68 related government-wide activity | |
| Net pension asset | 33,452,562 |
| Deferred outflows of resources | 10,167,751 |
| Net pension liability | (3,257,330) |
| Deferred inflows of resources | (22,956,213) |
| Deferred revenues recognized as revenue under full accrual accounting | 1,014,575 |
| Other postemployment benefits are recognized as a liability under full accrual accounting | (105,892,878) |
| Compensated absences due in more than one year are recognized as a liability under full accrual accounting | (13,398,098) |
| Installment purchase debt is not due in the current period and, therefore, are not reported in the funds | (5,498,685) |
| Capital leases are not due in the current period and, therefore, are not reported in the funds | (970,136) |
| Workers compensation payable (net of general fund accrued liability) | <u>(4,337,774)</u> |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$ (21,042,986)</u> |

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

WESTERN SUFFOLK BOCES

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

| | Governmental Fund Types | | | | Total Governmental Funds |
|--|-------------------------|--------------------|-------------------|---------------------|--------------------------------|
| | General | Special Aid | School Lunch | Capital Projects | |
| REVENUE: | | | | | |
| Charges for services | \$ 13,776,392 | \$ - | \$ - | \$ - | \$ 13,776,392 |
| Charges to components | 144,654,045 | 4,323,572 | - | - | 148,977,617 |
| Charges to other BOCES | 778,015 | 215,550 | - | - | 993,565 |
| Interest and earnings | 49,659 | - | 8 | - | 49,667 |
| Rental property | 18,500 | - | - | - | 18,500 |
| Sale of property and compensation for loss | 52,747 | - | - | - | 52,747 |
| Miscellaneous | 1,477,081 | 158,615 | 18,937 | - | 1,654,633 |
| State sources | - | 4,582,891 | 13,918 | - | 4,596,809 |
| Federal sources | - | 609,651 | 391,593 | - | 1,001,244 |
| Sales - School lunch | - | - | 279,994 | - | 279,994 |
| Total revenue | <u>160,806,439</u> | <u>9,890,279</u> | <u>704,450</u> | <u>-</u> | <u>171,401,168</u> |
| EXPENDITURES: | | | | | |
| Administration | 11,751,175 | - | - | - | 11,751,175 |
| Occupational instruction | 26,514,493 | 3,509,552 | - | - | 30,024,045 |
| Instruction for special education | 77,365,316 | 3,490,359 | - | - | 80,855,675 |
| Itinerant services | 492,522 | - | - | - | 492,522 |
| General instruction | 6,945,693 | - | - | - | 6,945,693 |
| Instruction support | 19,410,675 | 987,600 | - | - | 20,398,275 |
| Other services | 10,029,812 | 96,266 | - | - | 10,126,078 |
| Internal services | 1,877,075 | - | - | - | 1,877,075 |
| School lunch program | - | - | 1,439,706 | - | 1,439,706 |
| Capital outlay | - | - | - | 5,058,296 | 5,058,296 |
| Total expenditures | <u>154,386,761</u> | <u>8,083,777</u> | <u>1,439,706</u> | <u>5,058,296</u> | <u>168,968,540</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES | <u>6,419,678</u> | <u>1,806,502</u> | <u>(735,256)</u> | <u>(5,058,296)</u> | <u>2,432,628</u> |
| OTHER SOURCES AND (USES): | | | | | |
| Operating transfers in | 1,961,867 | 209,114 | 629,694 | 4,306,850 | 7,107,525 |
| Return of surplus due to component districts | (4,280,121) | - | - | - | (4,280,121) |
| Proceeds of debt issuance | - | - | - | 2,340,500 | 2,340,500 |
| Operating transfers (out) | (5,087,964) | (2,015,618) | (3,943) | - | (7,107,525) |
| Total other sources (uses) | <u>(7,406,218)</u> | <u>(1,806,504)</u> | <u>625,751</u> | <u>6,647,350</u> | <u>(1,939,621)</u> |
| EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | <u>(986,540)</u> | <u>(2)</u> | <u>(109,505)</u> | <u>1,589,054</u> | <u>493,007</u> |
| FUND BALANCES - beginning of year | <u>18,994,692</u> | <u>62,398</u> | <u>257,169</u> | <u>4,886,809</u> | <u>24,201,068</u> |
| FUND BALANCES - end of year | <u>\$ 18,008,152</u> | <u>\$ 62,396</u> | <u>\$ 147,664</u> | <u>\$ 6,475,863</u> | <u>\$ 24,694,075</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, 2015**

| | |
|---|---------------------|
| Net changes in fund balance - Total governmental funds | \$ 493,007 |
| Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position. | 7,296,443 |
| Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities. | (6,299,562) |
| 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 | 11,021,471 |
| 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. | 35,026 |
| 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 | 3,458,782 |
| Certain revenues recorded in the acquisition of long-term debt that are not recognized as revenue in the statement of activities | (2,630,602) |
| Accrued postemployment benefits do not require the expenditure of current resources and are, therefore not reported as expenditures in the governmental funds | (12,428,958) |
| 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>1,263,197</u> |
| Change in net position - Governmental activities | <u>\$ 2,208,804</u> |

The accompanying notes are an integral part of these statements.

WESTERN SUFFOLK BOCES

**STATEMENT OF NET POSITION - FIDUCIARY FUND
JUNE 30, 2015**

| | <u>Agency</u> |
|----------------------------------|-------------------------|
| ASSETS: | |
| Cash - Unrestricted | \$ 3,218,057 |
| Cash - Restricted | 18,185 |
| Deposits | 150,000 |
| Due from general fund | 260 |
| Other receivables | <u>1,249,801</u> |
| Total assets | <u>\$ 4,636,303</u> |
| LIABILITIES: | |
| Extraclassroom activity balances | \$ 18,185 |
| Due to other funds | - |
| Other liabilities | <u>4,618,118</u> |
| Total liabilities | <u>\$ 4,636,303</u> |

The accompanying notes are an integral part of these statements.

WESTERN SUFFOLK BOCES

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2015

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The BOCES provides shared educational programs and services to its component units.

Significant Accounting Policies

The financial statements of Western Suffolk 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 Western Suffolk 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, including all taxes, is presented as general revenue.

Fund Financial Statements

The fund statements provide information about the Western Suffolk 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.

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

Basis of Presentation (Continued)

Fund Financial Statements (Continued)

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.

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 dates 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 | 5-20 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.

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

Vested Employee Benefits

The BOCES employees are granted vacation 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 the year ended June 30, 2015 by recording \$7,193,877, which is its share of insurance premiums for approximately 740 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 \$105,892,878 as of June 30, 2015. 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 \$278,375 for amounts received in advance in the General Fund, \$13,069 for collections in advance for the Special Aid Fund and \$2,032 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:

Invested in capital assets, net of related-debt - 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, 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, 2015.

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 \$438,261. As of June 30, 2015, the BOCES’ encumbrances were classified as follows:

| | | |
|-----------------------------------|----|----------------|
| Administration | \$ | 16 |
| Instruction for special education | | 4,325 |
| Instructional support | | 19,400 |
| Internal services | | <u>414,520</u> |
| Total | \$ | <u>438,261</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.

Newly Adopted Accounting Standards

During the year ended June 30, 2015, the BOCES adopted the following:

In June 2012, the GASB issued *Statements No. 68 Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Statement No. 68 establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of Statement No. 68, as well as for non-employer governments that have a legal obligation to contribute to those plans.

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

Newly Adopted Accounting Standards (Continued)

In November 2013, the GASB issued Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Transition Date – an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

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 | \$ 299,102 |
| Occupational Instruction | (253,271) |
| Instruction for special education | 4,627,399 |
| Itinerant services | 93,414 |
| General instruction | 1,092,477 |
| Instructional support | 3,811,510 |
| Other services | 3,352,557 |
| Internal services | 1,255,916 |
| | <u>\$ 14,279,104</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>\$ 65,912,266</u> | <u>\$ 53,193,514</u> |
| Collateralized with securities held by the pledging financial institution's trust department or agent in the BOCES' name | \$ 64,411,586 | |
| Covered by FDIC insurance | <u>1,500,680</u> | |
| Total | <u>\$ 65,912,266</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>\$ 18,185</u> |
| Cash in Reserves - General Fund | <u>\$ 18,386,652</u> |

5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2015, were as follows:

| | July 1, 2014 | | | | June 30, 2015 |
|--|----------------------|--------------------|-------------------|--------------------|----------------------|
| | <u>Balance</u> | <u>Adjustments</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> |
| Governmental activities | | | | | |
| Capital assets that are not depreciated: | | | | | |
| Land | \$ 817,707 | \$ - | \$ - | \$ - | \$ 817,707 |
| Total non-depreciable historical cost | <u>817,707</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>817,707</u> |
| Capital assets that are depreciated: | | | | | |
| Buildings and improvements | 77,983,074 | - | 2,717,350 | - | 80,700,424 |
| Furniture and equipment | <u>26,405,458</u> | <u>1,403,625</u> | <u>4,579,093</u> | <u>(6,583,647)</u> | <u>25,804,529</u> |
| Total depreciable historical cost | <u>104,388,532</u> | <u>1,403,625</u> | <u>7,296,443</u> | <u>(6,583,647)</u> | <u>106,504,953</u> |
| Less accumulated depreciation: | | | | | |
| Buildings and improvements | 25,004,258 | - | 1,350,352 | - | 26,354,610 |
| Furniture and equipment | <u>15,259,697</u> | <u>1,403,625</u> | <u>4,949,210</u> | <u>(6,583,647)</u> | <u>15,028,885</u> |
| Total accumulated depreciation | <u>40,263,955</u> | <u>1,403,625</u> | <u>6,299,562</u> | <u>(6,583,647)</u> | <u>41,383,495</u> |
| Total depreciable cost, net | <u>\$ 64,124,577</u> | <u>\$ -</u> | <u>\$ 996,881</u> | <u>\$ -</u> | <u>\$ 65,121,458</u> |
| Total capital assets, net | <u>\$ 64,942,284</u> | <u>\$ -</u> | <u>\$ 996,881</u> | <u>\$ -</u> | <u>\$ 65,939,165</u> |

Depreciation expense of \$6,299,562 for the year ended June 30, 2015, was allocated to specific functions as follows:

| | |
|--------------------------|---------------------|
| Administration | \$ 479,492 |
| Occupational Instruction | 1,081,891 |
| For Special Ed | 3,155,823 |
| Itinerant Services | 20,097 |
| General Instruction | 283,410 |
| Instruction Support | 792,029 |
| Other Services | 409,254 |
| Internal Services | 77,566 |
| Total | <u>\$ 6,299,562</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 | \$ 6,129,351 | \$ 2,340,500 | \$ 2,971,166 | \$ 5,498,685 | \$ 2,379,946 |
| Capital Leases | 1,167,652 | 290,100 | 487,616 | 970,136 | 502,096 |
| Compensated absences | 14,107,583 | - | 709,485 (A) | 13,398,098 | - |
| Workers' Compensation | 4,891,486 | 934,416 | 1,488,128 | 4,337,774 | - |
| Net pension liability | 4,357,120 | | 1,099,790 | 3,257,330 | - |
| Other postemployment benefits | <u>93,463,920</u> | <u>12,428,958</u> | <u>-</u> | <u>105,892,878</u> | <u>-</u> |
| Total other long-term debt | <u>\$ 124,117,112</u> | <u>\$ 15,993,974</u> | <u>\$ 6,756,185</u> | <u>\$ 133,354,901</u> | <u>\$ 2,882,042</u> |

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

Interest expense related to long term debt amounted to \$103,139.

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 \$17,825,580 at June 30, 2015 and total accumulated depreciation for these assets was \$12,282,392 at year end.

The BOCES' installment purchase debt agreements are payable in 60 monthly installments or less and bear interest ranging from 1.32% to 2.7%.

The following is a summary of maturities at June 30, 2015:

| <u>At fiscal year end June 30,</u> | <u>Principal</u> | <u>Interest</u> |
|------------------------------------|---------------------|-------------------|
| 2016 | \$ 2,379,946 | \$ 65,884 |
| 2017 | 1,602,720 | 35,358 |
| 2018 | 1,003,961 | 16,070 |
| 2019 | <u>512,058</u> | <u>4,220</u> |
| Total | <u>\$ 5,498,685</u> | <u>\$ 121,532</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, 2015:

| <u>At fiscal year end June 30,</u> | Principal |
|------------------------------------|-------------------|
| 2016 | \$ 502,096 |
| 2017 | 312,494 |
| 2018 | 99,624 |
| 2019 | <u>55,922</u> |
| Total | <u>\$ 970,136</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 | \$ 2,818,418 | \$ 260 | \$ 1,961,867 | \$ 5,087,964 |
| Special aid fund | - | 2,814,265 | 209,114 | 2,015,618 |
| School lunch fund | - | 3,943 | 629,694 | 3,943 |
| Capital fund | - | 210 | 4,306,850 | - |
| Trust and Agency | <u>260</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total governmental activities | <u>\$ 2,818,678</u> | <u>\$ 2,818,678</u> | <u>\$ 7,107,525</u> | <u>\$ 7,107,525</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 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 27th, 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:

| | | |
|------|----|-----------|
| 2015 | \$ | 5,482,870 |
| 2014 | \$ | 5,714,226 |
| 2013 | \$ | 5,268,758 |

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, 2015.

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

At June 30, 2015, the BOCES reported a liability of \$3,257,330 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2015, 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, 2015, the BOCES' proportion was 0.0964208 percent, which was an increase of 0% from its proportion measured June 30, 2014.

8. PENSION PLANS (Continued)

New York State Employee Retirement System (Continued)

For the year ended June 30, 2015, the BOCES recognized pension expense of \$2,731,865. At June 30, 2015, 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 | 104,271 | - |
| Changes of Assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | 565,757 | - |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | 523,173 | - |
| Contributions subsequent to the measurement date | <u>1,479,700</u> | - |
| | <u>\$ 2,672,901</u> | <u>\$ -</u> |

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:

| | |
|------|---------------------|
| 2016 | \$ 298,300 |
| 2017 | 298,300 |
| 2018 | 298,300 |
| 2019 | <u>298,301</u> |
| | <u>\$ 1,193,201</u> |

Actuarial Assumptions

The total pension liability at March 31, 2015 was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The total pension liability for the March 31, 2014 measurement date was determined by using an actuarial valuation as of April 1, 2014. The actuarial valuation used the following actuarial assumptions:

| | |
|---------------------------|---|
| Actuarial cost method | Entry age normal |
| Inflation | 2.70% |
| Salary scale | 4.9 percent indexed by service |
| Projected COLAs | 1.4% compounded annually |
| Decrements | Developed from the Plan's 2010 experience study of the period April 1, 2005 through March 31, 2010 |
| Mortality improvement | Society of Actuaries Scale MP-2014 |
| Investment Rate of Return | 7.5% compounded annually, net of investment expenses |

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 equities and fixed income as well as historical investment data and plan performance.

8. PENSION PLANS (Continued)

New York State Employee Retirement System (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 and 2014 are summarized below;

| <u>Asset Type</u> | <u>Long Term Expected Real Rate</u> | |
|-------------------------|-------------------------------------|-------------|
| | <u>2015</u> | <u>2014</u> |
| Domestic Equity | 7.3% | 7.3% |
| International Equity | 8.6% | 8.6% |
| Private Equity | 11.0% | 11.0% |
| Real Estate | 8.3% | 8.3% |
| Absolute Return | 6.8% | 6.0% |
| Opportunistic Portfolio | 8.6% | 8.6% |
| Real Asset | 8.7% | 8.7% |
| Bonds, Cash & Mortgages | 4.0% | 4.0% |
| Cash | 2.3% | 2.3% |
| Inflation Indexed Bonds | 4.0% | 4.0% |

Discount Rate

The discount rate used to calculate the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the 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 7.5 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 (6.5%) or 1 percent higher (8.5%) than the current rate:

| | <u>1 % Decrease</u> | <u>Current Assumption</u> | <u>1% Increase</u> |
|--|---------------------|---------------------------|--------------------|
| | <u>(6.5%)</u> | <u>(7.5%)</u> | <u>(8.5%)</u> |
| Proportionate Share of Net Pension liability | \$ 21,711,512 | \$ 3,257,330 | \$ (12,322,576) |

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2015, were as follows:

| | <u>Pension Plan's</u> | <u>BOCES'</u> | <u>BOCES' allocation</u> |
|---|-------------------------|----------------------------|--------------------------|
| | <u>Fiduciary Net</u> | <u>proportionate share</u> | <u>percentage as</u> |
| | <u>Position</u> | <u>of Plan's Fiduciary</u> | <u>determined by the</u> |
| | | <u>Net Position</u> | <u>Plan</u> |
| Total pension liability | \$ 164,591,504,000 | \$ 158,700,445 | 0.0964208% |
| Net position | (161,213,259,000) | (155,443,115) | 0.0964208% |
| Net pension liability (asset) | <u>\$ 3,378,245,000</u> | <u>\$ 3,257,330</u> | 0.0964208% |
| Fiduciary net position as a percentage of total pension liability | | 97.9% | 97.9% |

8. PENSION PLANS (Continued)

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:

| | | |
|------|----|-----------|
| 2015 | \$ | 7,477,359 |
| 2014 | \$ | 7,208,554 |
| 2013 | \$ | 5,259,712 |

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

At June 30, 2015, the BOCES reported an asset of \$33,452,562 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by the actuarial valuation as of that date. The BOCES' proportion of the net pension asset 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, 2015 the BOCES' proportion was 0.3003090 percent, which was a decrease of 0.00002966 from its proportion measured June 30, 2014.

8. PENSION PLANS (Continued)

New York State Teachers Retirement System (Continued)

For the year ended June 30, 2015, the BOCES recognized pension income of \$1,322,730. At June 30, 2015 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 | \$ - | \$ 489,182 |
| Changes of Assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | 22,467,031 |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | 17,491 | - |
| Contributions subsequent to the measurement date | 7,841,107 | - |
| | <u>\$ 7,858,598</u> | <u>\$ 22,956,213</u> |

\$7,841,107 reported as 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, 2015. 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: | |
|----------------------------|------------------------|
| 2015 | \$ (5,671,606) |
| 2016 | (5,671,606) |
| 2017 | (5,671,606) |
| 2018 | (5,671,606) |
| 2019 | (54,848) |
| Thereafter | (197,450) |
| | <u>\$ (22,938,722)</u> |

Actuarial Assumptions

The total pension liability at the June 30, 2014 measurement date was determined by an actuarial valuation as of June 30, 2013, with update procedures used to roll forward the total pension liability to June 30, 2014. Total pension liability at the June 30, 2013 measurement date, was determined by an actuarial valuation as of June 30, 2012, with update procedures used to roll forward the total pension liability to June 30, 2013. These actuarial valuations used the following actuarial assumptions:

| | |
|----------------------------|--|
| Inflation | 3.00% |
| Projected Salary Increases | Rates of increase differ based on age and gender. They have been calculated based upon recent NYSTRS member experience. |
| Age | Female Male |
| 25 | 10.35% 10.91% |
| 35 | 6.26% 6.27% |
| 45 | 5.39% 5.04% |
| 55 | 4.42% 4.01% |
| Projected COLAs | 1.625% compounded annually |
| Investment Rate of Return | 8.0% compounded annually, net of pension plan investment expense, including inflation. |

8. PENSION PLANS (Continued)

New York State Teachers Retirement System (Continued)

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on society of Actuaries Scale AA.

The actuarial assumptions used in the June 30, 2013 and 2012 valuations were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010.

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, 2013 and June 30, 2012 (see the discussion of the pension plan's investment policy) are summarized in the following table:

| <u>Asset Type</u> | <u>Long Term Expected Real Rate</u> | |
|---------------------------------|-------------------------------------|-------------|
| | <u>2013</u> | <u>2012</u> |
| Domestic Equity | 7.3% | 7.0% |
| International Equity | 8.5% | 9.1% |
| Real Estate | 5.0% | 4.9% |
| Alternative Investments | 11.0% | 10.2% |
| Domestic fixed Income Securitie | 1.5% | 2.0% |
| Global Fixed Income Securities | 1.4% | 1.7% |
| Mortgages | 3.4% | 4.0% |

Discount Rate

The discount rate used to measure the total pension liability was 8.0 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 school districts 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 8.0 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 (7.0 percent) or 1-percentage-point higher (9.0 percent) than the current rate:

| | <u>1 % Decrease</u> | <u>Current Assumption</u> | <u>1% Increase</u> |
|--|---------------------|---------------------------|--------------------|
| | <u>(7.0%)</u> | <u>(8.0%)</u> | <u>(9.0%)</u> |
| Proportionate Share of Net Pension liability | \$ (721,619) | \$ (33,452,562) | \$ (61,343,872) |

8. PENSION PLANS (Continued)

New York State Teachers Retirement System (Continued)

Pension Plan Fiduciary Net Position

The components of the current-year net pension (asset) of the employers as of June 30, 2014, 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 | \$ 97,015,706,548 | \$ 291,346,886 | 0.3003090% |
| Net position | <u>(108,155,083,127)</u> | <u>(324,799,449)</u> | 0.3003090% |
| Net pension liability (asset) | <u>\$ (11,139,376,579)</u> | <u>\$ (33,452,562)</u> | 0.3003090% |
| Fiduciary net position as a percentage of total pension liability | 111.5% | 111.5% | |

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 | \$ 20,695,991 |
| Interest on net OPEB obligation | 3,738,557 |
| Adjustment to annual required contribution | <u>(4,811,713)</u> |
| Annual OPEB cost (expense) | 19,622,835 |
| Contributions made | <u>(7,193,877)</u> |
| Increase in net OPEB obligation | 12,428,958 |
| NET OPEB obligation - beginning of year | <u>93,463,920</u> |
| NET OPEB obligation - end of year | <u>\$ 105,892,878</u> |
| Percentage of annual OPEB cost contributed | -37% |

9. OTHER POSTEMPLOYMENT BENEFITS LIABILITY (Continued)

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> |
|-------------------|------------------|---------------------------|------------------------------|-----------------------------|------------------------|
| 6/30/15 | \$ 19,622,835 | \$ 20,695,991 | \$ 7,193,877 | 34.8% | \$ 105,892,878 |
| 6/30/14 | \$ 21,034,251 | \$ 21,556,321 | \$ 6,422,390 | 29.8% | \$ 93,463,920 |
| 6/30/13 | \$ 20,483,227 | \$ 21,556,321 | \$ 6,707,618 | 31.1% | \$ 78,852,059 |

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, 2015</u> |
|--|----------------------|
| Unpaid Claims at Beginning of Year | \$ 4,891,486 |
| Incurred Claims and Claim Adjustment Expense | 934,416 |
| Claim Payments | <u>(1,488,128)</u> |
| Unpaid Claims at year end | <u>\$ 4,337,774</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, 2015, there were 59 policies in force with total premiums receivable in the amount of \$1,014,574. 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.

The BOCES has various collective bargaining agreements which contain provisions for the payment of additional salaries for employees who waive health insurance. The New York State Department of Civil Service, the administrator of the largest of our insurers has taken issue with the collective bargaining provision and ruled that an employee cannot benefit from the waiver provision if that employee is covered in any sense under the NYSHIP plan. This matter is in litigation but should those that oppose the plan regulation prevail, BOCES will need to pay the additional salary amounts, possibly retroactively for a three year period for some bargaining units.

14. CHANGE IN ACCOUNTING PRINCIPLES

The BOCES adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Statement No. 68 establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of Statement No. 68, as well as for non-employer governments that have a legal obligation to contribute to those plans. Accordingly, beginning Net Position, Deferred Outflows of Resources and Net Pension Liability (Asset) of the Governmental Activities were adjusted as noted in the following table:

| | District-Wide Statement of Net Position | | | |
|---|---|--------------------------|--------------------------------------|------------------------|
| | Net Pension Asset | Net Pension Liability | Deferred outflows of Resources | Net Position |
| Balance at June 30, 2014, as previously reported | \$ - | \$ - | \$ - | \$ (29,637,089) |
| Restatement of beginning balance - Adoption of GASB Statement No. 68 | | | | |
| NYS Employee Retirement System Plan | - | 4,357,120 | 1,537,545 | (2,819,575) |
| NYS Teachers Retirement System Plan | 1,996,320 | - | 7,208,554 | 9,204,874 |
| | <u>1,996,320</u> | <u>4,357,120</u> | <u>8,746,099</u> | <u>6,385,299</u> |
| Balance at June 30, 2014, as restated | <u>\$ 1,996,320</u> | <u>\$ 4,357,120</u> | <u>\$ 8,746,099</u> | <u>\$ (23,251,790)</u> |

15. 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.

In August 2015, the GASB issued Statement *No. 77 Tax Abatement Disclosures*. This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The provisions of this Statement should be applied to all state and local governments subject to such tax abatement agreements. The BOCES is required to adopt the provisions of these Statements for the year ending June 30, 2018, with early adoption encouraged.

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

REQUIRED SUPPLEMENTARY INFORMATION

WESTERN SUFFOLK BOCES

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual (Budgetary Basis)</u> | <u>Final Budget Variance with Budgetary Actual</u> |
|-----------------------------------|----------------------------|-------------------------|-------------------------------------|--|
| REVENUE | | | | |
| Administration | \$ 14,568,043 | \$ 15,767,144 | \$ 6,603,328 | \$ (9,163,816) |
| Occupational instruction | 29,709,129 | 29,455,856 | 28,560,537 | (895,319) |
| Instruction for special education | 84,386,251 | 88,113,650 | 85,627,556 | (2,486,094) |
| Itinerant services | 438,500 | 531,914 | 481,220 | (50,694) |
| General instruction | 6,836,406 | 7,928,882 | 7,654,684 | (274,198) |
| Instruction support | 17,893,992 | 21,705,502 | 21,355,892 | (349,610) |
| Other services | 6,956,967 | 10,309,523 | 9,785,587 | (523,936) |
| Internal services | <u>50,000</u> | <u>1,374,055</u> | <u>737,635</u> | <u>(636,420)</u> |
| Total revenues | 160,839,288 | 175,186,526 | 160,806,439 | (14,380,087) |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | <u>10,005,484</u> | <u>11,462,191</u> | <u>1,961,867</u> | <u>(9,500,324)</u> |
| Total revenues and other sources | <u>\$ 170,844,772</u> | <u>\$ 186,648,717</u> | <u>\$ 162,768,306</u> | <u>\$ (23,880,411)</u> |

(Continued)

The accompanying notes are an integral part of these schedules.

WESTERN SUFFOLK BOCES

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

(Continued)

FOR THE YEAR ENDED JUNE 30, 2015

| EXPENDITURES | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual (Budgetary Basis)</u> | <u>Encumbrances</u> | <u>Variance with Budgetary Actual and Encumbrances</u> |
|---------------------------------------|----------------------------|---------------------------|-------------------------------------|-----------------------|--|
| Administration | \$ 11,933,043 | \$ 12,232,145 | \$ 11,751,175 | \$ - | \$ 480,970 |
| Occupational instruction | 29,761,127 | 29,507,856 | 26,514,493 | 16 | 2,993,347 |
| Instruction for special education | 83,933,193 | 87,660,592 | 77,365,316 | 4,325 | 10,290,951 |
| Itinerant services | 438,501 | 531,915 | 492,522 | - | 39,393 |
| General instruction | 6,553,528 | 7,646,005 | 6,945,693 | - | 700,312 |
| Instruction support | 17,894,081 | 21,702,874 | 19,410,675 | 19,400 | 2,272,799 |
| Other services | 6,986,169 | 10,338,726 | 10,029,812 | - | 308,914 |
| Internal services | <u>2,318,936</u> | <u>3,574,852</u> | <u>1,877,075</u> | <u>414,520</u> | <u>1,283,257</u> |
| Total expenditures | 159,818,578 | 173,194,965 | 154,386,761 | 438,261 | 18,369,943 |
| OTHER FINANCING USES | | | | | |
| Return of surplus | - | - | 4,280,121 | - | (4,280,121) |
| Transfers to other funds | <u>3,370,940</u> | <u>4,273,657</u> | <u>5,087,964</u> | <u>-</u> | <u>(814,307)</u> |
| Total other uses | <u>3,370,940</u> | <u>4,273,657</u> | <u>9,368,085</u> | <u>-</u> | <u>(5,094,428)</u> |
| Total expenditures and other uses | <u>\$ 163,189,518</u> | <u>\$ 177,468,622</u> | <u>\$ 163,754,846</u> | <u>\$ 438,261</u> | <u>\$ 13,275,515</u> |
| NET CHANGE IN FUND BALANCES | | | (986,540) | | |
| FUND BALANCE - beginning of year | | | 18,994,692 | | |
| FUND BALANCE - end of year | | | <u>\$ 18,008,152</u> | | |

The accompanying notes are an integral part of these schedules.

WESTERN SUFFOLK BOCES

**SCHEDULE OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT BENEFITS PLAN
FOR THE YEAR ENDED JUNE 30, 2015**

| 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 | \$ - | \$ 237,004,775 | \$ 237,004,775 | 0.00% | N/A | N/A |
| July 1, 2013 | \$ - | \$ 235,360,832 | \$ 235,360,832 | 0.00% | N/A | N/A |
| July 1, 2012 | \$ - | \$ 235,360,832 | \$ 235,360,832 | 0.00% | N/A | N/A |

WESTERN SUFFOLK BOCES

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
FOR THE YEAR ENDED JUNE 30, 2015**

| | Last 10 Fiscal Years (Dollar amounts displayed in thousands) | | | | | | | | | |
|---|--|------|------|------|------|------|------|------|------|------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN | | | | | | | | | | |
| Proportion of the net pension liability (asset) | 0.0964208% | | | | | | | | | |
| Proportionate share of the net pension liability (asset) | \$ 3,257.3 | | | | | | | | | |
| Covered-employee payroll | \$ 28,491.9 | | | | | | | | | |
| Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 11.43% | | | | | | | | | |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 97.95% | | | | | | | | | |

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.

| | Last 10 Fiscal Years (Dollar amounts displayed in thousands) | | | | | | | | | |
|---|--|------|------|------|------|------|------|------|------|------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN | | | | | | | | | | |
| Proportion of the net pension liability (asset) | 0.3003090% | | | | | | | | | |
| Proportionate share of the net pension liability (asset) | \$ (33,452.6) | | | | | | | | | |
| Covered-employee payroll | \$ 44,360.3 | | | | | | | | | |
| Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | -75.41% | | | | | | | | | |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 111.48% | | | | | | | | | |

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
FOR THE YEAR ENDED JUNE 30, 2015**

| | Last 10 Fiscal Years (Dollar amounts displayed in thousands) | | | | | | | | | |
|--|--|------|------|------|------|------|------|------|------|------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN | | | | | | | | | | |
| Contractually required contribution | \$ 5,371.7 | | | | | | | | | |
| Contributions in relation to the contractually required contribution | <u>5,371.7</u> | | | | | | | | | |
| Contribution deficiency (excess) | <u>\$ -</u> | | | | | | | | | |
| Covered-employee payroll | \$ 28,491.9 | | | | | | | | | |
| Contributions as a percentage of covered-employee payroll | 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.

| | Last 10 Fiscal Years (Dollar amounts displayed in thousands) | | | | | | | | | |
|--|--|------|------|------|------|------|------|------|------|------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN | | | | | | | | | | |
| Contractually required contribution | \$ 7,208.6 | | | | | | | | | |
| Contributions in relation to the contractually required contribution | <u>7,208.6</u> | | | | | | | | | |
| Contribution deficiency (excess) | <u>\$ -</u> | | | | | | | | | |
| Covered-employee payroll | \$ 44,360.3 | | | | | | | | | |
| Contributions as a percentage of covered-employee payroll | 16.25% | | | | | | | | | |

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

WESTERN SUFFOLK BOCES

**SCHEDULE OF ACCOUNT A431 - SCHOOL DISTRICTS
FOR THE YEAR ENDED JUNE 30, 2015**

| | |
|--|-----------------------|
| July 1, 2014 - Debit (Credit) balance | \$ (6,456,677) |
| Debits | |
| Billings to school districts | 134,146,150 |
| Refund of balances due school districts | 1,228,419 |
| Encumbrances - June 30, 2015 | 438,261 |
| Other adjustments | <u>8,110,829</u> |
| Total debits | <u>143,923,659</u> |
| Credits | |
| Collections from school districts | 130,821,426 |
| Adjustment - credits to school districts | 116,599 |
| Revenues in excess of expenditures | 4,280,121 |
| Encumbrances - June 30, 2014 | 644,608 |
| Other adjustments | <u>9,073,090</u> |
| Total credits | <u>144,935,844</u> |
| June 30, 2015 - Debit (Credit) balance | <u>\$ (7,468,862)</u> |

| | |
|--|-----------------------|
| Due from school districts | \$ 14,956,688 |
| Due to component districts - return of surplus | <u>(22,425,550)</u> |
| | <u>\$ (7,468,862)</u> |

WESTERN SUFFOLK BOCES

SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2015

| Project Title | Original Budget | Revised Budget | Expenditures | | | Unexpended Balance |
|--|----------------------|----------------------|---------------------|---------------------|----------------------|-----------------------|
| | | | Prior Years | Current Year | Total | |
| Administration - Interior Renovations | \$ 1,171,018 | \$ 1,171,018 | \$ 1,167,337 | \$ - | \$ 1,167,337 | \$ 3,681 |
| JEA Dix Hills - Asbestos Abatement | 2,835,000 | 2,985,000 | 2,792,301 | 140,608 | 2,932,909 | 52,091 |
| JEA Melville - Ceiling & Lighting | 1,903,000 | 2,053,000 | 1,822,171 | 161,596 | 1,983,767 | 69,233 |
| WT Northport - Window Replacement | 550,000 | 550,000 | 505,821 | | 505,821 | 44,179 |
| WT Dix Hills - McGuire 2 Fuel Tank Replacement | 257,000 | 257,000 | 254,746 | | 254,746 | 2,254 |
| District Wide - Replacement of Fire Alarm Panels | 70,000 | 70,000 | 30,080 | | 30,080 | 39,920 |
| Manor Plains - Window Replacement | 500,000 | 500,000 | 484,335 | | 484,335 | 15,665 |
| Caleb Smith & Sunken Meadow - Renovate/Replace | 104,000 | 104,000 | 6,920 | 24,640 | 31,560 | 72,440 |
| JEA Melville - Fire Alarm System | 200,000 | 200,000 | 131,259 | | 131,259 | 68,741 |
| JEA Dix Hills - Fire Alarm System | 200,000 | 200,000 | 151,909 | | 151,909 | 48,091 |
| JEA Dix Hills - Misc. HVAC/Door Renovation | 36,000 | 36,000 | 33,489 | | 33,489 | 2,511 |
| Brennan - Upgrade Boiler Controls/Exhaust/Fans | 67,000 | 67,000 | 53,752 | | 53,752 | 13,248 |
| WT Manor Plains - Renovate Lavatories | 71,000 | 71,000 | 57,534 | | 57,534 | 13,466 |
| JEA Melville - Boiler Replacement | 794,000 | 794,000 | 676,736 | 111,661 | 788,397 | 5,603 |
| JEA Melville - Replace Playground Surface | 120,000 | 120,000 | 59,956 | | 59,956 | 60,044 |
| JEA Melville - Asphalt Replacement | 165,000 | 165,000 | 0 | | - | 165,000 |
| WT Manor Plains - Asphalt Replacement | 85,000 | 85,000 | 48,500 | | 48,500 | 36,500 |
| WT Manor Plains - Window Replacement - Phase 2 | 650,000 | 650,000 | 583,779 | 44,031 | 627,810 | 22,190 |
| WT Manor Plains - Replace Univents | 500,000 | 500,000 | 178,100 | 256,410 | 434,510 | 65,490 |
| WT Republic - Roof Renovation | 90,000 | 90,000 | 44,000 | (22,000) | 22,000 | 68,000 |
| WT Northport - P/A System Renovation | 180,000 | 180,000 | 13,595 | 85,708 | 99,303 | 80,697 |
| WT Dix Hills - Fire Alarm Panel Replacement | 500,000 | 500,000 | 83,276 | 383,182 | 466,458 | 33,542 |
| Taukomas - Fire Alarm Panel Replacement | 150,000 | 150,000 | 138,236 | | 138,236 | 11,764 |
| WT Dix Hills - Dust Removal System/Carpentry | 150,600 | 150,600 | 145,371 | | 145,371 | 5,229 |
| WT Dix Hills - Replace Light Fixtures/Ceiling | 135,000 | 135,000 | 85,332 | | 85,332 | 49,668 |
| WT Dix Hills - Replace HVAC McGuire 1 | 400,000 | 400,000 | 15,341 | 5,988 | 21,329 | 378,671 |
| WT Dix Hills - P/A System Renovation | 300,000 | 300,000 | 12,118 | 28,427 | 40,545 | 259,455 |
| JEA Dix Hills - Resurface Playground/Replace Equip | 100,000 | 100,000 | 0 | 56,502 | 56,502 | 43,498 |
| JEA Dix Hills - Reconstruct Interior Classroom | 100,000 | 200,000 | 10,370 | 74,222 | 84,592 | 115,408 |
| SUBTOTAL | \$ 12,383,618 | \$ 12,783,618 | \$ 9,586,364 | \$ 1,350,975 | \$ 10,937,339 | \$ 1,846,279 |

The accompanying notes are an integral part of these schedules.

WESTERN SUFFOLK BOCES

SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

| SUBTOTAL | \$ 12,383,618 | \$ 12,783,618 | \$ 9,586,364 | \$ 1,350,975 | \$ 10,937,339 | \$ 1,846,279 |
|---|---------------|---------------|--------------|--------------|---------------|--------------|
| JEA Melville - Reconstruct Interior Classroom | 100,000 | 200,000 | 12,681 | 83,773 | 96,454 | 103,546 |
| JEA Melville - Asphalt Replace/Conduit/Lighting | 250,000 | 250,000 | - | 173,712 | 173,712 | 76,288 |
| Taukomas - Window Replacement | 650,000 | 1,300,000 | 54,290 | 1,025,988 | 1,080,278 | 219,722 |
| WT Manor Plains - Fire Alarm Panel Replacement | 150,000 | 150,000 | 6,154 | 23,950 | 30,104 | 119,896 |
| WT Dix Hills - Replace Lighting | 100,000 | 100,000 | 805 | - | 805 | 99,195 |
| M&O - Exterior Lighting | 5,000 | 5,000 | 1,689 | - | 1,689 | 3,311 |
| WT Dix Hills - Hand Dryer/Cosm/Elec Bathroom | 75,000 | 75,000 | 21,000 | - | 21,000 | 54,000 |
| WT Northport - Elec Subpanel/Elevator Controls | 117,000 | 117,000 | 114,940 | - | 114,940 | 2,060 |
| WT Republic - Install Shutoff Valve on Compr | 1,373 | 1,373 | - | - | - | 1,373 |
| JEA Dix Hills - Sink/Door/Ramp/Sidewalk/Light | 166,500 | 166,500 | 146,610 | 6,872 | 153,482 | 13,018 |
| JEA Melville - Handicap Curbs/Ramp/Rooftop | 54,500 | 54,500 | 34,500 | - | 34,500 | 20,000 |
| Taukomas - Roof Repair above Gym/100 wing | 15,000 | 15,000 | - | - | - | 15,000 |
| District Wide - Energy Conservation Projects | 560,032 | 1,110,032 | 5,742 | 31,290 | 37,032 | 1,073,000 |
| WT Dix Hills - Bathroom Renovation | 60,000 | 155,000 | - | - | - | 155,000 |
| JEA Melville - Walkway Lighting/Repl Master Clock | 89,300 | 89,300 | - | - | - | 89,300 |
| Brennan - Repair/Replace Assorted HVAC | 94,260 | 94,260 | - | - | - | 94,260 |
| WT Dix Hills - Replace HVAC Jones 1 | - | 200,000 | - | 8,674 | 8,674 | 191,326 |
| JEA Dix Hills - P/A System Renovation | - | 150,000 | - | 6,594 | 6,594 | 143,406 |
| Taukomas - Asphalt Replacement | - | 250,000 | - | - | - | 250,000 |
| Brennan - Fire Alarm Panel Replacement | - | 150,000 | - | 6,574 | 6,574 | 143,426 |
| Sunken Meadow - Outdoor Learning Lab Renovations | - | 750,000 | - | - | - | 750,000 |
| WT Dix Hills - Sidewalk Replacement | - | 240,000 | - | - | - | 240,000 |
| WT Dix Hills - Redesign Ramp/Wall/Replace Stucco | - | 120,000 | - | - | - | 120,000 |
| WT Northport - Elec/Sink/Wall/Control Panel | - | 73,500 | - | - | - | 73,500 |
| WT Manor Plains - Install Room Exhaust | - | 25,000 | - | - | - | 25,000 |
| JEA Dix Hills - Light/Wall/Door/Ceiling/Bathroom | - | 163,500 | - | - | - | 163,500 |
| JEA Melville - Intercom/Gym/Toilet | - | 142,000 | - | - | - | 142,000 |
| Taukomas - Redundant Power | - | 187,850 | - | - | - | 187,850 |
| Brennan - Air Comp/Dryer/Transmitter | - | 60,000 | - | - | - | 60,000 |
| Technology 2014/2015 | - | 2,340,500 | - | 2,339,893 | 2,339,893 | 607 |
| TOTAL | \$ 14,871,583 | \$ 21,518,933 | \$ 9,984,775 | \$ 5,058,295 | \$ 15,043,070 | \$ 6,475,863 |

The accompanying notes are an integral part of these schedules.

WESTERN SUFFOLK BOCES

**SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

| | |
|---|-----------------------|
| Adopted budget | \$ 162,544,908 |
| Add: Prior year's encumbrances | <u>644,610</u> |
| Original budget | 163,189,518 |
| Budget revision: Board resolutions to accept changes in service contracts | <u>14,279,104</u> |
| Final budget | <u>\$ 177,468,622</u> |

WESTERN SUFFOLK BOCES

**SCHEDULE OF INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2015**

| | |
|---|----------------------|
| Capital assets, net | \$ 65,939,165 |
| Deduct: | |
| Short-term portion of installment purchase debt | 2,379,946 |
| Long-term portion of installment purchase debt | 3,118,739 |
| Short-term portion of capital leases | 502,096 |
| Long-term portion of capital leases | <u>468,040</u> |
| Investment in capital assets, net of related debt | <u>\$ 59,470,344</u> |

The accompanying notes are an integral part of these schedules.

REQUIRED REPORTS UNDER OMB CIRCULAR A-133

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 29, 2015

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Western Suffolk BOCES (BOCES), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements, and have issued our report thereon dated December 29, 2015.

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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

December 29, 2015

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

Report on Compliance for Each Major Federal Program

We have audited Western Suffolk BOCES' (the BOCES) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the BOCES' major federal programs for the year ended June 30, 2015. The BOCES' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the BOCES' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the BOCES' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the BOCES' compliance.

Opinion on Each Major Federal Program

In our opinion, the BOCES complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

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(Continued)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

(Continued)

Report on Internal Control over Compliance

Management of the BOCES is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the BOCES' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of BOCES' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

WESTERN SUFFOLK BOCES

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Agency or Pass-through Number</u> | <u>2015 Expenditures</u> |
|--|------------------------------------|--|------------------------------|
| <u>U.S. Department of Agriculture</u> Food Distribution | 10.555 | * | \$ 32,183 |
| <u>U.S. Department of Agriculture</u> <u>Pass-Through New York State Dept. of Education</u> | | | |
| School Breakfast program | 10.553 | * | 121,750 |
| National School Lunch Program | 10.555 | * | <u>237,660</u> |
| Total U.S Department of Agriculture | | | <u>391,593</u> |
| <u>U.S. Department of Education</u> | | | |
| Pell Grants | 84.063 | + | 597,820 |
| Federal Family Education Loans | 84.268 | + | 1,407,973 |
| Race-to-the-Top Incentive Grants, Recovery Act | 84.395 | + 5590-15-0020 | <u>279,453</u> |
| | | | <u>2,285,246</u> |
| <u>U.S. Department of Education</u> <u>Pass-Through New York State Dept. of Education</u> | | | |
| Adult Education - State Grant Program | 84.002 | Various | 330,198 |
| Vocational Education - Basic Grants to States (Perkins III) | 84.048 | Various | <u>426,891</u> |
| | | | <u>757,089</u> |
| Total U.S. Department of Education | | | <u>3,042,335</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 3,433,928</u> |

* Part of National School Lunch Program Cluster

+ Part of Student Financial Aid Cluster

WESTERN SUFFOLK BOCES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2015

1. GENERAL

The schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the BOCES. The BOCES' reporting entity is defined in the basic financial statements. All federal financial assistance received directly from federal agencies, as well as federal assistance passed through from other governments, is included in the schedule.

2. BASIS OF ACCOUNTING

The schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, as described in the BOCES' basic financial statements. The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

3. OTHER DISCLOSURES

No insurance is carried specifically to cover equipment purchased with federal awards. Any equipment purchased with federal funds has only a nominal value and is covered by the BOCES' insurance policies.

There were no loans or loan guarantees outstanding at year-end.

4. SUBRECIPIENTS

No amounts were provided to subrecipients.

5. LOAN PROGRAMS

Students attending the BOCES received the following new loans during the year ended June 30, 2015. These loans are made by an organization separate from the BOCES. The value of the loans made during the year is included as federal expenditures presented in the schedule of federal awards.

| | | |
|--------------------------------|--------|--------------------|
| Federal Family Education Loans | 84.268 | <u>\$1,407,973</u> |
|--------------------------------|--------|--------------------|

6. FOOD DONATION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. During the year ended June 30, 2015, the BOCES received food commodities totaling \$32,183.

WESTERN SUFFOLK BOCES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (Continued) JUNE 30, 2015

Section II—Financial Statement Findings

There were no instances of significant deficiencies, material weaknesses, or noncompliance that are required to be reported under *Government Auditing Standards*.

Section III—Federal Award Findings and Questioned Costs

There were no instances of significant deficiencies, material weaknesses, or noncompliance, including questioned costs that are required to be reported under OMB Circular A-133.

Section IV - Status of Prior Year Comments

There were no prior year comments.

WESTERN SUFFOLK BOCES

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2015**

None